S. HRG. 103–731

THE COPYRIGHT REFORM ACT OF 1993

HEARING

BEFORE THE

SUBCOMMITTEE ON PATENTS, COPYRIGHTS AND TRADEMARKS

OF THE

COMMITTEE ON THE JUDICIARY UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

S. 373

A BILL TO AMEND TITLE 17, UNITED STATES CODE, TO MODIFY CERTAIN RECORDATION AND REGISTRATION REQUIREMENTS, TO ESTABLISH COPYRIGHT ARBITRATION ROYALTY PANELS TO REPLACE THE COPYRIGHT ROYALTY TRIBUNAL, AND FOR OTHER PURPOSES

OCTOBER 19, 1993

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THE COPYRIGHT REFORM ACT OF 1993

TUESDAY, OCTOBER 19, 1993

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
SUBCOMMITTEE ON PATENTS, COPYRIGHTS AND TRADEMARKS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:15 a.m. in room 226, Dirksen Senate Office Building, Hon. Dennis DeConcini (chairman of the subcommittee), presiding.

Also present: Senators Hatch, Feinstein, and Grassley.

OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR FROM THE STATE OF UTAH

Senator HATCH [assuming Chair]. I think what we'll do is get started, with the permission of the chairman. Staff tells me that we can begin, so that will save us a little bit of time. I appreciate Senator DeConcini for convening today's hearing. I'm pleased to be a cosponsor with him of Senate bill 373, and I look forward to hearing the testimony today of those who support the goals of this legislation, as well as the testimony of those who might differ with it.

Depending on one's perspective, the Copyright Reform Act of 1993 is either very simple or very complicated. Its most controversial change is undoubtedly the repeal of section 412's requirement that copyrighted works be registered with the Copyright Office before attorneys' fees and statutory damages can be recovered. It is possible to view this proposed repeal as a simple amendment addressing legitimate concerns of photographers, writers, graphic artists and others who find the registration requirements difficult or impossible to comply with.

But the repeal of section 412 may also be seen as an attempt by Congress to address a more fundamental policy question: the extent to which it is proper for the Copyright Act to be employed in the service of building and protection the collections of the Library of Congress. Dr. Billington, I apologize to you that I didn't recognize you when I came in. I didn't see you there at the table. I don't know why I didn't, but we welcome you and your cohorts with you.

In particular, our legislation raises the question of whether it is desirable to continue to key the recovery of full copyright remedies to the interests of the library when the impact of this arrangement falls on clearly identifiable classes of copyright owners. The enactment of section 412 as part of the Copyright Act of 1976 reflected a clear policy determination that, in light of the end of the registration requirement, incentives to building the collections of the Li-

brary of Congress were needed, and that the Copyright Act was the proper place in which to establish such incentives.

But there has always been criticism of the fact that the section 412 incentive falls squarely on the shoulders of the creators whose interests the Copyright Act was designed to advance, and really on no one else. We now have 15 years of experience in which to judge the effects of section 412. Surely it is possible to devise a more efficient system that could continue the goal of building the collections of the Library while avoiding the problems long associated with section 412.

Perhaps, as others have observed, it's time to strengthen and expand the role of mandatory deposit under section 407 of the Copyright Act. I look forward to hearing from today's witnesses on the question of whether section 412 has in fact produced the results that Congress expected when it was adopted in 1976. Also, I hope we can explore the question of whether there may be other reasons for retaining section 412, even if its impact on the collections of the Library does not alone justify its retention.

With regard to section 411(a), the requirement that works be registered with the Copyright Office before an infringement suit is initiated, I believe the issue is much less complicated, at least on this side of Capitol Hill. Our bill's proposal to repeal section 411(a) is after all the same proposal that passed the Senate in 1988 as part of the legislation adopted to implement U.S. adherence to the Berne Convention on the protection of literary and artistic property.

The fact that this section was retained in its present form resulted from a disagreement with the House of Representatives. And I note that the companion legislation introduced in the House this Congress by Representative Bill Hughes, H.R. 897, also repeals section 411(a). And I welcome the willingness that the other body has shown to reexamine this issue.

Mr. Chairman, I look forward to hearing from all of today's witnesses, but I would like to acknowledge in advance the special debt that the subcommittee owes to the Librarian of Congress, Dr. Billington, for the months of effort that his staff has put into examining and researching the complicated questions raised by Senate bill 373. The extensive report and supporting documents of the Librarians Advisory Committee to examine these issues are valuable resources that I'm sure will prove useful to us as we further study this issue.

Sorry to begin, Mr. Chairman, but at least we got my remarks out of the way.

OPENING STATEMENT OF HON. DENNIS DeCONCINI, A U.S. SENATOR FROM THE STATE OF ARIZONA

Senator DECONCINI [assuming Chair]. Senator, thank you very much, and I apologize for being hung up in the Appropriations Committee.

I want to welcome the panel and Dr. Billington, thank you. Also, I did not respond to you last time you were trying to contact me when you could not appear here. I got your message, it was very thoughtful of you and I understand the circumstances that pre-

vented you from being here. It's always a pleasure to have you with us.

Today, the subcommittee, as Senator Hatch has pointed out, is going to take testimony on Senate bill 373, the Copyright Reform Act, which he and I introduced recently. The focus of this hearing will be primarily on the provisions that repeal section 411(a) and section 412 of that Copyright Act of 1976. Section 411 of the Copyright Act requires an author to register their copyright as a condition to filing a suit for infringement.

This provision was incompatible with the Berne Convention, which provides that "the enjoyment and exercise" of an author's "right shall not be subject to any formality." Therefore, when the United States joined the Berne Convention in 1989, it had to make corrective measures to cure this problem. Unfortunately, instead of repealing section 411, the Congress created a two-tier system that continued to impose this requirement on American authors, but exempted foreign authors. So we, in effect, decided to discriminate against American authors, and we continue to do so.

Section 412 requires an author to register before their work is infringed in order to receive statutory damages and attorneys' fees. In my judgment, section 412 has placed a disproportionate burden on certain industries. Moreover, I believe that this provision is a trap for the unwary author as well as the less affluent author who may be precluded from pursuing a claim in the case of an egregious infringement.

Opponents of the bill maintain that the repeal of section 412 will compromise the collection of literary works that are deposited upon registration in the Library of Congress. Moreover, they maintain that the elimination of this provision will cause an explosion in litigation. So the testimony this morning will be helpful for us to attempt to address those concerns. And I look forward to the testimony. We will start with you, Dr. Billington.

STATEMENT OF DR. JAMES H. BILLINGTON, THE LIBRARIAN OF CONGRESS, ACCOMPANIED BY MARY LEVERING, ACTING REGISTER OF COPYRIGHTS; BARBARA RINGER AND ROBERT WEDGEWORTH, COCHAIRS, COPYRIGHT ADVISORY COMMITTEE

Mr. BILLINGTON. Thank you, Mr. Chairman, and members of the subcommittee.

We are grateful for this opportunity to present the views of the Library of Congress on Senate bill 373, the Copyright Reform Act of 1993. Let me first introduce the other members of my panel, here. First, Mary Levering, who is acting for the Register of Copyrights during the transitional period, until I appoint the next Register of Copyrights. Next to her are the two cochairs of my Copyright Advisory Committee, Barbara Ringer, the former Register of Copyrights, Robert Wedgeworth, the interim University Librarian of the University of Illinois at Urbana-Champaign and president of the International Federation of Library Associations.

I would like this opportunity to pay tribute to these two distinguished cochairs of this Advisory Committee, known as ACCORD, for the really enormous amount of effort and creativity and states-

manship that resulted in their report I submitted to you in September.

Let me begin by offering two fundamental principles of this legislation on which I believe everyone can agree. First, protection for and equity among intellectual property creators and owners; and second, the preservation and perpetuation of a uniquely comprehensive record of American creativity, making it available for present use and preserving it for future generations.

The challenge presented by Senate bill 373 is to sustain the first principle by ironing out inequities in the copyright system in such a way as not to diminish but indeed rather to reinforce and strengthen if possible the second principle of strengthening and enhancing the collection of our national Library. With your support, Mr. Chairman, and that of your colleagues, Senator Hatch, Chairman Hughes, and Mr. Moorehead, I appointed an Advisory Committee, known as ACCORD, to study this problem. And as you requested, to focus on alternative incentives, registration and deposit. The committee's report and its deliberations over the summer gave us a better understanding of the issues before it.

Now, as other witnesses will testify, the current copyright law creates a situation where the small independent creator, the basis of American strength, is placed at a disadvantage, and there is also a need to avoid inequities in international copyright as indicated. It seems to us that we must strengthen the fairness and integrity of our system, and at the same time reflect changes in the marketplace.

But the major concern I have, and it is a very serious concern, is the possible effect changes in the current system might produce on our ability to sustain the second principle, that is, the preservation and perpetuation of the uniquely comprehensive record of American creativity for future generations.

Today's creativity feeds on past creativity. The general public in its search of creators of new ideas depend on the unique record found in the comprehensive collections and data bases of the Library of Congress. There is a very real danger that in order to address the problems we face under this first principle, we will undermine, and it could be irreparably, our ability to sustain the second principle. The present system, however flawed in some respects, has succeeded in assuring a steady flow of information and materials. And if major change is required to address the first principle, it could put in jeopardy this flow that the current copyright system does provide.

We therefore propose that first, Congress accept a comprehensive package of recommendations supporting deposit acquisitions for the Library and the copyright registration system. This package should be enacted as a whole and adequately funded and staffed if there are to be changes in the copyright registration system.

The second point is that Congress be willing to review any resultant new procedures on a continuing basis and to make course corrections if there is any adverse impact on the Library or copyright registration system. As the Librarian of Congress, Mr. Chairman, I consider that my first duty is to you, the Congress of the United States, to provide Congress with the world's most comprehensive, best cataloged, and most easily accessible collection of

materials to meet all of your reference, research, and your immediate and long-range information needs. By meeting the needs of Congress over the years, your Library has also become the greatest in the world of the de facto national library of the United States.

It is important to realize that this Library's greatness, its uniqueness in the world, its enormous potential value as we enter the information age, is based to a very large extent upon the operation of the copyright system. The Copyright Office transfers millions of dollars worth of published and unpublished materials in a wide variety of formats to the Library's permanent collection each year.

Now, the main reasons behind the concerns I expressed at the House hearings in March was my realization that any reduction in deposits, even over a short period, would result in losses which could never be made up later, would weaken the Library of Congress, and could over time irreversibly change its character, and over a relatively short space of time. In an era of constricting budgets, we could not expect congressional appropriations to replace through purchases and subscriptions the losses that would result from the changes in copyright law.

At the same time, it's clear that the philosophy and provisions of American copyright law have undergone a fundamental transformation in recent years. With the evaporation of copyright formalities, as conditions of statutory protection, the role of copyright registration has changed, and the Copyright Office's function of providing a great national data base of reliable and readily available information about copyrighted works has become even more critical.

It was because of those deeply felt concerns that I asked Congress for time to study the potential impact of the Reform Act and that I appointed this ACCORD committee to help me with the study. As I said in my letter to you of October 1, I believe that the proposal summarizes chapter 4 of the ACCORD report and the covering letter of the co-chairs, both dated September 15, 1993, comprise an excellent starting point for leading the Library and the Copyright Office into the electronic age.

With very few qualifications, I endorse the proposals and I recommend that your bill be amended to incorporate those that require statutory changes. Some of the proposals in the report could be implemented administratively through regulations or changes in practice, while others will require legislation. It is important for us to work together to find the right formula for this statutory administrative mix. I will leave the specifics of the proposal to other members of my panel, particularly to Ms. Levering, who will follow my remarks.

But I summarize very broadly what we are proposing. First, we propose an expanded and improved system of mandatory deposit to secure the collection of published and of other publicly disseminated works for the Library of Congress. The time has come for the Library to move in the direction of the legal deposit systems upon which the national library systems of most other countries are based. For this we will need a stronger, firmer legislative base than is now provided by section 407. The expansion of mandatory de-

posit must be carefully planned. It must be phased in through pilot projects, and it must be sufficiently funded.

Second, we propose a copyright registration system aimed at encouraging registration and deposit by various changes in the language or administrative implementation of sections 408 through 410 and 411(b) of title 17. The premise underlying the proposals set out in the ACCORD report, with which I agree, is that by adopting simplified procedure and maintaining a positive, service-oriented attitude toward the public, a service-oriented attitude toward the whole copyright process, the Copyright Office can induce a substantial increase in registration. In order to do this, ACCORD made specific recommendations that Ms. Levering will describe in her testimony.

Let me comment directly but briefly on the provisions of section 102 of Senate bill 373, which would repeal sections 411(a) and 412 of the present copyright statute. In the March House hearings, I testified against section 102 because of my concerns about the possible adverse effects repeal of 411(a) and 412 might have upon the Library's collection and of the Library's copyright data base.

After thorough review of the ACCORD report and all related documentation, and a careful consideration of all the issues, I believe that there are important steps outside the purview of sections 411(a) and 412 that can strengthen our deposit and registration system. These consist of the recommendations that I made to you in my October 1 letter, and that are contained in my written, more detailed statement.

With respect to section 411(a), I now believe that the arguments for repeal outweigh those for retention. The question of 412 is more difficult. It deeply divided the ACCORD members, and many within the Library. I am impressed with the arguments as to the provisions of unfairness to authors who do not or cannot register. And I also share the concerns of those who fear the impact of section 412 on achieving adequate protection for American authors in foreign countries.

There seems to be no clear, empirical evidence to show whether or not section 412 in and of itself actually induces registration. However, the success of the present system in effectively stocking the Library's collection and the copyright data base, makes it unwise, if not irresponsible, to discard it without a guaranteed alternative that is strongly supported by the Congress.

Indeed, the only way that any custodian of this priceless collection and of the integrity of its data base could in good conscience agree to repeal this section would be if, one, a major thrust of the legislation is a congressional endorsement of the value of the current mandatory deposit and copyright registration system; two, our proposed comprehensive package of inducements for deposit and register is added in full to the bill; and finally, if adequate additional resources in order to make them work were assured.

And finally, there is also a process established for monitoring the impact of the legislation on the collection and the copyright registration system with a reasonable means of rapidly correcting any unforeseen problems during the transition. Once assured of these points, I would not oppose repeal of section 412.

It seems to us a matter of common sense. Maintenance of the integrity of the Library's collection and the copyright data base is so important to Congress and to the Nation that we would be irresponsible in letting go of the system that's currently supporting the Congress well unless all essential aspects of a new system were clearly agreed upon in advance.

I have not, because of time constraints, addressed other components of the legislation that are vital to the Library and the Copyright Office. These include the proposed Presidential appointment of the Register of Copyrights, the copyright recordation issue, and the copyright royalty tribunal reform, now being considered in separate legislation. I wanted to focus this morning on the important copyright registration and Library acquisition concerns raised by Senate bill 373.

In conclusion, let me emphasize the positive role played by the staff of the Copyright office in reaching the final recommendations embodied in this statement. As I said in my October 1 letter, it is rare that a functioning administrative agency will work so hard, so enthusiastically to examine itself while continuing to provide its regular service. Many important modifications to the ACCORD proposals resulted from active staff consultation, including the refinements and the recommendations concerning mandatory deposit and the rule of doubt in determining registrability.

And, Mr. Chairman, I should also like to thank you and your committee not only for inviting me to offer this testimony but also for the opportunity your copyright reform bill has given the Library of Congress and the Copyright Office to undertake a searching self-examination of our existing procedures and practices, of the interrelationship between the Library and the Office, and of the fundamental purposes and future role of copyright in the electronic age, so it will be more rather than less work. This difficult but essential process has already proved to be healthy and productive and is one that I pledge to continue. Thank you very much.

[Mr. Billington, Mr. Wedgeworth, and Ms. Ringer submitted the following:]

JAMES H. BILLINGTON,
THE LIBRARIAN OF CONGRESS,
Washington, DC, October 1, 1993.

Hon. DENNIS DECONCINI,
Subcommittee on Patents, Copyrights and Trademarks,
U.S. Senate, Washington, DC.

DEAR DENNIS: On May 4, 1993, I received a letter signed by you, Senator Hatch, Mr. Hughes, and Mr. Moorhead, in which you endorsed our effort to explore "ways to satisfy the Library's acquisition needs separately from the current method of incentives provided in Sections 411 and 412 of the Copyright Act," and our appointment of a committee consisting of outside individuals to study and advise on this question. You stated that, given "the time constraints, we believe the meetings should focus on the following question: 'If Sections 411 and 412 of the Copyright Act are repealed, how can the Library's acquisitions needs be met?'"

Following further discussions I appointed an Advisory Committee on Copyright Registration and Deposit (ACCORD) to advise me concerning the impact and implications of the Copyright Reform Act of 1993 (H.R. 897, S. 373). As you requested, the first phase of the committee's work was focused on possible methods of inducing copyright registration and deposit for the Library of Congress that would serve as alternatives to the incentives now offered by sections 411 and 412. On September 15, 1993, I forwarded to you the report of the co-chairs of the Committee on the first phase of ACCORD's work; now, I am pleased to submit to you my comments

and recommendations based upon my review of that report and my consultations with colleagues here at the Library.

At the outset, I thank you for the opportunity the Copyright Reform Bill has given the Library and the Copyright Office to undertake a searching self-examination of existing procedures and practices, of the interrelationship between the Library and the Office, and, most importantly, about the fundamental purposes and future roles of copyright in the electronic age.

This process of self-examination, which will continue far beyond Phase II of ACCORD's work, has highlighted anew the crucial importance of the Library and the copyright system to communications and information transfer in the next century. We must be able to adjust to the changes that come so rapidly in the information age, and we look forward to working with your committees in blazing a constructive path through the difficult challenges ahead.

A fundamental issue which must be addressed is the crucial centrality of the copyright system in sustaining the collections of the Library of Congress and its increasingly vital databases. Congress can take pride in having created the greatest library in the world, but it must realize that, to a very large extent, this greatness is based upon the operation of the copyright system. In addition, the philosophy and provisions of American copyright law have undergone a fundamental transformation in recent years; with the evaporation of copyright formalities as conditions of statutory protection, the role of copyright registration has also changed. The Copyright Office's function of providing a great national database of information about copyrighted works has become all the more important. Now more than ever, we must maintain and strengthen the reliable, publicly-available record of copyrights. This is a formidable challenge, which we believe we will be able to meet with your assistance.

I believe that the proposals summarized in chapter 4 of the ACCORD report and the covering letter of the co-chairs, both dated September 15, 1993, comprise an excellent starting-point for leading the Library and its Copyright Office into the electronic age. With very few qualifications I endorse them and recommend that you give them full consideration in the legislative process. Some of the proposals in the report can be implemented administratively, through regulations or changes in practice; others will require statutory changes. I hope that we can work together in finding the right formula for this statutory/administrative mix, and I pledge my enthusiastic and open-minded support in accomplishing this goal.

Let me comment briefly on the specific recommendations:

- Mandatory Deposit.

The ACCORD report recommends a substantial expansion in the statutory provisions governing mandatory deposit for the Library of Congress which would supplement and complement the existing registration and deposit system. It is now clear to me that we must move in the direction of the "legal deposit" systems upon which the national library collections of most other countries are based, but this obviously cannot be done with the stroke of a pen. Since we already have an effective registration/deposit system supporting the Library's collections, we must move cautiously into what is essentially a new era in collections management for us. Legislation and regulations are difficult to change and there is a risk of disruption of the steady stream of acquisitions if great care, including constant monitoring, is not exercised during a period of transition. Substantial reductions in deposits for a year or more would be an irreparable loss which could—far more easily than a layman might realize—irreversibly change the nature of the Library of Congress.

I share the views expressed by my colleagues that the expansion in mandatory deposit must be carefully planned, must be phased in through pilot projects, and must be sufficiently funded. I also agree with concerns that the proposed system could break down if depositors are encouraged to negotiate in every case. Negotiations may be appropriate in cases where new classes of works are added to the mandatory deposit system or in situations in which compliance is a severe hardship. But the statute and regulations must prevent potential depositors from delaying or avoiding a legal and reasonable demand. Negotiations should be the exception, not the rule, and there should be clear deadlines to assure timely response to a legal demand. In implementing any changes to the mandatory deposit system, we will comply with reasonable due process requirements, without obligating the Library to the Administrative Procedure Act (to which legislative agencies are not subject).

In response to your instructions to suggest alternatives to Sections 411(a) and 412, I strongly recommend that Title 17 be amended to substitute a new chapter of the Copyright Code for section 407, mandating a system of deposit under which material, both published and publicly disseminated, would automatically be added to the Library's collections without the need for prior demands in individual cases.

I endorse the proposals regarding sanctions for non-compliance and legal representation. I am also enthusiastic about the proposal that brief records of these deposits be added to the databases of the Library. However, I believe that we should include licensing, permissions, and pricing information only in registration records, not in these simple deposit records, so as not to weaken this proposed incentive to register.

I am recommending to ACCORD that, during the second phase of its operations, it make in-depth studies of the legal deposit systems in effect in other countries, and that it propose pilot projects for implementing an expanded mandatory deposit system, many of which could be adopted without legislation.

• Registration Process.

I am also convinced that, by adopting simplified procedures and maintaining a positive, service-oriented attitude toward the whole copyright process, the Copyright Office can induce substantial increases in registrations. I endorse the recommendations in the ACCORD report calling for simplified short-form applications, expansion of group registrations and optional forms of deposits, greater consultation with applicants about mutual problems, expansion of information in the copyright on-line databases (especially facts on ownership, permissions, and licensing), making clear that good faith errors in applications will not result in loss of copyright protection or invalidation of registration, and reinforcing the current policy of resolving doubts about registrability in applicants' favor.

Some of the changes that I am recommending should be accomplished through legislation but most can be and will be brought about through administrative action under the present law. I have directed that the Copyright Office hold public proceedings in the near future on a proposed regulation dealing with group registration for newsletters, and that similar proceedings be planned and scheduled with respect to other potential subjects for group registration, including photographs and software. I am also asking that work be resumed on drafting simplified application forms, though changes in their content would have to be mandated by amendment of Section 409. We are beginning a broad consultative process, built on the work of ACCORD, in which we plan to stress the shared interest of the copyright community in strengthening the registration system.

In sum, I believe that modest amendments in Title 17, coupled with dedicated administrative action, will not only encourage registrations but will also help to pave the way for the increased role of automated copyright records in the international information highway.

• Three-Year Review.

If statutory changes are made, it becomes vitally important to test the effect of legislation on copyright registration and deposit through carefully-structured and continuous analysis of actual experience under the changed law. For this reason I strongly endorse ACCORD's recommendation for a statutorily-mandated review and report to Congress if the law is changed. ACCORD recommends a five-year review. I would suggest that an initial review and report should take place after three years. I am asking ACCORD, during its second phase, to propose standards for such a review.

Because of the extraordinary importance of a continuity of acquisitions for the nation's greatest repository of knowledge and the significance of maintaining the integrity of the copyright data base in the electronic era, the Library may have to come to you sooner to request extraordinary action if we see immediate damage to the collections of the nation's greatest repository of knowledge.

• Recommendations of the ACCORD co-chairs.

Two additional proposals for inducements to registration and deposit, growing out of the ACCORD discussions, were put forward for my consideration in the co-chairs' covering letter. I endorse them both.

I. Reports on Litigation.—The co-chairs recommend a requirement that litigants inform the Copyright Office in writing of the filing of infringement actions. Section 508 of the current law, whereby the courts are required to notify the Register of Copyrights about pending copyright litigation and the results of lawsuits, has not been successful. The ACCORD co-chairs' proposal would add valuable information to the national database and would also provide an inducement to register in some cases. I recommend that a fee be charged to cover the workload of recording these documents.

II. Enhanced Remedies.—I also endorse the ACCORD co-chairs' second proposal: providing "enhanced remedies" for copyright infringement of registered works, such as recompensing some of the plaintiff's costs in litigation, or increasing statutory

damages for infringement. These proposals would be likely to furnish realistic incentives to register.

- Costs.

I wish to comment on the possible costs of some of the proposals I have endorsed. Expansion in the scope of mandatory deposit will have costs in processing time and storage space. Improving on-line access to mandatory deposit records and increasing the information available in copyright registration records will have automation and processing costs. In addition, expanded group registration may result in reduced fee receipts. It seems to me that these proposals should be moved ahead for adoption, but in today's fiscal climate we must be sure that the costs of the improvements are covered through fees or appropriations. I look forward to working with the Congress to address these issues. The staff of the Copyright Office is already working to determine the budgetary impact of the options proposed in the ACCORD report.

I close by adding my thanks to all the members of ACCORD, and especially to the co-chairs, Barbara Ringer and Robert Wedgeworth, who worked long and hard to produce a report which will be of great value to the Library and the Copyright Office. I also wish to give thanks to the extraordinary Copyright Office staff who supported ACCORD in creating the report and to all the staff members who have given and continue to give so much thought to these issues. It is rare that a functioning administrative agency will work so hard and enthusiastically to examine itself, while continuing to provide its regular services. I know that I can count on the staff of the Copyright Office to continue their fine work throughout a forthcoming transition period.

Sincerely,

JAMES H. BILLINGTON,
The Librarian of Congress.

PREPARED STATEMENT OF JAMES H. BILLINGTON, LIBRARIAN OF CONGRESS

Mr. Chairman and Members of the Subcommittee, I am grateful for this opportunity to present the views of the Library of Congress on S. 373, the Copyright Reform Act of 1993.

There are two fundamental principles of this legislation on which I believe we can all agree:

(1) protection for and equity among intellectual property creators and owners; and

(2) the preservation and perpetuation of a uniquely comprehensive record of American creativity available for present use and future generations.

The problem we face is to sustain the first principle by ironing out inequities in the copyright system in such a way as not to diminish but rather to reinforce the second principle by strengthening our national library. In order to study this problem I appointed an advisory committee, known as the Advisory Committee on Copyright Registration and Deposit (ACCORD). This committee has given us a better understanding of the issues before us. We face a situation where the small independent creator, a basis of American strength, is placed at a disadvantage; there is also a need to avoid inequities in international copyright. We must strengthen the fairness and integrity of our system and at the same time reflect changes in the marketplace. But the major concern I have is the effect of any changes on our ability to sustain the second principle. Creativity feeds on other creativity. The general public, researchers, and creators of new ideas depend on the unique record found in the comprehensive collections and databases of the Library of Congress.

There is a very real danger, however, that in order to address the problems we face under the first principle, we will undermine, perhaps irreparably, our ability to sustain the second principle. The present system, however flawed in some respects, has succeeded in assuring a steady flow of information and materials; and the major changes required to address the first principle could put in jeopardy this flow that the current copyright system provides. It is essential, therefore, if we are going to make changes necessary to support better the first principle, that we have in place from the beginning protective measures to assure the continued realization of the second principle. We therefore propose that:

(1) Congress accept a comprehensive and total package of recommendations supporting Library acquisitions and the copyright registration system. This package should be enacted in conjunction with any changes in the copyright registration system and with adequate funding.

(2) Congress be willing to review on a continuing basis what is taking place and to make course corrections if there is any adverse impact on the Library or copyright registration system.

Without such components, it would be irresponsible for any Librarian of the unique national repository to risk creating gaps in current acquisitions and in the copyright database that could never be remedied. The usefulness, even the very nature of the Library of Congress, could be radically changed in a relatively short period of time.

INTRODUCTION

The fundamental objectives of the Library can be stated very simply:

- To strengthen the collections of the Library by assuring that acquisitions through copyright registration and mandatory deposit continue to be maintained at least at their present level; and
- To improve and update the copyright registration system by simplifying it and making it more user-friendly, and by expanding the information available to the public in online databases and networks.

As the Librarian of Congress, I consider that my first duty is to you, the Congress of the United States: to provide Congress with the world's most comprehensive, best cataloged, and most easily accessible collection of materials to meet all of your reference, research, and immediate and long-range information needs. By fulfilling the needs of Congress over the years, your library has become the greatest in the world and the de facto national library of the United States. It is important to realize that this greatness is based to a very large extent upon the operation of the copyright system. It is no exaggeration to say that the collections of the Library of Congress and its increasingly vital databases are founded on and sustained by the provisions of the copyright law. The Copyright Office transfers millions of dollars worth of published and unpublished materials to the Library each year.

The main reason behind the concerns I expressed at the House hearings in March was my realization that any reductions in deposits over a period of months or years would result in irreparable losses which would weaken the Library of Congress and irreversibly change its character. Mindful that in an era of constricting budgets we could not expect Congressional appropriations to replace through purchases and subscriptions the losses resulting from changes in copyright law, I also recognized that the legislation might have an adverse effect upon the electronic information highway and the Library's pivotal role in its growth and operation.

At the same time, it is clear that the philosophy and provisions of American copyright law have undergone a fundamental transformation in recent years; with the evaporation of copyright formalities as conditions of statutory protection, the role of copyright registration has changed, and the Copyright Office's function of providing a great national database of reliable and readily-available information about copyrighted works has become even more critical.

It was because of those deeply-felt concerns that I asked Congress for time to study the potential impact of the Reform Act and that I appointed a committee to help me with this study. As I said in my letter to you of October 1, I believe that the proposals summarized in chapter 4 of the ACCORD report and the covering letter of the co-chairs, both dated September 15, 1993, comprise an excellent starting-point for leading the Library and the Copyright Office into the electronic age. With very few qualifications I endorse the proposals, and recommend that your bill be amended to incorporate those that require statutory changes. Some of the proposals in the report can be implemented administratively, through regulations or changes in practice, while others will require legislation, and it is important for us to work together to find the right formula for this statutory/administrative mix.

ANALYSIS OF THE LEGISLATION

In its present form the bill before you is identical with H.R. 897, on which I testified before the House Judiciary Subcommittee on Intellectual Property and Judicial Administration on March 4 of this year. It has four key provisions:

Sec. 101 is intended to reverse the effect of two bankruptcy court decisions: *National Peregrine, Inc.* v. *Capitol Federal Savings and Loan,* 116 Bankr. 194 (Bank. CD. Cal. 1990) and *Official Unsecured Creditor's Committee* v. *Zenith Productions, Ltd. (In re AEG Acquisitions Corp.,* 127 Bankr. 34 (Bank. CD. Cal. 1991). These cases held that the federal copyright statute preempts state Uniform Commercial Code provisions on recordation of security interests with respect to motion pictures and other copyrighted materials, meaning that documents for perfecting security in-

terests must be recorded in the Copyright Office. The bill is intended to allow recordation either in the Copyright Office or in the appropriate state office.

Sec. 102 would repeal sections 411(a) and 412 of the copyright law. Section 411(a) requires that registration must be made or refused by the Copyright Office before an infringement action can be brought. There is a major exception to this requirement in favor of all Berne Convention works other than those originating in the United States. Section 412 provides that no award of statutory damages or of attorney's fees can be made in an infringement action (with certain exceptions) unless the work was registered before the infringement began or, if the work is published, registration was made within three months of first publication.

Sec. 103 would provide for the Register of Copyrights to be appointed by the President rather than, as now, by the Librarian of Congress (who is a presidential appointee).

Title II of the bill would eliminate the Copyright Royalty Tribunal and move its functions into the Copyright Office, to be performed by ad hoc arbitration panels.

In March, before the House Subcommittee, I offered testimony on two of these four points, in effect: (1) opposing the making of changes in the registration and deposit provisions without further study of their potential impact on the Library and copyright system, and (2) opposing the provisions making the Register of Copyrights a presidential appointee and altering the relationship between the Copyright Office and the Library. I did not comment directly on the recordation provisions of section 101 or on the provisions of Title II, moving the functions of the Copyright Royalty Tribunal (CRT) into the Copyright Office. I did, however, take the position that there was no constitutional requirement for making the Register a Presidential appointee in order to transfer the functions of the CRT to the Copyright Office. In concurrent testimony on March 4, the Register did not oppose provisions reversing the effect of the *National Peregrine* decision, but raised questions and urged caution and further study. On the issue of transferring the CRT, the Register expressed willingness to assume the proposed responsibilities. The provisions of Title II have now been superseded by S. 1346, the Copyright Royalty Tribunal Reform Act of 1993, introduced on August 3, 1993. The Library of Congress testified on S. 1346 at your hearings on October 5, and I will therefore not comment further on the substance of Title II in this statement.

STATEMENT OF POSITION ON SECTION 101 AND 103 OF SENATE BILL 373

Let me state my position on those provisions of the bill not directly related to the proposed repeal of sections 411(a) and 412.

First, I remain opposed to the proposals to make the Register a Presidential appointee and to alter the structural, administrative, and regulatory relationships between the Copyright Office and the Library of Congress. In the months since the bill was introduced, these proposals appear to have attracted some opposition and little or no support. Strong and cogent arguments against them have been put forward, and the constitutional questions underlying the recommended changes have now been resolved by S. 1346, the new bill placing the functions of the CRT under the Librarian of Congress rather than the Register of Copyrights.

It is my hope and expectation that the proposals to alter the century-old interrelationship between the Library and the Office will now be dropped entirely from the bill. Two points deserve emphasis:

- As Librarian of Congress I am acutely conscious of the dual responsibilities I bear as the head of the research and reference arm of the Congress and, through it, of our country's de facto national library, and at the same time, as ultimate administrative head of the U.S. copyright system. I regard these responsibilities as being of fundamental importance in advancing the constitutional principle on which copyright is based, the promotion of the arts and sciences. This principle is an inherent part of the mission of the Library. In the interests of the public and the nation, it is essential to establish a harmonious equipoise in resolving a multitude of policy considerations. This is a complex and vital challenge, but with your help, I pledge to do my utmost to meet it.
- By now, everyone has some sense of the breathtaking technological changes taking place in communications generally and in what might be broadly termed information storage and transfer in particular. The Library of Congress has a pivotal role to play in collecting the materials that document the cultural memory of the nation and the world. The Library is more than a stop on the emerging international electronic information highway. This Library rather is a major home base from which parts of the highway will begin and end. An expanded copyright system is an essential part of the functioning of the information highway. To operate effectively, the highway demands a reliable and comprehensive

national database of information about copyrighted works, their ownership, and where to go for permissions and payments. To me, it makes good sense for the Library to integrate further its collections activities with its copyright deposit and registration systems, and to get as much information as possible to the public through online electronic networks. (There are now more than 12 million records in the Copyright Office online database and more than 75 million records in the bibliographic databases of the Library which have just been put on the Internet and are available nationwide.) An administrative partnership, conjoining the policies and practices of the Library and the Copyright Office, is essential to this endeavor.

Second, on the bill's proposal to overturn the *National Peregrine* decisions and to allow security interests to be perfected by recordation in either a state office or the Copyright Office, I join with others in urging Congress to go slowly. This is a very complex issue which requires much more thorough legal and factual analysis than has been possible up to now; arguments on both sides of the proposal have emerged, and questions have been raised as to whether, as written, the language of the bill would accomplish its purpose. I should also call attention to the prescient observations on page 26 of the Register of Copyright's March 4 statement:

> In considering amendments to the recordation provisions, the Copyright Office also notes the possibilities in the emerging electronic era. While bankers today may be more comfortable dealing with local state filings under the U.C.C., in the future it will be possible for a sole centralized source of recorded security interests to deliver that information on a banker's terminal in his office.

I am convinced that the functions of recording documents of all sorts is one of the most important duties the Copyright Office is called upon to perform, and that the current processes need to be thoroughly reexamined. The members of ACCORD have already expressed this view, and I am asking the Copyright Office to coordinate with ACCORD a full-scale study of the possibilities of integrating records of registration, deposit, and recordation in the catalogs and online databases of the Office. Meanwhile, I urge that the provisions of section 101 of the bill be dropped. In particular, the provision deleting the requirement in section 205(c)(2) that registration be made before a recorded document is given constructive notice should be removed, since the information in a registration entry must be available to provide the starting point for additional information about copyright ownership, transfers, licenses, mortgages, and so forth, in the national copyright database. This would continue to tie recordations to copyright registrations and maintain that current incentive to register.

OBSERVATIONS REGARDING SECTION 102 OF SENATE BILL 373

Turning now to the provisions of section 102 of the Copyright Reform Act of 1993, let me first summarize the Library's recommendations for inducing copyright registration and deposit if sections 411(a) and 412 are repealed, and then comment on those sections themselves.

Following the House hearings in March and further discussions and exchanges of correspondence, I appointed an Advisory Committee on Copyright Registration and Deposit (ACCORD) to advise me concerning the potential impact of the Reform bill. As you and the House Subcommittee requested, the first phase of the committee's work was focused on possible methods of inducing copyright registration and deposit for the Library of Congress that would serve as alternatives to the incentives now offered by sections 411 and 412. On September 15, I transmitted to you the report of the co-chairs on the first phase of ACCORD's work, and on October 1, I submitted to you a letter containing my comments and recommendations based on my review of that report, the covering letter accompanying it, and extensive consultations among the officials and staff of the Library and the Copyright Office. I am attaching copies of these documents to this statement, and ask that they be made part of the record of this hearing.

The specific recommendations of the Library of Congress for amendments to the Copyright Reform Act are based on the ACCORD report, the co-chairs' letter, and the further proposals of my colleagues in the Library and the Office. Where administrative action rather than statutory amendment is called for, I have tried to outline the steps we should take in order to implement the proposals. In addition, the following general points need to be emphasized here:

First, these proposals were developed on the basis of the congressional mandate to assume the repeal of sections 411(a) and 412. For the reasons outlined below, I

am not opposed to repeal of those sections. However, this position of the Library of Congress is wholly dependent upon the enactment of the entire package of statutory provisions along the lines we are recommending here, to provide strong and effective alternative incentives to deposit and registration. The integrity of the comprehensive collections of the Library of Congress and of the copyright database are at stake in this debate. In addition, in order to respond responsibly to Congress' request for alternatives to 411(a) and 412, we must ask Congress to strongly endorse the duty of the citizen to freely donate his or her creative work to the nation's collection. We need the strong leadership of Congress for the obligation of deposit.

Second, I am aware that there is opposition to deletion of sections 411(a) and 412, and the witnesses that follow me will be debating the issue. The ultimate fate of either or both of the provisions is not a foregone conclusion, and the existence or strength of support for the Library's recommendations will inevitably depend upon what Congress decides to do with 411(a) and 412. But I should stress my conviction that the proposals I am about to present have independent merit, and should be considered on their own terms as desirable reforms and as needed additions to the Copyright Reform Act of 1993.

Third, as I said toward the end of my letter of October 1, there are cost implications in what we are proposing. Expansion in the scope of mandatory deposit will have costs in processing time and storage space. Improving on-line access to mandatory deposit records will have automation and processing costs. Expanded group registration may result in reduced fee receipts. In today's fiscal climate, we must be sure that, if adopted, the costs of the improvements we are recommending are covered through fees or appropriations. There must be a clear understanding with all relevant congressional committees that additional funding may be required.

Nothing less than the future of the Library rests on the implementation of all these recommendations. The possibility of losing materials will cause irreparable harm to the collections because the Library has no money for back purchases. It is the current acquisitions that are often most important for the Congress and the nation. If material is not received on a timely basis it often can never be replaced. In addition, the integrity of the copyright database will suffer with severe consequences to its users.

RECOMMENDATIONS FOR STATUTORY AMENDMENTS DEALING WITH MANDATORY DEPOSIT

Of the two main recommendations for alternative incentives to induce deposit and registration, the one requiring the most extensive legislative amendments will be that involving mandatory deposit. Section 407 of the present statute provides the starting point for an effective mandatory deposit system, but I agree with the conclusions outlined in chapters 3 and 4 of the ACCORD report that the provision needs to be substantially expanded and strengthened if it is to serve as a realistic source of major acquisitions for the Library. In my October 1 letter, I declared that the time has come for the Library to move in the direction of the "legal deposit" systems upon which the national library collections of most other countries are based, and for this we will need a stronger, firmer legislative base than is now provided by section 407. Clarification of the legislative authority will improve the effectiveness of mandatory deposit. At the same time, I cautioned that the expansion of mandatory deposit must be carefully planned, must be phased in through pilot projects, and must be sufficiently funded. I should like to repeat here points summarized in Chapter 3 of the ACCORD Report, which strike me as of fundamental importance:

First: To be successful, the mandatory deposit system must be made to work automatically, without individual demands and negotiations; at the outset the Library will have to establish and maintain databases, identify and contact potential depositors, and undertake an educational campaign.

Second: We need a strong statement from Congress to help make potential depositors understand and fulfill their obligations as citizens. While the Library would act non-coercively, the system could break down if depositors are encouraged to negotiate in every case. Negotiations may be appropriate in cases where new classes of works are added to the mandatory deposit system or in situations where compliance is a severe hardship. But the statute and regulations must prevent potential depositors from delaying a legal and reasonable demand.

Third: Simple records of mandatory deposits should be placed online to complement the Library's bibliographic and copyright databases, adding valuable components to the information that will be available on the electronic information superhighway and giving copyright owners an additional inducement to deposit.

Fourth: Mandatory deposit under section 407 is now limited to published works. This is an artificial limitation in areas such as television, cable transmissions, and electronic databases, and at least in some of these cases, the scope of mandatory deposit should be carefully expanded to include works publicly disseminated. However, works in electronic form, which are easily copied and altered, present special problems. Where a work has been made available to the public but has not been published in the technical sense, great care will continue to be taken to assure that its value is not impaired through compliance with mandatory deposit.

Finally, the Library recognizes that mandatory deposit cannot and should not reach unpublished, undisseminated works which make up some of the most important collections of the Library. We are hopeful that simplifications and improvements in the present registration procedures of the Copyright Office, as recommended below, will maintain voluntary copyright deposits of unpublished material at their present level, but this is something that will need to be monitored carefully after the new law comes into effect. All the relevant committees of Congress need to be ready to move quickly if a problem arises as we move into uncharted waters if a rapid course adjustment is required.

With these points in mind, the Library of Congress recommends the following amendments to the Copyright Reform Act of 1993 regarding mandatory deposit:

1. Make section 407 into a separate chapter of title 17 to accommodate the greatly enlarged number of provisions, to focus greater attention on the requirement, and to emphasize its increased importance.
2. Make clear in the statute that the obligation of deposit arises immediately and automatically upon publication (or public dissemination of certain works) in the United States, without the need for official notice or demand; make clear that the obligation applies to every work the rights holders publish or publicly disseminate in the United States unless deposit for copyright registration has been made, or unless the Library has declared that it does not seek deposit of the type of material in question.
3. Clarify in the statute the relation between mandatory deposit for the Library of Congress and deposit for copyright registration and specify the Librarian as the ultimate authority in administering mandatory deposit.
4. Strengthen and formalize the statutory provisions underpinning the procedures for mandatory deposit. Here ACCORD made recommendations which could be interpreted as encouraging negotiations in every case. In my October 1 letter, I noted that, although negotiations may be appropriate in some hardship cases, they must not encourage dilatory tactics or be allowed to break the system down, and I recommend that the statute provide clear deadlines to assure timely responses.
5. Establish realistic sanctions for non-compliance with formal demands, including not only fines but the possibility of recovery of attorney's fees and other legal costs in appropriate cases, making clear that the sanctions are civil and not criminal in nature; provide the Librarian with practical and effective means for obtaining legal representation in demand cases, including the possibility of retaining private counsel. We need strong administrative support and tough enforcement mechanisms, which may require additional staff, to ensure compliance.
6. Provide statutory procedures for processing and recording the receipt of mandatory deposits, including requirements for establishing and maintaining simple public records of mandatory deposits and for putting those records into the Library's online databases.

RECOMMENDATIONS FOR STATUTORY AMENDMENTS DEALING WITH COPYRIGHT REGISTRATION POLICIES AND PROCEDURES

The second major group of ACCORD recommendations were aimed at encouraging registrations and deposit by various changes in the language or administrative implementation of sections 408 through 410 and 411(b) of Title 17. The premise underlying these proposals, with which I agree, is that by adopting simplified procedures and maintaining a positive, service-oriented attitude toward the whole copyright process, the Copyright Office can induce substantial increases in registrations. ACCORD's five main recommendations on registration practices can be summarized as follows:

1) Create a simple, short-form application to be used whenever possible;
2) Expand the availability of group registrations and optional forms of deposit, and increase the opportunities of applicants to consult with the Copyright Office on matters of mutual concern;

3) Work out a system for adding information about ownership, transfers, licenses, sources of permissions, and pricing to copyright database records;
4) Make clear that good faith errors in applications will not invalidate copyright protection or constitute fraud on the Copyright Office; and
5) Reinforce the "rule of doubt" in examining practices, under which uncertainties about copyrightability or registrability are resolved in the applicant's favor, leaving it to the courts to decide doubtful questions.

I support these suggestions; all of them represent reforms that are justifiable and would remove some of the present deterrents to registration. Several of the changes can be implemented, at least partially, under existing law and without further legislation, but others will require amendments to your bill. Specifically:

- Development of a short-form application is one of ACCORD's most important proposals; it would unquestionably encourage some individual authors who are put off by the complicated forms now in use to start registering their works. Many of the deposits thus induced would be for unpublished works, which are not subject to mandatory deposit. However, section 409 specifies eleven items of varying complexity that must now appear on blank application forms, even though some of the information is irrelevant for many works written and owned by individual authors. Legislation would hence be needed to accomplish this reform.
- Expanding the availability of optional forms of deposit, encouraging more frequent Copyright Office hearings and consultations with applicants, reinvigorating the Office's rule of doubt, setting up a formalized appeals procedure within the Copyright Office, and studying the possibility of tying registration information to the records of transfers maintained in the Copyright Office under section 205: these are all matters that can and will be implemented administratively, without the need for legislation.
- With respect to group registrations, some legislative changes may be needed. There can be significant cost factors involved in examining, cataloging and processing multiple claims on a single application. There are also difficult questions concerning the fees to be charged and the extent to which catalog and database entries should identify the various separate works included in a group registration. Group registrations is an area in which we believe more general legislative ground rules (rather than the current limiting guidelines in 408(c)) would be helpful to applicants, the Office, and the Library. Administrative flexibility allows the Copyright Office to serve the widest range of applicants.
- The proposals for relating information about recorded documents to online registration records, and for including information about licensing, permissions, and payments in the database, are highly desirable reforms. Important legal and fiscal issues need to be resolved through statutory amendments.

In light of these conclusions, the Library of Congress recommends the following amendments concerning registration practices:

1. Amend section 408 to provide stronger and more general guidelines for group registrations in the Copyright Office.
2. Amend section 409 to authorize development of a short-form application, specifying the information to be included but keeping it as simple as possible. Add a provision covering both short and long-form applications allowing applicants to provide optional information about permissions, licensing, and pricing, making clear that this information is to be included in the online database but that it is not entitled to the prima facie presumptions of section 410(c). Revise the list of specified items to be included in the long-form application to make the information provided clearer and more meaningful: rewrite clause (9), delete clause (10), and add a subsection making clear that an error or omission of fact on an application will deprive that item of prima facie weight, but will not constitute fraud on the Copyright Office or invalidate the copyright.
3. Amend section 411(b), dealing with the special problem of live radio and television programs (notably sports) which are likely to be infringed at the moment of their first transmission, to reduce the present cumbersome paperwork and procedural burdens. Instead of requiring actual notice to be served on potential infringers, provide for a filing in the Copyright Office within reasonable time-limits and under regulatory conditions to constitute constructive notice, allowing injunctions and recovery of other remedies as long as timely registration is made later.
4. If section 411(a) is repealed, an additional technical amendment is needed, deleting the definition of "country of origin" in section 101.

RECOMMENDATION FOR STATUTORY AMENDMENT MANDATING A THREE-YEAR REVIEW

Assuming that statutory changes are made, it becomes vitally important to test the effect of legislation on copyright registration and deposit through carefully-structured and continuous analysis of actual experience under the changed law. For this reason I strongly endorse ACCORD's recommendation for a statutorily-mandated review and report to Congress on the actual effects of the changed law. The ACCORD recommendation was for a five-year review, but I would suggest that an initial review and report should take place after three years. I am asking ACCORD, during its second phase, to propose standards for such a review.

Because of the extraordinary importance of a continuity of acquisitions for the nation's greatest repository of knowledge and the significance of maintaining the integrity of the copyright database in the electronic era, the Library may have to come to you sooner to request extraordinary action if we see the danger of immediate damage to the collections, particularly for unpublished works. The damage to collections becomes irreparable if major gaps develop in the current flow of acquisitions; and the Congress must be willing to undertake immediate action if the major changes we are proposing do not prove efficacious.

OTHER RECOMMENDATIONS FOR STATUTORY AMENDMENTS

There are two additional proposals for inducements to registration and deposit, growing out of ACCORD discussions, that I put forward as recommendations of the Library of Congress:

- We recommend that section 508 be amended to require that litigants inform the Copyright Office in writing of the filing of infringement actions. Currently section 508 requires the courts to notify the Register of Copyrights about pending copyright litigation and the results of lawsuits, but this provision has not been successful. We believe that our proposed amendment, which should probably also have a fee attached, would add valuable information to the national database and would also provide an inducement to register in some cases.
- Our final recommendation, which is discussed more fully toward the end of Chapter 3 of the ACCORD report, is to provide "enhanced remedies" for copyright infringement of registered works, such as recompensing some of the plaintiff's costs in litigation or increasing statutory damages for infringement. This proposal was discussed extensively during the ACCORD proceedings, and attracted some support from ACCORD members, and we agree that it would be likely to furnish some realistic incentives to registration and deposit.

COMMENTS ON SECTIONS 411(A) AND 412

I should like now to comment briefly on the provisions of sec. 102 of S. 373, which would repeal sections 411(a) and 412 of the present copyright statute. In the March House hearings I testified against sec. 102 because of my concerns about the possible adverse effects repeal of 411(a) and 412 might have upon the Library's collections and the copyright database.

After a thorough review of the ACCORD report and all related documentation, and a careful consideration of all the issues, I believe there are important steps outside the purview of sections 411(a) and 412 that can strengthen our deposit and registration system.

With respect to section 411(a), I now believe that the arguments for repeal outweigh those for retention. The question of 412 is more difficult; it deeply divided the ACCORD members and many within the Library. I am impressed with the strength of the arguments as to the provision's unfairness to authors who do not or cannot register. I also share the concerns of those who fear the impact of section 412 on achieving adequate protection for American authors in foreign countries. There seems to be no clear empirical evidence to show whether or not section 412 actually induces registration. The success of the present system in effectively stocking the Library collection and the copyright database makes it unwise, if not irresponsible, to discard it without a guaranteed alternative, strongly supported by Congress. Indeed, the only way that any custodian of this priceless collection and of the integrity of the database could conscientiously agree to repeal this section would be if: (1) a major thrust of the legislation is a congressional endorsement for the value of the current mandatory deposit and copyright registration system; (2) that the full and comprehensive package of inducements to deposit and register are added in the bill and that adequate additional resources be assured to make them work; and (3) there is a process for monitoring its impact on the collections and the copyright registration system with the possibility of a reasonable means of rapidly correcting any

unforeseen problems during the transition. With these assurances, I will not oppose repeal of Section 412.

I see no need here to expatiate further on the general arguments for and against repeal of sections 411(a) and 412; they will be presented fully by the witnesses to follow and a balanced summary of them appears in Chapter 3 of the attached ACCORD report, which I commend to you. I should, however, like to offer the following comments from the vantage point of the Library

AS TO SECTION 411(A)

- The discriminatory nature of the provision against American authors and copyright owners is impossible to deny. As a public policy matter the discrimination calls for repeal unless even stronger public policy arguments exist for retaining the provision. I believe that the fundamental changes in copyright registration brought about by United States adherence to the Berne Convention have substantially weakened the arguments for retaining section 411(a) in any form.
- Section 411(a) serves little or no purpose in inducing deposit for the collections of the Library. The provision requires registration as a condition of bringing an infringement suit, but there is no requirement that registration and deposit be made at any time before suit is actually filed. There is thus no guarantee of a timely deposit with the Library.
- The copyright registration system is valuable to the copyright community and the courts because it provides a reliable, readily-accessible public record and database of facts pertaining to copyright and a starting point for the courts on important issues, including authorship, ownership, and basic copyrightability. The examining process remains useful in screening out claims in clearly uncopyrightable material such as names, titles, and designs for machinery. However, in a post-Berne era of no formalities, the role of registration as a gatekeeper for the courts has changed; in tough cases the basic issues of copyrightability should be left to the courts, not the Copyright Office, to resolve.
- Providing a public record of copyright litigation is desirable and important but section 508, which was intended to serve this purpose, has not been successful because it has not been complied with by the clerks of the courts. The ACCORD report offers a sensible alternative to section 508, proposing an amendment requiring the plaintiff's attorney in an infringement case to record information about the litigation in the Copyright Office.
- As a practical matter registration will usually be made routinely before litigation is commenced. If not, defendant can request the judge to order registration, ask the Copyright Office for an advisory opinion, or can call the Register or members of the Copyright Office staff as expert witnesses.

AS TO SECTION 412

- On reviewing my testimony before the House Subcommittee in March, I realized the need to address one of the most important arguments with respect to section 412: its basic unfairness to authors, artists, and other creators and copyright owners. This unfairness cannot be remedied by changes in Copyright Office regulations and practices (such as group registrations and optional deposits) alone. The impact of section 412 goes beyond photographers and other specific classes of creators who testified during the March hearings; it hurts all authors of unpublished and published works who have not registered before infringement, either because they do not know of the requirement or cannot comply for practical reasons. Statutory damages and attorney's fees can no longer be regarded as "extraordinary remedies"; today in copyright cases they may be essential to enforcement of the author's rights.
- In its increasingly important international copyright negotiations the United States demands that other countries provided U.S. works with the strongest possible remedies against piracy, including statutory damages, without formalities. Obviously it is unfair to deny American authors the same remedies. Moreover, if we continue to take the position that section 412 does not violate the Berne Convention, there is nothing to prevent other countries from establishing onerous registration requirements and making recovery of remedies by U.S. copyright owner conditional on compliance with them, citing section 412 as precedent.
- Publishers and representatives of historians, biographers, journalists, and other authors and users argue that, although section 412 originated simply as a means for inducing registration, later changes in the law abolishing formalities have expanded its role. Since the number of works now protected by statutory copyright is virtually incalculable, they maintain, section 412 has achieved a

new dimension: by inducing registration it provides scholarly users and others with essential information and shields them from some of the risks of litigation, that they can now avoid. They also argue that, if section 412 is repealed, scholars and others might choose to avoid using quotations and excerpts from copyrighted materials, hence undermining the fair use doctrine. These arguments deserve to be given serious consideration but not in the context of section 412, because it mixes issues of registration with those of fair use and litigation. In my opinion they should be addressed by dealing directly with the litigation-based concerns rather than through a provision depriving authors of basic remedies they need to enforce their rights.

- The potential impact of repeal of section 412 on collections development and on the integrity of the copyright database are matters of life and death concern to the Library. This is particularly true with respect to acquisitions of deposits for the Library's unique collections of unpublished works—which, to reiterate, are not served by mandatory deposit. There is, of course, no way of knowing in advance whether repeal of 412 would result in substantial losses to the collections, but there is genuine fear on the part of librarians within and outside the Library of Congress that losses would occur, and there is considerable pressure to resist the proposed change.
- The Library of Congress will not oppose section 102 of S. 373 if it is amended to adopt our comprehensive package for alternative inducements to registration and deposit, including provisions expanding the mandatory deposit provisions of section 407, amending various sections in Chapter 4 of the statute to simplify and ameliorate the registration system and establish online databases of copyright information, and others. Especially important is a provision for a continuing review of the impact of repeal of sections 411(a) and 412, with assurances that it will be revisited if the collections are negatively affected. We do not like to be prescribing what would appear to be a non-negotiable package for the Congress. But maintenance of the integrity of these collections ad the copyright database is so important to the Congress itself, we would be irresponsible in letting go of a system that is currently supporting the Congress well unless all essential aspects of a new system were agreed upon in advance.

CONCLUSION

In closing, I must emphasize the positive role played by the staff of the Copyright Office in reaching the final recommendations embodied in this statement. As I said in my October 1 letter, it is rare that a functioning administrative agency will work so hard and enthusiastically to examine itself while continuing to provide its regular services. The modifications in the ACCORD proposals resulting from active staff consultations include refinements in the recommendations concerning mandatory deposit and the "rule of doubt" in determining registrability. A particularly important suggestion—that licensing and pricing information be included in the online database for registrations but not the database for mandatory deposits—is not only practical, but would provide an added incentive for registration.

Mr. Chairman, I should like to thank you and your committee not only for inviting me to offer this testimony, but also for the opportunity your Copyright Reform Bill has given the Library of Congress and the Copyright Office to undertake a searching self-examination of our existing procedures and practices, of the interrelationship between the Library and the Office, and of the fundamental purposes and future role of copyright in the electronic age. This difficult but essential process has already proved to be healthy and productive, and it is one that I pledge to continue.

DR. JAMES H. BILLINGTON'S RESPONE TO A QUESTION SUBMITTED BY SENATOR GRASSLEY

Question. Your Advisory Committee on Copyright Registration and Deposit recommended that we should consider establishing a mandatory registration on all intellectual property.

Wouldn't this be an extremely onerous requirement for many producers?

Answer. A mandatory registration for all intellectual property would indeed be an onerous requirement for many producers. However, neither the Advisory Committee on Copyright Registration and Deposit (ACCORD) nor the Library of Congress have proposed such mandatory registration.

The ACCORD report and my testimony refer only to copyright. The Library of Congress and the Copyright Office have no jurisdiction over other forms of intellectual property, such as patent and trademark.

Mandatory registration is not a part of the current copyright law, nor is it proposed by ACCORD or the Library. There are currently *incentives* for voluntary copyright registration, some of which would be removed by the Copyright Reform Act of 1993, but registration is not mandatory in order to have copyright in a work. In response to the Act's proposal to eliminate sections 411(a) and 412 of the current law, ACCORD and the Library have proposed a package of alternative incentives for registration, including simplified application forms, more use of group registrations, adding information regarding permissions and licensing to registration records, and other ways of making the registration process more user friendly, but none of these incentives make registration mandatory.

It may be that the question is intended to refer to mandatory *deposit*, rather than mandatory registration. Mandatory deposit in the Library of Congress of copyrighted works published in the United States has been a part of United States law since 1870 and is the foundation of the collections of the Library of Congress. Legal deposit systems are an established part of the laws of most developed countries and many developing countries, and are the foundation of the national library collections of those countries. ACCORD and the Library have made proposals to strengthen and expand the current mandatory deposit provisions of title 17, U.S.C. These proposals have been made because of concerns that the collections of the Library of Congress may be harmed if registrations were to be reduced as a result of passage of the Copyright Reform Act.

In regard to published works, the Library's proposals would simplify and strengthen the procedures for mandatory deposit but would not change the existing scope of the requirement. In addition to published works, there is a huge body of material, such as radio, television, and cable broadcasts and works transmitted on computer networks, that are widely available to the public but are not "published" within the technical meaning of the term. These "publicly disseminated" or "publicly transmitted" works are an integral part of modern culture, and there is widespread agreement that the Library of Congress should serve as an archive for their preservation and scholarly use.

Section 407(e) of the present statute already gives the Library authority to tape off the air and to demand deposit of "transmission programs" (that is, works prepared for the purpose of broadcasting or other transmissions to the public). This provision, which was enacted in 1976, has proved valuable to the Library's collections, but its procedural requirements are outdated and in need of simplification.

Beyond transmission programs, there are works in digital formats, such as online databases and computer software, that present special problems: the producers of these works are not so much concerned about supplying material for a Library archive as they are about how the material would be used after it is in the Library's collections. These concerns are legitimate, and I have testified that expansion of mandatory deposit must be carefully planned, must be phased in through pilot projects, and must be sufficiently funded.

Section 407(c) of title 17 currently allows the Register of Copyrights to exempt categories of material from mandatory deposit when the Library does not wish such materials for its collections, or when deposit would be burdensome or unreasonable. The Register currently exercises this authority and exempts many categories of material, such as sculptural works. The Library's proposals recommend that the Librarian of Congress be the ultimate authority in making such determinations but do not suggest a change in the authority allowed. The Library recognizes that mandatory deposit can be unreasonable in some cases, especially when the Library does not wish to collect the category of work. ACCORD has recommended that the Library regularly review and publish its acquisitions policies as applied to mandatory deposit. The Library has endorsed this recommendation.

The Library has proposed that the statute make clear that the "obligation [to deposit] applies to every work the rights holders publish or publicly disseminate in the United States, unless deposit for copyright registration has been made, or unless the Library has declared that it does not seek deposit of the type of material in question." This is simply a request to emphasize the provisions of the current law, not a change in the law, except that the scope is broadened to include publicly disseminated or publicly transmitted works of the types mentioned above. The House subcommittee has already included a provision calling for a detailed study of this proposal in an amendment adopted at mark-up, and Chairman Hughes indicated his general support for the Library's acquiring this type of material once the study has been concluded.

To summarize, we do not feel that the proposals made by ACCORD or the Library of Congress will constitute an unfair or onerous requirement on producers of copyrighted works. We feel that they will provide substantial benefits to the Congress, the scholarly community, and the public.

LIBRARY OF CONGRESS,
Washington, DC, September 15, 1993.

DEAR DR. BILLINGTON: We are honored to submit to you the Report of your Advisory Committee on Copyright Registration and Deposit (Phase I).

In March of this year the House Subcommittee responsible for copyright legislation held hearings on the Copyright Reform Act of 1993 (H.R. 897, S. 373), a bill which, among other things, would repeal sections 411(a) and 412 of the present law. At the hearings you expressed concerns about the potential impact of the bill on the copyright registration system and the collections of the Library of Congress, and you stated your belief that further, in-depth studies were needed on these questions.

In response to your concerns the committees of Congress asked that you undertake a two-part review of the immediate issues raised by the bill and their broader implications, and that you report your findings and recommendations to Congress by mid- September. To assist you in fulfilling this mandate you appointed an advisory committee, of which we are co-chairs, and which has become known by its acronym, ACCORD. Your initial charge to the committee was to study and report upon possible methods of inducing copyright registration and deposit for the Library of Congress that would serve as alternatives to the incentives now offered by sections 411(a) and 412.

The committee has given us, as co-chairs, the duty of reporting the outcome of Phase I of ACCORD's work and recommendations as accurately, fully, and objectively as possible, and this we have tried to do in the attached document. We must emphasize that the statements in the report are our own, not those of the committee as a whole or of any of its individual members. We believe that the recommendations in Chapter 4 of this report accurately reflect the views of ACCORD as a whole favoring two detailed proposals—expanded mandatory deposit and improvements in registration—which would serve as alternatives to the inducements in sections 411(a) and 412 of the present law. There was substantial support for, and no opposition to, adoption of the recommendations in Chapter 4, although the members agreed to disagree on the Reform Bill's repeal of sections 411(a) and 412. Obviously the strength of a member's support for the Chapter 4 recommendations must be affected by that individual's views on repeal of 411(a) and 412.

Since the bill would eliminate sections 411(a) and 412 most of the committee members felt that the only way to judge the impact of their loss would be first to understand their purposes and how they work. As chairs of ACCORD we have been criticized for failing to limit discussion of the two provisions to the background necessary for coming up with alternatives, but we do not believe that cutting off debate on sections 411(a) and 412 would have been necessary or desirable—or possible in any event. We believe that it was important for the members to consider what 411(a) and 412 accomplish or fail to accomplish with respect to registration and deposit under the present law, in order to evaluate what alternatives can be found to accomplish the same or similar purposes.

It is true that the debates over section 412 went beyond the question of its possible impact on copyright registration and deposit, and expanded to cover litigation issues on which there are very strong feelings. Acknowledging that these are matters for Congress, not the committee or the Librarian, to consider, we must say that we do not regret that the debates took place. They were constructive and illuminating, and ultimately, we believe, resulted in a much better understanding on the part of everyone of the various positions and the reasons for them. Our report reflects the differences of opinion on sections 411(a) and 412, and all of the arguments made concerning them. We believe that, after reviewing the text, you will be satisfied that all views are fairly and objectively presented.

Speaking only for ourselves, as members of the advisory committee and not as co-chairs or on behalf of ACCORD or any of its members, we agree with the sponsors of the Copyright Reform Act that sections 411(a) and 412 should be repealed. At present there is no empirical proof that these sections induce registration. As noted below, we agree with the suggestions that the effect of the legislation—both the repeal of 411(a) and 412 and the alternatives enacted to induce registration and deposit—be surveyed continuously during the five years following enactment of the bill, and looked at closely at the end of that period. We also favor setting up, during Phase II of ACCORD's work, carefully crafted, objective surveys of *all of the factors* now inducing registration, together with possible surveys of the expected results of the recommendations in Chapter 4. We certainly agree that if facts can be found we should go where they lead us. But so far no facts exist, and we do not believe that retention of sections 411(a) and 412 can be justified simply on the basis of hypotheses or *a priori* suppositions.

As individual members of ACCORD we have carefully and thoroughly reviewed all of the information, arguments, and proposals put forward with respect to alter-

native inducements to registration and deposit. Again no hard evidence exists—or can exist now—as to the effect adoption of the recommendations in Chapter 4 would have on total registrations or the Library's collections; the only way to test this effect would be through carefully monitored experience. Nevertheless, we are convinced that, if fully supported by Congressional legislation and faithfully and energetically implemented by the Copyright Office and the Library, the overall levels of copyright registrations and deposits for the Library will not decrease.

Some of the doubts and misgivings concerning the proposals derive from the somewhat cynical conviction that changes of this sort cannot effectively be implemented for bureaucratic reasons. We completely disagree. We believe that both the Library of Congress and the Copyright Office are at the center of what is already becoming the greatest revolution in information storage and transfer in human history, and that the changes and improvements proposed in this report, among many others, are essential to the future of both of these great institutions. Removing current barriers and deterrents to registration, and transforming mandatory deposit into the kind of automatic legal deposit system successfully used by national libraries throughout the rest of the world, should by themselves be enough to strengthen deposit and registration. When the inducements of electronic databases and the permissions and licensing potentials of the new information age are added, it seems to us safe to predict the registrations will increase, perhaps dramatically. Even so, recognizing that people like us—people who care deeply about preserving the Library's collections and the database of copyright records—have misgivings about the effects of an uncertain future, we are putting forward some additional proposals as possible safety valves.

Remembering that ACCORD was established for the purposes of providing you with information and advice, and that it is for you and you alone to decide what proposals to put before Congress, we should like to mention again the two basic recommendations for inducing registration in Chapter 4, and to add three more proposals for you to consider. We put these forward in our personal capacities and without in any way speaking for the committee, but we believe on the basis of our review of the discussions that they have support from some of members and deserve your consideration.

First, mandatory deposit. As recommended in Chapter 4, there should be a substantial expansion in the statutory provisions governing mandatory deposit for the Library of Congress, and a corresponding program within the Library to implement the provisions. This should include a new international database of very simple entries covering mandatory deposits, with added information about rights and permissions supplied voluntarily by the depositors.

Second, registration reforms. As recommended in Chapter 4, the present copyright registration requirements, practices, and policies should be simplified and ameliorated through legislation accompanied by administrative action. All of the reforms suggested would have an effect in inducing people who are not now registering to do so, but probably the most important are the short form application for registration and the expansion of information in the copyright online database.

Third, five-year review. As recommended at the end of Chapter 4, the legislation should mandate a continuing study of its effects on registration and deposit and a five-year analysis and report to Congress.

Fourth, reports of litigation. Section 508 of the current law, under which the courts are called upon to supply information about pending litigation and the results of copyright lawsuits, has been a failure. It was suggested during the ACCORD discussions that the obligation to keep the Copyright Office and the public informed of copyright litigation be placed on the litigants themselves, and that registration would be induced by adding this information to the Office's online database. We agree, and recommend that you consider proposing a revision of section 508 for this purpose.

Fifth, enhanced remedies. As outlined in Chapter 3, ACCORD devoted considerable time in plenary and subcommittee sessions to a proposal for "enhanced remedies": to induce registrations by creating new remedies for copyright infringements which are not available to anyone under the copyright statute today, and which, in the discretion of the court, could be granted if the work has been registered. A number of possible "enhanced remedies" were suggested; the ones we liked best were, first, recompensing some of the plaintiff's costs of litigation (costs of duplicating the court record, costs of accounting, expert witnesses, etc.), and, second, raising the maximum amount recoverable as statutory damages for *unwillful* infringement from $20,000 to $100,000. Several members of the committee favored this approach, and expressed their disappointment that it seemed to have dropped out of the discussions. We agree that the "enhanced remedies" proposal has merit, and we recommend that you add it to your list of recommendations.

Finally, we cannot close this letter without paying tribute to the staff of the committee and the members themselves. In the many years that the two of us have spent in this field, we have never seen such dedicated and selfless work. It represents public service, professional and voluntary, at its very best.

Yours sincerely,

BARBARA RINGER,
ROBERT WEDGEWORTH.

REPORT OF BARBARA RINGER AND ROBERT WEDGEWORTH

Membership of the Library of Congress Advisory Committee on Copyright Registration and Deposit (ACCORD) [1]

Barbara Ringer, Co-chair, Former Register of Copyrights; Robert Wedgeworth, Co-chair, Interim University Librarian, University of Illinois at Urbana-Champaign; Jon Baumgarten, Proskauer Rose Goetz & Mendelsohn; Professor Hasia Diner, University of Maryland; The Honorable Raya Dreben, Massachusetts Appeals Court; Alan Fern, Director, National Portrait Gallery; Professor Jane Ginsburg, Morton L. Janklow Professor of Literary and Artistic Property Law, Columbia University, School of Law; Morton David Goldberg, Schwab Goldberg Price & Dannay; Paul Goldstein, Lillick Professor of Law, Stanford University; Professor Peter A. Jaszi, Washington College of Law, The American University; I. Fred Koenigsberg, White & Case.

Arthur J. Levine, Finnegan Henderson Farabow Garrett & Dunner; Robin Davis Miller, Executive Director, The Authors Guild, Inc.; Robert L. Oakley, Director of the Law Library and Professor of Law, Georgetown University Law Center; Charles D. Ossola, Lowe Price LeBlanc & Becker; Maria Pallante, Executive Director, National Writers Union; Professor Shira Perlmutter, The Catholic University of America, Columbus School of Law; Stanley Rothenberg, Moses & Singer; Emery Simon, Executive Director, Alliance to Promote Software Innovation (APSI); Bernard R. Sorkin, Legal Department, Time-Warner Inc.

STAFF OF ACCORD

Sandra Barnes, Henry Cohen, Charlotte Douglass, Lewis Flacks (through June 1993), Gayle Harris, Cynthia Joy, Pat Raap, Eric Schwartz, Staff Director, Henrietta Terry.

ASSISTANTS TO ACCORD

Howard Chang, Kathy Donegan, Marie Morris, Jeanette Pierce, Nanette L. Stasko, Mark Traphagen.

PREFATORY NOTE

The attached report is the work of the co-chairs of ACCORD, Robert Wedgeworth and Barbara Ringer as informed by the work of the full committee. It was not written by the committee. Our report was circulated in draft form to all the members of ACCORD for comments and suggestions and, we received some very helpful corrections of typos and syntax and stylistic improvements, many of which we have incorporated. In addition, where the suggestions corrected an error or an overstatement, supplied an omission, or helped to clarify a point, we have done some rewriting. In other cases, however, where a suggestion, if accepted, would have destroyed the balance and objectivity that was and continues to be our aim, it was omitted.

This report is that of the co-chairs, as we saw and heard the deliberations of ACCORD during its first phase. We and we alone take full responsibility for its contents.

CHAPTER 1: INTRODUCTION

The Advisory Committee on Copyright Registration and Deposit (ACCORD) was established in May 1993 by Dr. James H. Billington, Librarian of Congress, to advise him concerning aspects of the proposed Copyright Reform Act of 1993, (H.R. 897 and S. 373). That legislation, introduced in Congress in February 1993, proposes changes in the current copyright law that raise questions about copyright policy and

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[1] Irwin Karp, Professor Toni Morrison, and Acting Dean Jean Preer were appointed to ACCORD, but resigned before our report was prepared.

the relationship between the needs of the Library, authors and copyright owners, users of copyrighted works, and the public.

In particular, the legislation proposes the elimination of two provisions in the copyright law (sections 411(a) and 412) which have an impact upon the current copyright registration system. It has been argued that their elimination would entail risks to the Library's collections, which depend on copyright registrations and deposits to a considerable extent.

Dr. Billington, in his letter of invitation to ACCORD members, asked for an analysis on five key points:

> 1) how the present system of registration, recordation and mandatory deposit affects authors and their assignees, the collections of the Library of Congress and exchange libraries, the judicial system, and the public;
>
> 2) how the system can assure that the Library continues to have access to the widest variety of published expressions of American culture and scholarship;
>
> 3) the appropriate mix of registration incentives to encourage registration deposit for the benefit of the Library's collections, with respect to both published and unpublished works, at the same or greater levels than assured by existing copyright law;
>
> 4) the nature of the public need for a comprehensive public record of copyright claims and their ownership;
>
> 5) an assessment of the tensions and an identification of the public interests in different levels of legal examination as a part of copyright registration.[2]

Dr. Billington, after consultation with the relevant congressional committees, agreed to provide recommendations to Congress, based on the ACCORD discussions during its first phase, by mid-September, 1993. It was agreed that the Librarian's recommendations should focus initially upon those issues addressed by the proposed legislation that could have a direct impact on copyright registration and the Library of Congress' collections: the proposed elimination of the statutory provisions found in sections 411(a) and 412 of the copyright law. Other issues raised by the legislation—the provisions with regard to recordation (sec. 101 of the bill), the presidential appointment of the Register of Copyrights (sec. 103), and the reorganization of the Copyright Royalty Tribunal (title II)[3]—are not dealt with in our report, although some members of ACCORD have expressed views on these provisions in other contexts.[4]

The other, broader, questions raised by Dr. Billington's letter, which are not directly related to the Copyright Reform bill, will be the subject of further study and will be presented to Congress in a report to be issued in March 1994 (so-called Phase II of ACCORD's work).

Copyright Reform Act of 1993

The Copyright Reform Act of 1993 was introduced in the House and Senate on February 16, 1993. The House Subcommittee on Intellectual Property and Judicial Administration held hearings on March 3 and 4, 1993.

The bill has four key provisions: (1) Sec. 101 is intended to allow the perfecting of security interests by recording documents either in the appropriate state office or in the Copyright Office. The decisions in *National Peregrine Inc.* v. *Capitol Federal Savings and Loan,* 116 Bankr. 194 (Bank. C.D. Cal. 1990) and *Official Unsecured Creditor's Committee* v. *Zenith Productions, Ltd. (In re AEG Acquisitions Corp.),* 127 Bankr. 34 (Bank, C.D. Cal. 1991) held that state Uniform Commercial Code statutes for perfecting security interests in copyrights were preempted by sections 205 and 301 of the Copyright Act.

(2) Sec. 102 would repeal sections 411(a) and 412 of the copyright law.

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[2] Letter of Dr. James H. Billington, Librarian of Congress to ACCORD members, May 5, 1993.

[3] On August 3, 1993 legislation was introduced (H.R. 2840, S. 1346, Copyright Royalty Tribunal Reform Act of 1993) comprising an amended version of the Title II provisions in the Copyright Reform Act. The House Subcommittee on Intellectual Property and Judicial Administration marked up and favorably reported the bill from the subcommittee on August 5, 1993.

[4] During the deliberations of ACCORD there was agreement from many members that the relationship between recordation and registration could be strengthened to induce registrations and that the provisions in section 101 of the Copyright Reform Act should be considered in this context. See also Working Paper No. 8, which discusses the views of one member of ACCORD on the questions raised by the provisions in the draft bill relating to recordation and the perfecting of security interests.

Section 411(a) requires that registration must be made (or rejected) by the Copyright Office before an infringement action can be brought. An exception is made for all Berne Convention works other than those originating in the United States.

Section 412 provides that no award of statutory damages or of attorney's fees can be made in an infringement action (with certain exceptions) unless, if the work is unpublished, it was registered before the infringement began or, if the work is published, registration was made within three months of first publication.

(3) Sec. 103 would provide for the Register of Copyrights to be appointed by the President rather than, as now, by the Librarian of Congress (who is appointed by the President).

(4) Title II of the bill would eliminate the Copyright Royalty Tribunal and move its functions into the Copyright Office, to be performed by ad hoc arbitration panels.

Phase I report of ACCORD

The purpose of this report is to provide the Librarian of Congress with information and recommendations concerning those provisions in the bill that may have the most direct impact on the Library of Congress: the elimination of sections 411(a) and 412. Two policy considerations emerged from the decision to limit ACCORD's Phase I deliberations to these issues: first, the effect that eliminating sections 411(a) and 412 may have upon the Library of Congress's collections and future acquisitions policy; and, second, any copyright registration implications of repealing the two provisions, including the effect on the operations of the Copyright Office (a department of the Library of Congress), and any consequences for copyright owners and copyright law generally.

For some ACCORD members it was difficult to separate the rationale for copyright registration from the interests of the Library's collection development because of the historic link between the two and the copyright system's assistance in developing a national library unlike any other in the world. Others argued that the issues of Library acquisitions policy and those of copyright registration policy are distinct and should be considered separately. Whether copyright registration is, or should be, a fundamental method used for building the collections of the Library of Congress was discussed at length.

ACCORD reached a strong consensus on the principles that Library acquisitions policy should not drive copyright registration policy and, at the same time that it was important for the voluntary copyright registration and deposit system to continue. There was general agreement that the present system can serve a significant dual purpose—to provide extensive and reliable public records of use to copyright owners and users, and to build the collections of the Library now and in the future.

Preserving the scope and integrity of the collections of the Library of Congress has necessarily been one of ACCORD's fundamental missions. Concern for the Library and its future were uppermost in the minds of the Librarian and the congressional committees, and they in turn made it clear that addressing this concern should be the priority of ACCORD. The Library of Congress serves as a national library for the benefit of Congress, authors, scholars, the library community, and the general public. It must be strengthened, if possible. It cannot be weakened by any proposed legislation.

The ACCORD deliberations on Library acquisitions focused on the implications of deleting sections 411(a) and 412. Some members predicted that copyright registrations would decline if the provisions were simply repealed. Others suggested that the elimination of these provisions would not significantly affect copyright deposits, especially in the classes of works most valuable to the Library. Given the time constraints on ACCORD during Phase I, no empirical method capable of testing either prediction could be developed, and no valid conclusions could be reached on the basis of *a priori* reasoning. ACCORD therefore adopted the only course open to it: to consider the various suggestions put forward to safeguard or strengthen the collections of the Library, and to offer proposals based on them.

The proposals contained in Chapter 4 are intended to enhance incentives for voluntary copyright registration and deposit, to improve the operation of the current system, and to insure that the deposit of material in the Library of Congress remains at current levels or increases. The proposals would encourage copyright registrations through modifications in current copyright law, including major changes in the current mandatory deposit requirements, and statutory and administrative recommendations to make registration and deposit simpler, less burdensome, and more attractive. A crucial component of this plan, which for Library acquisitions purposes complements voluntary copyright registration, is the mandatory deposit provision of section 407. ACCORD believes that a mandatory deposit system, if sig-

nificantly strengthened, would create an effective mechanism for Library acquisitions of published or "publicly disseminated" materials. For unpublished materials alternative inducements would have to be found, such as the improvements proposed in Chapter 4 to the copyright registration system.

The second major policy consideration is the impact of the proposed repeal of sections 411(a) and 412 on copyright owners, the copyright registration system, and the Copyright Office.[5] ACCORD held extensive discussions on these questions, but did not achieve consensus, especially on section 412.

Apart from the need to develop the collections of the Library, there are strong reasons to encourage copyright registration. As the communications revolution gathers momentum and the information superhighway is in its early stages, a comprehensive and reliable copyright database, available freely to the general public, is an enormous asset for a number of purposes. These matters were addressed during the ACCORD deliberations and by the individual authors of the working papers prepared for ACCORD discussions. There was consensus among ACCORD members that information obtained through registration—information bearing on authorship, dates of creation and publication, the ownership and duration of copyright, and the like—can be extremely valuable not only for business transactions such as transferring rights, and obtaining permissions or licenses, but also for resolving legal disputes, providing biographical information, and so forth.

The 1989 United States adherence to the Berne Convention was the latest step toward a system of copyright free from formalities, providing authors with rights without the need to register, affix notice, or, under a 1992 amendment, to file renewals. With millions of works now protected by copyright without the need for information in a notice on copies or phonorecords, and works proliferating in digital and other electronic formats, the post-Berne environment requires a system readily informing the public by identifying these works and their copyright status. The Copyright Office catalog contains over 25 million entries dating back to 1870. Information since 1978 is now available on the Internet. Authors and users of copyrighted works depend on this database to use and license works, and to create new works, thus fulfilling the constitutional mandate of copyright to "promote the progress of Science and useful Arts * * *."[6]

CHAPTER 2: ACCORD'S METHODOLOGY

The Phase I deliberations of ACCORD focused on the implications of repealing sections 411(a) and 412: what the effect of outright repeal might be on Library acquisitions and other copyright policy, and whether alternatives to induce registration and deposit could be found. To provide the Librarian with information necessary to respond to Congress, and to assist Congress with its deliberations, a number of background legal and policy working papers were prepared by ACCORD members, staff, and others assisting ACCORD.[7]

Several hard decisions about methodology had to be made at the outset. Lack of time and resources during Phase I foreclosed us from significant but difficult types of studies. These include: cost-benefit analyses of various Library of Congress and Copyright Office operations;, surveys of the motivations, experiences, and problems of present and potential applicants (examining questions such as why authors and other copyright owners register, and what changes they would make in their practices if sections 411(a) and 412 are repealed or changed, etc.); and statistical surveys about present and future Library of Congress acquisitions. During Phase II we hope that we may be able to undertake some of these inquiries.

In attempting to suggest alternative incentives to register, ACCORD adopted several hypotheses concerning benefits afforded by registration and ways to encourage additional voluntary registrations. As discussed in Part I of this report, the primary hypothesis is that a system of voluntary registration benefits authors and copyright owners and should be encouraged; that a reliable, publicly available national copyright database is important in facilitating business, legal and personal transactions; and that inducing registration, especially for unpublished works not subject to mandatory deposit and "special materials" not collected by other libraries, will strengthen the collections of the Library of Congress. A second hypothesis is that mandatory

[5] A documentary legislative history of the current copyright registration and deposit sections, including sections 411(a) and 412, has been completed through 1965 and was distributed to ACCORD members.

[6] U.S. CONST. art. I, sec. 8, cl. 8.

[7] The Working Papers of ACCORD, numbers 1 through 20, together with an Index to these working papers, are contained in the Appendix to this report. Some of these papers express views on particular issues, and in those cases the opinions are those of the authors of the papers alone, and do not necessarily represent the views of ACCORD, its members, co-chairs, or staff.

deposit, when substantially broadened and strengthened, can make a significant contribution to the Library's acquisition of published materials without any loss of effective copyright protection[8] for authors and other copyright owners.

Draft work programs

Initially, in an effort to organize the work of ACCORD, four major draft work programs were proposed.[9] These broad outlines included work to be conducted in both phases of the ACCORD deliberations.

Draft Work Program A provided an outline of the copyright registration, deposit and recordation provisions generally. Beginning with the historical background of copyright registration, deposit and recordation in the United States, the Work Program proposed study of: the foreign experience with registration and deposit systems; the value of registration for all legal and business purposes; the relationship and fairness of the current system to authors, copyright owners, the Library, and users of copyrighted works, and a compilation of statistical information on registration and deposit.

Draft Work Program B focused on registration and deposit as prerequisites to recovery of statutory damages and attorney's fees. This Work Program outlined the study of section 412, concentrating on its history, operation, and fairness to authors, copyright owners and users.

Draft Work Program C focused on the mandatory deposit system of the Library, including a review of the history of section 407, and the regulatory and administrative provisions implementing it; its scope and operation; its cost-effectiveness; its problems and limitations; means of strengthening the current system to induce greater voluntary compliance; and a plan to prepare a detailed statistical survey of the current system.

Draft Work Program D proposed to produce possible alternative incentives for registration and deposit—described as "the bottom line" of the first phase of ACCORD's mandate. The Work Program suggested review of the current sections 411(a) and 412; the impact, if any, of their elimination on the Library; evaluation of the arguments for changing the present examination and registration practices; consideration of possible amendments to the existing inducements to registration and deposit; and consideration of possible new inducements.

Phase I deliberations of ACCORD

After its organization in late May 1993, it was agreed that to complete its Phase I deliberations, ACCORD would meet once a month, in two-day sessions, in June, July, August and September.[10]

June 10–11, 1993: meeting of ACCORD

The first meeting of ACCORD began with preliminary remarks from Dr. James Billington, Librarian of Congress outlining the mission of ACCORD—to sustain the "record of America's culture" found in the Library of Congress, and to consider new incentives to copyright registration and deposit.

Co-chairs Ringer and Wedgeworth described the work of the Committee's two-phase effort. Phase I would address the immediate target: to examine sections 411 and 412 of the copyright law and alternative incentives to registration. The aim was to enable the Librarian to submit his preliminary report to Congress by mid- September, 1993. Phase II would address broader issues and would require a report around March, 1994.

ACCORD discussed its proposed work schedule, including organizational and procedural matters (agreeing that all of its meetings would be open to the public), and general administrative issues, such as its budget and staffing. The Committee also received a demonstration from Library staff on the special collections of the Library, including photographs, maps, music, and motion pictures.

The members of the committee were presented with an overview of the Copyright Reform Act of 1993, H.R. 897 and its companion bill, S. 373, together with a sum-

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[8] One member stressed that proprietors of some works, particularly those disseminated in a form easily copied, have indicated concerns about mandatory deposit and the circumstances under which the Library makes these works available. These concerns range from Library security to the possibility of adverse effects on the market for a work if there would be widespread unauthorized use of deposit copies. The member noted that the negotiations recently concluded between the Library and private sector representatives on experimental agreements for deposit of works in CD–ROM format suggest that it may be possible to provide appropriate safeguards for such works, thereby allaying the owners' concerns and achieving the Library's goals.

[9] See Appendix, draft work programs A through D.

[10] Summary minutes of each of the meetings were prepared by the staff of ACCORD and are contained in the Appendix to this report.

mary and analysis of the current provisions in the Copyright Act relevant to ACCORD's deliberations, primarily sections 407, 411(a) and 412. Discussions then began on mandatory deposit and the copyright registration issues. On mandatory deposit, the discussion focused on the system's present and potential benefits not only to the Library of Congress but also to other libraries that rely on the collections of the Library as a library of "last resort."

The copyright registration discussions included a look at current registration practices, problems, and current incentives to registration, as well as an historical perspective on registration and deposit in the United States before and after the Supreme Court's decision in *Washingtonian Publishing Co.* v. *Pearson.*[11] There was also a summary of the legislative history of the general revision of the 1909 copyright statute, leading up to the 1976 Act and the legislation implementing U.S. adherence to the Berne Convention in 1989.

The Draft Work Programs (A through D) were discussed. A proposal to divide the panel into four working groups, each assigned one of the Draft Work Programs, was rejected in favor of working through each of the programs in the plenary sessions.

Various ACCORD members were commissioned to prepare draft working papers on key issues. Two groups were assigned to prepare papers on section 412 (registration and deposit as prerequisites to recovery of statutory damages and attorney's fees); one group was to write a paper on the merits of the current section 412 (Working Papers No. 4(a) and 4(b)) and the other was to prepare a paper on the reasons why section 412 should be repealed (Working Paper No. 3). Another member was charged with preparing a paper on section 411(a), registration as a prerequisite to the commencement of an infringement action (Working Paper No. 2). Finally, a third group was asked to prepare a paper on section 407, mandatory deposit for the Library of Congress (Working Paper No. 1). Several other materials were requested for the July meeting, to be prepared by members of ACCORD, its staff or other assistants.

July 12–13, 1993: meeting of ACCORD

The July meeting focused on the presentation of documents prepared by ACCORD members and staff. Nine working papers in all were prepared for the July meeting, in addition to the minutes of the June meeting, and the first section of a documentary legislative history of the copyright registration and deposit provisions. All working papers were dated, numbered and labeled as draft documents of ACCORD (with the possibility that later revisions would be prepared). They were distributed to ACCORD members and appropriate congressional staff, and were made available to the general public. Co-chair Ringer introduced her legislative history of copyright registration and deposit, briefly summarizing the historic background in England and the United States and reproducing the relevant parts of various studies and hearings, up to 1965, that led to the registration and deposit provisions in the 1976 Act. ACCORD then discussed the various theories for the development of our registration/deposit system in Anglo-American copyright law.

The copyright and deposit systems in various foreign countries (Working Paper No. 7), were then discussed. These included deposit laws, with penalties for noncompliance, separate from copyright laws. There was a preliminary consideration of mandatory deposit and Working Paper No. 1, and the committee agreed that there should be further discussion and study on this subject. A request was made for a working paper for the August meeting (Working Paper No. 11).

The cases for and against section 411(a), as laid out in Working Paper No. 2, were taken up next. The paper summarized the history of the current provision; the practical implications of the connection between the requirement to register and filing a lawsuit; and the impact of section 411(a) on the Library, the courts, and the interests of authors, copyright owners, and users.

ACCORD then debated the cases for and against section 412, on the basis of Working Papers No. 3 and, 4(a) and 4(b). The committee reviewed current practices, and considered how the provisions or their elimination could affect the ability of authors and copyright owners and users to protect and enforce their rights. It also considered the relation of section 412 to inducing copyright registrations and deposits and maintaining the collections of the Library of Congress.

The next topic was alternative incentives for copyright registration and deposit, with Working Paper No. 9 as the focus. That paper was divided into three sections: first, an enumeration of current statutory inducements which could be strengthened; second, new inducements; and third, options for amending the existing sections 411(a) and 412. The discussion grouped the incentives into categories, such as: fee-

[11] 306 U.S. 30 (1939). See also, Working Paper No. 17 for an analysis of the case, and comments and copyright registration practices after this seminal decision.

based or litigation-based incentives; incentives based on analogies from other laws, such as patent and trademark law; incentives providing additional rights for registered works (extension of the term of copyright, for example); and incentives based on changes or expansions in current administrative practices, such as alternative deposits, use of identifying material, and group registrations.

Several additional working papers were prepared following these discussions, including: Working Papers No. 5, 5a and 5b (federal statutes providing attorney's fees and the awarding of attorney's fees under the current copyright statute); Working Paper No. 6 (awards of infringer's profits under section 504); Working Paper No. 10 (court uses of copyright registration information); Working Paper No. 13 (practices of the U.S. Customs Service and the role of copyright registration); Working Paper No. 14 (awards of statutory damages under section 504); Working Paper No. 15 (tax law applicable to deposits in the Library of Congress); and Working Paper No. 18 (statutory damages and attorney's fees awards under the current copyright law).

ACCORD members were also given a tour of the Copyright Office's registration collections located in Landover, Maryland, and a briefing on their operations.

August 16–17, 1993: meeting of ACCORD [12]

The committee first took up the issue of mandatory deposit. Three working papers were presented on the subject of mandatory deposit. First, a group presented its paper on mandatory deposit and its benefit to the Library and the public (Working Paper No. 1). Next, a paper was presented on the legal, constitutional and public policy questions raised by a mandatory deposit system (Working Paper No. 12). Finally a paper was presented on the constitutional basis for mandatory deposit under present law and methods to improve the current system for the benefit of the Library's collections (Working Paper No. 11 and separate comments on this paper contained in Working Paper No. 11(a)).

The current practices of mandatory deposit were examined, and there was an analysis of the legal and administrative limitations of the current system and the domestic and foreign policy implications of a mandatory deposit system. Suggestions were offered for improving and strengthening the legal and practical applications of the system. There was a general consensus that, if substantially improved, the current mandatory deposit system would help to strengthen the collections of the Library of Congress. Members expressed an interest in proposals to redraft the current provisions of section 407.

ACCORD continued the July discussion on alternative incentives to registration, also returning to a debate concerning the current provisions of section 412. Between the extremes of repealing and retaining the section there were some proposals aimed at keeping section 412 but ameliorating the impact, and others aimed at repealing the provision but inducing voluntary copyright registrations.

The deliberations returned to some of the incentives proposed in Working Paper No. 9, with additional suggestions. Among the items considered were fee-based and litigation based incentives, changes in current administrative practices governing registration, and copyright recordation practices and incentives. ACCORD also discussed the merits of strengthening the national public database of copyright information through registration and deposit.

Finally, the committee reviewed its remaining work schedule and prepared a proposal and schedule to complete its Phase I report for submission to the Librarian of Congress.

September 1–2, 1993: meeting of ACCORD

The committee met to discuss the Phase I draft report of ACCORD. The draft recommendations of ACCORD were considered—focusing on the proposals to strengthen the current system of mandatory deposit, and to simplify and strengthen the copyright registration system. The final work schedule for completion of the report and presentation to Dr. Billington was agreed to. In addition, ACCORD discussed its planned work schedule for the Phase II deliberations.

Phase II: future work program of ACCORD

In the next stage of its work ACCORD will address the broad policy questions raised by Dr. Billington in his early mandate: how the present system of registration, recordation and mandatory deposit affects authors and other copyright owners, the collections of the Library of Congress (and other libraries), the judicial system, and the public; and how that system may be improved. Some of the considerations

[12] After the July meeting of ACCORD a separate subcommittee was established to consider litigation-based incentives to registration, focusing on the awarding of "enhanced" remedies for registered works. See Working Papers No. 16 and 16(a).

include: access by the Library to the widest variety of materials while fully preserving the copyright protection in those materials; the interests of authors, copyright owners, and users in future Library acquisitions; and improving the Library's comprehensive public record of copyright claims and ownership.

CHAPTER 3: THE WORK OF ACCORD—ISSUES, ARGUMENTS, PROPOSALS

In this Chapter we are seeking to identify the main issues that occupied ACCORD during its first phase, to outline the principal arguments that were made concerning them—during the meetings and in written comments—and to summarize the various proposals put forward by members and others for inducing deposit and registration. For this purpose we have broken the subject into three parts:

First, a review of sections 411(a) and 412, the issues they raise and the arguments made concerning them;

Second, a review of the present mandatory deposit and voluntary registration/deposit provisions, their value and problems, the arguments concerning them, and proposals for change; and

Third, a listing and brief summary of various fee-based, litigation-based, and other proposals for alternative inducements to registration and deposit.

A. SECTION 411(A): PRESENT INDUCEMENTS TO REGISTRATION AND DEPOSIT: REGISTRATION AS A CONDITION OF INFRINGEMENT SUIT

1. History and purpose of the provision

The express requirement that registration be made for a work before the copyright owner may bring an infringement suit entered the U.S. copyright law in 1909. The requirement was retained in the 1976 revisions with the addition of one exception: if application for registration had been made and refused, suit could be brought as long as the Register was notified and given the opportunity to join on the issue of registrability. Two other exceptions were added later, notably a 1988 amendment exempting non-U.S. Berne Convention works from the requirement.

From the beginning there have been dual purposes behind section 411(a), though their relative importance has changed over the years with the easing and repeal of other copyright formalities in U.S. law and the broadening of the subject matter of copyright. First is the gatekeeper function of registration: screening of the application and deposit by the Copyright Office is intended to keep invalid copyright claims out of court and to provide a certified record and a solid basis for the ordering of proof. Second, section 411(a) is intended as an incentive to registration and deposit: although there is no requirement for registration to be made until the eve of suit, it has been argued that some copyright owners are induced by section 411(a) to register in anticipation that, since they may need the certificate in a hurry if infringement occurs, they might as well file an application while the copies are handy and the facts are fresh in their minds.

2. Arguments for repeal of section 411(a):

a) With the repeal of mandatory formalities and the expansion of copyrightable subject matter, the screening function has lost much of its validity.

b) The inducement-to-register argument is undermined by statistics comparing the number of suits filed (less than 2,000 in 1991) as against the number of registrations in the same period (more than 600,000 in 1991). Few will be induced to register in anticipation of litigation, since registration can be made at any time up to filing suit.

c) Review of judicial opinions in infringement cases suggests that courts largely make independent evaluations of issues of fact and copyright validity rather than relying on certificates of registration.

d) The requirement can result in harm and injustice to copyright owners by effectively preventing or unduly delaying injunctive relief, by requiring expensive and unproductive paperwork where many copyrights are involved in a suit, and by offering defendants an opportunity for dilatory tactics.

e) The "two-tier" scheme of section 411(a), under which non-U.S. Berne works need not be registered while other works (mainly of U.S. origin) must be, is demoralizing and unfair to U.S. copyright owners, and may put them at a competitive disadvantage.

3. Arguments for retention of section 411(a):

a) The requirement provides a mechanism by which copyright claims involved in litigation are first exposed to specialized, expert scrutiny, aiding claimants and the

courts by clarifying the information on certificates and screening out unfounded claims to copyright.

b) Section 411(a) provides at least some incentive to registration, thus contributing to the national copyright database and to the collections of the Library of Congress.

c) The statistics comparing infringement cases to total registrations are not all that revealing, since an indeterminate number of the registrations may have been induced by a desire to be prepared in case there is a threat of infringement, even if there is no specific contemplation of suit at the time of registration.

d) There have been expressions from some members of the judiciary favoring retention of the requirement as helpful to the courts: the better the Copyright Office records, the better the decisions will be.

e) Though only a small percentage of registrations end up in court, they are the most important cases. Together the records of registration and ownership (section 205) give the courts a needed starting-point.

B. SECTION 412: PRESENT INDUCEMENTS TO REGISTRATION AND DEPOSIT: REGISTRATION AS A CONDITION OF RECOVERY OF STATUTORY DAMAGES AND ATTORNEY'S FEES

1. History and purpose of the provision

Before 1909, under a very onerous scheme of formalities, registration was a mandatory precondition of copyright protection in the United States. The 1909 Act changed and liberalized the formalities system to some extent, but the provision on registration and deposit was obscurely worded, and was not definitively interpreted for thirty years. Between 1909 and 1939 there were many who believed that the statute's requirement that deposit (and registration) be made "promptly" after publication was mandatory rather than hortatory, though no one knew what "promptly" meant.

As interpreted by the Supreme Court in the 1939 *Washingtonian* case, registration and deposit for the Library of Congress were really optional during the first 28-year copyright term: they were mandatory only if the copyright owner wanted to bring an infringement suit, if the Register of Copyrights made a formal demand (in which case failure to comply could result in forfeiture of copyright), or if renewal of copyright for a second 28-year term was sought. However, the decision did not result in any great changes in registration practice or the statistics of registrations. After 1939 there was uneasiness, inertia, and traditional lawyer's conservatism; people kept on registering and depositing, and there seemed to be a reluctance to accept the Supreme Court's decision at face value.

During the ten years between 1955 and 1965 the Copyright Office, under a congressional mandate, undertook the development and drafting of a bill for the general revision of the copyright act of 1909. There was early acceptance of the general principle that copyright registration was extremely valuable and should be retained. At the same time it was also generally agreed that, except where necessary to correct omissions or errors in the copyright notice, registration should be made voluntary but should be strongly induced by withholding certain remedies and evidentiary benefits for infringement of works not registered promptly.

For a time in the early 1960's the issue of what remedies to withhold where infringement preceded registration became extremely contentious. Finally, by the time the first of many general revision bills was introduced in Congress in 1965, there was general agreement as to what the inducements to registration should be, and the issue disappeared from public copyright debates leading to enactment of the 1976 general revision statute. In all of the revision bills after 1965, and indeed in all of the proposed revisions of the Act of 1976, the provision that became section 412 remained essentially unchanged: the remedies of statutory damages and attorney's fees were withheld from unpublished works infringed while unregistered; the same was true for published works unless the work had been registered during a three-month grace period following publication.

Throughout the general revision period the purpose mentioned as underlying section 412 was the inducement to register and deposit. The 1988 bill to implement U.S. adherence to the Berne Convention assumed that the requirements of section 412 are compatible with Berne's prohibition against establishing or maintaining formalities as conditions of copyright protection. No changes in 412 were proposed, and the Senate report (which favored outright repeal of section 411(a) rather than the act's ultimate adoption of a two-tier system exempting non-U.S. Berne works) suggested that its solution would have no effect on registration and deposit because section 412 would still be there to induce them.

At any event, by sweeping away the remaining formalities of the U.S. copyright law—notably the requirement of notice as a condition of protection for published works—the 1988 Berne Implementation Act brought nearly everything in the world that can be considered an "original work of authorship" (and that had not already fallen into the public domain) automatically under U.S. copyright protection. This sweeping change, some argue, made registration itself more important, and gave section 412 a new or increased significance in inducing registration as a means of marking off areas of copyrighted works where statutory damages and attorney's fees may be obtained.

2. Arguments for repeal of section 412:

a) The remedies of statutory damages and attorney's fees are essential to protect effectively the rights of individual authors and small individual and corporate copyright owners. Infringement has become much more common, and litigation has become much more complex and expensive in recent years. The inability of plaintiffs to recover at least some of the legal costs of bringing suit, and something more than whatever actual damages and profits they can prove, simply puts them out of court. This means that deliberate infringers can continue their activities with impunity, that other infringers are encouraged rather than deterred, and that settlements of litigation become more difficult and unfair.

b) Unlike large corporate copyright owners the great majority of individual authors and small copyright owners know little or nothing of copyright requirements, including registration and section 412. When an unregistered work is infringed the author or owner frequently discovers for the first time that, even if victorious, he or she must bear all costs of legal representation; and, for there to be any monetary recovery at all, the owner must offer proof of actual damages and the defendant's additional profits attributable to the infringement. This can be an extremely expensive and difficult if not impossible task, and in the end the amounts that can be proven are often minimal. The costs of pursuing the action may well exceed the amounts recovered in this situation, and be more than the individual can afford. Even if the author or owner wishes to pursue the infringement claim, there may be real difficulty in finding an attorney to take the case. Section 412 can be a trap for the unwary.

c) Even if they know of the requirements of section 412, many authors and small copyright owners do not have the time, resources, or staff to register within the very short grace period provided. This is especially true of authors of numerous separate works, such as photographers, graphic artists, poets, journalists, and the like. For them the burdens of paperwork and multiple registration fees as a practical matter preclude registrations for large numbers of works, most of which will never be infringed; the author or other small copyright owner is thus effectively deprived of protection when infringement does occur.

d) Plaintiffs must win their case before any possibility of statutory damages and attorney's fees arises, and the courts can generally be relied upon to prevent unfounded claims from succeeding. Nuisance suits can also be deterred in appropriate cases by granting attorney's fees to the winning defendant or imposing sanctions under Rule 11.

e) There is no empirical evidence to show whether section 412 is an inducement to registration and deposit, but it should be noted that before section 412 was enacted in 1976 copious registrations were made without the threat of withholding statutory damages, attorney's fees, or any other remedies. If inducements are needed in the absence of section 412, they should take the form of positive benefits rather than the negative penalties of the present law.

f) Should section 412 remain in the statute, there is a danger of retaliation by other countries where U.S. works are currently being pirated. Another country could, for example, make registration a condition of criminal sanctions against infringement of U.S. works, and such sanctions are frequently the primary weapon in a given country against piracy.

3. Arguments for retention of section 412:

a) The legislative history of section 412 shows that the principle underlying it—to induce registration and deposit for the Library of Congress by withholding certain remedies for infringement of unregistered works—has gained wide acceptance since the mid-1960's; it was enacted without controversy in 1976 and, again without controversy, was retained without change in 1988.

b) Section 412 is fulfilling the purpose for which it was intended as a powerful working inducement to registration and deposit, which are in large part responsible for the Library's collections and copyright databases. It has proven its reasonableness and legitimacy as part of the American copyright system.

c) Repeal of section 412 would pose risks to the collections of the Library of Congress and the Copyright Office's public record of registered works by making them dependent on unproven alternative incentives to registration and deposit.

d) The acts of 1976 and 1988 have transformed the American copyright system into one virtually free of formalities, with the result that the number of works now protected by statutory copyright is virtually incalculable. However, without notice and registration, it is difficult if not impossible for publishers, historians, biographers, journalists, and other authors and users to determine basic copyright facts about a work. The function of section 412 in our copyright system has thus achieved a new dimension. By inducing registration it provides scholarly users and other authors and publishers with essential information not otherwise available; and, by withholding statutory damages and attorney's fees for unregistered works, it shields these users from some of the risks of litigation.

e) Repeal of section 412 would lead to a flood of infringement claims induced by the greater availability of statutory damages and attorney's fees. In some cases the motives behind the actions would be to force monetary settlements involving works to which the creators never previously ascribed any value, and in others the motives would be to use the copyright law as a weapon to suppress information for one reason or another.

f) If section 412 is repealed, fear of litigation could lead scholars and other authors to avoid using quotations or excerpts from copyrighted materials, undermining the fair use doctrine and having a chilling effect on the free exchange of information and opinions.

C. EXISTING DEPOSIT AND REGISTRATION PROVISIONS: MANDATORY DEPOSIT

1. History and purpose of section 407

The 1976 general revision statute went part of the way in softening the formal requirements of the old law, especially with respect to notice and manufacture; as under the Supreme Court's *Washingtonian* decision, registration and deposit were made largely voluntary but were also strongly induced, especially by section 412. Despite this inducement there was genuine concern in 1976 about the potential effect of the statutory changes on the collections of the Library of Congress. Originally section 407 was intended to operate as a back-up to voluntary registration and deposit, to provide the Library with a way to compensate for any losses to its collections under the new law.

Unlike mandatory deposit under the 1909 statute, which was tied to registration and provided for loss of copyright as a sanction, section 407 was modelled on *depôt légal* systems in effect in the great majority of other countries, and on which their national library collections depend. The provision was intended to complement voluntary copyright registration by giving the Library a way to obtain material needed for the collections and otherwise unobtainable under a voluntary copyright registration system. A complementary provision under section 408 was intended to provide further inducements to copyright registration and deposit by allowing section 407 deposits to be used for voluntary registration under section 408.

Although section 407 expressly declared that its requirements are not a condition of copyright protection, the 1976 act preserved strong ties between mandatory deposit under section 407 and voluntary registration and deposit under section 408. Two of these links were particularly important: first, the obligation of mandatory deposit was made to rest upon U.S. copyright owners or rights holders, and, second, the requirement applied only to works published with copyright notice in the United States.

The constitutionality of section 407, as it existed between 1978 and 1988, was litigated in 1985 in *Ladd* v. *Law and Technology Press.* The Ninth Circuit Court of Appeals upheld the constitutionality of section 407 in the face of three challenges: that the deposit requirement was not "necessary and proper"; that it constituted a taking of private property for public use without just compensation; and, that it burdened material protected by the guarantees of freedom of speech and expression.

In the 1988 Berne Implementation Act, Congress repealed the requirement that, as a condition of copyright protection, published works carry a copyright notice, and added a consequential amendment of section 407: the requirement of mandatory deposit, formerly limited to those works published in the United States with notice of copyright, was broadened to cover a copyrighted "work published in the United States"—that is, a work published with or without a copyright notice.

There has been some uneasiness that the sweeping change in 1988 weakens the force of the *Ladd* decision upholding the constitutionality of section 407, because the decision gave some significance to the copyright owner's act in placing a copyright notice on works subject to mandatory deposit, and notice is no longer a condition

of copyright. However, members of ACCORD do not appear to share this concern: the collections of the Library clearly "promote the progress of science and useful arts," and the *quid pro quo* for mandatory deposit is found in the Congressional grant of a system copyright protection and, potentially, in the establishment and maintenance of a national database of information about the material deposited. Some non-constitutional questions remain concerning the issue of inducing owners to abandon copyright protection as an alternative to complying with the mandatory deposit requirement, and the treatment of non-U.S. Berne Convention works under section 407. These problems should be given further study.

The proposals to improve and expand the effectiveness of mandatory deposit are outlined in Chapter 4 of this report, and for the most part they are self-explanatory. However, the following additional observations should be made:

First: the key to a successful mandatory system is that in general it be made to work automatically, without individual demands and negotiations. At the outset this will require the Library to establish and maintain databases, identify and contact potential depositors, and undertake an educational campaign.

Second: Mandatory deposit cannot and should not reach unpublished, undisseminated works, and thus will not substitute for any inducements to register and deposit unpublished material now provided by section 412. If the Library's collections are not to be weakened, these recommendations for expanding and strengthening mandatory deposit must be coupled with recommendations for improving registration practices and procedures as outlined below.

Third: A second key to the success of a mandatory deposit system is the spirit in which it is implemented and enforced. It is important that potential depositors be made to understand their obligations as citizens and that they to be approached non-coercively with understanding of their special problems and under a system of due process. However, if it becomes necessary to enforce a formal demand, something better than the present system must be found. The possibility of allowing the Librarian to retain outside counsel and to obtain recompense for attorney's fees should be fully explored.[13]

Finally: Enormous changes are taking place in information storage and transfer; the Library of Congress collections, their users, and the Library's bibliographic and copyright records it maintains lie at the core of this revolution. Careful and imaginative planning and energetic implementation of the recommendations in this report will be essential to their success.

D. EXISTING DEPOSIT AND REGISTRATION PROVISIONS: SIMPLIFICATION AND AMELIORATION OF CURRENT REGISTRATION POLICIES AND PRACTICES

A second group of the recommendations to induce registration and deposit are summarized in detail in Chapter 4, below. They involve not so much a basic change in the operations of the registration system as the adoption of simplified procedures and a positive approach to carrying them out. ACCORD was in general agreement that legislation, regulations, or administrative action should—

1) Create a simple, short-form application to be used whenever possible. Many believe that this would induce individual authors who are now put off by the complicated forms to start registering their works.

2) Greatly expand the use of group registration and optional deposit to reduce the present burdens; induce the Copyright Office to consult more actively and frequently with present and potential registrants to hear their problems and to respond to them whenever possible.

3) Emphasize the importance of the copyright catalog and online database of copyright registrations, and work out a system whereby information about ownership, transfers, licenses, and the sources of permissions could be added to the data already available.

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[13] A fourth observation, suggested by an ACCORD member, is consistent with views expressed by other members during the discussions: "The Library must continue to work together with private sector representatives in adopting appropriate safeguards in the Library for works in media more easily copied than traditional media." Proprietors of such works are concerned as to the greater possibility of widespread unauthorized use of such deposits. Agreements such as the recent experimental agreements with the Library for CD–ROM deposits may work to both allay the concerns of copyright owners and achieve the Library's goals.

4) Make clear that good faith errors in applications will not invalidate copyright protection or constitute fraud on the Copyright Office, and that no misstatement in an application will invalidate the copyright itself.

5) Restore or make more widely applicable the "rule of doubt," under which uncertainties about copyrightability or registrability are resolved in the applicant's favor. Adopt an attitude of helpfulness toward applicants, leaving it to the courts to decide doubtful questions.

In this connection it is important to emphasize that nothing here is intended as a criticism of staff members of the Copyright Office or the Library of Congress, who have often been cited for their efficiency, cooperativeness, and willingness to go out of their way to share their time and expertise with applicants and members of the public. Most of the members of ACCORD are users of the Library and the Copyright Office, and their concerns are not with individual members of the staff, for whom they have the highest praise. Their concerns are with institutional and administrative policies which, they feel are inconsistent with the spirit and philosophy of the present copyright law of this country.

E. ADDITIONAL INCENTIVES TO REGISTRATION AND DEPOSIT

The incentives to copyright registration and deposit on which ACCORD was able to put forward recommendations to the Librarian—those involving expanded mandatory deposit and substantial improvements in registration practices and policies—are laid out in Chapter 4 of this report. In addition, a very large number of ideas for other inducements were put forward during Phase I of the committee's work. Most were discussed in plenary sessions and in one subcommittee meeting; others were contained only in written submissions. Some ideas were passed over quickly, while others—notably those involving litigation-based incentives or the granting of "enhanced remedies" for registered works—were given serious consideration. Some of the ideas were very imaginative, and none were either accepted or rejected outright. Many of them deserve further consideration, either as possible incentives to deposit and registration or on their own merits.

There is no space in this report to describe in detail all of the proposals and ideas that have been put forward for inducing registration and deposit, or to review the comments and criticisms directed at them. However, we have tried to divide them into categories and to list them briefly under the following headings:

1) Incentives based on giving greater substantive rights to registered works;

2) Monetary or fee-based incentives;

3) Incentives tied to mandatory deposit (in addition to those recommended in chapter 4);

4) Incentives tied to registration (in addition to those recommended in chapter 4);

5) Litigation-based incentives.

1) *Incentives derived from granting greater rights*

NOTE: The Berne Convention prohibits the establishment of formalities, including registration and deposit, as conditions of copyright protection. It was pointed out that some of these ideas might satisfy Berne but that others would raise problems. Aside from the suggestion in paragraph (f), which was not discussed, none of these proposals appeared to attract support from ACCORD members.

a) *Extension of term.* Add a term of years, possibly five, to the duration of copyright in registered works.

b) *Presumption of death.* For registered works, remove the presumption under section 302(e) as to the author's death, a presumption used in determining when copyrights expire in some cases.

c) *Domaine public payant.* Establish an additional five- year (or other) public domain status for registered works during which income from protected uses would be shared between the copyright owner and the government.

d) *Prima facie presumption.* Give prima facie evidentiary effect to certificates of registration in judicial proceedings other than copyright, including probate and contract disputes.

e) *Titles.* Give certain rights in the titles of copyrighted works that have been registered.

f) *Software.* To encourage registration of computer software, provide for an explicit prohibition of reverse engineering of registered software if the deposit consists of the

source code in its entirety, with appropriate assurances of secrecy for some limited period, such as ten years.

2) *Monetary incentives*

NOTE: A number of problems were raised with respect to suggestions for inducing registrations or enhancing the Library's collections by reducing costs to the copyright owner or by paying out appropriated funds to purchase material or for other purposes. It was agreed that suggestions of this sort may be unrealistic in the present political and economic climate and, even if funding were secured in one Congress, it could be swept away in a later budget, seriously damaging the copyright system and the Library's collections. The administrative costs in identifying and purchasing material are usually much greater than the costs of the material itself; many works now acquired under the copyright law are not for sale, and as a realistic matter could never be identified for purchase. Also, experience has shown that the problems and costs of administering a registration schedule providing for differentials in the amounts of fees may outweigh the advantages in providing lower fees for certain types of registrations.

a) *Fee-based incentives:*

i) Provide a lower fee for short-form registrations.

ii) In special cases, provide free registrations, lower fees, or rebate credits (e.g., where registration is made very promptly after publication; where the Library wants a very expensive work; where registration is combined with deposit under the cataloging-in-publication program).

b) *Deposit registration databases.* In the online databases of mandatory deposits and voluntary registrations provided by the Copyright Office and the Library, include information about permissions, licensing, and pricing that would be furnished by the copyright owners themselves, and would be of substantial commercial benefit to them.

c) T*ax incentives.* (These would require much working out within the government and a large educational campaign, but should not be brushed off for these reasons.)

i) Provide a tax credit for the value of both mandatory and voluntary deposits.

ii) Under the new charitable gift deductions law included in the 1993 Budget Reconciliation Act, encourage copyright owners to take deductions for deposits.

d) *Combined deposit and purchase.* Negotiate and make special arrangements with depositors in certain cases for the Library to purchase a number of copies or phonorecords over and above the number deposited, for the mutual benefit of the Library and the copyright owner.

e) *Exchanges.* Work out a system whereby deposits or extra copies the Library does not want are offered for exchange to other libraries, especially those in foreign countries, in order to obtain their extra or unwanted material.

3) *Mandatory Deposit* (Incentives other than those recommended in Chapter 4)

a) *Mini-412.* Include in new chapter 11 on mandatory deposit, as one of the penalties for failure to comply with a formal demand, the loss of statutory damages and attorney's fees in infringement suits for unregistered works. After discussion by ACCORD this idea failed to find acceptance.

b) *Prima facie presumption.* Give the information in the database of mandatory deposits some degree of prima facie weight. Again this idea failed to find favor with the committee.

c) *Processing fee.* Allow the Library to charge certain fees in connection with mandatory deposits to cover costs of contacting copyright owners and identifying individual works. One idea is to make this fee the same as or higher than the registration fee, thus inducing registrations.

4) *Registration incentives* (other than those recommended in Chapter 4)

a) *Combined registration and recordation.* Require registration before recording assignments, licenses, etc., or include ownership information on the application, or make registration the foundation on which full information about a work and the ownership is put into the Copyright Office's records and online databases. Some members of ACCORD was enthusiastic about this idea, and it was agreed to address the whole question of the interrelationship between copyright registration and the recordation of transfers and other documents in Phase II of the deliberations.

b) *Merge databases.* Work toward making compatible the various public records and databases of the Copyright Office and Library with the goal of merging them

online. The merged database would include the Catalog of Copyright Entries, the new records of mandatory deposits, and possibly the Library's bibliographic entries for copyrighted works. ACCORD liked this idea very much.

c) *Educational campaign.* Organize,through publications, speeches, meetings, personal contacts, and help from organizations, a major campaign aimed at educating the public about copyright in general and registration and deposit in particular.

d) *Incontestability.* Look into the possibility of providing something similar to the provisions of the trademark law making the validity of, and facts stated in, a registration incontestable after a certain period of time and subject to certain exceptions (e.g. fraud, antitrust violations, etc.). The analogies between trademark and copyright practices may be too weak to make this practical, but the idea might be investigated in connection with prima facie presumptions.

e) *Conflicting registrations.* Where there are two or more registrations covering the same version of a work in the Copyright Office records, provide for a presumption that the facts stated in the earliest registration will prevail.

f) *Retention of deposits.* Provide for permanent retention of deposits of published works upon request of the copyright owner, without charging the present retention fee.

5) *Litigation-based incentives*

NOTE: Both sections 411(a) and 412 of the present law are litigation-based incentives to registration and deposit, since they deprive the copyright owner of certain benefits in infringement litigation unless registration has been made: statutory damages and attorney's fees under 412, and the right to bring suit under 411(a). It is argued that these (or at least section 412) operate as powerful inducements since copyright owners, or the attorneys advising them, know that if they register they will get certain rights and remedies, and if they don't register they will be deprived of these benefits.

It was pointed out that the new ideas for additional litigation-based incentives would work in just the same way as section 412. Some members of ACCORD favored the new carrot-and-stick proposals on the ground that, unlike statutory damages and attorney's fees, the enhanced remedies, not now available under the copyright law, would provide effective incentives to registration and deposit. Others argued that the stronger the incentive, the more it operates as a penalty, and the weaker the incentive, the less likely it is to induce the desired behavior.

According to the latter view, litigation-based incentives are flawed sticks rather than carrots, since they cannot fail to constitute a trap for the unwary; to induce registration the law should create registration incentives, not litigation incentives. On the other hand, some members felt strongly that a package of litigation-based incentives, offering additional remedies not now available, would be less objectionable than 412. They felt that such a package should supplement the recommendations in Chapter 4 as a means of insuring the continuation of copyright registrations and deposits at current levels.

a) *Sunset provision.* There was considerable feeling on the committee that whatever changes are made in the law will have unpredictable results, and that the statute should contain either a sunset or perhaps a "sunrise" provision requiring Congress to evaluate the effects of its amendments after they have been in effect for a stated period, perhaps five years.

b) *Variations on section 411(a):*

i) Repeal the provision but give courts the express option of asking the Copyright Office for an advisory opinion;

ii) Modify section 508, which is not working. Instead of requiring the clerks of the courts to notify the Copyright Office about litigation, put the onus on the plaintiff and add the information to the Office's online databases.

c) *Variations on section 412:*

i) Repeal section 412 insofar as it withholds statutory damages and attorney's fees for published or publicly- disseminated works, but retain it for unpublished, unregistered works, possibly with some of the amelioration discussed below;

ii) Give the court discretion to make exceptions to the requirements of section 412 in certain limited circumstances, possibly including cases of excusable neglect or inadvertence, or where compliance is physically or financially difficult or impossible;

iii) Expand the grace period for published works in 412;

iv) Make 412 inapplicable if registration is made after infringement begins but before bringing suit;

v) Withhold certain remedies but allow the court to make exceptions, and lay out the factors the court in its discretion might consider in deciding to grant, withhold, or reduce statutory damages and attorney's fees;

vi) If registration is made after the first of a series of infringing acts, allow statutory damages and attorney's fees for acts committed after registration;

vii) Allow the court in its discretion to withhold statutory damages or attorney's fees, but not both.

d) *Enhanced remedies: In general.* Subject to judicial discretion and the possibility of exceptions where extenuating circumstances exist, provide that where there has been timely registration, an award of "enhanced" remedies over and above those normally available would be mandatory regardless of when the infringement occurred. The possible nature of these "enhanced remedies" was the subject of much discussion. Among the ideas (where timely registration has been made):

i) Allow the court to make its award per act of infringement rather than per work;

ii) Make liability "several" rather than "joint and several," so that each defendant would be separately liable for damages.

e) *Enhanced remedies: Actual damages and profits:*

i) Give the courts discretion to award treble damages and profits where there has been timely registration and the infringement was willful, the treble damage award not to be in lieu of any additional profits of the infringer;

ii) Give the courts discretion to cumulate actual damages and all profits (i.e., not just "additional" profits as at present), as some courts had interpreted the 1909 law, where there had been timely registration.

f) *Enhanced remedies: Statutory damages.* Where there has been timely registration:

a) Raise the ceiling for awards of statutory damages in cases of non-willful infringement from $20,000 to perhaps $100,000.

b) Remove the ceiling in all cases.

c) Break up the schedules of awards into brackets, reserving the highest brackets for registered works.

g) *Enhanced remedies: Attorney's fees:* Where there has been timely registration:

i) Make an award of reasonable attorney's fees mandatory in cases of both willful and non-willful infringement;

ii) Provide for mandatory awards of attorney's fees in all cases of willful infringement, but not for mandatory awards in cases of non-willful infringement;

iii) Make attorney's fees awards cover the full amount of the fee charged, not just "reasonable" fees;

iv) Include with the award of attorney's fees a recovery of the plaintiff's other litigation costs: court reporter fees, expert witness fees, accountant's fees, costs of duplicating the record, etc.;

v) Provide that, if plaintiff loses and there has *not* been timely registration, plaintiff must pay defendant's attorney's fees.

h) *Effect of registration on defenses in litigation:* If registration has been made, and subject to judicial discretion:

i) Increase the statute of limitations from three to six years;

ii) Preclude the defense of innocent infringement under section 504(c)(2);

iii) Preclude claims of abandonment and estoppel.

CHAPTER 4: RECOMMENDATIONS

As the authors of this report have understood it, the initial charge of the Librarian of Congress to ACCORD was to study and report to him upon possible methods of inducing copyright registration and deposit for the Library that would serve as alternatives to the incentives now offered by sections 411(a) and 412. The committee has entrusted us, as co-chairs, with the responsibility of reporting upon the work of ACCORD during its first phase and the proposals and recommendations that emerged from that work. We emphasize once again that the statements here are our own, not those of ACCORD or of any of its other members.

We believe that the recommendations set forth in this chapter reflect the views of a substantial number of ACCORD members, and that there was sufficient support for these proposals to put them forward for consideration by the Librarian of Congress. It is true that the members agreed to disagree on the Reform Bill's repeal of sections 411(a) and 412, and that the relative strength of an individual member's support for the recommendations in this chapter depended upon the member's views

on the repeal of section 411(a) and particularly 412. Chapter 3 of this report and some of the working papers contained in the Appendix reflect the various views of ACCORD members on sections 411(a) and 412.

The recommendations summarized in this chapter are put forward as a package consisting of two types of proposals for statutory and administrative change: first, a new chapter of the Copyright Code to replace and strengthen the effectiveness of section 407 on mandatory deposit for the Library of Congress; and, second, a group of proposed amendments to sections 408 through 410 and 411(b) aimed at simplifying, liberalizing, and ameliorating the present registration/deposit system. The recommendations were initially considered by the committee in the form of rough drafts of statutory language. The intention of the drafters of this language was to show to the ACCORD members the full content and reach of the proposals, to demonstrate how they might work in practice, and to reveal potential problems and defects.

The drafts were presented to an eight-member subcommittee of ACCORD at an all-day meeting on Sunday, August 29, 1993. This meeting produced what appeared as considerable support for the basic proposals, together with a number of detailed suggestions for changes in language and substance. At the full committee's meetings on September 1 and 2 the same rough draft was presented as the basis for discussion, this time with a covering memorandum summarizing the proposals.Again there were suggestions for changes in both wording and substantive content.

These drafts have formed the basis for the recommendations summarized in this chapter, and may therefore be useful as background material. They have not been changed or refined; the covering memorandum of September 1, together with the rough drafts in their original form, are included in the Appendix as Working Paper 19. For present purposes the chairs have sought to summarize and explain the content of the drafts in ordinary report language, in some cases adding summaries of suggestions that emerged from later discussions of the drafts and on which some further degree of accord was reached.

Recommendations concerning mandatory deposit

1) *In General.* It is the sense of a number of ACCORD's members that the mandatory deposit provisions of section 407, if substantially expanded and strengthened legislatively and administratively, offer a opportunity to enhance the collections of the Library of Congress. These provisions parallel the "legal deposit" and similar requirements in most other countries.

2) *Basic Purpose of the Proposal:* To obtain, automatically and without the necessity for a demand, the deposit of the bulk of copyrighted material made available to the public[14] in the United States that the Library of Congress wants and that is not coming in through copyright registration.

3) *Structural Change:* Make section 407 into a separate chapter of Title 17 to accommodate the greatly enlarged number of sections, to focus greater attention on the requirement, and to emphasize its increased importance. In addition, separating the sections dealing with mandatory deposit from those on copyright registration emphasizes the differing goals and policies of the two.

4) *Statutory Clarifications:* Make clear in the statute that—

a) The obligation to deposit arises immediately and automatically upon publication or public dissemination in the United States, without the need for any official notices or demands;

b) The obligation devolves upon the owner of U.S. copyright or the owners of any exclusive rights of publication or public dissemination in the United States, and may be fulfilled by any of them;

c) The obligation applies to every work the rights owners disseminate publicly in the United States unless deposit for copyright registration is made, or unless the Library has declared that it does not seek deposit of the type of material in question.

5) *Scope of the Obligation:* Expand the scope of mandatory deposit to include not only copies and phonorecords but also materials, such as television programs and

[14] This would expand the scope of mandatory deposit to include not only published works, but also works publicly disseminated by any means. It would broaden the reach of the Library to works disseminated, but not technically published—for example, transmission programs and online databases. Most members support the Library's desire to obtain these works, but were concerned that the proposal is too broad in the scope of works affected, and in the possible uses the Library might make of them once available. There was an acknowledgement, especially for works in electronic formats (including online databases), that careful study and important safeguards must precede any legislative or administrative change.

online databases, which are widely available to the public but may not be "published" in the technical sense under the copyright law.

6) *Relation to Copyright:* Clarify in the statute the relation between mandatory deposit for the Library of Congress and deposit for copyright registration. Explain that mandatory deposit is not a condition of copyright protection, but that mandatory deposits may be used to fulfill the deposit requirements related to copyright registration. Elucidate the respective responsibilities of the Librarian of Congress and the Register of Copyrights in administering the system.

7) *The Question of Abandonment:* Deal in the statute or in regulations with the legal problems presented by abandonment of copyright or publishing rights as an alternative to mandatory deposit. Set up a system where requiring abandonment would not be routine, and where alternatives to abandonment would be sought through negotiated agreements to defer deposits for periods of time, combine purchases with deposits, allow different forms of deposit, etc.

8) *Initial Procedures:* Strengthen and formalize the initial procedures for mandatory deposit, including identification of the material wanted and the methods for informing potential depositors of their obligations and of their option to deposit in connection with copyright registration instead. Set up a procedure under which the Library—

a) Regularly, and frequently, reviews and publishes its acquisitions policies as applied to mandatory deposit, making clear what it wants and what it does not want at the time, what classes of material are completely exempt, what the classes are where deposit of one copy or phonorecord will suffice, the conditions under which it will suffice to put the Library on a subscription, and the conditions for special cases where deposit copies or phonorecords are completely lacking, etc.

b) Identifies, by comparing information from databases, the material the Library wants and is not getting under copyright registration, and undertakes to make the contacts necessary to have them deposited voluntarily and automatically.

9) *Due Process:* Set up a fair and effective compliance procedure, giving potential depositors due process (e.g., under the Administrative Procedure Act) and the opportunity to negotiate agreements for their mandatory deposits that would be fair to them and to the Library:

a) Initially, the Library would notify potential depositors of their obligations by sending a written request identifying the work or body of works, with information about the requirements, alternatives, and time limits, including the option to make a voluntary registration and deposit;

b) Then, within three months after the request the potential depositor would have the options to deposit, to explain why there is no legal obligation to deposit, or to enter into good faith negotiations with the Library over possible optional forms of deposit, possible restrictions on use or disposition of the deposits by the Library, etc.;

c) Within one month after conclusion of any such negotiations the potential depositor would have the right to appeal directly to the Librarian, whose decision would constitute the final agency action, subject to appeal to the courts.

10) *Formal Demands:* Establish time-limits after which the Library may make formal demands, and set up requirements for the contents and service of the demand and for time-limits to comply with it.

11) *Sanctions for Noncompliance:* Establish realistic sanctions for noncompliance with a formal demand, including fines and recovery by the Library in appropriate cases of its attorney's fees and other legal costs incurred in enforcing the demand; make clear that the sanctions are civil and not criminal in nature.

12) *Legal Representation:*[15] Provide the Librarian with practical and effective means for obtaining legal representation in demand cases, including the right to retain private counsel, special procedures in the Justice Department, the Library, or the Copyright Office, etc.

13) *Records of Mandatory Deposits:* Establish statutory procedures for processing and recording the receipt and disposition of mandatory deposits:

a) Make clear that no application or fee is required;

b) Formalize procedures for exchanging deposit copies or phonorecords with other scholarly institutions;

c) Make clear that, as with other items in its collections, the Library may use and transfer or exchange deposits without restrictions, unless there has been a nego-

[15] See Working Paper No. 20 regarding the authority of Legislative Branch agencies to litigate.

tiated agreement establishing restrictions. Again, special consideration must be given to works easily reproduced or transferred, such as works in digital or other electronic formats;

d) Require the Library to establish and maintain simple public records of all mandatory deposit material received. Specify the information to be included in public records, to be taken from the face of the deposits, together with data about their estimated value and disposition, to be maintained for the Library's own fiscal and statistical records and for bibliographic purposes;

e) Require the Library to put these records into an online database very shortly after receipt of the deposit;

f) Give depositors the option of informing the Library, at the time of deposit and later, about whom to contact concerning permissions and licensing (possibly with appropriate information as to terms and pricing) and require the Library to include this information in the online database.

14) *Transmission Programs:* With respect to "transmission programs," especially radio and television programs, authorize the Library to record off-the-air under regulated conditions, as an alternative to demanding hard copies. Set up a process under which there would be studies and consultations before establishing the regulations controlling these procedures and include in the studies the implications, if any, for online databases.

Recommendations concerning copyright registration policies and practices

1) *In General.* There was general agreement among the members of ACCORD that the copyright registration and deposit provisions of the present law (sections 408–410, and 411(b)) are too complicated, that they leave open the possibility of overly-strict or technical administration, and that these in some cases these factors may constitute deterrents to registration. A consensus view of the committee was that, to induce authors and copyright owners not now registering to do so, and to encourage those now registering to continue, the statute should provide for substantial simplifications and ameliorations in existing registration policies and practices. This is particularly important with respect to unpublished works,[16] as they would not be reached by the expansion and strengthening of the mandatory deposit requirements.

2) *Section 408:* a) *Optional Deposit and Group Registration.* Expand the Register's authority to establish optional forms of deposit and the groupings of related works under a single registration; without prejudice to this authority, require the Register to establish standards and procedures for special exceptions to the deposit requirements, and for optional deposit and group registration in specified cases. An example would be expansion and liberalization of the current provision for group registrations of contributions to periodicals. Address in the statute the problem of providing meaningful cataloging and database entries identifying the various works comprised in a group registration.

b) *Regular Public Inquiries.* Require the Register at regular intervals, perhaps annually or biennially, to conduct full-scale public inquiries, to identify situations or types of works where variations in types of deposits or in standard registration practices would be justified.

3) *Section 409:* a) *Short-form application.* Begin the section with a new subsection providing for a short-form, much simpler, application to be used where the copyright owner is the living author and the work has not previously been published (or publicly disseminated if the statute provides for mandatory deposit of publicly-disseminated works). Detail the information to be included in the short form, keeping it as simple as possible.

b) *Optional information about source of permissions.* For both short and long-form applications, allow the applicants (or possibly their representatives or licensees) to provide optional information about whom to contact concerning permissions and licensing, together with appropriate information about terms and pricing. Make provision for this information to be included in the Copyright Office's online catalog and for methods allowing the applicant to keep the information current. Make clear that this optional information is not entitled to prima facie presumptions under section 410(c).

c) *Specified items of information.* Revise the list of specified items to be included in the long-form application to make the information provided clearer and more meaningful:

i) Delete clause (10), a ghost of the manufacturing clause;

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[16] The classes of unpublished works not reached by mandatory deposit would be reduced if mandatory deposit is expanded to include works "publicly disseminated" but not technically "published."

ii) Retain clause (5), but tie it to information in the records of transfers maintained by the Copyright Office under section 205;

iii) Rewrite clause (9) to make much clearer and simpler the information to be elicited, and to limit it to what is necessary for the registration process.

d) *Good-faith errors.* Add a subsection, applicable to both short and long-form applications, making clear that an error or omission of fact on the application will deprive that item of information of prima facie weight, but if made in good faith will not constitute fraud on the Copyright Office or invalidate the registration, or the copyright, or deprive the copyright owner of any remedies.

4) *Section 410:* a) Revise both subsections (a) and (b) to restore the "rule of doubt" in the examining and registration process, making clear in statutory language that if, under a "reasonableness" standard, there is any genuine uncertainty regarding registrability in a particular case, the doubt should be resolved in favor of the applicant. (Several formulas for stating this principle in the statute were put forward by ACCORD members.)

b) Add a subsection detailing a procedure for applicants to use in appealing adverse actions by the Copyright Office, requiring observation of due process under the Administrative Procedure Act and providing an appeals ladder through the Register to the Librarian, whose decision would constitute final agency action subject to appeal to the courts.

5) *Section 411(b):* Amend this subsection, dealing with the special problem of live radio and television programs (notably sports) which are likely to be infringed at the moment of their first transmission, to reduce the present cumbersome paperwork and procedural burdens. Instead of requiring actual notice to be served on potential infringers, provide for a filing in the Copyright Office within reasonable time-limits and under regulatory conditions to constitute constructive notice, allowing injunctions and recovery of other remedies as long as timely registration is made later.

Recommendation for Review. One thing on which all of the members of ACCORD appeared to agree was the lack of hard evidence concerning the effect of sections 411(a) and 412 as inducements to registration. It was suggested that, after a stated period of perhaps five years, the effects of the changed requirements could be reviewed to see whether they had had the desired effect. This would seem a desirable safety valve, especially if more reliable statistics than those now available could be provided, and we recommend that a provision to this effect be added to the statute.

Senator DECONCINI. Dr. Billington, thank you very much. I failed to recognize the distinguished colleague from California, Senator Feinstein, during the opening statement. I apologize.

Senator FEINSTEIN. I have no opening statement. Thank you very much.

Senator DECONCINI. OK, thank you.

Dr. Billington, I want to just sum up from what I take it, and your testimony is quite detailed, that you support the repeal of 411(a) and don't oppose the repeal of 412 if we put in some of the safeguards that you have set out.

Mr. BILLINGTON. Well, I would say if a comprehensive set of safeguards.

Senator DECONCINI. Yes, and you have listed those.

Mr. BILLINGTON. Frankly, the risk is, if there is some sort of partial fragmentation of that, it would then set off—we're setting it off in any case, on certain waters. But we think this is a reasonable and comprehensive package with failsafes, and in the beginning that minimizes the risks. But we do feel it's a comprehensive package that should be clearly understood and agreed on in advance. But in that case, yes.

Senator DECONCINI. Ms. Levering, I have some time constraints on the hearings today, and I'm going to ask that your statement be put in the record in full. If you care to make a comment on it, or a specific point, we would be more than happy to entertain that. It's only because of time restraints, I do have some questions I

want to address to perhaps you and to Ms. Ringer and Mr. Wedgeworth.

STATEMENT OF MARY LEVERING

Ms. LEVERING. Thank you very much, Mr. Chairman, Senator Hatch and Senator Feinstein.

I will make a very few points then, especially concerning the mandatory deposit system. To summarize the specific recommendations concerning an expanded mandatory deposit system, one was to make section 407 a separate chapter, to accommodate some additional provisions, focus greater attention on this requirement and emphasize its increased importance, make it clear that the obligation arises immediately and automatically upon publication or public dissemination of certain works, make it clear that it applies to every work that the rights holders publish or publicly disseminate.

Also, to clarify in the statute the relationship between mandatory deposit for the Library of Congress, deposit for copyright registration, specify the Librarian as the ultimate authority, strengthen and formalize the provisions underpinning the procedures for mandatory deposit, provide clear deadlines to assure timely response, establish realistic sanctions for noncompliance with formal demands, including not only fines but the possibility of attorneys' fees, other legal costs in appropriate cases, to give the Librarian practical and effective means for obtaining legal representation in demand cases, including the possibility of retaining private counsel.

Provide statutory procedures for processing and recording the mandatory deposits, including establishing and maintaining public records of these, putting them in the data bases. That's a very brief summary of the mandatory deposit and copyright registration.

Senator DECONCINI. Thank you, Ms. Levering. We will include your full statement. We have such a panel today, and I have to end this hearing by 12 o'clock, and I do want to address some questions and be sure that we have the testimony. But I want to assure you that your testimony and statement are very important to us and will be a part of this record.

Ms. LEVERING. Thank you very much.

Senator DECONCINI. I would like to address a couple of questions if I can, and I will yield, of course, to my ranking member.

Ms. Ringer, in your experience as the Register, do you believe that the hardships that sections 411(a) and 412 impose on some authors are outweighed by the benefits?

Ms. RINGER. Thank you, Mr. Chairman.

I very much support the Librarian's statement. And I would go further. I am not an employee of anybody at this stage of the game.

Senator DECONCINI. That's a nice feeling.

Ms. RINGER. It is. [Laughter.]

Senator DECONCINI. I'm going to know that in about a year myself. [Laughter.]

Ms. RINGER. So I think I can speak freely, and for myself.

I have taken the position over the years, in writing and elsewhere, that 412 particularly is unfair to authors. And I would like to elaborate on that a little bit. I do feel that what has been happening in recent years has put far too much emphasis on the trade

and technological aspects of copyright, and there has been a tendency to forget about the impact on individual authors.

And it is for this reason as much as any other that I believe that Congress should, whenever it has any copyright measure before it, should look closely at the impact on authors and that's the first thing it should look at. That is the constitutional charge, and it seems to me that it's all to often forgotten in this welter of technology and trade issues that we hear about all the time.

I do feel that 412 and perhaps 411, too, is unfair to authors; 411 is discriminatory on its face, and I believe that 412 is unfair. I recognize and I will comment on the fact that, and you will hear a lot about this now, that the argument is made, and I would commend to you Professor Jaszi's statement, which I think is brilliant, and which does lay out on philosophical grounds why the impact of 412 has changed.

I don't agree with the conclusion. I think that 412 is still unfair. But it does seem to me that the problems that are addressed there need to be addressed. There are fair use problems and litigation problems, and I think they are probably real. But they should not be addressed in a form that actually works to the severe detriment of individual authors.

Senator DECONCINI. Ms. Ringer, regarding the 1976 Copyright Act, can you tell me what you think the purpose of sections 411(a) and 412 were?

Ms. RINGER. In 1976, there is no question what they were. They were to induce registration.

Senator DECONCINI. Do you believe that there are other inducements that can be devised that will deprive certain types of authors from pursuing a claim on infringement?

Ms. RINGER. I'm not sure I understand your question, Mr. Chairman.

Senator DECONCINI. Will not deprive, excuse me. Do you believe that other inducements can be derived that will not deprive certain authors from pursuing an infringement claim?

Ms. RINGER. Yes; yes, I do. As I say——

Senator DECONCINI. So we're not going to lose anything here if we're careful of what we enact.

Ms. RINGER. If we're careful.

Senator DECONCINI. Dr. Wedgeworth, you are distinguished in your career as many institutions have had the benefit of your leadership. In your experience as a librarian, do you believe that the repeal of sections 411 and 412 would remove major incentives for voluntary registration and the deposit of copyright materials?

Mr. WEDGEWORTH. Thank you, Mr. Chairman.

Certainly, the removal of those provisions will remove an incentive. I prefer to emphasize on the other side, I have maintained from almost the beginning session of our ACCORD committee that this presents a major opportunity for the Library of Congress to update and expand what we feel to be a long overdue need for a broader mandatory deposit, to bring under its auspices many different categories of works that have been developed with new technologies that are not presently covered by those provisions.

But also to respond specifically to your question about authors, I just feel that it's inconsistent with the constitutional purpose of

copyright to hold the unwary authors hostage to what I project will be a declining fortune in registrations, because primarily of new technologies that will take these publications and other publicly disseminated works in different ways, and will be made available in ways that will not require or necessarily encourage the owners to register them.

Senator DECONCINI. Our system really punishes those authors, it seems to me, today. Do you believe that there can be positive incentives to still get them to register?

Mr. WEDGEWORTH. I think that there are very positive incentives that have been proposed. One of the most difficult problems for the copyright user in this country, and I can say that with some confidence, since in the basement of our university library we have an office that does nothing all day but try to get permissions to make available materials, authorized materials, to faculty and students.

The most difficult problem for them is finding out who actually owns the copyright. And this could be an invaluable data base, were it to be developed under the auspices of the proposals here to the copyright user and proprietor community. So I think that that in itself is a major inducement, and some of the other enhanced remedies that have been suggested I think will be helpful. As a package, I think they would be far superior to what we have at present.

Senator DECONCINI. Senator Hatch?

Senator HATCH. Thank you, Mr. Chairman.

Dr. Billington, I appreciate the extensive statements that you and Ms. Levering, our Acting Register, have made here today. I think they are thoughtful and thorough. Thank you for the willingness that you have demonstrated in being willing to come and testify before us on this complicated area of copyright law. I certainly appreciate you, Ms. Ringer, and Dr. Wedgeworth. We appreciate the work that you've done.

I'm particularly pleased that you, Dr. Billington, believe that you can now support repeal of section 411(a)'s requirement that works must be registered before infringement actions can be maintained. Equally significant, I believe, is your conclusion that repeal of section 412 could be acceptable if the alternatives that you propose are enacted.

Now, obviously, it will require more study than we can provide today to determine whether the enhanced deposit alternatives that you propose can in fact be enacted. And if we do proceed slowly on that front, would you foresee any objections to a bill going ahead that would be addressed simply to repealing section 411(a) and its requirement of registration before suit?

Mr. BILLINGTON. Senator, I would have great difficulty with that. To plunge into uncertain waters without having defined a shore and some realistic set of procedures to be sure you're going to get there would be very risky indeed. I think custodianship of anything that is as immense and important but at the same time inherently vulnerable as this kind of universal collection and the expanded data base that we envisage, we think the recommendations that we have put forth here that were generated by the ACCORD committee are worthy of implementation in and of themselves quite apart from the question of 412.

But until there is assurance that they would be implemented, it would be I think risky to cast loose one set of moorings without having another. So I think that would be the wrong order of procedure, and it could be because, you know, it's like temporary borders in Korea became permanent borders that led to war.

I mean, a willingness to consider something in the future would itself send a mixed signal to the broader community. Because this is largely a voluntary system and if we're going to, if the main thrust of legislation is not to strongly endorse and to provide some indication of commitment to a new system, merely doing away with the old, which has in its own way, with negative consequences that we've all now acknowledged, but has contributed to this continuous flow, it's the kind of thing that once you interrupt it, it's very difficult to pick up. And it's not the sort of thing you can just let it go this year and buy the next. Because there won't be the money for it, and there won't be the mechanism.

So I think it's very important that a comprehensive outline of a new program that we've tried to outline here be clearly accepted in all of its implications before we would be responsible to do that. But we would be willing to do it once that is in place.

Senator HATCH. Well, one of your specific recommendations is to place on-line simple records of mandatory deposits, thus making them eventually available on the electronic information superhighway. Are mandatory deposit records not currently placed on-line?

Mr. BILLINGTON. No.

Senator HATCH. It seems to that——

Ms. LEVERING. We've just developed a new PC-based system that's just been in the testing—it's a very modest beginning—this summer. But prior to that they were manual records.

Senator HATCH. Well, it seems to me that would be a good idea regardless of how this legislation ultimately turns out. I would like to see you do more in that area.

I'm also intrigued by your suggestion that mandatory deposit be extended beyond the reach of formally published works to include works that are publicly disseminated, such as by television broadcast or cable transmission. If mandatory deposit could be extended in this fashion, and could be made effective, what types of unpublished works do you believe might still be lost to the Library if section 412 were ultimately repealed?

Mr. BILLINGTON. Well, a lot of the most unique things in the Library of Congress are the unpublished work. And we don't see that coming in by mandatory deposit.

Ms. LEVERING. No, that's right. Mandatory deposit would not cover unpublished works, and therefore there has to be encouragement and incentives to registration, which is why the Library and the Copyright Office have proposed a number of alternative incentives to registration. Because that is the vast body of unpublished materials, which are very rich, and also really enhance the collections and the research capabilities of the collections.

Senator HATCH. Let's look at that.

Now, let me ask you, Ms. Ringer, how clear is it that section 412 does not actually violate our Berne Convention obligations? I know that the general consensus is that the recovery of attorneys' fees

and statutory damages are extraordinary remedies, and not inherent aspects of copyright protection. But is that conclusion free from doubt?

Ms. RINGER. Senator Hatch, I believe that it is a violation of the Berne Convention. I may be alone in this. But it might not have been in 1976 or 1978 when it came into effect, because at that point, perhaps the importance of statutory damages and attorneys' fees and in some cases the absolute essential nature of that, for people to actually defend their rights, was not that clear. But with the enormous increases in costs of litigation and so forth, I think that it is a violation.

Senator HATCH. Could you also explain in the context of mandatory deposit how a provision allowing abandonment of copyright could be interpreted as an unpermitted Berne formality? Does the Librarian's proposal for enhanced mandatory deposit avoid this potential problem?

Ms. RINGER. You're asking a tough question. But speaking personally, again, I think it probably does violate Berne. If the choice is between not making a mandatory deposit and abandoning copyright, if that's the choice that's offered, it seems to me that that is a formality which would be forbidden by Berne.

Senator HATCH. Thank you. I really want to thank all four of you for the work that you've done, for the ACCORD work, the statements that have been made. I think they're very helpful to the committee. So we appreciate it.

Senator DECONCINI. Thank you, Doctor, very much. We appreciate your testimony, all of you, and your being with us today.

Mr. BILLINGTON. Thank you very much, Mr. Chairman.

Senator DECONCINI. Our next panel will be Scott Turow, Maria Pallante, and Erica Jong. If they would please come forward, please. Your full statements will appear in the record. We would ask that you summarize them for us.

Ms. Jong, we'll start with you if you're prepared. Thank you for being with us today and taking the time to express your views regarding this very important subject. Will you please proceed?

STATEMENT OF ERICA JONG

Ms. JONG. Thank you, Mr. Chairman.

Mr. Chairman, my name is Erica Jong. I am a poet, a novelist, a biographer, an essayist, and I have also written screenplays, plays and musical comedy libretti. I very much appreciate the opportunity to testify here today.

Since the publication of my first book in 1971, I have been active on behalf of authors' rights in many organizations: The Poetry Society of America, Poets and Writers, where I served on the board for a decade, The Author's Guild, where I served on the board for two terms, a total of 6 years, culminating in my service as president from 1990 to 1992.

I remain a member of the Author's Guild Council and a past president. I also belong to the Dramatists Guild of America, PEN, The Writers' Guild of America East and West, and the National Writers' Union, where I have accepted the offer to serve on the advisory board.

But I emphasize that I am not here in any official capacity, but simply as an author who has had many different experiences with my work in many different countries. My works are published around the world in languages as diverse as Chinese, Japanese, Hebrew, Macedonian, Serbo-Croat, Polish, French, Italian, Russian, Swedish, Norwegian, Finnish. My last novel perhaps sold more copies in Italy than it did in the United States, which is not a rarity.

I have a special interest in copyright and free expression and in anticensorship activities. I am also a passionate amateur book collector, and a great supporter of libraries. I was thrilled to meet the library people here today. As a scholar and a teacher of 18th century English literature, I have taught at the City University of New York, the University of Maryland, the Salzburg Seminar, the Breadloaf Writers' Conference, also as a former Ph.D. candidate at Columbia, I have often been dependent on the resources of great libraries.

I come before you to support creators' rights, which are endangered in many countries, including our own. Our Constitution specifically empowers you to protect copyright by securing for limited times to authors the exclusive right to their respective writings. section 1, clause 8. This body, both in 1909 and in 1976, passed legislation to ensure that creators and their heirs could benefit from their created work. In 1989, you led us a giant step forward by adhering, by ratifying U.S. adherence to the Berne Convention.

Often creative work circulates in many diverse forms before it reaches readiness for publication. As a poet, I often mail or fax poems to friends, to editors, to colleagues. As a playwright and screenwriter, I share ideas as yet unconsummated with my colleagues and with my possible future collaborators. As the writer of work for children, I have read aloud to children, my own and those of others and friends.

I have read portions of stories that may not be published for many years. If I, a successful writer with a wealth of legal talent at my disposal, cannot copyright each and every product of my brain, how can the beginning poet, screenwriter, photographer, novelist or nonfiction writer be protected?

To register every copyright is an impossibility for the fertile and prolific creator. Most do not even know about the requirements of registration as a precondition for meaningful enforcement. Others cannot afford the burden of registering every one of their poems, essays, stories, photographs, sketches. Sometimes one's work is taken from one deliberately or not, and one does need a remedy.

Most of my creative colleagues are not rich, and they cannot afford lawyers. That is why the availability of attorneys' fees and statutory damages is crucial. They are by nature playful dreamers who don't always keep lists and inventories of each idea or its expression. They do not employ, nor can they afford to employ, staffs of administrative assistants to keep a paper trail of every work.

But when someone reproduces that work without permission, they sometimes need recourse that is not beyond their economic means. Often their work is appropriated and they don't even discover it until years later, much too late to fall within the requirement of section 412.

Special registration and fees available only to the affluent discriminate against American creators. Most of the world does not impose such a burden. We, too, believe in the freedom of intellectual property. But without meaning to, we have restricted it by requiring registration.

As American creators, we wish, of course, to have the richest possible national library. But we see no reason to link the deposit of works in the Library of Congress with copyright enforcement. Our copyright law provides authors with an incentive to create by granting us exclusive rights to license our words. Our ability to enforce these rights, essential to making a living for us, should not be tied to the great and worthy good of creating and maintaining a great national library.

When American books are pirated in other countries, our American creators are outraged. We should piracy, and demand that all countries in the world obey the law of copyright. We believe that creators should benefit from their own work; it is the only currency we have. We believe that their children should also benefit; it is often the only legacy we have to give them. If in this new information age our work is utilized by others without permission, we need resources that are unencumbered.

In the years since the Copyright Law of 1976 was passed, some organizations have regrettably taken advantage of intellectual property registration requirements in the law to benefit by creators' work. Knowing that creators could not usually afford to sue, and could not get damages and attorneys' fees without timely prior registration, these organizations used copyrighted work with impunity.

We are attempting to remedy this problem by repealing section 412 of the 1976 Copyright Law. We really believe that the legislators who proposed this repeal embodied in Senate bill 373 are truly acting in the spirit of our copyright laws and of our Constitution. It is in the spirit of those laws and the Constitution that I endorse Senate bill 373.

It is because I am a successful author that my work, both published and unpublished, has been pirated, infringed, and used without permission. Often I have been unaware of the infringement until long after it has occurred. If Senate bill 373 becomes law, I and other creators will have better access to redress. If prior registration remains necessary, it would be more difficult for us to protect our work.

When I travel to foreign countries and argue that we should all support the Berne Convention, I want to know that we in America are doing our best to create and sustain a climate hospitable to creators' rights in our own great country. In many other countries, the United States' registration requirements are regarded with skepticism, and making them more onerous will only separate us from our many global partners. We should seek to have a standard of intellectual property law that is truly international and that truly protects individual creators who are increasingly disempowered by giant multinational conglomerates. We would move closer to this goal by repealing sections 411(a) and 412.

Our authors, screenwriters, lyricists, composers, photographers, illustrators, graphic artists, fine artists, create immense wealth for

the United States. They also create our images of freedom all over the planet. It is these images of freedom that have helped to bring the Iron Curtain down.

The dreamers who give birth to our intellectual and artistic wealth also deserve a fair share of it. They deserve control over it. They have already given away far too much to those whose only contribution is to distribute it, and who pillage the proceeds of creative wealth to buy more and more media companies that privately control the fruits of creativity and free expression.

We as creators are only asking for what Charles Dickens fought for in the 19th century and what the Founders truly intended for us to have: the right to our own words and to receive proper credit for the pleasure and for the inspiration they give to those who are moved by them.

Copyright is not only a law, it is an idea enshrined in our Constitution. America has become a great country in part because of its access to information, to art, to music, to inspiration itself. After all, we who call ourselves creators are merely the singers of God's song. We ask only the chance of raising our voices without having to worry about our pockets being picked.

Please repeal sections 411(a) and 412.

Senator DECONCINI. Ms. Jong, thank you very much for your testimony. It was very helpful.

Ms. Pallante, if you would summarize your statement, please?

STATEMENT OF MARIA PALLANTE, EXECUTIVE DIRECTOR, NATIONAL WRITERS UNION, NEW YORK, NY

Ms. PALLANTE. Thank you, Mr. Chairman. I have prepared a written statement and with your permission would like to submit that for the record.

Senator DECONCINI. It will appear in the record.

Ms. PALLANTE. I am a member of ACCORD and a former staff attorney for the Author's Guild. However, I am here in my capacity as the executive director of the National Writers Union, a nationwide organization of 4,000 journalists, poets, novelists, biographers, historians, children's book authors, technical and commercial writers, genre writers, textbook authors, essayists, and academic scholars.

Our members strongly support the elimination of sections 411(a) and 412 from the Copyright Act. The National Writers Union previously urged that this be done in a statement to the House Subcommittee last spring. We believe that thousands of other writers, composers, photographers, artists and creators of copyrighted works in every medium of expression do not even know of the requirements of section 412. Others simply cannot afford to register each and every poem, article, short story which they create in a given year.

The remedies of attorneys' fees and statutory damages are essential to the meaningful enforcement of an author's copyright. Without these remedies, few authors can afford the legal fees associated with an infringement claim, and few are eligible for economic relief. The Supreme Court has held that these remedies are intended to allow an author modest recompense that otherwise would not be possible.

A few historians and biographers, we believe erroneously, believe that section 412 is somehow necessary to protect application of the Fair Use Doctrine. Section 412, however, neither protects nor prevents legitimate fair use. First, authors and their publishers have to honestly apply the Fair Use Doctrine when a borrowed work has been registered.

There is no less reason for them to be as scrupulous when an author has not yet registered her copyright claim. Any argument that the Fair Use Doctrine is at risk is an implicit acknowledgement that some authors and publishers feel more free to exceed fair use when borrowing from unregistered works, because the denial of attorneys' fees and statutory damages insulates them from liability as a practical matter.

Clearly, copyright protection extends to all works, whether published or unpublished, commercially valuable or commercially valueless. The Supreme Court has agreed that authors may have legitimate reasons for keeping unpublished works private. Unpublished works are often works-in-progress, works not ready for others to read or utilize.

Often authors show unpublished works only to a small number of people, perhaps to their agent, perhaps to an editor or two. Most published authors whom I know have many unpublished works lying around or floating around the industry. Invariably, these works are unregistered. The fact that authors do not register their works does not mean that their works are not valuable to them, nor does it mean that others should be free to use them without fear of a lawsuit.

Moreover, repeal of 412 will not trigger a flood of new infringement claims, in our opinion. Plaintiff-authors and their attorneys will still be faced with the prohibitive fact that if their case is lost, they cannot recover statutory damages or attorneys' fees. More importantly, courts have the power to compel a plaintiff-author to pay attorneys' fees to the defendant if in the end the claim is found to be without merit.

We would also like to point out that in addition to being necessary to the rights of authors, the remedies of attorneys' fees and statutory damages are common under American law. Both remedies were available under the 1909 Copyright Act, even if registration was made after the infringement. When in 1976 section 412 made these remedies dependent upon prior registration, it was at the expense of the creative community in this country.

For authors of limited income, the availability of attorneys' fees is essential to their being able to retain counsel. Without this prospect, few attorneys will agree to represent an infringement claim, no matter how egregious, and will require a retainer sum up front. Most New York attorneys require a retainer agreement of at least $5,000, a sum that is more than many authors, many of our members, earn from royalties in a given year.

Statutory damages are essential to authors because it is extremely difficult to prove actual loss in cases of infringement. The value of unpublished works is not easily obtainable, because such works by their definition have not yet been sold commercially. Works with limited circulation, a category that are easy targets for infringement, cannot be valuated fairly unless their authors have

proven sales histories. Statutory damages often supply the only hope for recovery, thereby allowing authors an effective way to protect their intellectual property.

Publishers have argued that elimination of section 412 will reduce deposits with the Library of Congress. This is a spurious argument, in our opinion. In 1986, they enthusiastically urged the repeal of section 412 in a letter written by their counsel to the Register of Copyrights. His letter was written to support the demand of the Author's Guild that section 412 be eliminated. Section 412, we believe, was no more or no less of an inducement than it is today.

We thank Chairman DeConcini and Senator Hatch for giving us this opportunity to present our views.

Senator DECONCINI. Thank you very much, Ms. Pallante.

Mr. Turow, please proceed. Your full statement, if you have one, will appear in the record.

STATEMENT OF SCOTT TUROW, MEMBER, AUTHOR'S GUILD, NEW YORK, NY, ACCOMPANIED BY ROBIN DAVIS-MILLER, EXECUTIVE DIRECTOR, AUTHOR'S GUILD

Mr. TUROW. Thank you, Mr. Chairman, Senator Hatch. I am, of course, pleased and honored to be here with the opportunity to address the subcommittee.

I am appearing today in behalf of the Author's Guild. With me today is Robin Davis-Miller, who is the executive director of the Author's Guild.

As you have noted, Mr. Chairman, I have made a formal statement. With your permission, if that appears in the record, I would like to proceed by way of summary with just some oral comments.

Senator DECONCINI. Please proceed.

Mr. TUROW. Our special concern here today is with the repeal of section 412. And I must say that our opposition to this legislation is certainly somewhat counterintuitive for the Author's Guild. We seldom oppose anything that on its surface would appear to enhance the value of copyright, which as I'm sure the members of the subcommittee understand, and you, Mr. Chairman, copyright is the life blood of America's authors.

And it's also obvious that there is some respectful disagreement within the literary community, based on the statements you have heard from my colleagues to my left. They are sane and principled objections that are being raised.

Unfortunately, in our view, they are simply not supported by actual experience, and not supported by the experience of the literary community. It is clear to me as a trial lawyer, as a sort of side light that I continue to maintain, that this legislation is going to have a negative net effect for America's authors and for their rights of free expression.

With all due respect to Ms. Pallante, to me it seems beyond serious dispute that this legislation is going to encourage increased infringement litigation. Indeed, that's the purpose of it, to open the courts to people who currently don't have access to the courts, at least in theory.

Now, as a trial lawyer who does spend most of my time in Federal court, I would certainly hope, and I expect, that the sub-

committee would not take a positive view of this legislation unless it's convinced that most of those new claims that are going to be brought are first of all meritorious, and second of all, as a matter of policy, at least as important as the business that presently is before the Federal courts, and in places like Chicago, where I spend most of my time practicing, can lead to delays of up to a year, for example, in getting a ruling on a simple motion to dismiss or 1½ years in getting a ruling from our court of appeals.

But unfortunately, I don't think that that is the case. I don't think the case is that most of these new claims will prove to be meritorious or significant from a policy perspective. As I indicated, initially the Author's Guild was inclined to support this legislation for the reasons indicated. It seems to expand the value of copyright. That's a good thing from an author's perspective.

But the next step taken was to contact our own membership, as well as representatives of other writers' organizations, and to say "Gee, this sounds like a good idea, but does anybody have a good example of a writer who has lost a meritorious claim under the present scheme?" Now, none have been cited to us as yet, and that fact has had a large impact on the formulation of our views about this legislation. I am not for a minute claiming that there are no examples at all out there. There undoubtedly must be. I know that as a matter of simple deduction.

But I do want to suggest, Mr. Chairman and members of the subcommittee, that the problem, at least from an author's perspective, of rights being lost under the present legislative scheme is far less widespread than some of the statements you're going to be hearing today may be suggesting to you.

Now, if this legislation will not help many deserving authors based on our review of what we would have to call anecdotal evidence, are there authors who are going to be hurt? We think the answer is clearly yes, overwhelmingly yes. And here our principal concern is in the area of fair use. That is of course an area that is of particular concern to scholars, biographers, historians, journalists, and anybody who wants to judiciously quote from somebody else's work in the course of creating their own new work.

Now, undoubtedly, Mr. Chairman, you and the members of the subcommittee recall the vexed history of the last legislative action taken with regard to fair use. Fair use remains, in spite of the revisions of section 107 of the Copyright Act, a boundary line issue. It is not clear what deference, for example, is due to unpublished versus published work. This is an area that is still subject to litigation and a great deal of questions, and we at the Author's Guild receive questions frequently from our members on this issue.

Now, speaking personally, I was opposed and testified in front of the House against any change in section 107. I thought it was unnecessary. But my opposition was predicated on a kind of pragmatic, lawyerly view, if you will, of what was likely to happen. And I thought at that time that the hazard to authors making fair use of quotations was really limited to injunctive actions, since there is little actual damage that attends most fair uses, and that the result of that was going to be an occasional injunctive action which meant to me that somebody had to be ready to first spend the significant attorneys' fees involved and therefore it had to be an issue

of vital concern on which the alleged copyright owner was pretty sure that he or she was correct.

The problem with this legislation is, it dramatically alters that balance of risks. And the temptations of statutory damages and attorneys' fees will make fair use disputes far more frequent, and we fear, and I think we fear in good faith, that fair use litigation will become a sort of subterfuge for unhappy subjects of reportage, of biography, of history, who can't mount a good defamation claim, and will therefore use infringement claims they are now allowed to use with regard to unpublished works as a weapon in litigation.

We fear greatly the spillover effect that this is going to have. The advice that I give my clients all the time, that most of the lawyers in this room give their clients all the time, is take no chances. And when that advice is heeded in this context, it means that publishers will become increasingly wary of any work that could even conceivably give rise to one of these lawsuits.

Senator DECONCINI. Excuse me for interrupting. You say when you advise them, take no chances, you mean go and register. Is that what you mean?

Mr. TUROW. Certainly go register. And certainly don't, if you're going to publish something, take no chances with it. Who wants to undergo the extraordinary cost and unpleasantness of litigation in today's society.

We have to recognize here what the impact of prospective litigation is on the kinds of judgments that people in the marketplace make. Everybody wants to avoid litigation. And that really is the problem here. Authors will also take steps to keep themselves out of the courtroom. They are going to sanitize their works of anything that could even give rise to a fair use claim.

And unfortunately, the burden of this is not going to fall, frankly, on best-selling authors where the benefits are quite conceivably worth the risks. It's going to fall on the works at the margins, works that don't appear to have a great profit potential, where a publisher is going to say "You know, I would have published that 3 years ago, but once this repeal passed, it's too risky to publish that, and take the chance that I'm going to get sued for statutory damages and attorneys' fees." And that are the costs that are of great concern to us, and that cause us to oppose this legislation.

I note that Ms. Ringer mentioned that she thought these concerns were legitimate ones, and she, as Mr. Billington says in his formal statement, she recognizes them as legitimate concerns, but says that they are not properly addressed through section 412. I only hope, Mr. Chairman, that you and the subcommittee will not proceed, if you share those views, without some contemporaneous remedy for these concerns to make sure that it will not become open season on authors and publishers, particularly those who publish works that contain quotations from other sources.

Thank you very much.

[The prepared statement of Mr. Turow follows:]

PREPARED STATEMENT OF SCOTT TUROW

SUMMARY

• In an attempt to gather anecdotal evidence from its members and the members of other writers organizations, The Author's Guild has not yet found an example

of a writer being unable to bring a meritorious infringement claim under the present scheme.

- On the other hand, the repeal of sections 411(a) and 412 seems likely to foster increased litigation whose net effect will be to burden authors' rights of free expression. By eliminating registration as a pre-condition for an infringement claimant to receive statutory damages and attorney's fees, the proposed legislation is far more likely to promote vexatious suits—crank claims of original authorship or disputes about fair use. These suits, taken together, will have the effect of restricting free expression—by making publishers increasingly wary of works that could even conceivably give rise to infringement claims; by raising the costs of publication, making less likely the publication of works outside the mainstream, whose profit potential appears uncertain; and by providing new weapons that can be freely used by the unhappy subjects of biographies and reportage to hamper what they regard as unfavorable publications.

Mr. Chairman and Members of the Subcommittee: My name is Scott Turow. I am a novelist and also a practicing attorney. I am appearing before you in behalf of The Author's Guild, Inc.—on whose governing Council I sit—and the Guild's more than 6500 members in order to voice our strong objections to the repeal of present sections 411(a) and 412 of Copyright Act, which is proposed in the Copyright Reform Act of 1993. I am deeply grateful to the Chairman and the Members of the Subcommittee for the opportunity to present our views to you today.

To summarize our objections, The Author's Guild believes that in eliminating registration as a pre-condition for an infringement claimant to receive statutory damages and attorney's fees, the proposed legislation will undoubtedly foster increased litigation. Having tried to survey the experience of many authors, we further believe that as it concerns literary works, this change, rather than rescuing a significant number of meritorious claims lost under the present scheme, is far more likely to promote vexatious suits which will, taken together, have the effect of restricting free expression—by making publishers increasingly wary of works that could even conceivably give rise to infringement claims; by raising the costs of publication, making less likely the publication of works, outside the mainstream, whose profit potential accordingly appears uncertain; and by providing new weapons that can be freely used by the unhappy subjects of biographies and reportage to hamper what they regard as unfavorable publications.

With that said, let me add a bit more describing in whose behalf I am speaking. The Author's Guild's is a national professional society of published authors and has acted as spokesgroup for the national community of authors for the past eighty years. Our membership is made up of over 6500 published writers—authors of fiction, history, biography, textbooks, periodical articles, short stories and other literary works—and includes winners of the Nobel Prize in Literature, the Pulitzer Prize and countless other literary awards.

While I am here speaking solely for the Author's Guild, you should know that we have consulted with and gathered opinions from numerous other writers groups in formulating the views are advancing. Mr. Mark Fuerst, President of the American Society of Journalists and Authors, has specifically authorized us to convey to the Subcommittee his endorsement of the position we express today.

As an organization of authors, The Author's Guild has an overwhelming interest in the preservation of a system of the strongest possible copyright protection. Copyright is the lifeblood of our membership and we, therefore, we do not lightly oppose any legislation which, at least on its surface, would seem to enhance the value of a copyright.

Furthermore, even though ours is an organization of published authors, we do not perceive our interests as differing from those of unpublished authors. For one thing, virtually all of us started out as unpublished authors, and few us have forgotten the lessons of that experience. Moreover, most of us remain unpublished authors to some extent, whether in the instance of the occasional individual piece that cannot find a home, or simply a work-in-progress. Indeed, one of the Guild's principal concerns with the proposed repeal is that we believe they will make crossing the line from unpublished to published author harder and more hazardous.

As for myself, I am compelled to admit that although I am a lawyer, I do not regard myself as an expert on intellectual property questions. I am a litigator by training. In fact, it is my experiences in more than fifteen years of courtroom practice that so strongly inform my own opposition to repeal of sections 411(a) and 412.

It seems beyond dispute that this legislation will increase litigation of infringement claims. Indeed, it is one of the principal arguments of proponents of repeal of sections 411(a) and 412 that this bill will eliminate a current barrier to access

to the courtroom. Furthermore, even those with glancing knowledge of economics, like myself, can recognize the implications of this legislation: by increasing the potential rewards to some claimants through statutory damages, and by lowering the barriers to entry for an entire class of potential litigants through the possibility of attorney's fees, it is inevitable that more litigation will result. For intellectual property lawyers this is unquestionably good news. For authors, however, that is far less certain.

Because of the natural desire of any authors group to prevent the unwanted appropriation of unpublished work, and our strong interest in protecting the value of a copyright, the initial inclination of many of the Guild's leaders was to favor this legislation. The prospect of an unpublished writer whose work is wantonly pirated, while he or she is left without remedies due to an inability to prove actual damages, could be expected to excite the sympathies of an authors organization. However, in order to make an informed decision, the Guild began an elaborate process of consultation with its own members and representatives of other writers groups. Our efforts to find an example of a meritorious claim by a writer that was lost or seriously frustrated under the present system was unsuccessful. Undoubtedly, there must be such cases; but our diligent efforts to study the issue empirically suggests that instances where the lack of statutory damages have prevented writers from bringing infringement claims are far less widespread than imagined and that the currently available remedies appear to be accomplishing their intended effect. On reflection, this should not be surprising. Any person with an infringement claim may seek to register and then sue for actual damages and/or an injunction, plus other remedies provided by the Copyright Act. Moreover, it seems to have been entirely overlooked in the present debate that willful copyright infringement for profit is a crime under section 506(a), rendering the infringer subject to imprisonment for up to a year pursuant to 18 U.S.C. Section 2319. This is a deterrent to intentional infringement that far exceeds in *in terrorem* effect any civil remedy.

While the repeal of sections 411(a) and 412 cannot be expected, based on what we have discovered, to benefit many deserving authors, it seems to offer the clear prospect of great harm to other writers and their rights of free expression. The clearest impact will be on the publication of certain classes of works—biographical, historical and journalistic—which are particularly vulnerable to infringement claims because of the present uncertainties surrounding the fair use doctrine. One of the services The Author's Guild provides to its members is to attempt to answer legal questions and I must tell this Subcommittee that we receive questions about fair use with great frequency.

Undoubtedly, members of the Subcommittee are familiar with the long debate that confronted the most recent Congress over the issue of fair use, as codified in section 107 of the Copyright Act. One of the most troubling effects of the proposed repeal is that it seriously undermines the work of the prior Congress—and this Committee—in arriving at the compromise language which was eventually adopted in 1992. I personally was opposed to the efforts of some to entirely obliterate the distinction under Section 107 between published and unpublished work, and I gave testimony to that effect in the House of Representatives. But certainly I—and many others—arrived at our views in a context in which sections 411(a) and 412 were a longstanding part of the legislative landscape. Even as someone who did not believe that any revision of section 107 was necessary, I find myself deeply troubled by the implications of the proposed repeal. With the added prospect of statutory damages and attorney's fees, many more plaintiffs questioning the fairness of a use can be expected to sue. What could formerly be analyzed in the direst of worst case scenarios as a no-damage infringement will now have to be imagined as a claim potentially yielding statutory damages for willful infringement and attorney's fees. This new balance of risks means that an increasing number of works will not be published.

The proponents response—that this is well and good, since only actual infringement will be punished—strikes me as irresponsible, for the real-world effect is that far more than infringing uses are threatened. Given the unsettled questions surrounding fair use, publishers can be expected to be increasingly wary in publishing *any* work where fair use claims can arise. Authors, due either to their publishers encouragement or their own fears of having to pay the high legal fees that attend defense of even a frivolous claim, can be expected to expurgate their works more freely. This Subcommittee may want to consider what certain types of works—documentaries, biographies, or historical dramas—would sound like if subjected to that kind of cleansing.

The authors who will be most effected by these concerns are not those whose works, when published, are expected to show a significant profit, for in those cases the benefits may be worth the risks. It is the authors whose works are out of the

mainstream and which appear less sure of attracting a broad audience who will become less likely to be published, either because a publisher will not brook the risk of publishing it as it stands, or because a sanitized version is so lacking in vitality that it loses its attractiveness. It is new writers, formerly unpublished writers, and writers of books of idiosyncratic interest who will suffer most severely.

Also, by increasing the remedies and recoveries available to infringement plaintiffs, the legislation seriously enhances the risk that infringement actions will be used for an ulterior purpose. Persons who are the unwilling subjects of works will have an increased armory of potential remedies, the threat of which they can use to hamper publication of works they do not like by claiming that unpublished material of their authorship has been quoted in a way that does not constitute fair use.

If this legislation passes, crank lawsuits in which persons, out of some form of delusion or emotional need, claim authorship of all or part of works—especially well-known ones—can also be expected to grow more frequent. They are already not uncommon. Because publishers have successfully maintained a practice of requiring writers to indemnify them, the costs of these lawsuits often threaten to fall wholly on writers, although it is frequently the case that these suits are costly to publishers as well. Because of the uniquely solitary nature of the creation of a literary work, these claims can prove more vexing than might be imagined, since extrinsic evidence of original authorship is sometimes minimal. There are no subjects who pose for novelists and can in turn verify the published writer's original authorship.

Because of high legal costs in defending these actions, they are seldom litigated to conclusion; more often, they are settled as nuisance claims. But the settlement value of these claims will necessarily increase if the plaintiff's range of recoveries expands to potentially include attorney's fees.[1]

Moreover to the extent the greater litigation costs from all these new infringement claims fall on publishers, they will find themselves spending money on lawyers that authors should sensibly prefer to see them spending on publishing books. Once again, it is the works—and authors—at the margins that will suffer. With less to venture, publishers will become even more reluctant to bring out books with uncertain profit prospects—works by unknown or unpublished authors, or idiosyncratic works unlikely to attract a wide audience. This kind of winnowing of our cultural diversity is surely not necessary or desirable in today's America.

Proponents of this legislation respond to the possibility of an increase in vexatious litigation by claiming that the there was not a surfeit of such claims prior to 1978, when sections 411(a) and 412 first became effective. This assumes that infringement claims based on unpublished, unregistered work were entitled to statutory damages and attorney's fees as part of a common law copyright claim, a position which some proponents of the repeals have advanced and which, to my eye, appears unfounded. The arguable existence of a few isolated decisions which granted common law infringement plaintiffs "estimated" actual damages or even "punitive damages" does not amount to general availability of statutory damages, nor does it equate with an express Congressional direction to ignore the traditional ban on attorney's fees for a prevailing party. In point of fact, the House Report accompanying the 1976 enactment of section 412 specifically noted:

> The remedies for infringement presently available at common law should continue to apply to these [unpublished] works under the statute, but they should not be given special statutory remedies unless the owner has, by registration, made a public record of his copyright claim.

H.Rep. No. 94–1476. It is clear that in passing the 1976 legislation, the Congress found that it was creating remedies co-extensive to those available at common law and that authors of unpublished works were *not* then generally entitled to "special statutory remedies," i.e. statutory damages and attorneys fees. There is no reason that such expansion should take place now for a plaintiff class that was not historically entitled to those remedies, especially in a society where litigation generally—and intellectual property litigation specifically—has exploded and in an environment in which other American plaintiffs can not usually obtain such relief.

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[1] Those who claim that the effect of an infringement plaintiff's prospective award of attorney's fees is offset by either Rule 11 sanctions (Fed.R.Civ.Pro. 11) or a defendant's prospect of recovering his attorney's fees under certain common law exceptions simply do not make sense. Instances where courts deviate from the American Rule and allow a successful litigant to recover attorney's fees are rare; indeed, under the Supreme Court's decision in *Chambers* v. *NASCO*, ——— U.S. ———, 111 S. Ct. 2123 (1991), such awards are seemingly limited to instances where a party has engaged in fraud in the course of litigation. Rule 11 sanctions, while more common, are of little use against many contingency plaintiffs who are largely without resources. Furthermore, in my experience, Rule 11 sanctions are seldom awarded in cases like these where it becomes clear that the plaintiff is suffering some psychological impairment.

For all these reasons, The Author's Guild has come to view the repeal of sections 411(a) and 412 as a serious risk to free expression. While we have been unable to uncover any hard evidence showing that more meritorious claims will be brought by authors, we see a significant potential that the increased costs of infringement litigation will make publishers less willing to publish works out of the mainstream, both because increased litigation costs will absorb capital that could be ventured on such works and because fair use questions will deter publication of works depending on secondary sources, especially when those works do not show sufficient profit potential to make them worth these new risks.

Again, I thank you, Mr. Chairman and Members of the Subcommittee, for the opportunity to share these views with you.

Senator DECONCINI. Thank you, Mr. Turow.

Let me ask you, you are a member of the Author's Guild, and do you represent them? Are you an officer, or are you their lawyer?

Mr. TUROW. I am not here as their lawyer.

Senator DECONCINI. You're not?

Mr. TUROW. I am here as a member of the Author's Guild Council, Senator, and I——

Senator DECONCINI. That's the same Author's Guild of Ms. Jong?

Mr. TUROW. Right. Ms. Jong represents what is a minority view at the Author's Guild.

Senator DECONCINI. How did you determine that view? Was there a survey taken?

Mr. TUROW. There were extensive meetings held in July at the Author's Guild. There were roundtable discussions that were held, a legal intern was assigned to survey the membership.

Senator DECONCINI. How many members are there, roughly?

Mr. TUROW. Of the Author's Guild, there are 6,500 members.

Senator DECONCINI. Were they all contacted and given a chance to respond?

Mr. TUROW. No; by no means. It was simply a random sample.

Senator DECONCINI. OK; were you contacted?

Ms. JONG. No, I was not.

Senator DECONCINI. You were not contacted. You weren't part of the roundtable or discussion?

Ms. JONG. No, I was not.

Senator DECONCINI. Did you know it was going on?

Ms. JONG. No, I did not.

Senator DECONCINI. Mr. Turow, you indicated in your statement that authors of unpublished works should not be entitled to statutory damages and attorneys' fees, because they haven't historically been entitled to these remedies.

Mr. TUROW. That certainly appears to be the sentiment of the Congress in the 1976 legislation, Mr. Chairman.

Senator DECONCINI. Yes, I think I agree that was the intent. Now, in 1991, and I know as a lawyer this is most unfair to go back, but we did read your statements, because your position seems to have changed, and everybody is entitled to that, and I value your long legacy in both careers within which you have distinguished yourself.

You said, among other things, let me just read one, and then I would like you to respond.

I regard my unpublished manuscript as part of a long, difficult and painful formative period in my creative life, simply because I have decided against publishing this work. I resent the notion of any person appropriating any part of the expressions contained there.

Now in light of a pretty passionate statement which really supports Ms. Jong's position here, do you really believe that your work should be entitled to less protection because it's unpublished? It seems to me if I were you, with your tremendous reputation, I would want to be covered. Now, maybe you're so sensitive to it that nothing you put your hands on doesn't get registered.

But I would think you would want that protection in case you do it on a vacation or you're on a sailboat and you write something down and leave it in a hotel room or something and somebody picks it up. Wouldn't you want that protection?

Mr. TUROW. Mr. Chairman, I certainly believe, and I made that statement in the context of efforts to equate published and unpublished works for fair use purposes. And I continue to believe, I believe today that unpublished work is due a greater degree of solicitude in making a fair use determination.

And it's precisely because of that that I am concerned about what the impact will be on biographers, journalists, and scholars. If you say, as the courts seem to have said, and we still haven't seen the history of 107 as it plays out in the courts, but if you say that unpublished work is due a greater degree of protection from fair use, just inherently because it's more private, if you subscribe to that view, then you have to be concerned about what is going to happen when those unpublished copyright owners come to court.

They are certainly now equipped with the usual panoply of remedies, of general remedies that most other American plaintiffs have. They can sue for an injunction, they can sue for actual damages, they can seek the other remedies regarding condemnation of the materials. So it's not as if unpublished authors of any kind of work are without remedies. Not to mention the fact, Senator, that nobody seems to be talking about in these debates that——

Senator DECONCINI. Let me interrupt you. But they cannot get—now correct me, please—they cannot get the damages or attorneys' fees if it's unregistered, is that correct?

Mr. TUROW. They cannot get statutory damages and attorneys' fees.

Senator DECONCINI. Then why shouldn't—what I really have a hard time with is coming to grips with why shouldn't they be able to get the statutory damages, if——

Mr. TUROW. I think that in my mind——

Senator DECONCINI. Because it's not registered. I just can't quite make the connection, and maybe you can help me.

Mr. TUROW. Well, in my mind it really comes down to a number of different issues. One is the cost benefit analysis that I make, and as I said, since I think greater solicitude should be given to unpublished work, I think that fair users are entitled not to be subject to the kinds of extraordinary expense and risk that this legislation would impose on them.

The other thing is that we don't have, at least as far as I can tell, with literary works, a broad history of those kinds of works being pirated. Ms. Jong talks about pirating of her work. I'm sure it's taken place. But usually what is far more common is to have published work pirated because it's far more widespread in its dissemination.

Senator DECONCINI. Let me interrupt you, because you have made statements in this same 1991 hearing, and it's true, you were there on another issue, and I just quote one:

It's now routine in New York publishing houses because of the ferocious appetite of Hollywood for many studios to have somebody who bootlegs manuscripts out of publishing houses long before they are published. Both of my novels were in the hands of people in Hollywood long before I had ever given anyone permission to be circulating them there.

Now, Mr. Turow, if someone had taken your manuscript and put their name on it to use it as a screenplay, and you hadn't registered it, you couldn't collect statutory damages or attorneys' fees because of section 412. Do you agree with that?

Mr. TUROW. That is correct, Mr. Chairman. And the question is, Does that happen?

Senator DECONCINI. Yes, well. You indicate that that does happen, but now you're saying it doesn't.

Mr. TUROW. No, it certainly happens that manuscripts are bootlegged all over Hollywood. That happens routinely.

Senator DECONCINI. You mean they don't pick them up and they——

Mr. TUROW. But somebody doesn't put their name on it and say "This is Scott Turow's work, I'm going to publish it as Scott Turow's." Were that the case for me or any of the other members of the Author's Guild, if we found a lot of evidence of that happening, we would be here championing this legislation.

Senator DECONCINI. What does bootlegging mean? Does that mean that they plagiarize it?

Mr. TUROW. No, it means it is xeroxed without the authority of any—usually what happens——

Senator DECONCINI. But leaving your name on it?

Mr. TUROW. Oh, yes. Yes. It goes out to Hollywood, this is the latest Jong novel, this is the latest Turow novel, do you want to try to buy the screen rights.

Senator DECONCINI. Your position is that unpublished works should be given more regard under the fair use, but that they should be entitled to the fewer remedies. Is that kind of summing up where you come from?

Mr. TUROW. In the end, that is where I come out.

Senator DECONCINI. OK; thank you. I know I don't want to take too much time here, but this is fascinating to me, because I want to do the right thing here, and I'm very concerned with having the distinguished panel before us here with very clear opposite positions here.

Ms. Pallante, let me ask you, opponents of this legislation argue that the repeal of 412 will just open the floodgates. What makes you think that won't happen? Because it doesn't happen now, even though they can't get statutory damages?

Ms. PALLANTE. Thank you, Chairman.

What happens now is that meritorious claims are blocked from court. Authors are essentially blocked from access to court——

Senator DECONCINI. Because of the costs?

Ms. PALLANTE. Because they cannot afford attorneys without the prospect of attorneys' fees, and because they cannot prove their infringement damages.

Senator DECONCINI. Now, do you know, do you have members and people that you know that that has happened to?

Ms. PALLANTE. Yes, we do. In fact, we have grievance officers throughout the country that write letters to potential infringers or other parties when one of our members has a grievance, whether it's a royalty claim that's not being paid or whether it's an infringement case.

And what will happen is that the National Writers Union will send a letter to a potential infringer, whether it's a corporate user or an individual user, and assuming that that work is unpublished and therefore probably unregistered, we will be ignored. Because the other side essentially knows that practically, our member will never be able to go to court.

Senator DECONCINI. Yes. And they just don't.

Now, Mr. Turow indicates that the author could, who infringes, could face some criminal prosecution, even fines. Have you ever had any experience that there have ever been any cases filed by the Justice Department?

Ms. PALLANTE. No; my experience has been that the Justice Department has not focused on copyright at all.

Senator DECONCINI. Thank you.

Mr. TUROW. Mr. Chairman, I am a former Assistant U.S. Attorney. And I can tell you that I prosecuted copyright violation cases. Certainly from this former Assistant U.S. Attorney, were I a U.S. Attorney and somebody brought to me a flagrant case of copyright infringement, I would have been very interested.

Senator DECONCINI. Yes. The evidence, or the information I have from Justice is they think that private remedies are sufficient, and so they don't bring a lot of these cases, although I don't know how many they have brought. I'm going to ask them.

Ms. Jong, let me just pursue one question here. I understand that you indicated in your testimony that some organizations have taken advantage of the registration requirement in order to benefit from the works of authors that could not afford to sue. Do you have any examples, or could you supply us any examples?

Ms. JONG. Yes. It's very simple to quote from an author's work more than would be fair use, knowing that the author really can't afford to pursue a claim against it. That's a daily occurrence.

Senator DECONCINI. It is? Yes. And is it possible to give us an example or two, maybe that you could supply us?

Ms. JONG. It's happened with my own work.

Senator DECONCINI. It has? Well, that would be—yes.

Ms. JONG. It's happened in my own work where, for example, my most famous novel is a book called "Fear of Flying" which sold about 15 million copies around the world. And knowing that I cannot be in every country in every language, and knowing that I cannot know what happens in every town newspaper, every college newspaper, people have taken enormous hunks out of the book and reprinted them either in——

Senator DECONCINI. But you're protected under the Berne Convention?

Ms. JONG. Yes, there I am.

Senator DECONCINI. Except here?

Ms. JONG. Except in the United States. The last time this occurred was a couple of years ago when somebody took a big chunk out of my book and reproduced it in a college newspaper as a piece of work belonging to a columnist, a student columnist. Nor did I sue, by the way, because I would not have wanted to stop this student writer who was enthusiastic and a fan, and was doing it more out of enthusiasm than ill will.

Mr. TUROW. But, Mr. Chairman, that——

Ms. JONG. But this happens daily. It is not——

Senator DECONCINI. So you have had your writing pirated on a number of occasions?

Ms. JONG. Absolutely.

Senator DECONCINI. Within this country.

Ms. JONG. From my novels, from my poems, from dramatic works.

Senator DECONCINI. Now, when this student author, just to pursue this a minute, did this, do you think she had any idea that she was violating the Copyright Act?

Ms. JONG. I don't know. Maybe she didn't know.

Mr. TUROW. If I could, Mr. Chairman.

Senator DECONCINI. Yes.

Mr. TUROW. The quotation from "Fear of Flying" is one that would give rise to statutory damages and attorneys' fees. That's a registered work. The issue is whether unregistered work, unpublished work, the work in my basement——

Senator DECONCINI. I understand.

Mr. TUROW. Should get that protection.

Senator DECONCINI. Yes, the published works are not always registered. I just have a difficult problem here, like I said, and I won't pursue it any further, for someone with your distinguished writing career not to want that protection.

I'm kind of surprised, but it's very interesting to me that you don't think it's necessary, where Ms. Jong says "My gosh, yes, we need to do this." And particularly when you're thinking of the small writer, the unknown writer that is not sophisticated as you are, or Ms. Jong is, or most of your 6,500 members, you know, why shouldn't the Copyright Act protect them in a process, even if you're right and there aren't that many violations?

Mr. TUROW. Again, Mr. Chairman, if I was thinking solely of myself, there's no doubt that this legislation would be beneficial to me. But as a member of the Author's Guild, as a member of its council and as a citizen, I don't think that the balance struck is likely to be a good one for the literary community.

Senator DECONCINI. I'm sorry to have taken so long.

Mr. TUROW. Thank you very much.

Senator DECONCINI. I will yield to Senator Grassley for an opening statement.

OPENING STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM THE STATE OF IOWA

Senator GRASSLEY. Well, it's really not an opening statement. I just wanted to explain to you that I wasn't going to be able to be here, because down the hall we're having hearings on health care reform. I wanted to say that I am sympathetic to the goals of the

bill that you and Mr. Hatch have and to thank you for convening the hearing. I think that we ought to seek ways to make it easier for the producers of intellectual property to protect themselves against infringement, and we certainly must insure that our copyright processes don't put American producers at a competitive disadvantage.

I'm also sympathetic with concerns about creating an undue litigation burden. I know the Chairman and ranking member, who are co-sponsors with me of legislation to reduce litigation in the Federal courts, share this concern. So I look forward to hearing from the proponents of this bill some reassurance that litigation this bill could encourage would be limited, and I look forward to further consideration of the proposals by the subcommittee.

Senator DECONCINI. Thank you.

Senator Hatch?

Senator HATCH. Thank you, Mr. Chairman.

I admire all three of you and appreciate your taking time to testify before us today, because this is important. And as with all copyright issues, there are lots of arguments on both sides, important arguments at that.

I realize, Ms. Jong, that you appear today in your personal capacity as an author, but you were recent past president of the Author's Guild. Could you speculate as to why the organization you so recently headed differs with you on the question of repealing sections 411(a) and 412 of the Copyright Act? You don't have to if you don't want to.

Ms. JONG. I can speculate on it. Unfortunately in the last few years, when there are infringement suits, publishers have tried to recover the monies from authors. So many authors who write history and biography have been very upset, very frightened, and their upset is well-founded, by a case that was about J.D. Salinger, about an Ian Hamilton biography of Salinger, which I'm sure you're familiar with.

I really share their concerns that they will not be able to write, and I understand the issue of fair use, which I feel great empathy about. But I will say that I think it has no place in this deliberations. The Salinger case seems to me sua generis. It doesn't seem to be a case that is similar to others.

I can tell you that last year I published a memoir biography of Henry Miller, who was a great friend of mine, the author of "Tropic of Cancer." And in the last 10 years of his life, he and I were great friends. I had 30 letters, unpublished letters, that Henry Miller wrote to me. I knew when I wrote my memoir, I would have to go to Val and Tony Miller, Henry Miller's children, and ask for permission to use these unpublished letters, which in fact formed a great part of the book.

Not only did the children give me permission, but they gave me permission gratis to use the letters. I was fully prepared to pay a fair amount of my advance to use the letters, and they said "We think you're doing something wonderful for Dad's career, we think you're reinterpreting his work, and we would like you to use Dad's letters." That's on the other end of the spectrum. On one end is Salinger and on the other end is Miller. In the middle there are

all kinds of different heirs and authors who are particularly friendly to biographers or not.

But I think that it really doesn't have a lot of do with the copyright law that we are trying to make stronger. There are other ways to address that issue and unlink it from this problem.

Senator HATCH. That's interesting. How would you feel as an individual author if you were to learn that you could not obtain the full copyright remedies of a foreign nation's law because you or your foreign publisher had failed to comply with the registration or deposit requirements unique to that particular nation?

Ms. JONG. I would be very upset. Also, because my books are published in many, many countries in the world, often I'm invited to be a guest at the writer's union in Sweden or in Russia or in Riga or Austria. My works appear in many places in the world. And many authors and presidents of writers organizations in other parts of the world are dismayed by the ways in which we are not congruent with Berne.

And they would like us to be congruent with Berne, so that when we go out and say "You're pirating American creators' works," we would have a strong moral ground on which to stand. Because having been congruent with Berne ourselves, we could then demand that they be congruent with Berne on the issue of piracy. I think it's a moral ground that we should take.

Senator HATCH. Thank you.

Ms. Pallante, your statement points out that among those who oppose repeal of section 412 today are certain authors and publishers that have in the past supported its retention. Could you tell us to what you attribute the change in their position?

Ms. PALLANTE. Yes; I think initially the publishers and the Author's Guild realized that section 412 was not an inducement to registration, but a shield to blatant infringement. I think perhaps the Author's Guild is taking a very narrow approach because most of their members, all of their members are published. Not all creators are published, and not all creators publish with large presses who have staffs who register and deposit for them. So they are really a minority in terms of all creative groups.

I think one of the inconsistencies here is that the Author's Guild has implicitly acknowledged that section 412 does not reach a lot of unpublished works, meaning a lot of unpublished works are not registered. Those are the works that the Library is trying to attract. So Mr. Turow's position is really at odds with Dr. Billington's position. The Library wants those unpublished materials. They can't get people to register them. Obviously section 412 is not working if section 412 is also a shield for fair use.

It has been my experience that our members want to register when they know how to do it, where to go, how to fill the form out. I think with new technology, our members will be more and more inclined to register if it is made easy for them, affordable, if their permission information can be placed on line. I think there are lots of other things that we came up with in ACCORD that will move people, perhaps to a much better job than 412 has ever done, to reach those unpublished and small creators.

Senator HATCH. To what extent do you think some members of your organization may oppose the repeal of section 412? Would that be a significant minority or just very few?

Ms. PALLANTE. We have only heard from one member who questioned the fair use argument. We had a very good discussion and have heard nothing since. That was one of our members who was a mutual member of the Author's Guild as well.

But we sent out an alert when the House subcommittee held hearings, and we heard nothing from our members but support. It has been in all of our newsletters, we have heard nothing but support.

Senator HATCH. Do you know how many members of your organization are, like Erica Jong, also members of the Author's Guild?

Ms. PALLANTE. We have never done that research. It is not uncommon for writers to join everything they can. [Laughter.]

Ms. JONG. They need all the help they can get.

Senator HATCH. Mr. Turow, I understand that you're pinch hitting at the last minute, and we want to thank you for volunteering your time.

In your perspective as a writer, a litigator, an owner of copyrights, it's very valuable to us on this committee. I would like to ask you some questions just to see what the responses are, because we are, Senator DeConcini and I, we both want to do what's right here. Neither of us has any other motivation. And we see the arguments on both sides, and up until now have come down basically on the bill's side.

So you in particular are very important here, because we want to explore this with you and find out what you need to say. Now, you indicate that you know of no writer who has been deterred from bringing a meritorious infringement action because of the existence of section 412.

But I think it's easy to imagine situations that must exist. Take for example the law as it exists with respect to correspondence. When you send letters, I take it that like the rest of us, you do not register them with the Copyright Office. However, you could someday be in the situation encountered by J.D. Salinger, that Ms. Jong raised, a few years ago, where large extracts from his correspondence were about to appear in print without any permission on his part at all.

Now, if an author is financially able to retain counsel, isn't it likely that the potential to recover attorneys' fees may in fact mean the difference between an ability to protect the copyright and an inability to so act?

Mr. TUROW. Yes; I think the answer to that question is yes.

Senator HATCH. OK. With regard to unpublished works, you wrote in a 1991 letter to my staff the following. You said "I would not want anyone to publish a word of my law school diary." Now, aren't you troubled by the statutory incentives that attempt to force you to register that diary with a Government office in Washington, and which incentives also create penalties for your failure to do so?

Mr. TUROW. Again, Senator, I stand by the positions that I took in 1991. And I would hope that a court reviewing some appropria-

tion from my law school diaries would attach significance to the fact that those are unpublished works.

The question in my mind is whether the balance of benefits to me as somebody who has this significant repository of works that nobody in New York thought were worth publishing for many years is counterbalanced by what this legislation is going to do in making infringement claims that have not historically been brought and have not historically been subject to statutory damages and attorneys' fees, now making those claims viable.

And again, if we were confronted with evidence that the kinds of situations that you're reasonably hypothesizing were widespread, our position on the legislation would not be what it is. Although I am a member of the National Writers Union, I oppose this legislation, because it seems to me that it's going to cost authors much more in the end, in terms of the practical effects on their rights to free expression, than the theoretical benefits that I recognize.

Senator HATCH. Well, I appreciate that. And I call upon all authors and others throughout the country to let us know whether this is a problem or not. If it isn't, maybe your points are very well taken. I want to know. And this is a good challenge to everybody here today, and perhaps people throughout the country, let's find out just how significant this is.

Now, it's common, is it not, for an author's contract with a publisher to include a clause specifying that the author remains ultimately liable for infringement claims that may successfully be brought against a work that is the subject of the contract?

Mr. TUROW. That's very common.

Senator HATCH. Very common. If this is the case, it would seem to me to undercut your point that repeal of 412 is likely to make the publishers of works outside the mainstream less likely to take a chance on publication. If the risk remains with the author, why would it inhibit the publisher?

Mr. TUROW. Well, generally what happens, Senator, we now get into the mechanics of the way these contracts work, generally the author becomes a named insured under the publisher's policy. And the author is subject to liability, usually for the deductible, under the policy. It's often the case that the publisher, in an act of comity, doesn't ask the author to step to the plate when it's not a situation involving willful infringement.

But even in those rare cases where the publisher were to ask the author to do that, we have to confront first of all the chilling effect of that threat, and secondly, the way this will make itself manifest in terms of publishers is increased costs for the kinds of insurance that publishers routinely obtain.

Senator HATCH. That's interesting. You make a strong point regarding the possibility of crank lawsuits. I think that's a pretty strong point.

But it seems to me that this should be less of a problem, as you have admitted, for successful writers than for others. If a frivolous plaintiff actually wants to claim that he or she first authored "Presumed Innocent," then wouldn't the actual damages attributable to such an infringement be sufficient to justify the filing of the lawsuit, however, weak the copyright claim?

Mr. TUROW. No question. But right now, that plaintiff would not, if somebody claims they found "Presumed Innocent" in their basement, they would not have the threat of attorneys' fees as a possible recovery. And it's that that I see as altering the balance. Chances are that plaintiff would sue in the second circuit, where as I understand the law, the second circuit believes that defendants aren't entitled to attorneys' fees in infringement claims. And the balance as between my publishers and myself and that plaintiff would be altered by that legislation in determining what the settlement view of this lawsuit is.

Senator HATCH. That's interesting. You're entitled, are you not, under current law, to request recovery of your attorneys' fees should you successfully defend an infringement action?

Mr. TUROW. Not as I understand the law in the second circuit, which is where most publishers are and where therefore a wise plaintiff choosing a forum would choose to sue.

Senator HATCH. I see. But an unregistered plaintiff is not covered, right?

Mr. TUROW. An unregistered plaintiff would have no right to obtain attorneys' fees under 412.

Senator HATCH. Well, you've pointed out a very important thing, because the circuits are split on this issue. And I think the Supreme Court will address it this term. Am I right on that? I'm right on that, OK.

Mr. TUROW. I think it would be helpful to know the answer, and I think it would have an impact on this legislation.

Senator HATCH. Sure. It may very well, but at least some circuits, as you have mentioned, allow the defendants to recover.

Mr. TUROW. Yes.

Senator HATCH. OK. Now, your testimony, it's very important to me, we've been friends for a long time, and I have a great deal of respect and care for you. By the way, he has given me, Ms. Jong, an autographed copy of one of his books. [Laughter.]

Ms. JONG. Any unpublished poems? [Laughter.]

Senator HATCH. Do you have some of those you would autograph? [Laughter.]

Mr. TUROW. There is a basement full of them——

[Laughter.]

Senator HATCH. Well, I would like to have some poetry from both of you, if you don't mind, it would be great.

But Mr. Turow, your testimony seems to discount the disincentives to frivolous litigation that exists around our legal system, such as rule 11 sanctions. Now, how is the situation of the author-defendant any different than the situation of defendants who can be made to answer for civil rights, equal pay, equal employment and disability act lawsuits, each of which entitle the successful plaintiff to the recovery of attorneys' fees? Doesn't your objection really go to the whole question of whether we should ever allow plaintiffs to recover attorneys' fees?

Mr. TUROW. Well, again, my concern, as I point out, all of these concerns are pragmatic, Senator. I'm concerned about how this is going to work out, in effect, and I don't necessarily question the legislation, civil rights legislation, for example, that gives successful plaintiffs the right to attorneys' fees.

The question is in my mind, to put it in sort of a pristine policy perspective, are the problems of unpublished, unregistered authors of equal stature, for example, with civil rights plaintiffs, so that they ought to be allowed in addition to the right to sue for an injunction, in addition to the right to receive whatever actual damages flow from the infringement, in addition to their right to go to the U.S. Attorneys office and ask them to prosecute, should they in addition be a title 2 statutory damages and attorneys' fees?

Again, that group historically has not been. And I don't think historical oppression is any justification for anything. What I take as being the lesson of history is that there may not have ever been a perceived need to reward that group with those kinds of damages because the problem is not a widespread problem. And I recognize that everybody looks at it in theory and says "Gee, it seems like this could be a problem." And the point that I'm really urging on the subcommittee today is, please be sure that you think that the benefits really do outweigh the costs. Because there are going to be costs here, I'm convinced of it.

Senator HATCH. Well, I've got that point, and I think it's a very, very important one, and we'll certainly look at it, and ask for advice from many people, including yourself. But I assume, actually this discussion today would make a wonderful central core of a great novel, it seems to me. I assume your novels are successful—I don't assume, I know they are successful—in many countries of this world, as Ms. Jong's are, other than just here in the United States.

Wouldn't you find it burdensome to find that you were prohibited from realizing the full benefits of a particular country's copyright law because you or your publisher failed to follow a particular local rule, such as depositing the right number of copies with the correct supporting material in the local national library or other government depository or office? And infringement of your work abroad could occur weeks or months before it was even planned for publication in a particular country, and yet a rule like our own section 412 would drastically limit your recovery.

Mr. TUROW. I understand the point you're making, Senator, and there is of course no way for me to disagree with it. I would be unhappy if any of those things were to occur.

Senator HATCH. I'm just afraid that our continued insistence on using the copyright law to build up the collections of the national library only invites retaliation from other nations whose authors cannot be expected to know the intricacies of our own copyright laws or copyright registration system, and who, like many U.S. authors, find out that they are unable to stop large-scale piracy of their works. Do you have any thoughts on the international aspects of these questions that I have just raised?

Mr. TUROW. Although I am fortunate to enjoy international success with my works, I really don't consider myself well enough acquainted with those issues to really address them. The only point I would add, at the risk of repeating myself, is that whatever conclusions the committee comes to, and I recognize that there are Berne Convention aspects of this legislation which I really, again, don't feel competent to address. I would hope, though, that the legitimate fair use concerns of American authors can somehow be ad-

dressed, if not in this legislation then something that accompanies it.

Senator HATCH. Well, I want to thank you for your testimony. I want to thank each of you. This has been an extremely interesting and very intelligent panel.

Senator DECONCINI. I do too, sir.

Senator HATCH. And I'm not just trying to praise you, it is something that has really interested Senator DeConcini and myself for a long time. And again, we would like to have any additional information that you care to send to us, because these are tough issues, we want to do what's right. We certainly want it to work well.

And all three of you have certainly won even increased respect from—I'm sure I can speak for Senator DeConcini as well—from both of us as we sit here and listen to you today. We appreciate it, we appreciate the effort and time you have put into this work.

Mr. TUROW. Thank you, Mr. Chairman, Senator Hatch.

Senator HATCH. And don't forget my unpublished poems. [Laughter.]

Ms. JONG. I will have them for you.

I would like to just make one comment, which is that a published author is also an unpublished author at any given time. That at this very moment, I may have dozens of manuscripts circulating at different places. So I am a published author, I am a successful author, but I am also at any given moment unpublished. That's something to bear in mind, I think.

Senator DECONCINI. I echo the compliments from Senator Hatch, and gratitude for your testimony, all of you. Thank you, Mr. Turow, Ms. Pallante, and Ms. Jong. Your testimony is very helpful to us. I wish you were all agreed on it, it would make it real easy for us.

Mr. TUROW. Well, thank you, Mr. Chairman, Senator, and thank you also to the members of the staff, and thank you all for the great courtesy and your attention.

Senator HATCH. Well, thank you, we appreciate it very much.

Ms. PALLANTE. Thank you, Senator Hatch, Chairman DeConcini.

Ms. JONG. Thank you very much.

Senator DECONCINI. Our next panel is Robert Oakley, law librarian, American Association of Law Libraries; Sandy Thatcher, director of Penn State University Press; and Irwin Karp, Committee for Literary Property Studies.

We'll start with you, Mr. Oakley. If you would summarize your statement, Mr. Oakley, for us, because of time constraints, we would appreciate it. Your full statement will appear in the record.

STATEMENT OF ROBERT L. OAKLEY, LAW LIBRARIAN, AMERICAN ASSOCIATION OF LAW LIBRARIES

Mr. OAKLEY. Thank you, Mr. Chairman, members of the committee.

I'm here this morning on behalf of the American Association of Law Libraries, the American Library Association, the Association of Research Libraries, the Special Libraries Association, and the National Humanities Alliance. Collectively, these associations represent thousands of scholars, librarians, and their institutions throughout the Nation.

I should note, and I hope that you will appreciate it, too, that it is indeed an unusual copyright issue that finds librarians and publishers on the same side of the table. The library and scholarly communities certainly appreciate the complexity of the issues surrounding the proposed repeal of sections 411 and 412 of the Copyright Act. Nonetheless, we are concerned about the practical impact of such a repeal on the collections of the Library of Congress, and on the preservation of the Nation's intellectual heritage.

We will make three simple points. First, this legislation, we believe, as currently written, puts the Library of Congress at some risk. Second, the Library of Congress provides vital services to the Nation which should not be jeopardized. And third, the recommendations from ACCORD, while valuable, should not yet been seen as substitutes for existing incentives.

First, the Library of Congress is placed at some risk by this legislation. The collections of the Library have been dependent on the receipt of U.S. copyright deposits for nearly 150 years. The richness of those collections is clear testimony to the effectiveness of the current incentives for voluntary registration.

The availability of attorneys' fees and statutory damages as a result of registration creates an obvious incentive on which others have commented. Similarly, section 411, requiring registration prior to the bringing of a lawsuit, has created in the minds of many nonlawyers the idea that they should register their work if they think they might wish to enforce their claim of copyright.

Although technically they can register at any time prior to the bringing of the suit, we believe that for many this provision is an incentive to register in a more timely manner. The proposed repeal of sections 411 and 412 would remove these incentives for voluntary registration.

We believe that without these incentives, it will undermine the future ability of the Library to develop its collections. Library staff cannot afford to identify and demand every publication. And without substantial additional revenues for acquisitions, which is probably one of the costs of this legislation that hasn't yet been discussed, the number of currently published works in the Library will drop sharply.

With respect to mandatory deposit, the Librarian described it as central to any repeal in order to maintain the collection. Yet Ms. Ringer indicated that even that is not free from doubt. We believe that the collection must be maintained and that we should not experiment with it until we have a complete package that we think with a reasonable certainty will not put the collection at risk.

The Library of Congress serves the Nation in many ways, and undermining the collection also undermines its ability to serve others. The Library's primary client is Congress itself. The Congressional Research Service answers over a half million questions every year from Congress, utilizing the full range of resources in the Library's collections. It would be a disservice to the work of this great body to undermine the foundation of that support.

Authors and scholars also rely on the Library of Congress. Today even the greatest libraries elsewhere have had to scale back their acquisitions and none can now afford to build the great comprehensive collections they did in the past. Only the Library of Congress

remains a nearly comprehensive repository of the intellectual life of our Nation. It is heavily used, as a result, by scholars and authors throughout the Nation.

Last but not least, the Library of Congress serves the Nation's libraries. Each library of course endeavors to meet the needs of their own clients. When they cannot do so, they seek help elsewhere. In this network of libraries, the Library of Congress is the library of last resort without which this essential support would stop.

Finally, the recommendations of ACCORD cannot yet be seen as providing alternatives to the present system of inducements. ACCORD has presented some useful recommendations and ideas for additional inducements to register. But these should not yet be seen as alternatives to the current inducements. Instinctively, the ACCORD proposals seem to many of us to be weaker than the current ones, and there is no data to support any contention at all about the effectiveness of the ACCORD proposals standing on their own to generate registrations and deposits for the Library of Congress.

All of this leads us to the conclusion that Congress should go slow when changing the provision that supports the collection, the very heart, of the Library of Congress. Until more analysis is done, we believe it is premature to consider repealing sections 411 and 412.

Thank you very much.

[The prepared statement of Mr. Oakley follows:]

PREPARED STATEMENT OF ROBERT L. OAKLEY

SUMMARY

I am here on behalf of the American Association of Law Libraries, the American Library Association, the Association of Research Libraries, the Special Libraries Association, and the National Humanities Alliance. Collectively, these associations represent many thousands of scholars, librarians, and their institutions throughout the nation.

The library and scholarly communities appreciate the complexity of the issues surrounding the proposed repeal of Sections 411 and 412 of the Copyright Act. Nonetheless, we are concerned about the practical impact of the proposed repeal on the collections of the Library of Congress and on the preservation of the nation's intellectual heritage. We understand that the current system may have created some hardships in parts of the creative community. However, we believe that those problems can be solved more simply, without the need for legislative action that could potentially damage the collections of the Library.

We will make three simple points. First, this legislation, we believe, puts the Library of Congress at risk. Second, the Library of Congress provides vital services to the nation which should not be jeopardized. Third, the recommendations from ACCORD, while valuable, should not be seen as substitutes for Sections 411 and 412 of the Act. Inter-alia, we will argue that the proposed repeal would have a chilling effect on scholars and other writers who use existing works—especially unpublished works.

1.—THE LIBRARY OF CONGRESS AT RISK

The Collections of the Library of Congress, in their breadth and depth, are unrivaled by any other library in the United States or the world. The richness of the these collections is a direct result of the fact that the Library has been designated as the repository for U.S. Copyright deposits for nearly 150 years. The responsibility given to the Library of Congress to acquire, organize, preserve, and make available these collections has made it a true national library.

The proposed repeal of Sections 411 and 412 would remove the major incentives for voluntary registration and deposit of Copyrighted materials and undermine the collection built so carefully for so long. The availability of attorney fees and statutory damages creates a strong incentive for many copyright owners to register. Without the ability to recover those costs, attorneys—according to the attorney members of ACCORD—regularly advise their clients that it will be difficult to obtain legal counsel to prosecute an infringement claim. Similarly, Section 411, requiring registration prior to the bringing of a law suit has created in the minds of many the idea that they should register if they think they might ever wish to enforce their claim of copyright. Although technically they can register at any time prior to the bringing of the law suit, we believe that for many individuals this provision is a significant incentive to register their work in a more timely manner.

If Sections 411 and 412 are repealed, there will be no significant incentive for voluntary registration. Since the Library staff simply cannot afford to identify and demand every publication, the repeal of sections 411 and 412 is likely to lead to a sharp decline in registrations and deposits.

Ironically, these changes would also have a chilling effect on historians, literary scholars, and others using existing works, both published and unpublished, because if registrations decline, reliance on the database of copyrighted works will be unreliable, and use of these sources could unfairly lead to the imposition of damages, including statutory damages and attorney's fees. While authors and publishers already face formidable copyright challenges, under the proposed change they will find it even more difficult to decide whether an existing work can be used or not, and therefore they will hesitate further before deciding to publish.

The collections of the library and the database of the Copyrighted works are irreplaceable national resources that should not be jeopardized.We believe that if Congress passes this proposal, the change will be irreversible and the damage irreparable. Unfillable gaps will be created of both unpublished works and published works that have gone out of print.

As a result of these considerations, the library and scholarly communities believe that any effort to reduce the incentives to registration and deposit should be undertaken slowly and carefully, with sufficient data to assess the impact and to minimize the damage to the Library's collections. The proposed repeal makes no such effort to assess the impact and minimize the damage. Accordingly, the library and scholarly communities would rather support the development of *added* incentives so as to strengthen registration and deposit.

2.—THE LIBRARY OF CONGRESS SERVES THE NATION

The Library of Congress is a national resource serving different constituencies. If the collections of the Library are jeopardized, so too is the work of those constituencies.

First, the Library's primary client is Congress itself. There is no limit to the inquiries and information sought by members of Congress. The Congressional Research Service answers over half a million questions from Congress every year, utilizing the full range of resources in the Library's collections. It would be a disservice to the work of this great body to undermine the foundation on which that essential support must rest.

Authors and scholars throughout the nation also rely on the Library of Congress to support their work. Even the greatest libraries elsewhere have found the need to scale back their acquisitions over the last decade, and none can now afford to build the great comprehensive collections as they did in past. Only the Library of Congress remains as a nearly comprehensive collection of the intellectual life of the nation. As a result, many of its collections are unique, and scholars and authors from around the world turn to the Library in support of their work.

Last, but not least, the Library of Congress serves the nation's libraries. It is sometimes said that the Library of Congress is the library's library. Libraries everywhere endeavor to the meet the needs of their own clients. However, when they cannot do so, they seek help elsewhere. When other nearby libraries also cannot supply the needed items, the Library of Congress is the library of the last resort.

Supporting Congress, scholarship at the highest levels, and libraries throughout the land, the Library of Congress is the nation's library, and we have a responsibility to preserve it and protect it for future generations. In the judgment of the library and scholarly communities, it would be a serious mistake to weaken the future ability of the Library to enhance their collections by repealing the statutory basis on which they receive many of their materials.

3.—THE RECOMMENDATIONS OF ACCORD CANNOT YET BE SEEN AS PROVIDING ALTERNATIVES TO THE PRESENT SYSTEM OF INDUCEMENTS TO REGISTER

ACCORD was appointed by the Librarian of Congress to study the current proposals. It was divided on the question of repealing Sections 411 and 412. However, it did present some recommendations and listed a number of other ideas for possible additional inducements to register. Much of the committee thought that many of these ideas were useful in and of themselves. However, some have tried to suggest that they might be acceptable as alternatives to the current inducements contained Sections 411 and 412.

There is no data to support any contention at all about the effectiveness of the ACCORD proposals standing on their own to generate registrations and deposits for the Library of Congress. We do know that under the present system, the Library of Congress has developed the world's richest collection. Instinctively, the ACCORD proposals seem to many of us to be weaker than those of the current system. If so, then to substitute the ACCORD proposals would logically result in a reduction in the number of registrations and deposits.

All of these considerations lead us to conclude that Congress should go slow when changing the provision that supports the collections—the heart—of the Library Congress. The recommendations of ACCORD *might* be an adequate substitute. More likely, they may be reasonable in addition to the existing provisions to strengthen registrations and deposits. But until more analysis is done about why people register, we believe it is premature to consider the repeal of Sections 411 and 412. We believe that further studies are called for, and until such time as we have evidence concerning the probable impact of such an action, we must urge Congress not to adopt the proposal contained in this bill.

Thank you very much for your time and attention.

Senator DECONCINI. Thank you.

Mr. Karp, your full statement will be printed in the record, if you would summarize it, please.

STATEMENT OF IRWIN KARP, COMMITTEE FOR LITERARY PROPERTY STUDIES

Mr. KARP. Thank you, Mr. Chairman.

I would like to address my comments, to the extent I have time for them, to some of the observations made by Mr. Turow. I think my memorandum, along with many others, answers Mr. Oakley's objections.

I would only point out in that respect that from 1909 to 1978, registration was not mandatory for literary works. Once they were published with notice of copyright, and that's the only way they could be copyrighted, they couldn't be copyrighted by registration, as could other works, once they were published they had copyright. Now, theoretically, the Librarian of Congress could demand the deposit of two copies.

That never happened. On rare occasions, but never. And for 28 years, until renewal time, there was no way the Library could really get two copies of an author's work if he didn't, or his publisher, didn't choose to submit them. And the Library of Congress did not wither up and disappear. It maintained its collection.

Second, no other nation in the world that has a copyright law, and many have brilliant and formidable national libraries, none of them coerce depositing by requiring registration as a condition for remedies. In fact, none of them have registration systems. We are the only people in the world that continue to impose these formalities.

And I would stress that if we do not repeal 412, we are likely to feel the wrath of many countries who object to the way we demand conditions of copyright protection from them, but refuse to

comply both with the Berne Convention and with their practice of not imposing restrictions. And it would be very easy for Thailand or Singapore or any country with whom we have had a lot of copyright difficulties to enact their version of section 412 in a way that was compatible with Berne, but would only affect U.S. authors and U.S. publishers.

If they did that, publishers would have their third change of mind on this question. They have already changed it twice, as they have on many other issues, including fair use. When the *Nation* case was brought, the AAP filed a brief which mirrored Justice O'Connor's opinion. You might even blame them for the result that appear in the *Nation* case. Because they insisted most forcefully that there was no fair use for unpublished works except in extraordinary circumstances.

They later changed their position, and I would be glad, without using the time now, to come back and explain to you why they did it, and why the Author's Guild did it. I would like to point out that for 33 years, I represented the Author's Guild and the Author's League of America. My relationship with them terminated in 1986.

Since then, I have still been heavily involved in copyright, and as you know, Mr. Chairman, as counsel for CLPS, the Committee for Literary Property Studies, I prepared and CLPS promoted, the legislation which resulted in the Automatic Copyright Renewal Act.

I also have been involved in copyright legislation for about 30 years, including the period of copyright revision, and many of the provisions in the Copyright Act of 1978 were proposed by the Author's League, and proposed because I conceived them. I have also argued, I am not a former district attorney in Chicago, but I am a lawyer in New York who has argued several copyright cases.

And my view of the reality of the world with respect to this threat of litigation and the protection of nonregistered works is quite different from Mr. Turow's. First of all, if his clients ever came to New York and asked the U.S. attorney in New York to bring a criminal proceeding against an author who had exceeded the limits of fair use, they would call Bellevue and have him hauled away in a wagon. [Laughter.]

The Justice Department does prosecute criminally against record pirates, motion picture infringers and pirates, and such. It doesn't prosecute authors, it never has, and I would like to hear about the case where some author had to stand before a Federal judge in Chicago and answer a charge of criminal copyright infringement.

Mr. Turow and the Author's Guild, which is really a small group, the council of the Author's Guild, as he said, they took a sampling, I even know some of the people they sampled, and every one of them that I know knows nothing about copyright, council members of the Author's Guild have been famous for years for knowing nothing about copyright. And I remember with horror having to lead the testimony of the Author's League delegation, because the Author's League, actually until a few years ago, was the spokesman on copyright.

When we first testified before Senator McClellan and Rex Stout, who would have been shocked today by the Author's Guild's position if he was still alive, testified. And every so often he made the mistake of saying something and asking me "Is that right?" And I

would be compelled to say "No, that's wrong." And finally he stopped asking me. Authors are not that conversant with copyright.

Mr. Mittgang on the Times used to be a wonderful asset for the Author's league, because he publicized copyright. But nine times out of ten he got it wrong. And that, I think, makes me feel some doubt about the stirring affirmations of what American authors think about it.

More important, I have started my statement by pointing out that authors are not limited to biographers and historians. I try to recite to you the range of people who are authors under the definitions of the Copyright Act, photographers, artists, illustrators, composers, poets, a whole range of creative activity. And biographers and historians, particularly those who get in trouble, are a very small, minute fraction of that universe.

Section 412 is a menace and damages the rights of thousands of American creators. And the idea that the Author's Guild, misguidedly and mistakenly, thinks that 412 will restrict fair use, the idea that that should defeat the rights of these thousands of other people who make such a strong case for the repeal of 412, is amusing if it weren't so sadly difficult for the rest of us.

First of all, and I clarify, under section 412, the restriction of remedies applies both to published and unpublished works. Many published works are denied protection of 412 because they failed to register. Many fail because they don't know about it as the attorney for the National Writers, you had pointed out, and as Ms. Pallante also pointed out, thousands of creators can't afford it, and the photographers and their counsel will go further on that question.

Prior to 1978, as I said, published works did not have to be registered. And if an infringement occurred, the author could then register and claim every remedy, including statutory damages and attorneys' fees. There was no flood of litigation. That's just nonsense. You go back over the records of copyright litigation in this country and you find that out of 600,000 registrations a year, I think that was the official figure in 1991, there are about 2,000 suits. And that's not just 2,000 out of 600,000, it's 2,000 out of maybe 5 or 10 million, because a lot of those suits were brought on copyrights registered in prior years.

Of the 2,000, probably 60 or 70 percent are brought by two plaintiffs, ASCAP and BMI, who sue radio stations that didn't get licenses to perform their songs. A large number of the remainder of the suits were brought by people who made sweaters, belts, toys, and other "literary" works. In other words, we're talking about manufactured goods.

When you get down to the actual number of literary infringement cases ion a given year, you're talking about a comparative handful. And in most of those, the plaintiff wins.

Prior to 1978, unpublished literary works were not protected by copyright, but they were protected by common law. And many suits were brought for infringement under common law. The plaintiff could not recover statutory damages and attorneys' fees, obviously, but in some cases the plaintiff was awarded punitive damages. The second circuit, as recently as 1980, awarded $400,000 in punitive damages for infringement of a common law copyright on some

"Charlie Chaplin" motion pictures. For copyright infringement $400,000, and I think a trademark count. But a good portion of that was copyright infringement.

Now, that's far more than an author could obtain under statutory damages today. It far exceeds the limit. And in fact, when you look at the amounts of damages awarded in punitive damage cases, if you look at Mr. Packery's study for ACCORD, they are very minor.

Let's come to the present. If an author sues for infringement, claiming that too much was taken, the obstacles of not getting anything if you lose and also of having to pay the attorneys' fees, it's not true that attorneys' fees are not awarded for successful defendants. In four or five circuits, that's the rule. It's not the exception. In the second circuit, unsuccessful plaintiffs have been assessed damages. John Diamond, an attorney, had to pay $25,000 or $30,000.

I would like to make just one more point. If publishers complain about the costs of litigation, which they didn't complain about in 1989 when Mr. Baumgarten wrote this eloquent letter urging the repeal of 412 on behalf of the publishers, and I would like to put it on the record——

Senator DECONCINI. I'm going to ask some questions on that, Mr. Baumgarten, not to catch you off guard.

Mr. BAUMGARTEN. I have an autographed copy for Senator Hatch. [Laughter.]

Senator DECONCINI. Mr. Karp, can you please finish up? Time is running on us here.

Mr. KARP. Not only are they likely to be assessed damages, but they are going to have to pay their own attorneys and their own attorneys probably wouldn't represent them in the first place. Because you don't make a living at the copyright bar bringing this type of case. There's no money in it. And occasionally, attorneys have even been assessed rule 11 damages.

So we're talking about a situation, I don't know how it goes in Chicago, but you come in and say "Mr. Turow infringed my novel," you're not going to get anybody in New York to bring a lawsuit. Not a chance.

One last thing, I'm sorry I'm asking for more. At common law, not only could you get punitive damages, but the court would estimate damages. I might point out, since I want to establish a certain amount of bona fide, that in the second circuit decisions, the awarding of punitive damages was based on a case I won in the New York Court of Appeals, where I changed the law.

In New York, you couldn't get punitive damages for that type of misconduct until the court determined a case called *Walker* v. *Sheldon,* where the court ruled that we could obtain punitive damages and fittingly against a publisher.

Senator DECONCINI. Thank you, Mr. Karp.

Mr. KARP. It was not for infringement, it was for fraud. But that's not an unusual case here.

Senator DECONCINI. Thank you, Mr. Karp.

[Mr. Karp submitted the following:]

PREPARED STATEMENT OF IRWIN KARP ON BEHALF OF NWU, AAR, ALAI–USA, VLA, AND CLPS

SUMMARY

1. Repeal of Sections 412 and 411(a) would benefit a broad range of authors—composers, novelists, photographers, painters, software computer designer, and many others. It would enhance protection of their copyrights and deter piratical uses.

2. Copyrights are granted automatically. Registration is not required. But, Section 412 denies many authors of small works the only effective remedies against infringement—statutory damages and attorney's fees, provided by the Copyright Act since 1909. The same remedies are allowed private plaintiffs enforcing rights granted them under dozens of Federal statutes—without any condition of registration.

3. Before 1978, authors could claim the two remedies for infringements that occurred *before* they registered copyright claims. Section 412, added in 1978, requires authors to register copyrights before the infringement occurred.

4. The registration fee for THE LAST BROTHER or JURRASIC PARK is $20. But authors of "small works"—a number of poems, articles, songs, photographs, etc. created in a single year—cannot afford to pay the hundred of dollars in fees required to register them on creation. Many are not even aware of the requirement.

5. As the Supreme Court has emphasized, statutory damages and attorneys fees are granted successful copyright plaintiffs to permit them to sue when it is too costly or difficult to prove actual damages or the infringer's profits.

6. If 412 is retained, other countries may finally do to us what we alone have done to them—compel registration of works first published in a country that conditions any remedy on registration (Only we fit that description.) If several countries retaliated many American publishers, authors and others would be denied criminal sanctions or what ever effective remedy each country chose to condition on registrations. And foreign piracy, which now costs us billions, would escalate.

7. Repeal of 412 would not impair the Library of Congress's collections, nor would it restrict the rights of biographers,

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Mr. Chairman, I appreciate this opportunity to testify in support of S. 373 and its repeal of Sections 411(a) and 412 of the Copyright Act. I speak on behalf of the organizations listed below, including the Committee for Literary Property Studies (CLPS)—I am its counsel. Two of our members, Barbara Ringer and Robert Wedgeworth, have expressed their views in a different capacity—as co-chairs of ACCORD—in a personal memorandum (9/15) to Dr. Billington, accompanying ACCORD'S report to him. My statement is submitted for these organizations:

CLPS—Committee for Literary Property Studies (CLPS) which is an informal group of authors, literary agents, educators and attorneys CLPS conceived and proposed the legislation that established automatic renewal of copyright.

NWU—National Writers Union, which represents 4,000 novelists, journalists, historians, biographers and other authors.

AAR—Association of Authors Representatives, whose members represent American novelists, biographers, dramatists, historians and other authors in their dealings with book publishers and theatrical producers.

VLA—Volunteer Lawyers for the Arts, a distinguished non-profit organization which provides legal services and advice to artists and artists organizations who cannot otherwise obtain this assistance.

ARS—Artist Rights Society, which represents the rights and permissions interests of most European artists whose works in copyright and prominent American artists.

ALAI–USA, an affiliate of the 115-year old International Literary and Artistic Association which helped establish the Berne Convention.

1. Authors affected by S. 373

The Copyright Act *automatically* grants "authors" copyrights in their works, as they are created. "Authors" include—composers, dramatists, biographers, painters, historians, poets, sculptors, novelists, photographers, creators of computer software, choreographers, cartoonists, screen and television writers and producers, essayists, illustrators, and other "creators" of copyrightable works.

I emphasize the broad range of authors who would benefit from the repeal of Sections 412 and 411(a) because the Association of American Publishers and the Authors Guild—opposing repeal of 412 and 411(a) discuss the issues as if they only concern some biographers and historians and their publishers. Not so. Every class

of authors will be helped, not injured, by repeal of the sections. The security of their copyrights would be significantly enhanced, the temptation of pirates to reproduce and perform their works would be substantially reduced, if Congress enacts S. 373 and its companion House Bill.

The AAP and Guild alarmist claims that this would deter fair-use copying by a biographer or historian are misguided, and should not misguide the Congress. Most infringement cases, including those in which statutory damages and attorneys fees can be claimed, involve piracy—the overt and acknowledged reproduction of authors' books or paintings or photographs or phonorecords, or broadcast of their songs or performance of their plays—rather than quotations or close paraphrases of the plaintiff-author's expression. Authors in all media cannot sue for these outright appropriations of their property when 412 denies them statutory damages and attorneys fees.

These statutory remedies, as the Subcommittee knows, are granted to private plaintiffs in civil law suits under dozens of other Federal statutes that protect the rights of individuals against all manner of harmful conduct. The remedies are not conditioned on registrations of the plaintiff's claim to these rights before they are violated.

Repeal of 412 would not expose fair-use quoters and paraphrasers to strike or nuisance suits. Section 412 was not in the law from 1909 to 1978, attorney's fees and statutory damages could be awarded for infringements occurring before copyright registration. Yet thousands of biographers and historians quoted and paraphrased expression from prior books, letters, journals, etc., with impunity. The same circumstances which deterred strike and nuisance suits then will deter them after 412 and 411(a) are gone. Repeal of 412 does not change the meaning of Section 107's fair use provisions, nor does it restrict the rights of biographers or historians under 107, the *Nation* decision, or other authorities.

2. The voluntary registration system and inducements to register

Copyright registration is not a condition for securing U.S. copyright, but the Act maintains the copyright registration system for those who choose—or are compelled by 412 and 411(a)—to register claims to their copyrights. Various benefits under the Act are inducements for registration. Registration establishes an official record of copyright ownership; it gives prima facie evidentiary effect to the validity of a copyright; etc. These and other advantages account for the preponderance of registrations every year.

Additional, beneficial inducements for voluntary registration can be written into the Act. CLPS proposed some of them in its April 12th memorandum to the Register and Librarian. These, and other possible incentives, are discussed in Chapters 3 and 4 of ACCORD's report to Dr. Billington.

3. The repeal of section 411(a)

Section 411(a) requires a copyright claim to be registered before an infringement suit is filed. However, this can be done after the infringement. We urge 411(a) be repealed. It does not stimulate registration unless a suit is brought, and only a small fraction of copyrights are litigated. Congress exempted foreign Berne Convention authors from this requirement because it violated the Convention's most fundamental rule—i.e., that "the enjoyment and exercise" of an author's "rights shall not be subject to any formality." (Art. 5(2)). U.S. authors are equally entitled to relief from 411(a).

Copyright Office registration examinations of literary, dramatic and similar works cannot determine if they are "original" (i.e. written by the named author, and not copied from other works). Plaintiff and defendant in an infringement case each produce a Copyright Office registration certificate attesting the works are validly copyrighted. The Certificate cannot determine whether the copying done by defendant is or is not infringement. Many registrations are issued for works already in the public domain or which infringe prior copyrighted works. Thousands of registrations are issued which attest that the work was a "work made for hire" when it was not. The registration certificates for these works can do more harm than good to prospective users.

Ultimately courts must determine whether a work was copyrightable, and whether the use made of it by defendant was or was not an infringement. In the few situations where a Copyright Office registration examination might be helpful to a Court, it can be required as part of the judicial proceeding. A simple amendment could provide for that.

* * * *

My statement primarily addresses the repeal of Section 412, since it is the more onerous, inequitable, and damaging provision. And it could provoke retaliation by other countries that would seriously injure both the proponents and opponents of the pending bill.

4. The threat to protection of U.S. copyrights in other countries

Section 412 is a glaring violation of international copyright's golden rule—don't do to others what you don't want them to do to you. Other copyright countries do not require U.S. publishers, film and record companies, and authors to register claims of copyright with them as a condition for obtaining any remedy under their laws. Retention of 412 might provoke some of them to impose that requirement on works first published in countries that require such registration (theoretically applicable to any country; practically applicable only to the United States.) Other countries, long resentful that only the U.S. deprived their authors of copyright protection under several now-repealed formalities, might invoke the tactic of reciprocity as they have in other copyright matters. Foreign retaliation can work—it defeated the extension of the Manufacturing Clause in 1986. Such a retaliatory statute could condition any effective remedy, e.g. criminal enforcement, on registration.

5. The 1978 restriction of authors remedies under section 412

(a) *The Effect of Section 412.* Before 1978, if authors registered copyright claims *after* infringements of published works, then sued and won, they were entitled claim attorneys fees, statutory damages, or actual damages and profits, and injunctive relief. Authors of unpublished works could obtain similar remedies under common law, without registration.

Statutory damages and attorney's fees are the two most important remedies for authors who annually create "multiple works"—who each year produce a number of poems, photographs, articles, graphic works, songs, and the like. Without these two remedies, they and other authors who cannot afford to pay attorneys, or to sue when damages are small or difficult to prove, cannot sue for infringement.

Since 1978, Section 412 has denied authors these remedies, by conditioning them on "prior registration"—i.e. registration before the infringement occurred (or within 3 months of first publication.). Before 1978, authors could obtain these remedies even if they registered after the infringement occurred.

(b) *Why Many Authors and Publishers Do Not Register Claims on Creation or Publication*

(i) Many authors do not register to escape the penalties of Section 412 because they are not aware of the requirement. Biographers, historians and other authors of books escape that trap if their publisher prepares and files the application. Even then, the publisher may not submit the application before the infringement, denying the author and itself the right to claim attorneys fees or statutory damages in a successful infringement action. That happened to President Ford and Harper & Row in their victorious infringement suit against the Nation.

(ii)Many authors do not wish to register unpublished works, for fear of exposing the deposited copy to public examination in the Copyright Office.

(iii) The cost of registering Joe McGinnis' the LAST BROTHER is $20, as is the cost of registering "Jurassic Park". But an author who creates 30 poems, or drawings, or songs in 1993 would have to pay $600 in order to assure that he could recover statutory damages and attorneys fees if any of them is infringed. Over a decade he might spend thousands of dollars. In 1989, testifying before the Subcommittee, I estimated that the Arizona Star had to date saved approximately $43,000 by not filing registration applications for each day's newspaper—and that before the registration fee was doubled from $10 to $20.

(iv) Authors who are not represented by an agent, attorney or publisher, find it difficult to cope with the intricacies of a registration form and to prepare the necessary deposit copies of the work. Doing the job do the job 10, 30 or 40 times a year it is a formidable burden. If they wait to file a group registration months or years later, a prior infringer is protected against statutory damages and attorneys fees.

6. Statutory damages and attorney's fees are the only effective remedies and infringement-deterrents for thousands of authors

(a) *Statutory Damages.* Actual damages, or infringer's profits, resulting from an infringing reproduction of a poem, photograph, magazine article, illustration and similar "small" works often are low. Moreover, they are difficult and costly to prove. Only a deep-pocket plaintiff like Harper & Row or J.D. Salinger can afford to sue although Section 412 denied them statutory damages and attorneys fees. The very high costs of pretrial proceedings and courtroom confrontation in infringement suits

are endemic, and to a large extent to due tactics used by attorneys representing publishers, motion picture companies, and other giant corporations—whether as plaintiffs or defendants.

The purpose of statutory damages is to provide limited recompense to authors who have been infringed, and to deter infringements, in instances where they would not otherwise be able to protect their copyrights. *Brady* v. *Daley,* 175 U.S. 148, 154, 158; discussed and followed in *Westerman Co.* v. *Dispatch Co.,* 249 U.S. 100, 106–109; *F.W. Woolworth* v. *Contemporary Arts,* 294 U.S. 207, 209; citing and following Douglas v. Cunningham, 294 U.S. 207, 209, where the Court said that the remedy of statutory damages was adopted

> to give the owner of a copyright some recompense for injury done him, in a case where the rules of law render difficult or even impossible proof of damages or discovery of profits. In this respect the old law was unsatisfactory. In many cases plaintiffs, though proving infringement, were able to recover only nominal damages, *in spite of the fact preparation and trial of the case imposed substantial expenses and inconvenience. The ineffectiveness of the remedy encouraged willful and deliberate infringement* (emphasis added.)

In common law infringement actions prior to 1978—where no copyright registration was required—courts awarded punitive damages. *Roy Export Corp.* v. *Columbia Broadcasting Corp.,* 503 F. Supp. 1137 (SDNY 1980), aff'd. 762 F.2d (2d Cir. 1982), cert. denied. See also: 3 NIMMER ON COPYRIGHT, pp. 14–18 to 14–19, cases cited (ft. 59).

Statutory damages are not, as publishers now claim, "extraordinary" remedies. Since 1909 they have served to protect less-affluent authors, and particularly authors of "small" works; and Congress has provided for them in other statutes. Moreover, as William Patry's ACCORD Working paper (18) shows, statutory damages in literary infringement cases are usually modest. Far more devastating are high six-figure damage or profits awards, injunctions and jailing of infringers (sometimes done in movie and record suits, but never invoked against infringing book authors or their publishers). These remedies can be obtained even though registration of copyright was not made until after the infringement occurred. Section 412 does not apply to them, and those who can afford to pursue them. Primarily it penalizes individual authors, without deep pockets, who cannot afford to litigate clear-cut infringements of their copyrights unless they can claim statutory damages and attorneys fees.

(b) *Attorney's Fees.* Awards of attorney's fees for the prevailing party are commonplace in private suits under dozens of Federal statutes fees. They are listed in an ACCORD study (Working Paper 5), in a 108 page (1989, 1991) CRS Report for Congress (Working Paper 5a); and an ACCORD addendum lists 1991–1992 attorney's-fee statutory

Attorney's fees are granted to prevailing copyright plaintiffs is to enable them to protect their rights, particularly,

> where the commercial value of the infringed work is small and there is no economic incentive to challenge an infringement through expensive litigation." 3 NIMMER ON COPYRIGHT, quoting from *Quinto* v. *Legal Times of Washington,* 511 F. Supp. 579, 581 (D.D.C. 1981) [defendant copied plaintiff's HARVARD LAW RECORD article]; *Diamond* v. *Am-Law Publishing Corp.,* 745 F.2d 142, 148 (2d Cir. 1984); *Oboler* v. *Goldin* 714 F. 2d 211, 213 (2d Cir. 1983) [Defendant reproduced sound recordings of Oboler's earlier radio plays.]

Quinto and other decisions also point out that awards of attorney's fees are intended to encourage private enforcement of the Copyright Act to deter infringement generally, not merely to vindicate the plaintiff's rights. Section 412, blocking access of less affluent authors to the Courts to redress acknowledged and less-than-blockbuster infringements, frustrates the purpose of the statute.

William Patry's study shows that attorney's fees in statutory damage suits involving literary works are usually modest. One glaring exception is the amazing/enormous 1991 award of $1,365,000.00 to the AAP's attorneys who represented plaintiff-publishers in *Basic Books, Inc.* v. *Kinko Graphics Corp.,* where the court reached an obvious conclusion—that defendant committed copyright infringement when it produced college-course anthologies by reproducing multiple copies of copyrighted articles and chapters from copyrighted books.

7. The 1986 demand by the publishers association and authors league for repeal of sections 412 and 411(a)

On May 30, 1986, Jon A. Baumgarten, then and now counsel for the Association of American Publishers, to the Register of Copyrights concerning Mr. Oman's proposal to double the registration fees. The Authors League had opposed the increase in my April 29th memorandum to Mr. Oman, as the League's counsel (for the past 33 years.) The Authors League had, since 1912, represented the Authors Guild and Dramatists Guild and their members—who were also League members—on copyright, tax and First Amendment issues. It was the major authors' advocate during the 15-year copyright revision program, and had helped shape several provisions of the 1976 Copyright Act.

Mr. Baumgartens' letter—a copy is being submitted—said he stated "the views of the AAP." Mr. Baumgarten referred to my April 29th memorandum to Mr. Oman which stated, inter alia, "The Authors League recommends that Sec. 412, requiring registration as a condition of statutory damages and attorneys fees be eliminated from the Copyright Act." Mr. Baumgarten agreed. He said that the system of registration inducements "has become more a shield for infringers than a benefit to anyone," that "registration as a condition to statutory damages and attorneys' fees" had become "particularly problematic;" that eligibility for these remedies "may provide the only meaningful relief in infringement actions;" and that "possible lack of eligibility for this relief has been the cornerstone of the tactics of even the most blatant infringers under the 1976 Copyright Act."

Mr. Baumgarten said that "the AAP strongly believes that 'prompt amendment to the Copyright Act,'" to eliminate the "inducements' noted above, are necessary." The Register of Copyrights did not agree to the Authors League and Association of American Publishers 1986 requests for the elimination of Section 412.

8. The AAP and authors guild objections to eliminating section 412 are specious

(a) *Alleged Threat to the Library of Congress Collections*

AAP argues that repealing 412 threatens the Library's acquisition of materials through deposits made with registrations coerced by 412. Not so.

(i) As Barbara Ringer and Robert Wedgeworth point out, "At present there is no empirical proof that these sections (412 and 411(a) induce registration." And other copyright experts believe the bulk of registrations are made to gain the *benefits* offered in the Act. Additional incentives could stimulate registrations. In any event, authors should not be penalized by the two sections, as they now are, in order to induce deposits.

(ii) Apparently AAP so no such danger to the Library's collection when it so forcefully called for the repeal of Section 412.

(iii) Amendments could improve enforcement of Section 407, which requires deposit of copies of published works. The Librarian of could be authorized to retain outside counsel to enforce the penalty provisions against book and magazine publishers and other that do not deposit copies after demand, with fees to be paid from the fines recovered in those actions. Many other statutes authorize federal agencies and departments to conduct litigation directly and to retain outside counsel.

(iv) Other countries maintain formidable national libraries. None coerce deposits by making registration or deposit a condition for remedies.

(v) U.S. researchers, authors, historians, biographers, etc. do not depend solely on the Library of Congress. Huge collections are maintained by many university and other libraries. The Salinger letters which Ian Hamilton and Random House borrowed from were not in the Library of Congress; they were in libraries at the University of Texas and Harvard. In the digital age these collections will become more and more available to writers.

(b) *Alleged Need to Coerce Registrations To Maintain Complete Copyright Records*

AAP argues that the number of copyrighted works has increased enormously, and that 412 must be retained to compel their registration of to inform prospective users of their copyright status of works and date of publication. Not so.

(i) Other nations do not have registration systems; many do not even have Copyright Offices; and those that do employ a fraction of the personnel in our Copyright Office.

(ii) The array of works that AAP ruefully contends are copyrightable, are also copyrightable in other countries; and were protected before 1978 under the Act or by common law. Actually, the 1976 Act makes it easier to determine the copyright status of unpublished and published works. Before 1978, unpublished works—no matter how old—were protected by common law until they were published. Now they are protected by statutory copyright for the author's life plus 50 years. The measurement of copyright by an author's life makes it simpler to determine when it expires.

In all of the recent fair use cases, the defendant authors and publishers knew the copyright status of the plaintiff's work. That was never an issue. The question was how much the defendant biographer could borrow under fair use without infringing the plaintiff's copyright.

(iii) Many published works are not registered, and borrowing authors and their publishers cannot be sure that the copyright owner of the work they quote, paraphrase or pirate may have the wherewithal and will to sue even though 412 bars statutory damages. Harper and Row did, Salinger did, and have other plaintiffs in recent cases.

(iv) Many publishers do not check registration records before making use of "a child's school essay or drawing" or a "deposition in a lawsuit" or other exotic examples furnished by AAP.

(v) Copyright Office registrations are not always reliable, and often erroneous, as I have mentioned.

(c) *Alleged Threat of Increased Litigation If Section 412 is Repealed*

AAP and the Authors Guild predict a flood of litigation if Section 412 is repealed. Not so.

(i) 600,000 or more copyright registrations are made annually. Only a couple of thousand infringement suits are brought each year. And they involve some of the millions of copyrights registered in prior years as well as currently registered works. The preponderance of each year's infringement suits are brought by ASCAP and BMI for unlicensed broadcasts of songs in their catalog, and by sweater, toy, beltbuckle and other manufacturers of products—not by publishers and authors of books.

(ii) If a suit is lost, the plaintiff obviously will not recover damages or attorneys fees, and conversely the defendant will probably collect attorneys fees in those Circuits where section 505 is applied evenhandedly; and may recover in the two Circuits (2nd and 9th) if the plaintiff's claims were without arguable merit, frivolous, unreasonable, or brought in bad faith. The Supreme Court will decide this term how Section 505 should apply to the award of attorneys fees to defendants. Litigation on frivolous or fanciful copyright claims has never been a productive way to earn money.

(iii) Prior to 1978, attorney's fees and statutory damages could be claimed even though the work was registered after infringement. There was no flood of litigation inspired by "easy pickings" via statutory damages and attorney's fees.

(iv) If Congress finds that some litigants are foolishly suing on flimsy claims to extort settlements, it can adjust the statutory damage and attorney's award provisions to create additional dis-incentives.

* * * *

IRWIN KARP'S RESPONSES TO QUESTIONS SUBMITTED BY SENATOR DECONCINI

Question 1. Do you believe the right to claim statutory damages and attorneys fees for works that are not registered before infringement would or would not encourage specious, nuisance or fraudulent law suits for infringement of unregistered works? Why?

Answer. I believe the right to claim statutory damages and attorneys fees for infringements occurring before an unpublished work was registered would not encourage such law suits. These are my reasons:

A. Statutory damages and attorneys fees are only awarded if the copyright owner of the unpublished work prevails in the suit. Moreover, in many statutory damage suits, the amount of damages and of attorneys fees are modest. Consequently, there is no substantial economic inducement for bringing a specious or nuisance suit where infringement clearly did not occur, or where the chances of sustaining the claim are slim or non-existent.

B. Furthermore, there are two substantial deterrents to bringing such suits, or to bringing fraudulent suits:

i. The plaintiff will have to pay his or her own attorneys fees and costs of litigation if the case is lost; and the costs of pretrial and other proceedings can be very substantial.

ii. The unsuccessful plaintiff often must pay the defendant's attorney's fees. These can be very substantial: e.g., *Cohen* v. *Virginia, Electric Power Co,* 788 F.2d 247 (4th Cir. 1986), plaintiff author was ordered to pay $50,0000 in attorney's fees to the defendant. Even in the Second Circuit, where attorney's fees presently are not awarded "even-handedly," the unsuccessful plaintiff in a specious or nuisance suit has been ordered to pay substantial attorney's fees to the defendant; e.g., *Diamond* v. *Am-Law Publishing Corp.,* 745 F. 2d. 142 (1984), where the Court affirmed an

award against an unsuccessful plaintiff because the claim was "objectively without arguable merit," and subjective bad faith on his part was not necessary; *Calloway* v. *Marvel Entertainment Group,* (SDNY 1986), 1986 CCH Copyright Law Decisions, Par. 25, 970, where plaintiff and *his attorney* had to pay a $233,000 award to the successful defendant; *Humphrey* v. *Columbia Records,* 124 F.R.D. 564 (SDNY 1989), award entered for defendants against plaintiff's *attorney* who "had to know she was pursuing a baseless cause, as any casual investigation would have made clear that her client was either deliberately lying or fantasizing." (Note 7, 117 USCA §505).

iii. The Supreme Court, in a pending appeal, probably will establish a uniform rule on the granting of attorney's fees to either prevailing party.

Question 2. Provide an example of how the right to claim statutory damages protects authors of traditional copyrighted works and deters infringement.

Answer. The late Arthur Kober wrote about 200 short stories that appeared in the NEW YORKER magazine from 1926 to 1957. He called me, as Authors League/Guild attorney, and complained that a mid-western publisher had reprinted one in an anthology without permission and rejected his request for compensation. The publisher made it clear that he thought that Kober would not spend money to retain an attorney, a thousand miles away, to sue for the modest damages involved. I wrote the publisher, focussed his attention on §§ 101(b) and 116 of the 1909 Act, and explained if Mr. Kober sued for this undeniable infringement, the court had to award him at least $250, and could go higher, without proof of actual damages or profits, and that he—the publisher—probably would be ordered to pay a reasonable fee to Kober's attorney. Within the week, we received a check to Mr. Kober's order for $250—a satisfactory permissions fee. It didn't cost Kober anything. The letter required a few minutes of my time and a 10 cent (or less) stamp. Without the prospect of statutory damages and attorneys fees Kober would not have been compensated; he could not afford to sue. P.S.: at that time, Kober was entitled to the remedies even if the infringement occurred before he had registered his copyright.

Question 3. Do you believe the right to claim statutory damages and attorneys fees promote litigative efficiency or inefficiency in infringement disputes and suits? What are your reasons?

Answer. I believe the two remedies promote litigative efficiency, for these reasons:

(a) The prospect of statutory damages and attorneys fees eliminates the necessity of litigation in many instances where obvious infringement was committed. The defendant settles; as did Kober's pirate; or many of ASCAP/BMI's infringing broadcasters. The courts are spared additional over-loading of trial calendars.

(b) The prospect of statutory damages and attorneys fees also leads to quicker resolution of infringement suits. An actual example, which I am familiar with: Several mystery novels by a successful, deceased author had been pirated by a small firm, unbeknownst to his executors, publisher and attorney. Apprised of the infringement, the attorney filed a complaint and soon negotiated a substantial settlement, and consent-order permanent injunction, without any pretrial or other proceedings. Proving damages or profits would have been time-consuming and costly, particularly since only a few hundred copies of each title had been reproduced, and fewer sold. The prospect of statutory damages and attorneys fees impelled a just settlement and deterrent to infringement.

(c) The Court's discretion to reduce a successful party's attorneys' fees or increase those awarded against the losing party also diminishes the propensity of some attorneys to abuse the litigative process with prolonged pretrial proceedings, "kitchen-sink" trial tactics, making claims that are dropped at trial, and other harassing maneuvers. See, e.g., *Warner Bros. Inc.* v. *Dae Rim Trading, Inc.,* 677 F. Supp. 740 (SDNY 1988); *M.C.A. Inc.* v. *Wilson,* 677 F.2d 180 (2d Cir. 1981); *Humphrey* v. *Columbia Records, supra.*

Question 4. What other factors do you believe make copyright litigation costly and overburdensome?

Answer. (a) One primary factor is the lack of objective judgment by counsel: in bringing suits that have no merit; in mounting meritless defenses against well-founded charges of infringement. Several suits commenced by large corporate copyright owners should never have been brought. For example, *Time, Inc.* v. *Bernard Geis,* 293 F. Supp. 130 (SDNY 1968) [Plaintiff attempted to squelch drawings, in an book about the Kennedy assassination, of the President's head movements after Oswald's shots, as captured inadvertently on the Zapruder film which Time, Inc. purchased and copyrighted]; *Warner Bros. Inc.* v. *Am. Broadcasting Companies,* 720 F.2d 231, (2d. Cir. 1982) [Judge Newman said "(defendant ABC's) Hinkley follows (plaintiff Warner's) Superman as, in the genre of detectives, Inspector Clouseau fol-

lows Sherlock Holmes * * * a reasonable jury could not conclude that Hinkley is substantially similar to the Superman character * * *"]

(b) Another factor is the "needless complexity", "undue prolixity" and "endless procedural maneuvering" that bloats many copyright infringement suits [phrases borrowed from former Assistant Solicitor General Louis Claiborne's lecture on "the self destructive habits of the American legal establishment", at p. 167, THE TENTH JUSTICE, by Lincoln Kaplan (Alfred A. Knopf, 1987)]

An example: *Morrison* v. *Solomons,* an infringement suit involving two college chemistry text books, their authors and their publishers, 494 F. Supp. 218 (SDNY 1980). The case began in late 1978; there were extensive pretrial proceedings, discovery, and lengthy pretrial memoranda. The trial ran from December 3, 1979 to March 31, 1980 "with comparatively minor interruptions." Record: 8,228 pages; judge's notes: 763 pages; defendant's memorandums on their motion to dismiss at close of their case: 108 pages and 115 pages, appendix of 200 pages; plaintiff's answering brief, 248 pages.

Judge Lasker dismissed on the ground that the testimony of defendant author and his wife was "credible in all respects and on the basis of that finding, I find that Dr. Solomons has not violated plaintiffs' copyright by copying the Morrison and Boyd text as alleged." The parties then requested Judge Lasker to express his views on the issue of "substantial similarity", an issue mooted by his conclusion that defendant's credible testimony rebutted copying, He did, and concluded that defendant "did not 'bodily appropriate the expression' of Morrison and Boyd. His sole use of that text was to secure from it factual information, the use of which does not constitute a violation of the copyright statute."

It is likely each publisher spent hundreds of thousands of dollars to reach this conclusion. The plaintiffs' publishers, Allyn and Bacon, went out of business soon after the case ended.

In many copyright infringement suits, the presence or absence of substantial similarity is the determining issue, and often could be determined with a considerable economy of effort by court and counsel, at an enormous saving to the adversary authors and/or publishers.

An example: *Smith* v. *Simon & Schuster Publishers Inc., et al.* 83 Civ. 3971 (VLB) (SDNY 1983). Plaintiff alleged defendants infringed her unpublished novel by publishing defendant-author's novel. Defendants conceded the plaintiff's manuscript was submitted to Simon & Schuster, and they agreed—with the Judge's approval—not to submit any briefs in support of their motion for summary judgment; rather, they and plaintiff (pro se) agreed, as Judge Broderick's 2 page (typed) order stated, "that in deciding the motion, I would consider the plaintiff's manuscript, the novel published by defendant Simon & Schuster, and plaintiff's answers to defendant's first set of interrogatories. This I have done."

The judge's opinion dismissing the case read:

> "It is an axiom of copyright law that the protection granted to a copyright work extends not to ideas, but only to the particular expression of those ideas (2 citations, omitted) Wherefore, in comparing the two works, I looked for any copying or substantial similarities in the texts.
>
> There is no verbatim copying, and there are few discernible similarities between *Lace* and *Once a Starlet.* To support a claim of copyright infringement the similarities mast be substantial (1 citation, omitted.) None of the similarities between the books is substantial.
>
> There are no issues of material fact. Summary judgment is appropriate. Defendants' motion is granted, and the complaint is dismissed."

An opinion in the tradition of Oliver Wendell Holmes' 2-page masterpiece in *Herbert* v. *Shanley,* 242 U.S. 591 (1917). Many infringement cases are ultimately decided by the judge making the same evaluation of the two works, but only after extensive pre-trial proceedings, lengthy briefs, appendices, arguments, and often full dress trials, all of which are totally or largely unnecessary.

Why burden courts and parties with these prolonged and expensive excursions when many cases could be disposed of effectively and less expensively by having the court, at the outset, compare the two works to determine whether or not, as a matter of law, they are substantially similar, without the encumbrances of briefs, affidavits and similar accouterments—as Judge Broderick did in the great "Lace"/"Once A Starlet" controversy.

Consider *Denker* v. *Uhrey, et al,* 91 Civ. 0076 (SDNY 1991), Judge Mukasey concluded, in an opinion 17 times longer than Judge Brodericks', that "based on the differences discussed above, no reasonable juror could find the works substantially similar and because the few similarities * * * involve non-copyrightable elements of plaintiff's work * * *." (pp. 29–30, unprinted opinion.) This conclusion was inevi-

table, for as the Judge earlier noted, both plaintiff's and defendants works "are about an elderly, white Jewish person, who, on the face of advancing age and resulting loss of independence, requires the assistance of a black helper, and after initial assistance, develops a friendship with the helper. Beyond this level of abstraction, however, the works are markedly dissimilar." pp. 18–19.

Judge Mukasey would have reached this same conclusion if he and the parties had followed the example set by Judge Broderick and the parties in *Smith* v. *Simon & Schuster*, supra. And it is likely his decision would have been affirmed as speedily and summarily as was the one produced after depositions, long briefs and oral argument. As it was the Court of Appeals decided a few hours after the oral argument, in 4 lines, that his judgment be affirmed "substantially for the reasons" stated in his opinion. Denker would not have been happier, but probably would have saved tens of thousands of dollars in attorneys' fees, as would each of the defendants.

The "Broderick" approach can be applied to infringement suits involving traditional copyrighted works without denying due process, or preempting a trial of issues that remain if the Court determines that the case cannot be disposed of on its sua sponte preliminary review of the works, or by affirming (or rejecting) the report of a referee or magistrate, or by a non-binding mini-trial or other preliminary dispute-resolving techniques.

Question 5. Do you believe statutory damages or attorneys fees should be reduced or denied to protect good faith-defendants in borderline fair use circumstances. How?

Answer. Yes. This could be done

a. With respect to statutory damages, by providing the court could remit or reduce statutory damages where the defendant had reasonable grounds for "believing his or her use of the copyrighted work was a fair use under section 107" (cf §504(c)(2))—in cases where the use did not involve a quantitatively substantial appropriation of material from the copyrighted work.

b. With respect to attorneys' fees, by providing that a successful plaintiff's attorneys fees can be reduced or denied where the defense of fair use is not "objectively without arguable merit"—or meets some similar test—subject to the qualification that a quantitatively substantial appropriation of material from the copyrighted work was not made.

Senator DECONCINI. Mr. Thatcher, Mr. Baumgarten, one of you, your full statement will appear in the record if you will summarize it for us, please.

STATEMENT OF SANDY THATCHER, DIRECTOR, PENN STATE UNIVERSITY PRESS, ACCOMPANIED BY JON BAUMGARTEN, COUNSEL, AMERICAN ASSOCIATION OF UNIVERSITY PRESSES

Mr. THATCHER. Thank you, Mr. Chairman, Mr. Hatch.

My name is Sandy Thatcher, I am director of the Penn State Press, which is a member of both the Association of American University Presses and the Association of American Publishers. I am joined here today by Jon A. Baumgarten on my right, who is counsel to the AAUP. I am speaking on behalf of both associations.

I welcome the opportunity you have given me to explain to you and your colleagues why the AAUP and AAP oppose the repeal of section 412 of the 1975 Copyright Act, as proposed in section 102(b) of the Copyright Reform Act of 1993. And I might point out before beginning that I believe it's correct to say that I'm the only publisher on this witness list who is actually making daily decisions about what is to be published.

First, we understand that the authors of some types of creative works believe that the current registration and deposit system inhibits them from registering their works and thus availing themselves of the full panoply of remedies under the law. These concerns deserve careful scrutiny.

However, to the extent that corrective action is warranted, we submit that the best solution is not to repeal section 412, but to consider first nonlegislative steps, and then if necessary legislative measures as well that will serve as complements, not alternatives, to section 412.

Second, we agree that it is imperative that whatever steps may be taken to alter the current system, they must not be allowed to have an adverse impact on the collections of the Library of Congress or on the Copyright Office's public record of registered works.

Third, we feel that the current debate over section 412 has been mischaracterized as dispute between big versus small interests, and copyright owners versus users. This interpretation is belied by the broad array of groups opposed to repeal—libraries, authors, museums and school boards, as well as magazine and book publishers, both large and small.

Moreover, as we develop further in our written testimony, in today's formality-free environment, the line between copyright owners and users is at best a blurred one. As a practical matter, the members of the AAUP and AAP and their authors whose works they publish are users of preexisting works as well as creators of new ones.

Fourth, we anticipate that other opponents to repeal will emerge as the full ramifications of this proposed action become more widely known and appreciated. And still others will question the impact of some of the alternatives to section 412 that are under discussion.

University presses, for example, would be very concerned about efforts to strengthen mandatory deposit because of the threat to their kind of publishing from retaliatory action taken by foreign countries.

Fifth and most important to us, we believe that it is crucial for Congress to maintain the careful and necessary balance struck by section 412 in relation to the potential chilling effect of infringement claims on the creation and dissemination of creative works. Failure to do so would both discourage legitimate and important activities of historians, biographers, journalists and other individual authors, as well as publishers, and also lead to an increase in infringement claims and lawsuits.

To emphasize this last point more, let me remind you that Congress has over time, with the new Copyright Act of 1976, accession to the Berne Convention in 1989, and the Copyright Renewal Act of 1992, continued to reduce the formalities associated with the availability and existence of the copyrights. Currently any work that meets the very minimal constitutional and statutory requirements secures copyright protection from the moment of its creation.

And this includes a vast variety of materials that may never have been intended for publication by their authors: children's essays or drawings, internal corporate documents, letters, diaries, snapshots and so forth. Many types of works being created today draw upon such preexisting materials, everything from academic works of social history and books and articles by investigative journalists to museum publications and film documentaries.

Fair use of such materials was reaffirmed by this Congress when it passed a law last year to rectify overly rigid interpretations of the applicability of fair use to unpublished works that had arisen

in several court cases. We strongly supported that legislation, but the benefits we and our authors derive therefrom would be undermined by repeal of section 412.

The threat here exists in various forms. Two are particularly troubling. With much unpublished and unregistered material, it is often extremely difficult to determine who exactly is the copyright owner. If an author wants to quote, say, from the diaries or correspondence——

Senator DECONCINI. Mr. Thatcher, I'm sorry, I'm going to have to ask you to summarize your statement. We have another panel, and we're running out of time. I know that's unfair to you, your full statement will appear.

Mr. THATCHER. If you want to come back in the question period, I have a number of examples from our own practical publishing experience in the last year about the fair use question.

So simply to sum up, I believe these kinds of threats to fair use that Mr. Turow talked about earlier are real and serious, and therefore think it would be ill-advised for Congress to move forward without allowing more debate and discussion of this topic to be pursued.

[Mr. Thatcher and Mr. Baumgarten submitted the following:]

PREPARED STATEMENT OF SANDY THATCHER ON BEHALF OF THE ASSOCIATION OF AMERICAN UNIVERSITY PRESSES AND THE ASSOCIATION OF AMERICAN PUBLISHERS

SUMMARY

The Association of American University Presses ("AAUP") and the Association of American Publishers ("AAP") oppose the repeal of §412 of the Copyright Revision Act of 1976 as proposed in §102(b) of S. 373, The Copyright Reform Act of 1993.

The introduction of this legislation has prompted an important, timely review of the current registration and deposit system. AAUP and AAP believe that this ongoing review should be allowed to proceed in a deliberate, reasoned fashion and not be disrupted by the premature—and we believe unnecessary and damaging—repeal of §412.

A broad array of groups are opposed to repeal of §412, including libraries, historians, biographers, and large and small magazine and book publishers. Moreover, as the debate over §412 intensifies, we anticipate that other opponents of repeal will emerge, and still others will question the potential impact of some of the "alternatives" to §412 under discussion.

First, we oppose repeal because it would upset the careful and critical balance struck by §412 among the interests of authors and publishers of pre-existing works and those who would transform, build upon and make reasonable use of those works. Repeal would discourage legitimate and important activities of historians, biographers, journalists, and other authors and publishers.

Second, it would put at risk both the Library of Congress's vast collections which are such an important part of our Nations's intellectual, cultural and commercial heritage, and the Copyright Office's invaluable public record of registered works, by making them dependent upon unproven, theoretical alternative incentives of uncertain or questionable efficacy.

We understand that some copyright owners believe that the current registration/deposit system inhibits them from registering works and availing themselves of all potential remedies under the Copyright Act. These concerns warrant careful scrutiny and corrective action where appropriate. We submit, however, that rather than repeal §412, Congress should consider non-legislative steps—and if necessary legislative ones as well—that will act as complements, not alternatives to §412.

The Association of American University Presses ("AAUP") and the Association of American Publishers ("AAP") welcome the opportunity to share with you and your colleagues the reasons why we oppose the repeal of §412 of the Copyright Revision Act of 1976 ("1976 Act") as proposed in §102(b) of S. 373, The Copyright Reform Act of 1993. In general, that section conditions eligibility for statutory damages and

attorney's fees in a successful copyright infringement action upon the work being registered prior to the start of the infringement.

The AAUP is a trade association composed of approximately 100 university presses, virtually all of which serve as the publishing arms of their parent institutions. These university presses broaden our understanding of history, science, societal problems, art, and culture by publishing scholarly books, journals, CD–ROMs and other materials and selling them to academic and other audiences.

The AAP is a trade association of book publishers in the United States. AAP's more than 200 members include a number of university presses and other not-for-profit publishers and learned societies as well as commercial publishers, both large and small.

Mr. Chairman, the introduction of your bill, S. 373, and its House counterpart, H.R. 897, has prompted an important, timely review of the current registration and deposit systems. Not only have nearly sixteen years passed since the landmark Copyright Revision Act of 1976 went into effect, but two major laws affecting the registration and deposit process have been enacted—the Berne Convention Implementation Act of 1988 ("BCIA") and the Copyright Renewal Act of 1992.

AAUP and AAP believe that it is appropriate for a careful, deliberate review to be undertaken of the registration and deposit provisions of the Copyright Act and the relevant Copyright Office regulations accompanying the 1976 Act. In our view, the debate generated by S. 373 is a healthy one; we believe that congressional hearings on this legislation, as well as the on-going activities of the Advisory Committee on Copyright Registration and Deposit ("ACCORD") will enable this overall review of the current system to be a productive and beneficial one. As discussed below, *we urge that the debate be allowed to proceed in a deliberate, reasoned fashion, and not be disrupted by premature—and we believe unnecessary and damaging—repeal of §412.*

INTRODUCTION

At the outset I will make a few important, preliminary comments.

First, AAUP and AAP understand that the copyright owners of some types of creative works believe that the current registration/deposit system inhibits them from registering their works and thus availing themselves of the full panoply of remedies under the Act. These concerns deserve careful scrutiny. However, to the extent these concerns warrant correction, we submit that the solution is not to repeal §412; rather, as we discuss below, we urge the Subcommittee to consider non-legislative steps—and, if necessary, legislative ones as well—that will act as complements, not alternatives to §412.

Second, it is crucial that Congress maintain the careful and necessary balance struck by §412 in relation to the chilling effect of potential infringement claims on the creation and dissemination of copyrighted works. Failure to do so will discourage legitimate and important activities of historians, biographers, journalists, and other authors and publishers.

Third, the current debate over §412 has been wrongly characterized as a dispute between (1) "big" interests vs. "small" interests; (2) authors (and other individual creators) vs. publishers (and other producers) and (3) copyright owners vs. users. That is simply not the case; none of these characterizations is apt. A quick perusal of the broad array of those who are opposed to the repeal of §412—including libraries, authors, historians, biographers, large and small magazine and book publishers and school boards—should put those mischaracterizations to rest. Moreover, as developed more fully below, the line between copyright "owners" and "users" is at best a blurred one. Authors, historians, scholars, journalists, publishers and other members of the creative community use, transform and build upon preexisting works in creating new works; and so it has been through the ages.

Fourth, AAUP and AAP agree that it is imperative that whatever steps may be taken to alter the current registration and deposit landscape *must not* have an adverse impact on the invaluable collections of the Library of Congress or the Copyright Office's public record of registered works. The utility of these records and collections is not an archival abstraction or of interest to the Congress alone; they are an invaluable living body of vital importance to scholars, biographers, historians, journalists, among others, and the published works they create.

Fifth, it would be wrong for repeal of §412 to proceed on the assumption that "there is no empirical evidence to show whether Section 412 is an inducement to

registration and deposit * * *"[1] In fact, we submit that there is much anecdotal and experiential data demonstrating that §412 *does* induce widespread registration and indicating therefore that repeal of §412 will impair—or destroy—both the Library's collections development activities *and* the public database created from Copyright Office registrations. We believe that proponents of such repeal have the burden of coming up with hard evidence demonstrating that such legislative action will not decimate either the collections or the database.

Sixth, as the debate over S. 373 intensifies (1) the complexity and scope of the important issues it raises becomes clearer and (2) the number of groups who view repeal as problematic increases. We anticipate that as the full ramifications of repeal become more widely known, other opponents of repeal will emerge; and as discussed below, still others will question the potential impact of some of the "alternatives" to §412 that are under discussion.

INCENTIVES TO VOLUNTARY REGISTRATION AND DEPOSIT

Mr. Chairman, today copyright protection attaches when a qualifying work is created. It is not necessary to affix a copyright notice to the work, publish the work, or register it with the Copyright Office. Because registration with the Copyright Office is permissive, the Act contains incentives to encourage copyright owners to register their copyrighted works. These statutory incentives are *absolutely essential* to the public record envisaged by the registration system, to the collections of the Library of Congress, and to the scholars, researchers, and members of Congress who use these records and collected works.

Under current law, copyright owners must generally give copies of their works to the Copyright Office at the time of voluntary registration. These deposits are an indispensable source of the collections of the Library of Congress. As the members of this Subcommittee are well aware, these collections are an important part of our Nation's intellectual, cultural and commercial heritage and thus an enormous resource to Congress, as well as to scholars, students, librarians, educators, businesses and others.

The effectiveness of these incentives is also key to the Copyright Office's publicly available database of registered works. This registration record provides invaluable data regarding such matters as authorship, ownership and duration of copyright, dates of creation and publication and the like. These records "can be extremely valuable not only for business transactions such as transferring rights, and obtaining permissions or licenses, but also for resolving legal disputes, providing biographical information, and so forth."[2]

Of the incentives in the Act, *§412 is recognized as the most important in prompting registration.*[3] Although the important remedies of actual damages and injunctions are available to *all* copyright owners whose works are infringed, §412 governs access to the "extraordinary' remedies of statutory damages and attorney's fees."[4]

The underlying principle of §412—conditioning certain remedies upon registration—was in place from the embryonic stages of the twenty-year revision process and was considered and confirmed by experts representing every affected interest for over a decade. Significantly, in 1965 the Copyright Office termed the predecessor to §412 a "cornerstone" of the registration process and the remedies provisions of the proposed law.[5] Congress enacted §412 in order to induce registrations so as to

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[1] The Library of Congress Advisory Committee on Copyright Registration and Deposit (ACCORD), Report of the Co-chairs, Robert Wedgeworth and Barbara Ringer 34 (Sept. 1993) [hereinafter ACCORD Report].

[2] Id. at 12. The database is also an important resource for authors and publishers of "new compendia, catalogues, indices and the like, which in turn are used by other scholars, researchers, businesses, and institutions." Jon A. Baumgarten and Prof. Peter Jaszi, Draft ACCORD Working Paper No. 4a at 2 (July 1993).

[3] *See, e.g.*, Copyright Reform Act of 1993: Hearings on H.R. 897 before the Subcomm. on Intellectual Property and Judicial Administration of the House Comm. on the Judiciary, 103d Cong., 1st Sess. 3 (1993) [hereinafter Hearings] (statement of Ralph Oman, Register of Copyrights and Associate Librarian for Copyright Services).

[4] H.R. Rep. No. 1476, 94th Cong., 2d Sess. 158 (1976). While some have challenged the characterization of these remedies as extraordinary, we maintain that these remedies are "special" or "extraordinary" because they are well outside American legal norms. Damages are normally available—in copyright cases just as in all tort litigation—only when economic harm can be proven, and the extraordinary nature of providing attorney's fees to a prevailing party can be demonstrated succinctly by recalling that their *unavailability* is known as the "American rule"—as distinct from the "British rule" under which they are widely available to prevailing parties.

[5] Part 6—Supplementary Report of the Register of Copyrights on the General Revision of the Copyright Law: 1965 Revision Bill 125 (May 1965)

(a) build the collections of the Library of Congress; and (b) create a record of public assertions of rights in works the copies of which might otherwise bear no indicia thereof.[6]

Significantly, just five years ago, during the consideration of the BCIA, Congress again reviewed the incentives in the 1976 Act and reconfirmed §412. In addition, in 1988 Congress also made clear that §412 *was* "Berne compatible" in that it was not an impermissible copyright formality under the Convention.[7]

We submit that this background should be weighed carefully as Congress goes about the important task of reviewing the current registration and deposit system. This certainly does not mean §412 is beyond review. But, "this history confers a presumption of legitimacy and reasonableness that should not be lightly or hastily cast aside."[8]

Furthermore, we believe that the reasons that prompted Congress to adopt §412 are as valid today as they were in 1976. *In fact, we submit that conditions in the copyright marketplace today not only militate against repeal of §412, but demonstrate a greater need for its existence than was the case in 1976.*

TODAY'S COPYRIGHT MARKETPLACE

By enacting the 1976 Act, the BCIA, and the Copyright Renewal Act of 1992, Congress has repeatedly reduced the formalities associated with the availability and existence of copyrights. The first made clear that under no circumstances would failure to register be a bar to copyright protection and it reduced the harshness of the penalty for omitting a copyright notice from published copies of a work; the second prospectively removed the requirement for a copyright notice that identified the owner of the work and the date of publication; and the third provided for automatic renewal of copyrights without requiring the creation of a public record of initial *or* renewal term registration.

Moreover, today any work, created anywhere in the world, that meets the very minimal constitutional and statutory requirements—including a de minimis level of originality—secures copyright protection in this country at the time it is created. As a result, there are few fixed products of intellectual effort that do not enjoy copyright protection. Thus, children's essays or drawings, internal corporate documents such as product safety reports, legal depositions, as well as letters, drawings, scribbles, minutes, snapshots, credit reports and other untold items virtually always qualify for copyright protection. Significantly, the 1976 Act added to the universe of material protected by federal statutory copyright a truly unquantifiable amount of *unpublished* works previously protected by common law copyright.[9] In fact, it may be a surprise to many that §303 brings within the scope of federal statutory protection such items as the unpublished letters and diaries of George Washington, Thomas Jefferson, and innumerable other well known, little known and even unknown figures from our historical past, as well as from around the world. In sum the number of works that enjoy statutory copyright status today, and will achieve statutory copyright status in the future, is, as a practical matter, *incalculable.*

In today's copyright marketplace—where copyright protection is ubiquitous and formalities are virtually a thing of the past—we submit that the elimination of §412 would have profound, adverse consequences for the effective operation of our copyright system, for scholarship, for informing our population, and for the growth of the Library's collection.

1. The deletion of §412 and the general availability of statutory damages and attorney's fees would be extremely problematic for publishers, historians, biographers, museums, journalists and other users of pre-existing materials. Abolishing §412 will necessarily have the effect of dampening creativity in the processes that result in the creation and publication of copyrighted works that make use of pre-existing

[6] The historic requirement that a copyright notice be fixed to copies—which the 1976 Act substantially maintained as to copies of *published* works—did not apply to unpublished works. In addition, as discussed elsewhere, the BCIA effectively eliminated this notice requirement for all works published after March 1, 1989.

[7] S. Rep. No. 568, 100th Cong., 2d Sess. 14–15 (1988). This view was widely shared by other experts.

[8] Baumgarten and Jaszi, *Supra* note 2, at 2.

[9] Under 17 U.S.C. §303, if a work were unpublished and protected by common law copyright until January 1, 1978, its term of protection will not expire before December 31, 2002; if the work is published on or before December 31, 2002, then its term of protection will not expire before December 31, 2027. And for unpublished works, copyright extends to works of nationals of all countries; and for published works to the nationals of a great many countries. Thus, untold numbers of unpublished materials from long ago—letters, diaries and photographs—enjoy copyright today under §303.

works—including books, magazines, journals, museum publications, multimedia projects, documentaries, and various other copyrighted works. Let me explain why.

In this post-Berne Act environment, publishers, historians, biographers, journalists and other authors, face difficult copyright questions on a daily basis when they consider making use of a particular work—questions that often have potential litigation-related consequences.

For example, is the work a joint one, and if so, what are the arrangements among the joint owners or authors? Is it a work-made-for-hire? Is a particular use of a copyrighted work by a publisher or an author—for example, in entering the multimedia marketplace—within the terms of a licensing agreement with a copyright owner of an underlying work? Is the intended use by an author or a publisher of a copyrighted work a fair one? Is the work in the public domain? Can the possible copyright owners of old black and white photographs found in attics and old trunks or forgotten correspondence even be identified or located?

These types of questions require authors and publishers to make *tough decisions* with the specter hanging over them that the decision could lead to litigation or to the *threat of litigation*—an especially troubling, on-going concern in our litigious society.

As hard as these decisions are in today's formality-free environment, they would be far more complicated if §412 were repealed and authors and publishers had to consider that *every* decision could lead to the imposition of statutory damages and attorney's fees. All too often the prudent, responsible author and publisher will simply elect against all potentially problematic uses in their own works of pre-existing works, thereby harming the exchange of ideas and discussion of a wide array of issues, especially controversial ones. Such a result is quite understandable given the investments of time, money, repute and effort involved in many copyright ventures. Furthermore, one must keep in mind that these "considerations are not limited to publishers, producers, and other entrepreneurs; they fall as well, and emphatically, upon individual authors and scholars whose pocketbooks and reputations are put at risk, and who must act according to their own sense of caution as well as in response to the concerns of their publishers and producers."[10]

Mr. Chairman, long before an infringement claim is first leveled, a complaint is filed or a trial proceeds to adjudication—the repeal of §412 would have profound effects on the copyright marketplace. From the perspective of non-fiction publishers and their authors, who deal extensively in biographies and historical works and who rely heavily on excerpts from pre-existing letters, diaries and internal corporate papers, as well as photographs and other hard to trace artifacts of our historical heritage, this impact would be especially adverse.[11]

Moreover, we are convinced that deletion of §412—human experience and the very premise of the proposal hardly to the contrary—will lead to a flood of infringement claims and lawsuits drawn by the magnet of statutory damages and attorney's fees and which would not be deemed economic to litigate under current law.

Some will be meritless claims of ownership, while others will attempt to extract payments for the publication of works to which the creator originally ascribed little or no value. Still other claims will be brought by those who have no real interest in vindicating their copyrights but rather see increased access to statutory damages and attorney's fees as a powerful tool to further their efforts to stop the release of an unfavorable book, article or film. Those opposing publication can assert a copyright interest in documents such as corporate papers, affidavits and contracts. If §412 is repealed, publishers and authors will not only have to decide if their use of such documents is fair or properly authorized, but also whether failure to prevail on the fair use claim will expose them to statutory damages and attorney's fees.

We believe that repeal of §412 will have the very practical and negative effect of undercutting much of the important gains achieved last year when Congress passed the fair use of unpublished works bill (P.L. 102–492). Much time and effort was invested in making P.L. 102–492 a reality so that authors and publishers are not unduly restricted in their use of unpublished materials. The very same type of chilling effect concerns that prompted Congress to enact that law are implicated by the proposed repeal of §412. Congress should take care that the positive effects of P.L. 102–492 are not effectively eviscerated by repealing §412.

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[10] Baumgarten and Jaszi, *Supra* note 2, at 3.

[11] Thus, repeal of §412 will directly affect the decision-making of authors and publishers well before any trial. This rebuts one argument proffered in favor of enactment of §102(b) of S. 373. Specifically, it negates the assertion that copyright users would be shielded from any chilling effect flowing from the elimination of §412 because "plaintiffs must win their case before any possibility of statutory damages and attorney's fees arises * * *." ACCORD Report, *Supra* note 1, at 34. *This is simply not the case.*

Owners of unregistered works still possess remedies for infringements of their works. The threat of an injunction, as well as the risk of actual damages present real and effective deterrents to piracy. These are the same remedies available in many jurisdictions around the world. There is nothing unfair—or inconsistent with Berne—in conditioning special remedies on the public declaration of ownership of the creative work.

In sum, §412 today helps effect a reasonable, workable accommodation of the interests of copyright owners of pre-existing works and biographers, journalists and others who want to make use of these pre-existing building blocks. Section 412 is part of a statutory scheme that properly recognizes that historians, biographers, magazine and book publishers and others in the creative community are copyright owners as well as users of pre-existing works. And, as Professor Jaszi has written, "it [§412] helps the individuals and firms * * * to plan their affairs and thus to make their own contributions to the 'progress of science and the useful arts'."[12] We submit that repeal of §412 will upset this accommodation dramatically and will have a significant, negative effect on the legitimate activities of a wide array of authors and publishers.

2. Repeal of §412 would put at risk both the collections of the Library of Congress and the Copyright Office's public record of registered works by making them dependent upon unproven, theoretical "alternative" incentives.

The critical importance of effective registration incentives, and the need to retain §412 in particular, is underscored by a few telling points.

a. The "vast majority of materials received now by the Library through Copyright are not obtained by mandatory deposit, but through voluntary registration stimulated by the statutory incentives of recovering statutory damages and attorney's fees."[13]

b. The mandatory deposit procedures set forth under §407 of the Act do not, should not, and cannot serve as a means of securing unpublished works for the Library. Therefore, while the endorsement by the Librarian of an enhanced mandatory deposit system bears careful scrutiny, this proposition would in no way reach unpublished works of all types—manuscripts, paintings, many computer programs, photographs, and probably including many new forms of limited subscription or custom entertainment and information products facilitated by the new information technologies, to name only a few.[14] *Only §412 is a meaningful inducement to the registration and deposit of these works.*

c. In our formality-free copyright marketplace, participants are hard pressed to ascertain essential facts about a copyrighted work. As the co-chairs of ACCORD point out:

> The 1989 United States adherence to the Berne Convention was the latest step toward a system of copyright free from formalities, providing authors with rights without the need to register, affix notice, or, under a 1992 amendment, to file renewals. With millions of works now protected by copyright without the need for information in a notice on copies or phonorecords, and works proliferating in digital and other electronic formats, the post-Berne environment requires a system readily informing the public by identifying these works and their copyright status.[15]

d. Elimination of §412 at this time would seriously impede the potential public benefit flowing from a merging of a comprehensive copyright registration database with new technologies. Copyright registrations are now recorded in electronic format, and as the report of the ACCORD co-chairs notes, are available over the Internet for the widest possible variety of scholarly, research and public use. It would be a great tragedy if, at the same time that the electronic superhighway is being developed, one of the most comprehensive and valuable records of property

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[12] Peter Jaszi, Draft ACCORD Working Paper No. 4b at 1 (July 1993).

[13] Hearings, *Supra* note 3, (Statement of James H. Billington, Librarian of Congress) at 5.

[14] The proposed expansion of mandatory deposit discussed in the ACCORD Report to include not only published works, but also works "publicly disseminated" by any means would *not* affect the aforementioned unpublished works. Moreover, even for publicly disseminated works, the ACCORD Report states: "[T]here was an acknowledgement, especially for works in electronic formats (including online databases), that careful study and important safeguards must precede any legislative or administrative change." ACCORD Report, *Supra* note 1, at 55.

[15] ACCORD Report, *Supra* note 1, at 12–13. This comment echoes a reason for adopting §412 given in the House Report on the 1976 Act, namely that with respect to unpublished works, "[t]he remedies for infringement presently available at common law should continue to apply to these works under the statute, but they should not be given special statutory remedies, *unless the owner has, by registration, made a public record of his copyright claim.* H.R. Rep. No. 1476, *Supra* note 4, at 158. (emphasis supplied).

rights in works that will have occasion to move along that highway is dealt a body blow by the deletion of §412. This would be especially problematic for university presses, the vast majority of which make use of Internet and can be expected to find the availability of the registration database over Internet a relatively easy and inexpensive means of garnering important copyright data.

e. Finally, there is strong reason to question whether the types of changes to the existing deposit and registration system outlined in the report of the ACCORD co-chairs will be sufficiently protective of the Library's needs and the interests of the researchers, scholars and members of Congress who rely on the collections. We are not alone in this view. In separate letters, four members of ACCORD[16] and five affected organizations—the American Association of Law Libraries, the American Library Association, the Association of Research Libraries, the National Coordinating Committee for the Promotion of History and the Special Libraries Association[17]—have questioned forcefully the efficacy of the changes proposed in the report.

STEPS SHOULD BE TAKEN TO COMPLEMENT, NOT SUPPLANT §412

As noted above, we believe that a careful, deliberate review of the copyright registration and deposit system is timely and appropriate. In our view, such a review will lead Congress to the conclusion that repeal of §412 is not in the public interest and that meaningful steps—that do not include such repeal—can be taken that can address effectively any problems that Congress may perceive in the structure and operation of the current copyright system.

1. Review of regulations promulgated pursuant to §408

We suggest as an important first step that a review be undertaken of the regulations promulgated by the Register of Copyrights pursuant to authority granted under §408 of the Act.

As noted above, proponents of repeal of §412 raise a number of difficulties they face in trying to satisfy the voluntary registration and deposit provisions of the Act, including concerns regarding single registration for a group of related works and use of identifying materials in lieu of deposit. From our review of §408 of the Act, it appears that the Register has ample authority to address most, if not all, of these types of concerns. Importantly, §408 is a central part of the flexible provisions in the 1976 Act (under which neither registration nor deposit is a condition of copyright) that softened the far more rigid registration and deposit requirements of the 1909 Act.

This authority emanates from §408(c)(1) and (c)(2).

Section 408(c)(1) *permits* the Register to promulgate regulations authorizing "a single registration for a group of related works." Under this provision the Register has the authority to permit a single registration for a single fee to include (*as examples only*) the "various editions or issues of a daily newspaper, a work published in serial installments, a group of related jewelry designs, a group of photographs by one photographer, a series of greeting cards related to each other in some way, or a group of poems by a single author."[18] As the legislative history of the Copyright Revision Act of 1976 reveals, this provision represented a marked departure from the 1909 Act which placed "unnecessary burdens and expenses on authors and other copyright owners."[19]

The breadth of discretion provided by this section could be employed to accommodate most of the legitimate concerns of those who favor repealing §412.

Section 408(c)(2), on the other hand, *requires* the Copyright Office to promulgate a regulation under which group registrations of an individual's contributions to periodicals may be made where a single author makes contributions to various periodicals, including newspapers. This provision sets out criteria—that might well be revisited—that an author must meet to qualify for such group registration, including

[16] Letter from Peter Jaszi, Robert Oakley, Alan Fern, Hasia Diner to Dr. James H. Billington, Librarian of Congress (Sept. 28, 1993) [hereinafter Jaszi *et al*].

[17] Letter from Robert Oakley on behalf of American Association of Law Libraries, American Library Association, Association of Research Libraries, National Coordinating Committee for the Promotion of History and Special Libraries Association to Dr. James H. Billington, Librarian of Congress (Sept. 27, 1993).

[18] H.R. Rep. No. 1476, *Supra* note 4, at 154.

[19] Id. at 154. "The provision empowering the Register to allow a number of related works to be registered together as a group represents a needed and important liberalization of the [1909 Act. Prior to 1978,) the requirement for separate registrations where related works or parts of a work are published separately * * * has created administrative problems and has resulted in unnecessary burdens and expenses on authors and other copyright owners. In a number of cases the technical necessity for separate applications and fees has caused copyright owners to forego copyright altogether." Id. at 154.

that (a) publication of all contributions occur within a 12-month period, (b) the deposit be made of each periodical or newspaper in which the contribution(s) appeared, and (c) the application identify each work separately.

Importantly, (c)(1) and (c)(2) operate independently of one another. Thus, as Professor Nimmer makes clear, even where an author does not qualify under §408(c)(2) "the regulations promulgated by the Register pursuant to her authority under Section 408(c)(1) might still permit a single registration."[20]

The question then becomes whether or not the relevant regulations promulgated by the Register pursuant to §408(c) are in need of revision, particularly by applying it more generously to the class of authors legitimately aggrieved by the present system. Or, put another way, whether over the past fifteen years the Copyright Office has made sufficient use of the broad discretion accorded it under the law or has interpreted its substantial authority under the Act too narrowly, thus contributing to the problems articulated by those who advocate repeal of §412.

In any event, Congress should consider steps that the Copyright Office has already taken with respect to some classes of works, and weigh whether similar steps could accommodate other authors' needs without sacrificing a "cornerstone" of the law. In this regard, we welcome the decision by the Librarian of Congress to direct the "Copyright Office [to] hold public proceedings * * * on a proposed regulation dealing with group registration for newsletters and that similar proceedings be planned and scheduled with respect to other potential subjects for group registration, including photographs and software."[21]

We anticipate that a review of §408 will result in a determination that many, if not all, of the types of concerns leveled against §412 can be addressed satisfactorily through administrative, rather than legislative action.

2. Possible modification of §408 and §412

We acknowledge that a review of regulations that have been, and could be, promulgated pursuant to §408, may reveal that some changes to the text of §408 are in order so that the regulations promulgated under §408 are more responsive to the types of concerns that prompted the effort to repeal §412.

In addition, while we steadfastly oppose repeal of §412 and believe that the aforementioned steps will prove sufficient to resolve the problems asserted, we realize it may be deemed necessary to consider technical changes to §412. In this regard, we do not view the current, specific language of §412 as sacrosanct. What is important is that §412 continue to:

> (1) provide a necessary and appropriate balance among the interests of authors and publishers of both pre-existing works and those who would build upon and make reasonable use of those works;
>
> (2) be a powerful incentive to the registration and deposit of copyrighted works, both published and unpublished.

For example, more detailed consideration might be given to the adequacy of the §412 grace period for published works.

3. Allow the current debate to proceed deliberately

We respectfully urge Congress to allow the on-going debate on the copyright registration/deposit system to proceed in a deliberate, reasoned fashion, uninterrupted by premature action on § 102(b) of S. 373, and unencumbered by unnecessary, inhibiting time constraints. In our view, such an approach would allow Congress to garner a full picture of the operation of the current system, identify those legitimate concerns with the system that warrant correction, and determine the appropriate administrative—and perhaps legislative steps—to be undertaken in response to such concerns.

We believe that the public debate on possible reform of the current system would benefit from a deliberate pace. For example, it would allow:

- Congress to take into account the fruits of the Phase Two efforts of ACCORD. The policy issues on the table for consideration during Phase Two—"how the present system of registration, recordation and mandatory deposit affects authors and other copyright owners, the collections of the Library of Congress (and other libraries), the judicial system, and the public; and how that system may be improved"[22]—are inextricably linked to those in Phase One and to the issues raised by the proposed repeal of §412;

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[20] 2 Nimmer on Copyright §7.18[C][2].

[21] Letter from James H. Billington to Representative William J. Hughes 3 (Oct. 1, 1993).

[22] ACCORD Report, *Supra* note 1, at 26. The report of the co-chairs goes on to point out that "[s]ome of the considerations [during Phase Two] include: access by the Library to the widest

- the Librarian of Congress to share with Congress the results of (1) his forthcoming proceedings on group registration and (2) mandatory deposit pilot projects that he intends to conduct;[23]
- the garnering of much-needed evidence regarding much important issues as what motivates copyright owners to register and not register today; the potential effect of possible changes to the registration/deposit system on the decision-making of copyright owners and the effect on the levels of registrations if any future changes were treated as additions to, rather than substitutes for §412; and
- the debate to include other interested parties that can be expected to emerge to express their views on the proposed repeal of §412 *and/or* the potential ramifications of possible changes to the copyright registration/deposit system.[24]

CONCLUSION

Mr. Chairman, thank you for allowing AAUP and AAP the opportunity to share with you our views on the proposed repeal of §412. We look forward to working with the Subcommittee as it goes about the important tasks of reviewing the current registration and deposit system and taking steps to reform the system so as to protect the rights of those legitimately aggrieved by that system—a goal we believe can be achieved *without* resorting to the repeal of §412.

SANDY THATCHER'S RESPONSES TO QUESTIONS SUBMITTED BY SENATOR BROWN

Question 1. The Association of American Publishers and the Association of American University Presses were strong supporters of efforts in the last Congress to enact legislation dealing with the applicability of the fair use doctrine to the use of unpublished works by historians, biographers and other authors. In your view, what are the practical implications of Sec. 412 on the overall effectiveness of fair use legislation enacted in the 102d Congress (P.L. 102–492)?

Answer. As AAP and AAUP indicated in their joint written statement for the October 19, 1993 hearing, we believe that repeal of §412 will undercut much of the important gains achieved last year when Congress passed the fair use of unpublished works bill.

P.L. 102–492 was enacted in response to two decisions handed down by the United States Court of Appeals for the Second Circuit, *Salinger* v. *Random House,* 811 F 2d 90 (2d Cir.) *cert denied* 484 U.S. 890 (1987) and *New Era* v. *Henry Holt* 873 F 2d 576 (2d Cir.) *reh'g denied,* 894 F 2d 659 (2d Cir. 1989) *cert denied,* 110 S. Ct. 1168 (1990) that severely restricted the availability of the fair use defense as ap-

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variety of materials while fully preserving the copyright protection in those materials; the interests of authors, copyright owners, and users in future Library acquisitions; and improving the Library's comprehensive public record of copyright claims and ownership." ACCORD Report, *Supra,* at 26.

[23] the importance of proceeding in a cautious fashion is underscored by Dr. Billington's comments with respect to the enhanced mandatory deposit issue:

> Since we already have an effective registration/deposit system supporting the Library's collections, we must move cautiously * * * Legislation and regulations are difficult to change and there is a risk of disruption of the steady stream of acquisitions if great care, including constant monitoring, is not exercised during a period of transition. *Substantial reductions in deposits for a year or more would be an irreparable loss which could—far more easily than a layman might realize—irreversibly change the nature of the Library of Congress.*
>
> I share the views expressed by my colleagues that the expansion in mandatory deposit must be carefully planned, must be phased in through pilot projects, and must be sufficiently funded. Letter from Billington to Hughes, *Supra* note 21, at 2. (emphasis supplied).

[24] For example, it has been suggested that some American copyright interests—AAUP and AAP among them—may fear that enhanced mandatory deposit requirements could lead to the new and unreasonable deposit demands abroad. As four members of ACCORD have stated:

> Not every national library can be expected to respond with as much sensitivity to the concerns of distributors of works in new media, for example, as has the Library of Congress under your [Dr. Billington's] leadership, and uncertainty over exactly how foreign libraries will respond could generate opposition to enhanced and broadened mandatory deposit at home, at least for some time to come. Jaszi *et al, Supra* note 16, at 3.

Indeed some have already raised such questions as: Will not foreign libraries, taking a lesson from proposed American legislation and practice, increase or extend mandatory deposit of domestic and foreign software and CD–ROMs, but be less cautious about protecting these deposits from unauthorized copying and networking and preserving the copyright owner's market?

plied to unpublished works. In effect, these cases articulated a virtual *per se* rule against the fair use of any unpublished materials.

Concerns that these cases were having a chilling effect on the ability of scholars, biographers, historians, journalists and publishers to use unpublished materials prompted Congress to enact P.L. 102–492.[1] The new law is designed to "clearly and indisputably reject the view that the unpublished nature of the work triggers a virtual per se rul[e] * * *"[2] Instead, under P.L. 1–02–492, "the fact that a work is unpublished is 'an important element which tends to weigh against a finding of fair use,' [but] the unpublished nature of the copyrighted material is not necessarily determinative of whether or not a particular use is considered a fair use."[3]

In sum, the new law is intended to give historians, biographers, scholars, publishers, journalists and others the latitude they need after *Salinger* and *Holt* to make reasonable use of unpublished materials. Even after passage of the new law, it is recognized that authors and their publishers still have tough decisions to make when determining whether a use of an unpublished work is a fair one, and of course, the prospect remains that a particular use might be found to exceed fair use. But, importantly, P.L. 102–492 was enacted in the context of a copyright law that contained §412 and thus, in general, limited eligibility for the special remedies of statutory damages and attorneys' fees to those instances where the work had been registered prior to infringement.

These complex fair use questions [and as indicated in our written statement, other difficult copyright questions as well] will be that much more difficult if the choice of making the wrong decision means that defendants will not only face the prospect of absorbing actual damages and an injunction, but attorneys' fees and statutory damages as well. In such cases, the reasonable, prudent author and publisher will all too often decide against using the unpublished material, thus harming the exchange of ideas and discussion of a broad array of issues, especially controversial ones. In effect, the same type of chilling effect that Congress sought to address through enactment of P.L. 102–492 will re-emerge if §412 is repealed outright.

Question 2. As director of a university press that specializes in publishing nonfiction works, what do you think the practical implications of repeal of §412 are? From your long experience in scholarly publishing, can you provide some examples of nonfiction works that might not have been created or would have been "sanitized" significantly if §412 were not in place at that time?

Answer. Repeal of §412 is certain to have a "chilling effect" on historians, biographers, literary critics, and other authors who create nonfiction works of scholarship published by university presses. Frequently authors of such works draw upon unpublished, unregistered materials—letters, diaries, internal corporate documents, snapshots, etc.—and it is sometimes virtually impossible to determine who the present copyright owner is. As noted above, today scholars and their publishers have tough decisions to make about the use of these materials, but they do so in an environment where they do not have to worry about exposing themselves to the "extraordinary" remedies of statutory damages and attorneys' fees. Repeal of §412 will change scholars' and publishers' assessment of risk in these circumstances dramatically, leading to the impoverishment of scholarship.

Allow me to give two examples from recent experience at the Penn State Press that illustrate different ways in which the "chilling effect" manifests itself. One of our authors, a social historian, is now preparing a documentary history of city life in America during the colonial and early national periods. It responsibly draws upon unpublished material from informal sources, the present-day copyright owners of which cannot readily be traced. Publication of this book would be a great deal more risky, and would have to be considered differently, if a copyright owner could emerge from the mist and establish himself as heir of the author of one of the documents included and then threaten to sue for statutory damages and attorneys' fees. Another book we had—under contract was a work by a journalism professor that told the story of the demise of a newspaper. In making his argument about the newspaper's mismanagement, the author quoted from some internal corporate memoranda. In this instance, had the author tried to get permission to quote parts of the memoranda, it is very likely that the newspaper's owners would have resorted

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[1] *See* 139 Cong. Rec. S17358 (daily ed. October 7, 1992) (statement of Senators Simon, Leahy, Kennedy, Grassley, Metzenbaum and Kohl):

> We think it no exaggeration to say that if the trend [evinced by the Second Circuit cases] were to continue, it could severely damage the ability of journalists and scholars to use unpublished primary materials. This would be a crippling blow to accurate scholarship and reporting.

[2] *Id.*

[3] *Id.*

to the threat of a suit for statutory damages and attorneys' fees to prevent publication of the book if §412 were not in place as part of the current copyright law, and we would have had to take that exposure quite seriously.

In sum, repeal of §412 will very significantly alter the weighing of risks when scholars and their publishers decide how much unpublished material they can safely use to provide richer, fuller historical narratives, critical literary analyses, biographies, and other works contributing to public knowledge.

PROSKAUER ROSE GOETZ & MENDELSOHN,
Washington, DC, May 30, 1986.

Hon. RALPH OMAN,
Register of Copyrights,
Library of Congress,
Washington, DC.

DEAR RALPH: Following the recent meetings of the Copyright Office Advisory Committee, I shared our discussions of a possible Copyright Office fee increase (including your letter of May 14) with the Copyright Committee of the Association of American Publishers ("AAP").

Because this matter has an immediate practical and economic impact on various groups of authors and other copyright owners, this letter will report the views of the AAP rather than restrict itself to my personal views as one individual member of the Advisory Committee. (Of course, I would be pleased to confer with you and/or the other recipients of this letter in an individual capacity as well, should it be desired.)

The views of the AAP may be summarized as follows:

- The Association is aware of the budgetary constraints now faced by the Copyright Office and does not wish to see a diminishing of the quality of service, public responsibility, or professional commitment of the Office and its employees.
- However, the Association cannot agree that the question of a fee increase can or should be severed from changes in the current scheme of "induced" registration and recordation of transfers. The proposed increases in the registration (and other) fees will unquestionably have a significant economic impact upon the AAP's membership. Journal and similar periodical publishers, issuing numerous volumes at regular intervals, in many cases for quite limited markets, will be severely affected;[1] but the economic burden of the increases will be felt across all other segments of the AAP membership as well.
- As pointed out by several participants in the Advisory Committee meetings and in Mr. Karp's memorandum of April 29, the premise that copyright owners are the "beneficiaries" of the present system of induced registration and recordation is inaccurate. The principal "inducements" (recordation as a condition to suit; registration as a condition to statutory damages and attorneys' fees; registration within five years as a condition to assured prima facie effect) were not present under the prior copyright laws and were not sought by copyright owners. Instead, they were imposed on copyright owners based on assumed *public* benefits of a *public* record and the *public* interest in a comprehensive collection of our national library. It is not fair to now impose on copyright owners the substantially increased costs of these objectives.
- Additionally, in an era characterized by massive unauthorized use of numbers of works, the system of statutory "inducements" has become more a shield for infringers than a benefit to anyone. Registration as a condition to statutory damages and attorneys' fees in some cases, as one example, has become particularly problematic. Eligibility for such remedies has been an important ingredient in our copyright laws out of recognition that they may provide the only real hope of meaningful economic relief in infringement actions. A possible lack of eligibility for this relief has been the cornerstone of the tactics of even the most blatant infringers under the 1976 Copyright Act. Yet, the Copyright Office's proposed fee increase will undoubtedly force many authors and other copyright owners to forego regular registration, rendering their copyrights of little practical value against infringers who will be emboldened by the possibility that the infringed author or other copyright owner will be unable to secure any real fi-

[1] Over the past several years the AAP has repeatedly sought relief from the difficult burden of even the present registration system on journal and like publishers pursuant to the "group registration" provisions of the Copyright Act; but the Copyright Office has never responded.

nancial relief after engaging in expensive complaint, settlement, and litigation procedures. Particularly with the proposed fee increases, the "inducements" will become obstacles to the protection of copyright.

- For the foregoing reasons, the AAP strongly believes that prompt amendment to the Copyright Act, to eliminate the "inducements" noted above, are necessary. The Association further believes that these changes can be implemented in the context of Mr. Karp's proposal for a "two-tier" registration system. That system benefits individual authors and publishers who believe they will be advantaged by a "first-tier" registration, while imposing an equitable and bearable cost upon them. We do not understand the Office's apparent belief that such a system cannot be promptly implemented. In any event, amendment of the current registration system to eliminate the above "inducements" and the burdens on copyright owners and impairment of protection certain to follow the superimposition of a substantial fee increase upon the existing, malfunctioning system of "induced registration," does not appear to be a difficult, contentious or time-consuming undertaking.

On behalf of the AAP, thank you for the opportunity to submit these comments. For myself, I appreciate your willingness to open these issues to consideration by the Advisory Committee.

Very truly yours,

JON A. BAUMGARTEN.

JON A. BAUMGARTEN'S RESPONSES TO QUESTIONS SUBMITTED BY SENATOR BROWN

Question 1. It is asserted by opponents of §412 that its repeal would return the law regarding the availability of statutory damages and attorneys' fees to where it stood prior to the effective date of the Copyright Revision Act of 1976. Do you agree? Please comment.

Answer. I disagree. First, the assertion is simply incorrect with respect to the great mass of works given federal statutory copyright protection for the first time under the 1976 Act, and of particular concern to those who favor retention of Sec. 412: unpublished works theretofore protected by common law copyright.

As to attorneys' fees for such unpublished works, it is sufficient to note that the common law and state statutes in this country generally did not (and still do not) allow for the award of attorneys' fees, and this was certainly true with respect to "common law copyright" cases.

With respect to statutory damages, the common law generally did not provide for statutory damages, as that concept appears in the Copyright Act, in copyright cases. The possibility that some decisions allowed leeway in "estimating" damage for the purpose of actual damages does not support the assertion since there would then be little purpose to statutory damages and little significance to Sec. 412. The related assertion that punitive or exemplary damages were generally available and served the same purpose as statutory damages in common law copyright cases is inaccurate. Rather, the general rule was stated over 25 years ago by a federal district court in New York in an action for plagiarism of an unpublished manuscript: "courts are reluctant to grant punitive damages [and] [t]his is especially true in copyright cases." *Smith* v. *Little Brown,* 273 F.Supp. 870 (S.D.N.Y. 1967) (New York law, citing cases).[1] Moreover, the limited possible availability of this relief at common law is immaterial to the Copyright Act's provision of substantial statutory damages for non-willful conduct.

Indeed, the only general route to statutory damages and attorneys' fees (as well as other Federal coverage and remedies) for unpublished works before the 1976 Act was expressly predicated upon *registration* under Sec. 12 of the 1909 Act for a limited class of works; thus, the 1976 Act in fact liberalized the availability of these remedies by making them available to all unpublished works by registration.

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[1] Neither *Walker* v. *Sheldon,* 179 N.E. 2d 49 (1961) nor *Roy Export* v. *CBS,* 503 F.Supp 1137 (S.D.N.Y. 1980), affirmed 672 F.2d 1095 (2d Cir. 1982) undercuts this position. Neither stands for the proposition that statutory damages were generally available in common law copyright cases. Far from it. *Walker* was not a copyright case; it was a fraud and deceit case. Moreover, in *Walker,* the court made clear that punitive damages were available in fraud and deceit cases "where the fraud aimed at the public generally, is gross and involves high moral culpability." 179 N.E. 2d at 499. While *Roy* was a common law copyright case, in part, and punitive damages were awarded, it recognized that they were only to be awarded where '"the wrong is aggravated by evil or wrongful motive or [where] there was willful and intentional misdoing or a reckless indifference equivalent thereto * * *.'"

Second, with respect to published works, it is true that although the prior law appeared to require "prompt registration," case law increasingly over time appeared to minimize or eliminate this condition. However, the quoted wording remained in the statute, occasional case law seemed troubled by delayed registration, and responsible counsel did commonly refer to this provision (together with other reasons) as grounds to recommend registration in order to be assured, *de facto* if not wholly *de jure*, of complete copyright protection and all remedies.

Finally, it also bears noting that repeal of Sec. 412 will not return the law to its pre-January 1, 1978 state because of the *broadened* availability of these remedies made by the 1976 Act that represented a departure from the manner in which these remedies were available under the 1909 Act. Thus, under the 1976 Act, a plaintiff was given the right to elect, any time before final judgment is rendered, to recover statutory damages, irrespective of the ability to prove actual injury. In contrast, the 1909 Act did not provide the plaintiff with the right to elect between statutory or actual damages and "the availability of statutory damages was to a degree discretionary with the court and turned largely upon the proof of actual damaged and defendants' profits." 3 Nimmer, Copyright 14.04[A] at 14–44.

Question 2. In your view, would repeal of Sec. 412 affect the business judgment of those desiring to make use of pre-existing materials in their own works?

Answer. Yes. In my experience, Sec. 412 does play a part in legitimate business decisions, particularly where an author, writer, producer, or publisher of a documentary, biography, history, or like work wishes to make limited use of a preexisting work—commonly (but not always) an unpublished photograph, internal memorandum, or the like—for purposes of illustration, portrayal or commentary but (a) cannot find the copyright owner, (b) has a reasonably grounded fear that a request for permission will be denied for the sole purpose of suppressing criticism or debate on a matter of public interest, and/or (c) is uncertain as to whether the use is "fair." In these cases, consideration of exposure and consequence—beyond the conventional remedies of injunctive relief, profits and actual damages—is warranted, prudent, and an exercise of responsible scholarship and business. This is, emphatically, *not* the use of Sec. 412, as it has been mis-labeled by some, as a shield for illegitimate copying. In my judgment, repeal of Sec. 412 will affect these rational judgments and can impair the critical, vibrant use of preexisting materials.

Question 3. From your reading of the legislative history of the Copyright Revision Act of 1976, what were the reasons that Sec. 42 was adopted? Was it solely to serve as an incentive to voluntary registration? Or were there other reasons why Sec. 412 was incorporated into the 1976 Act?

Answer. I agree that Sec. 412 was intended to induce registration, but I cannot agree that this, *per se,* was its only reason or that it was solely designed to thereby induce deposit of registered works with the Library of Congress. The legislative history speaks for itself; after referring to section 412 as designed to "induce" registration for "published works" [S. Rep. No. 94–473, 94th Cong., 1st Sess. 140 (1975); H.R. Rep. No. 94–1476, 94th Cong., 2d Sess. 158 (1976)], this history gives a somewhat different reason for Sec. 412 as applied to *unpublished* works:

> The great body of unpublished works now protected at common law would automatically be brought under copyright and given statutory protection. The remedies for infringement presently available at common law should continue to apply to these works under the statute, but they should not be given special statutory remedies *unless the owner has, by registration, made a public record of his copyright claim.*

Id. (Emphasis added.) This passage, from both chambers, does not refer to development of the Library's collection of unpublished works. It is very much like the argument advanced by proponents of maintaining Sec. 412[2]—given the great, undifferentiated mass of unpublished materials now subject to statutory copyright, it is both appropriate and helpful to the public to require the copyright owners of such works to publicly mark off, differentiate, or declare their claims in order to qualify for the unusual remedies of statutory damages and attorneys' fees.

Senator DECONCINI. Thank you.

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[2] See, e.g., Statement of the Association of American University Presses and the Association of American Publishers on the Repeal of Sec. 412 of the Copyright Act As Proposed in S. 373, the Copyright Reform Act of 1993, before the Senate Subcommittee on Patents, Copyrights and Trademarks, October 19, 1975 at 5–8; Jon Baumgarten and Prof. Peter Jaszi, Draft ACCORD Working Paper No. 42 at 3 & n.

Mr. Thatcher, do you agree with Mr. Turow's statement in 1991 that there is a lot of bootlegging in the publishing houses in New York that end up going to Hollywood as transcripts?

Mr. THATCHER. Well, I tell you, that's really very far removed from the kind of publishing we do. And I couldn't really speak to it.

Senator DECONCINI. Excuse me, I meant to qualify that, just in the whole universe of publishing, not your Association.

Mr. THATCHER. I couldn't constitute myself as an authority in that question. Our publishing is very different from that kind of high profile commercial publishing. If we get a film offer, we consider ourselves extremely lucky. [Laughter.]

Senator DECONCINI. So you don't know. But seriously, I'm not pursuing that for any other reason but for verification, seeing that you are on the publishing side of it. What I read in Publisher's Weekly would suggest that it occurs, but as Mr. Turow said, it's not as though the name is removed from the document and then attempted to be published.

Mr. Oakley, just quickly, did you hear Dr. Billington's testimony? Were you here for that?

Mr. OAKLEY. Yes.

Senator DECONCINI. Apparently you disagree with his observation that we could, that he supports 411 repeal and doesn't oppose 412, 411(a) and doesn't oppose 412 if there are some safeguards put in there. You don't think the safeguards will do the justice or cure?

Mr. OAKLEY. I think the key to what he said was that it was conditional, that he said he could support those things provided there were some additional inducements and safeguards put into place. What we have basically said is that we don't yet see that those would accomplish the goals, and we would like to see further study done before putting them into place, rather than putting them into place first, watching the collections slip and then trying to rectify it later.

Senator DECONCINI. Thank you. Mr. Baumgarten, because your letter is now in the record, I think you ought to have an opportunity to respond to that. You oppose the repeal of section 412, and the part of the letter that I think you're entitled to answer, I'll just read it quickly.

> In an era characterized by massive unauthorized use of numbers of works, the system of statutory inducement has become more of a shield for infringers than a benefit to anyone. Registration as a condition to statutory damages and attorneys fees in some cases has become particularly problematic. Eligibility for such remedies has been an important ingredient in our copyright laws out of recognition that they may provide the only real hope of meaningful economic relief in infringement actions. A possible lack of eligibility for this relief has been the cornerstone of the tactics of even the most blatant infringers under the 1976 Copyright Act.

Can you reconcile that for us?

Mr. BAUMGARTEN. I can try. First, it's only part of the letter, but the people——

Senator DECONCINI. Your full letter will be in the record.

Mr. BAUMGARTEN. I think it's important to point out, however, that the part of the letter that is consistently omitted by anyone who refers to it is that it was written in the context where legislation was proposed to make registration more burdensome, and it's expressly referred to, I believe there's a footnote in text that we

were completely discouraged by the fact that in repeated attempts over a 4- or 5-year period, the Copyright Office had repeatedly refused to liberalize its regulations with respect to group registration.

And that is fully consistent with what the AAP and AAUP say today. Let's fix it, let's liberalize the regulations.

Senator DECONCINI. For the record, you did support repealing in that letter or not?

Mr. BAUMGARTEN. Yes, I think we did support repealing in that letter.

Senator DECONCINI. Thank you. Go ahead.

Mr. BAUMGARTEN. As far as that part is concerned, just very quickly, Irwin Karp referred to establishing his bona fide. He doesn't have to, nor does Barbara Ringer. Anybody who has been in their field knows their bona fides. But they are not infallible nor wrong or right nor static. Mr. Karp supported 412, was one of the inventors of it. Ms. Ringer opened the ACCORD meetings by saying she changed her mind about 412.

With the passage of time, with intervening events, particularly some high-profile litigation which made it clear that copyright could be used to suppress unauthorized and unfriendly biographies as opposed to the kind that Ms. Jong was talking about, and with the perspective of a different kind of publisher, now the trade publisher, rather than the journal publishers who particularly participated in that letter, we as well have exercised our right to change our mind.

If people wouldn't change their minds, I don't think Congress would be looking at this legislation today.

Senator DECONCINI. I think that's a very laudable position. Thank you for the frankness, and certainly you don't need any more credentials in your outstanding career, and I want the record to show that.

Mr. BAUMGARTEN. Thank you, sir.

Senator DECONCINI. That letter did trouble me, and I think you've explained it quite well. I've been known to change my mind also.

Senator Hatch?

Senator HATCH. Well, I'm going to submit my questions in writing. I've really enjoyed this very much and I'm sorry I missed part of your testimony because I had to step out. But I particularly enjoyed you, Mr. Karp, as well, as I always have. And all four of you have been very helpful to the committee today.

But I'll submit my questions in writing, Mr. Chairman.

Senator DECONCINI. I also have some questions I would like to submit to Mr. Thatcher and Mr. Oakley.

Thank you, and Mr. Karp, thank you.

Mr. KARP. Thank you.

Senator DECONCINI. The last panel is Enid Waldholtz, corporate counsel for Novell, Inc.; Richard Weisgrau, executive director, American Society of Media Photographers; and Paul Basista, executive director of Graphic Artists Guild. Thank you very much for being with us today, and we apologize for the lateness here.

Ms. Waldholtz, you may summary your testimony, if you would. Your full statement will be in the record. I'm going to have to leave at 12:30, and I know the Senator from Utah also has to leave

shortly. So I apologize for the shortness of this panel, but we do want to assure you that your full statements will be part of this record.

Please proceed.

STATEMENT OF ENID GREENE WALDHOLTZ, CORPORATE COUNSEL, NOVELL, INC.

Ms. WALDHOLTZ. Thank you, Mr. Chairman, Senator Hatch. I appreciate the opportunity to be here.

I'm representing not only my employer, Novell, who is a leader in network computing products, but also the Software Publishers Association, which is an association of over 1,000 software publishers, both large and small, throughout the country.

Recognizing the lateness of the hour, perhaps I can go to what I think I can bring to this panel, and that is the view from the trenches. My current occupation is trying to protect the copyrights that Novell owns on the software that it publishes, and I direct Novell's litigation program where we are engaged in trying to fight software piracy. The decisions that we make on an ongoing basis are very much involved in what can we expect to get back in attorneys' fees and statutory damages when we're looking at clear cases of infringement of our copyrights, or as we call it, software piracy.

The SPA and Novell both are very supportive of this bill. We strongly support the repeal of section 411(a) and section 412, because we think they have provided some anomalous results. Not only do they provide particular protection for Berne Convention countries other than the United States when piracy is found here in the United States that's not afforded to U.S. companies, but it has provided an unintended benefit for criminals, people who are infringing our copyrights, when we are unable to collect statutory damages or attorneys' fees from those individuals, and they in fact benefit from their unlawful conduct in not being punished to the full extent of the law.

In my testimony, I recited an experience that Novell has had just in the last 3 months, where we found piracy of a product that had been shipped to Europe that appeared on a U.S. bulletin board, as it's called, within a week of its shipment to work. These bulletin boards, some of them that you're familiar with, CompuServe, Prodigy, are legal and serve a tremendous benefit. Others are set up for the sole purpose of trafficking in illegal software and making it easy for people to exchange the software in infringement of our copyrights.

We found this, we had already prepared the application for the Copyright Office for this particular product, but had not yet filed it. We ended up having to delay filing on this particular suit for 2 weeks while we made the application. When we went in to stop this bulletin board, we found that in that intervening period, our copyright had been infringed over a dozen times at a cost of several thousand dollars per infringement. These are the kinds of things that we believe would be remedied by the repeal of section 411(a) and section 412.

And may I also just address for a moment this question of what it does to the collections of the Library of Congress. In our particular industry, we don't believe that the current deposit requirements

are assisting the Library in maintaining its collections. And we feel that there is some other remedy, perhaps a strengthening of section 407, that could be found that would do that.

I brought with me a sample of one of our products. This is how NetWare is shipped to our customers. In this box, you find several packages of diskettes, several manuals that tell you how to use the product.

However, the deposit requirements require us only to submit approximately 75 pages of what's called source code that for lack of a better word would appear to you as gobbledy-gook. It's a page of symbols, letters, numbers that are unintelligible to anyone but software engineers.

When you take into account that products in the market today may include over a million lines of this code, submitting 75 pages of that code does nothing to enhance the collections of the Library of Congress. And we believe making a deposit of our product, with appropriate protections to make certain that these collections are not pirated out of the Library of Congress, would be the way to enhance the collections of the Library of Congress while still allowing us to chase software pirates in a way that allows is to try to recover the costs, not just the actual damages, but the attorneys' fees that their illegal conduct has cost us.

[The prepared statement of Ms. Waldholtz follows:]

PREPARED STATEMENT OF ENID GREENE WALDHOLTZ ON BEHALF OF THE SOFTWARE PUBLISHERS ASSOCIATION

SUMMARY

The Software Publishers Association (SPA) supports the Copyright Reform Act of 1993, S. 373 and its companion H.R. 897, because it will advance the war on software piracy, and encourage financing of commercial and technological development in the software industry.

While the Copyright Act of 1976 made it clear that registration is unnecessary to protect a copyright, it contains traps for unwary copyright owners, many of whom know little or nothing about copyright law. S. 373 would remove these traps, and significantly improve the ability of the software industry to win the war against software piracy, by removing copyright registration requirements that can impede the pursuit of infringers and foreclose copyright owners from obtaining meaningful monetary recovery.

S. 373 would repeal Section 411(a) of the Copyright Act, which provides that U.S. copyright owners cannot bring an infringement suit unless they have applied to register their copyrights. With the significant expansion of copyrightable subject matter including computer programs, and independent fact-finding by the courts, copyright registration no longer carries out its gate-keeping purpose of screening out invalid copyrights. S. 373 would eliminate the unfair distinction between U.S. copyright owners, who must apply to register, and foreign copyright owners from Berne Convention countries, who need not do so before filing an infringement suit.

S. 373 would also repeal Section 412 of the Copyright Act, which precludes prevailing copyright owners from recovering statutory damages and attorneys fees under most circumstances unless their copyrights were registered before being infringed. When unregistered works are infringed, many copyright owners discover that they must bear all their own legal costs, even if they succeed in proving infringement. All too often, prevailing owners of unregistered copyright learn that they are limited to recovering actual damages and a measure of the infringer's profits, which can be difficult and expensive to prove. Statutory damages and attorneys fees are essential remedies for copyright infringement, and S. 373 would ensure equal access to the courts for all copyright owners. Adequate statutory and judicial safeguards already exist to prevent abuse by copyright owners.

S. 373 would also eliminate the confusion and uncertainty in the software and finance industries caused by recent court rulings that the only means to perfect security interests in copyrights is recording them in the Copyright Office pursuant to

Section 205 of the Copyright Act. Long-standing practice under the Uniform Commercial Code, however, permits security interests in copyrights to be recorded like other intangible property. By amending Section 301(b) of the Copyright Act to permit perfection by recordation outside the Copyright Office, S. 373 would affirm this practice and encourage software producers to use the significant value of their intangible assets to finance commercial and technological development.

The U.S. software industry is one of the bright spots in today's economy. If the industry is to help lift the economy out of the recession, create new opportunities, hire new workers, and maintain its technological edge, it must be able to deter infringement and fully utilize the value of its copyrights. S. 373 advances these goals, and SPA urges its enactment by the Senate.

INTRODUCTION

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to appear today to support the Copyright Reform Act of 1993, S. 373. My name is Enid Greene Waldholtz. I am corporate counsel for Novell, Inc., an operating system software developer based in Provo, Utah that is best known for its NETWARE network computing products, which have become industry standards.

Today I am appearing on behalf of the Software Publishers Association ("SPA"). SPA is the largest trade association of the personal computer software industry. SPA has a membership of over 1000 companies representing 90 percent of software publishers in the U.S. Its members range from well-known companies, such as Novell, Adobe, Apple, Computer Associates, IBM, and Symantec, to hundreds of smaller companies, all of which develop and market business, consumer, and education software. SPA members sold more than $30 billion of packaged software in 1992, accounting for more than half of total worldwide sales.[1]

SPA has been a leader in protecting the most valuable assets of its members, the copyrights they own in computer software. In 1989, SPA testified before this subcommittee in support of the Computer Software Rental Amendment Act, and last year was closely involved in making copying computer programs a felony under some circumstances. Today, SPA wishes to support the Copyright Reform Act of 1993, S. 373.Section 102 would advance equal access to the courts for every copyright owner and contribute to the war on software piracy. Section 101 would dispel confusion and uncertainty in financing commercial and technological development.[2]

Congress should ensure equal access to the courts for all copyright owners by repealing sections 411(a) and 412 of the copyright act

Copyright protection is not simply an arcane intellectual exercise, but has important commercial consequences. SPA estimates that worldwide software sales for its members last year were over $30 billion, over half of the total market. Software is one of the fastest-growing industries in the U.S., currently expanding at over 10 percent annually, and contributes to economic vitality, job creation, and the U.S. trade balance. These benefits are constantly undermined, however, by the serious problem of software piracy. While a developer many invest millions of dollars and thousands of man-hours to create and market new software, its commercial potential may be cut short by unauthorized copying requiring no more "investment" than a dozen keystrokes and a few floppy disks. I can speak from personal experience because I am responsible for managing Novell's anti-piracy program, through which Novell may pursue as many as 30 enforcement actions at any given time.

Software piracy is not just a looming problem for copyright owners, but a national economic issue. Software piracy is so enormous that industry studies suggest that every legal software copy in circulation has at least one "pirate" twin. For 1990 and 1991, SPA estimated that piracy cost software developers over $3 billion in lost revenues in the U.S. alone. Lost revenues throughout the world are considerably larger, and estimated to be over $10 billion for 1993. The cost of piracy is not confined to lost revenues, however. It includes the expense of in-house security and legal staffs, as well as anti-piracy, audit, and infringement programs. The cost of piracy also affects consumers, who pay higher prices to compensate for losses that cannot be effectively pursued.

To combat this problem, SPA monitors software piracy in the U.S. and around the world, and spearheads a well-known and highly successful program to detect and

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[1] For world market estimates, see U.S. Dept. of Commerce, *U.S. Industrial Outlook, 1993,* at 26–34 (Table 7).

[2] SPA has no position on Section 103 regarding responsibilities and organization of the Copyright Office, and Title II regarding the Copyright Royalty Tribunal (which has been introduced in a separate bill), because they do not directly affect SPA members.

prosecute software piracy wherever it occurs. SPA has pursued over 600 enforcement actions on behalf of its members against businesses and other entities that unlawfully use or distribute software for personal computers. Fighting piracy should also be a major goal of U.S. policy makers, but the current copyright law impedes this effort by denying the owners of unregistered copyrights equal access to the courts and equal access to meaningful remedies for copyright infringement.

S. 373 would remove these impediments, and significantly improve the ability of the software industry to win the war against software piracy by removing copyright registration requirements that can impede the pursuit of infringers and foreclose copyright owners from obtaining meaningful monetary recovery for infringement. Section 102 of S. 373 would guarantee equal access to the courts by removing copyright registration as a requirement for bringing infringement suits and for electing the most meaningful monetary remedies—statutory damages and attorneys fees.

While the Copyright Act of 1976 made it clear that registration is unnecessary to protect a copyright, it contains traps for unwary copyright owners, many of whom know little or nothing about copyright law. At present, Section 411(a) of the Copyright Act of 1976[3] provides that U.S. copyright owners cannot bring suit against infringers until their copyrights have first been registered with, or registration has been denied by, the U.S. Copyright Office. Section 412 of the Copyright Act limits awards of statutory damages and attorneys fees to copyrights registered in the U.S. Copyright Office before they are infringed, with the exception of copyrights registered no later than three months after publication.

While these requirements may not sound burdensome, in practice Sections 411(a) and 412 significantly impede SPA's members, especially smaller companies who do not have in-house counsel, in protecting their copyrights against infringement. All too often, an SPA investigation will reveal that a member's software is being infringed, but that the member's copyright is unregistered. The unsatisfactory choices are to pursue the enforcement action without that member's participation, or to wait until the copyright is registered and proceed without recovering statutory damages and attorneys fees. Recovery is then limited to monetary recovery in the form of actual damages and a portion of the infringer's profits, which are not only difficult and expensive to prove, but may be further reduced under Section 504(b) if the infringer establishes deductible expenses and allocated profits.

Section 411(a) should be repealed because it serves no useful purpose, unfairly distinguishes U.S. copyright owners, and presents an often significant bureaucratic deterrent to filing and prosecuting litigation. Copyright registration and its presumption of validity does not screen out invalid copyrights, but merely shifts the burden of proving invalidity to the defendant.[4] Whatever other substantive evidentiary weight is given to copyright registration is left to the discretion of the courts, who often conduct independent assessments of copyright validity.[5] Thus, registration certificates may only give a false sense of security to courts unfamiliar with the expansion of copyrightable subject matter and the decline of Copyright Office formalities. Section 411(a) also unfairly distinguishes U.S. copyright owners, who must apply to register, from foreign copyright owners from Berne Convention countries, who need not do so before bringing an infringement suit.

Moreover, while the Copyright Office has an expedited registration procedure for copyright owners seeking to bring suit, it does not eliminate the unnecessary burden of Section 411(a), and the consequential losses to copyright owners. When Novell released its NETWARE 4.0 software in Europe, it was illegally copied from an electronic bulletin boards in the U.S. just one week later. Although Novell had already prepared its copyright application and immediately sought expedited registration, copies worth thousands of dollars were pirated in the scant two weeks needed for the registration to issue. For those faced with widespread infringement, or who are ignorant of or cannot afford expedited registration, the justice delayed by Section 411(a) is all too often justice denied.

Section 412 should also be repealed. Section 412 is a significant roadblock to copyright owners because statutory damages and attorneys fees may often constitute the only meaningful remedy available for copyright infringement. As one noted legal commentator observed:

> [B]ecause actual damages are so often difficult to prove, only the promise of a statutory award will induce copyright owners to invest in and enforce

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[3] *See* 17 U.S.C. § 101 *et seq.* (1976), as revised.

[4] *See* Section 410(c) of the Copyright Act, 17 U.S.C. § 410(c); *and Masquerade Novelty Inc.* v. *Unique Industries, Inc.*, 912 F. 2d 663, 664 (3d Cir. 1990).

[5] Section 410(c), *supra.*

their copyrights and only the threat of a statutory award will deter infringers by preventing their unjust enrichment.[6]

With most industry products selling for a few hundred dollars, and many for less than that, the ability of a copyright owner to recover significant actual damages from one particular infringer is quite small, especially if only a few copies of a program can be proven to infringe. When legal fees may exceed the actual damages they could recover, and the attorneys fees cannot be recovered, software copyright owners often decide that enforcing their rights is simply not worth the price. Yet the cumulative effect of each relatively small individual infringement costs the industry billions of dollars every year.

Legislative history makes it clear that Congress intended the Copyright Act of 1976 to compensate copyright owners for losses from infringement and prevent infringers from unjustly benefiting from wrongdoing.[7] It is doubtful that copyright owners can recover monetary awards adequate enough to accomplish these legislative goals, however, without statutory damages and attorneys fees.

There are important reasons that copyright owners, including SPA's larger and more knowledgeable members, do not register their works. Software and manuals are created and updated so frequently that registration may be overlooked for new releases, or there may be confusion about the need to register. Many publishers are reluctant to register out of concern that registering their copyrights in software may result in disclosure of trade secrets, even though the Copyright Office has reduced the amount of source code required for deposit. Registration also creates problems when the Copyright Office improperly subjects the application to "patent-like" scrutiny. Failing to disclose certain information limiting the scope of the copyright claim in registering a copyright may expose them to charges of "fraud on the Copyright Office."[8]

Many software businesses, especially smaller start-up companies, are unaware that their rights and remedies under the Copyright Act are significantly curtailed if their newly developed products are not promptly registered. Many others cannot devote the time and staff to register their works conscientiously. The majority of the software developed and marketed by the industry comes from small entrepreneurial ventures, often founded with almost no capital and little more than an idea. Novell, for example, was founded 10 years ago with just 15 employees, including four programmers on contract. As inventors, skilled craftsmen, and entrepreneurs, the priority for software producers is creating leading-edge software and putting it into the distribution channel, not complying with Copyright Office formalities.

Opponents of S. 373 charge that it will open the floodgates to frivolous, and meretricious litigation, but these fears are groundless. The truth is that there already are adequate statutory and judicial safeguards to prevent abuse by copyright owners.

When possible, courts will try to award statutory damages that approximate actual damages and profits,[9] and will award only the statutory minimum of $500 if the copyright owner suffers no real damages and the infringer has profited little from the infringement.[10]

Section 504(c) permits courts to reduce awards of statutory damages to as little as $200 if the infringer had no reason to believe his or her acts constituted copyright infringement, thus giving what the legislative history found was "adequate insulation to users, such as broadcasters and newspaper publishers."[11] Section 504(c) also safeguards the educational community by completely precluding courts from awarding any statutory damages for infringements by teachers, librarians, and public broadcasters who "believed and had reasonable grounds for believing that they made fair use of the copyrighted work."

Moreover, under Section 505 the award of reasonable attorney's fees to prevailing parties lies entirely in the discretion of the courts, who have been conservative in

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[6] 2 P. Goldstein, Copyright § 12.2 (1989); *see also Douglas* v. *Cunningham*, 294 U.S. 207, 209 (1935) (voicing similar concern for the Copyright Act of 1909).

[7] H.R. Rep. No. 1476, 94th Cong., 2d Sess. 161 (1976); S. Rep. No. 473, 94th Cong., 1st Sess. 143 (1975) (hereinafter cited collectively as "H.R. Rep.")

[8] In *Ashton-Tate Corp.* v. *Fox Software, Inc.*, 760 F. Supp. 831 (N.D. Cal. 1991), one federal judge took the extraordinary step of declaring invalid the copyright in the then-dominant software in its field, even though it was copyrightable, because the application for registration had failed to disclose that it was derived from a public domain product. The judge later reversed his ruling.

[9] *See, e.g.*, *Quinto* v. *Legal Times of Washington, Inc.*, 511 F. Supp. 579, 582 (D.D.C. 1981); *Boz Scaggs Music* v. *KND Corp.*, 491 F. Supp. 908, 914 (D. Conn. 1980).

[10] *See* 2 P. Goldstein, Copyright § 12.2.1.1.a.; *see also Readers' Digest Ass'n, Inc.* v. *Conservative Digest, Inc.*, 642 F. Supp. 144, 147 (D.D.C. 1986), *aff'd*, 821 F. 2d 800 (D.C. Cir. 1987).

[11] H.R. Rep., at 163.

the awards they make. And while opponents also contend that the collections of the Library of Congress will suffer because Sections 411(a) and 412 encourage copyright owners to register their works, there is no empirical evidence showing that they have had this effect.

Congress should make clear that security interests in copyrights may be perfected under the uniform commercial code

SPA also supports Section 101 of S. 373, which would confirm that security interests in copyrights need not be recorded with the Copyright Office to be perfected. This would allow secured creditors to perfect their rights by recording under the well-established rules of the Uniform Commercial Code. SPA supports S. 373's proposed amendment to Section 301 of the Copyright Act because it would greatly reduce confusion and uncertainty in both the software and financial industries, and enhance the ability of software developers and publishers to use their copyrights for financing.

Copyrighted computer programs are recognized as the primary assets of the software industry. These copyrights are increasingly being used as collateral to finance future development and as security for other undertakings. While security interests in such intangible property have customarily been perfected pursuant to the Uniform Commercial Code (UCC), recent court decisions have required security interests in copyrights to be perfected by recordation in the Copyright Office pursuant to Section 205 of the Copyright Act.[12] These decisions have created great confusion and uncertainty, thus imposing a chilling effect on financial transactions, and discouraging lenders from making loans to the software industry.

The current state of affairs is unsatisfactory because recording security interests in the Copyright Office does not facilitate financial transactions. Quick access to accurate filing information about liens is vital to commercial financing transactions because loans and business acquisitions are made on very tight timetables. In most states, a search of UCC filings can be performed quickly and reliably using on-line computer databases, and hard copies can be obtained overnight because UCC recording systems are designed solely to facilitate financial transactions. In contrast, it is time-consuming and expensive to search Copyright Office records, and the information is not always available on-line.

Recording security interests in the Copyright Office is much more expensive and laborious than filing UCC financing statements. The UCC recording system requires only a single filing to cover all of the debtor's intangible property, including property to be acquired in the future. Recording a security interest in the Copyright Office could require as many as several hundred filings for a single entity. These filings are separately recorded by title of the work or copyright registration number, rather than by owner, and need to be continuously updated to include property acquired in the future.

Requiring recordation in the Copyright Office would also undermine lender confidence because the Copyright Office rules for determining priority of rights are far less certain than those used by the UCC. It is essential that lenders know, based on public records, their priority in collateral at the time of a transaction. The UCC priority rule is simple—the first to file has priority. Under this first to file system, a lender can be certain that its loan will be secured and enjoy priority by conducting a search and properly filing. The filing is a public record, and no lender could be misled into making other loans based on that collateral, as long as it has done the proper search and filing.

No such certainty exists under the Copyright Act's "first to sign" rule. Section 205(c) provides that the first to sign a security interest has priority, provided it is recorded within 30 days if signed within the U.S., or within 60 days if signed outside of the U.S. Thus, a lender who filed first with the Copyright Office could nonetheless lose priority to an earlier-signed document filed as much as two months later. Under this system, which is now required by the courts, lenders would be uncertain of their claim to collateral securing their loans.

One court has recognized these problems with Copyright Office recordation, and noted that "[i]f the mechanics of filing turn out to pose a serious burden, it can be taken up by Congress during its oversight of the Copyright Office."[13] SPA urges Congress to accept this invitation to act, and to remedy these burdens on commerce and finance by enacting S. 373. It would benefit the software industry by removing barriers to capital; benefit the finance industry by dispelling uncertainty in financ-

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[12] *National Peregrine, Inc.* v. *Capitol Federal Savings and Loan* (In re Peregrine Entertainment, Ltd., 116 B. R. 194 (C.D. Cal. 1990) and *Official Unsecured Creditors' Committee* v. *Zenith Productions, Ltd.* (In re AEG Acquisition Corp.), 127 B. R. 34 (C.D. Cal 1991).

[13] National Peregrine, *supra.*

ing transactions using software as collateral; and benefit the economy by spurring business growth and job creation, and reducing duplicative government functions.

CONCLUSION

The U.S. software industry is one of the bright spots in the American economy today. If the industry is to play its role in moving the economy forward more quickly and creating new opportunities for the future, it must be able to take advantage of its primary assets, the copyrights in computer software.

S. 373 would significantly improve the ability of the software industry to win the war against software piracy by removing copyright registration requirements that can impede the pursuit of infringers, and foreclose copyright owners from obtaining meaningful monetary recovery. S. 373 would also eliminate confusion and uncertainty in the software and finance industries, and encourage software producers to use the significant value of their copyrights to finance commercial and technological development.

On behalf of SPA and its members, I urge you to move quickly to mark up and enact S. 373. We will be happy to cooperate with you and your staff in any way useful to you to accomplish that goal.

Thank you, Mr. Chairman. I shall be happy to answer any questions you may have.

Senator DECONCINI. Thank you.

Mr. Basista?

STATEMENT OF PAUL BASISTA, CAE, EXECUTIVE DIRECTOR, GRAPHIC ARTISTS GUILD, INC.

Mr. BASISTA. Thank you, Mr. Chairman and Senator Hatch, for giving me the opportunity to express our views today.

I am the national executive director of the Graphic Artists Guild. We represent a broad spectrum of creators who work in a variety of markets. They are illustrators, graphic designers, surface and textile designers. They work in advertising, they work in publishing, they work in the corporate markets. Everything that we touch that has a visual image was probably done by a graphic artist. As an example, a graphic artist may change your tee shirt from underwear to be fashion.

We very strongly believe that Senate bill 373 should be enacted, because the enhanced remedies of attorneys' fees and statutory damages will enforce the purposes of the Copyright Act. We know that infringements are on the rise, facilitated by new technologies. Bulletin boards have affected my members as well as the publishers of software. And we know that litigation costs have risen beyond the reach of most graphic artists. And we know that even the Copyright Office favors the discretionary awards of attorneys' fees.

Back in 1990, the Guild was involved in a legislative effort to forward H.R. 671, which would have made mandatory attorneys' fees. We work with a number of organizations, and at that time, Mr. Oman, Register of Copyrights, stated that individual authors almost always have fewer available funds and without a clear right to attorneys' fees, may be afraid to enforce their rights, leaving them unprotected for practical purposes. Individual authors also emphasize the clearest link to carrying out the constitutional purposes to encourage authorship, part of which is to discourage infringement that harms authors.

Our biggest disappointment at that time was to discover that registration was a prerequisite to gaining attorneys' fees, and that sort of took the wind out of all our sails. That is why this effort is so important to us today.

Our opponents to the repeal of section 412 warn of hordes of artists waiting in the wings sharpening their Exacto blades in anticipation of cutting the hearts out of their businesses with frivolous and unmeritorious actions. Because the courts will still retain their discretionary powers making these awards, very little will change except where change is warranted.

Repeal of section 412 would restore the conditions that existed under the 1909 act, and the Copyright Office found that of 29 cases decided between 1938 and 1957, awards of attorneys' fees from $150 to $33,000 were made. As Ralph Oman stated at that time, "The courts have done a good job and can be trusted to weigh the appropriate factors in reaching their decisions."

Section 412, from the testimony today, we learned, was drafted with two intentions, neither of which was achieved when applied to graphic artists. The enhanced litigation remedies of section 412 were supposed to induce registrations. But the Graphic Artists Guild has compiled data among our membership which clearly indicates that 82 percent of graphic artists around the country never ever register their work.

The reasons for that are numerous. It's either too expensive, there is not enough time because of the short deadlines imposed upon them, their work is not returned in time by the publisher in order to make it within the 3-month window, or it's just too burdensome to do so.

Section 412 was also supposed to encourage deposits for the benefit of the Library of Congress. Yet nearly all of the works that graphic artists produce have been exempted from the deposit requirements, including scientific and technical illustration, blueprints, works dealing with advertising, greeting cards, wall coverings, floor coverings, surface design, textiles, et cetera. Nearly everything that my members do, the Library of Congress doesn't want. It seems cynical in a way to burden artists with this requirement to enhance the collection of the Library when the Library doesn't want any of these works to begin with.

In summary, the award of attorneys' fees and statutory damages is not a punishment for defendants. It was really intended to be an incentive for plaintiffs to bring forward meritorious claims. Repeal of sections 412, 411(a), and 412, would serve as a major deterrent to willful infringement. It will level the playing field, and is a necessary change desired by graphic artists and other artists. Thank you.

[The prepared statement of Mr. Basista and Ms. Bensusen follows:]

PREPARED STATEMENT OF PAUL BASISTA ON BEHALF OF THE GRAPHIC ARTISTS GUILD, INC.

SUMMARY

The Graphic Artists Guild strongly supports the enactment of S. 373, the *Copyright Reform Act of 1993* primarily because repealing sections 411 and 412 of current copyright law will empower individual creators to effectively protect their copyrights by providing them access to attorney's fees and statutory damages. These enhanced remedies are needed in today's environment when infringements are on the rise and the costs of litigation are spiralling beyond the reach of individual graphic artists.

- The enhanced remedies of attorney's fees and statutory damages are needed to enforce the purposes of the Copyright Act. Without these remedies, individual artists and other authors are unable to defend their copyrights, making the Constitutional guarantees defending their property meaningless for all intents and purposes.
- Section 412 does not induce registration, as it was intended to do. Data compiled by the Graphic Artists Guild demonstrates that 82 percent of illustrators never register their work, despite the so-called incentives provided by Section 412. Since this provision is not meeting its stated objectives, its repeal is justified.
- Section 412 purportedly enhances the collection of the Library of Congress. However, the Copyright Office has exempted much of the work graphic artists create from the deposit requirements. It is an empty gesture to require graphic artists to register works if those works are not desired for the Library's collection.
- The Guild supports the abolition of the Copyright Royalty Tribunal, a body that has set extremely low rates for the use of published pictorial, graphic and sculptural works by the Public Broadcasting Service and its affiliates.

In conclusion, the enactment of S. 373 will rectify a situation that was in long need of repair. Removal of these barriers to needed protections will level the playing field and put individual artists and other creators on equal footing with the publishers, advertising agencies and manufacturers who rely upon artists' work to survive. As a result, new works will be developed, from which the public will benefit.

Mr. Chairman and Members of the Subcommittee, my name is Paul Basista and I am the National Executive Director of the Graphic Artists Guild. Thank you for the opportunity to voice our support of S. 373, the *Copyright Reform Act of 1993.*

As the country's foremost advocacy organization representing professional graphic artists, the Graphic Artists Guild has a proven track record protecting and advancing the legitimate interests of illustrators, graphic designers, surface and textile designers, computer artists and other creators. Guild members work in all the markets engaged in the visual communication industries, including advertising, book and magazine publishing, the corporate market, and the consumer markets. Their work touches our lives from our first waking hour to the moment we retire. It appears on pillowcases, sheets, shower curtains and tablecloths; cereal boxes, orange juice containers and labels; newspapers, magazines, and books; television, greeting cards, t-shirts, train station posters and other items too numerous to mention.

The Guild strongly supports S. 373, the *Copyright Reform Act of 1993,* primarily because repealing sections 411 and 412 of current copyright law will empower individual creators to protect their copyrights more effectively by providing them access to enhanced remedies in the courts.

The enhanced remedies of attorney's fees and statutory damages are needed to enforce the purposes of the Copyright Act

Infringements on the works of graphic artists are growing exponentially. As the new technologies advances, the misappropriation of protected works becomes easier. The public tends to think if new products make it easier to appropriate an image or text, then it must be permissible to do so.

"DAK Industries," for example, boasts a full catalog page headlined "Rip Off Artist," advertising a computer scanner. In its efforts to "Be a Rip Off Artist Risk Free," it encourages the scanning and alteration of visual material. A copy of this advertisement is attached to this statement.

These disturbing trends undermine the Constitutional rights protecting the assets of individual artists and other authors. Unless the measures expresses in S. 373 are adopted, the public interest will suffer.

At the same time, litigating a claim has become more complex and expensive. The possibility of attorney's fees offer relatively weak plaintiffs like graphic artists a means of acquiring competent counsel. Even the Copyright Office favors the discretionary award of attorney's fees. In his 1990 statement before Congress regarding H.R. 671, Register of Copyrights Ralph Oman stated:

> Individual authors almost always have fewer available funds and without a clear right to attorney's fees, may be afraid to enforce their rights, leaving them unprotected for practical purposes. Individual authors also emphasize

the clearest link to caring out the constitutional purposes to encourage authorship, part of which is to discourage infringement that harms authors.[1]

Without the possible award of attorney's fees and statutory damages, individual artists and other authors cannot afford to litigate an infringement. In the majority of cases, only injunctive relief is sought and actual damages are negligible relative to the costs of litigation. But without the possibility of recovering attorney's fees in an award, there is little incentive for an attorney to accept a case on a contingency basis, and most artists could not afford to pay an attorney just to stop an infringement.

Attorney's fees and statutory damages would facilitate enforcement of rights, helping to carry out the purposes of the Copyright Act. These enhanced remedies would deter the use of copyrighted material without permission, especially where the user is a large organization with a "sue me" attitude and where the damages are likely to be small based on the market value of the work.

Publishers and others opposed to the repeal of Section 412 warn it will lead to increased disputes of "various types, all made increasingly attractive by the availability of special remedies, cost-free, upon elimination of Section 412: meritorious claims, frivolous claims, 'strike suits' and 'gotcha' (i.e. surprise) actions, and claims with not real commercial or reputational motivation."[2] The fact is, plaintiffs who brings needless lawsuits can be fully penalized under the discretionary provision for losing plaintiffs.

The requirement to register in order to be eligible for attorney's fees and damages was a device of the 1976 Copyright Act. Under the 1909 Copyright Act, registration was not required to be eligible for attorney's fees. Yet the actual number of awards was extremely modest. "Of 29 cases decided between 1938 and 1957, awards of attorney's fees from $150 to $33,000 were made. With one $10,000 exception, all other awards were $2,500 and below, more than half of which are $1,000 and below."[3] There is no reason to expect that conditions will be any worse with the repeal of Section 412 than they were under the 1909 Act. As Register of Copyrights Ralph Oman stated, "the Copyright Office favors continuation of discretionary award of attorney's fees. The courts have done a good job and can be trusted to weigh the appropriate factors in reaching their decision."[4]

As it becomes easier for works to be stolen, and as it becomes more expensive to defend one's copyrights in the courts, it becomes increasingly necessary to facilitate artists' protections of their works. The vehement opposition by publishers and others to repealing this provision is a transparent ploy to prevent artists, on whom they rely so heavily, from enjoying equal protection and status. Removing the registration requirement is an important step towards leveling the playing field.

Section 412 does not induce registration

Proponents of Section 412 claim it "is a powerful, working, inducement to copyright registration and to deposit of works with the Library."[5] Although "the number of works now protected by statutory copyright is virtually incalculable,"[6] only 630,000 registrations were completed in 1991. That so few works were registered relative to the vast number of copyrightable works created clearly, indicates that Section 412 is not achieving its desired effect.

One thing is certain. Section 412 has failed to induce graphic artists to register their works. Data compiled by the Graphic Artists Guild demonstrates that 82 percent of illustrators serving the communication industries *never* register their work. Interestingly, 82 percent have never resorted to legal action to protect their copyrights, despite the fact that nearly one-third of all illustrators have had their work infringed or alters. This 1990 data (which is attached to this statement in both tabular and graphical formats), indicates that approximately one-half of all the illustrators who have suffered an infringement should have registered their work and initiated an action, but they didn't.

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[1] Statement of Ralph Oman, Register of Copyrights and Librarian for Copyright Services, Before the Subcommittee on Courts, Intellectual Property and the Administration of Justice, Committee on the Judiciary, House of Representatives, 101st Congress, Second Session, April 5, 1990, page 19.

[2] Jon Baumgarten and Peter Jaszi, Why Section 412 Should Be Retained, The Library of Congress Advisory Committee on Copyright Registration and Deposit (ACCORD) Draft Working Paper No. 4A, page 4.

[3] 1990 Statement of Ralph Oman, page 12.

[4] 1990 Statement of Ralph Oman, page 21.

[5] Baumgarten and Jaszi, page 2.

[6] The Library of Congress Advisory Committee on Copyright Registration and Deposit (ACCORD) Report of the Co-Chairs Robert Wedgeworth and Barbara Ringer, September 1993, page 33.

The requirement to register is such an extreme administrative and financial burden, that the vast majority of professionals just don't do it, despite the so-called incentives designed to encourage registration. Registering copyrights is an administrative burden that most artists just cannot accomplish. Sometimes deadlines are so short there isn't enough time to make a suitable copy for deposit. And in many cases, artwork is not returned by the client in time to register within the three months following the publication of the work. Because the artist did not have access to the work in time to timely register it, he or she is denied the protections Congress intended.

Many jobs are initially commissioned for relatively small fees. A quarter-page illustration, for example, commissioned for one-time use in a magazine could conceivably sell for $300. The registration fee alone of $20.00 reflects an additional 7 percent tax on gross income. Once you factor in the time to complete the paperwork and the expense in preparing appropriate deposit copies, that tax could conceivably jump to 30 percent of gross income. This is a burden no business can endure.

Clearly, Section 412 is not the powerful inducement to register it was intended to be, otherwise the number of illustrators routinely registering their work would be much higher. If it's not meeting its stated objectives, its repeal is justified.

Section 412 burdens artists to register works the Library of Congress does not desire

Proponents of Section 412 argue that it encourages deposits to the collection of the Library of Congress. The degree to which Section 412 contributes to the Library's collection is questionable. However, the onerous requirements to register works to be availed the full panoply of legal remedies falls upon all creators, even those whose work the Library does not desire.

Copyright Office regulations, approved by the Librarian of Congress, exempt the following categories of works (and others) from the deposit requirements. These categories specifically reflect the works created by graphic artists for their primary markets:

> (1) diagrams and models illustrating scientific or technical works or formulating scientific or technical information in linear or three-dimensional forms, such as an architectural or engineering blueprint, plan, or design, a mechanical drawing, or an anatomical model.
>
> (2) greeting cards, picture postcards, and stationery.
>
> (3) three-dimensional sculptural works, and any works published only as reproduced in or on jewelry, dolls, toys, games, plaques, floor coverings, wallpaper and similar commercial wall coverings, textiles and other fabrics, packaging material, or any useful article.
>
> (4) prints, labels, and other advertising matter, including catalogs published in connection with the rental, lease lending, licensing, or sale of articles of merchandise, works of authorship or services.[7]

An example of the kind of burdens placed upon graphic artists is reflected in the statement of Sally Bensusen, which is attached. A scientific illustrator for 13 years, Ms. Bensusen relates the burdens of complying with the registration requirements; the substantial loss in attorney's fees she suffered; and her frustration that her work is not deemed worthy enough to be part of the Library's collection.

If the rationale to induce registration is purportedly to expand the Library's collection, it is unreasonable to impose those requirements on those works the Library doesn't want, specifically graphic artists and other individual creators who work in a variety of commercial markets.

Furthermore, the Guild agrees with Chairman Hughes' observation that a significant amount of copyright litigation involves works falling within the exempt categories, and therefore "should not in any way impact adversely on the Library's acquisition activities."[8]

Permissive registration should be encouraged

The Graphic Artists Guild believes that registration is the surest safeguard against any potential confusion over a work's origination or ownership. Registration provides a "record of ownership," making it the surest provenance of one's claim to a work, and enactment of the proposed legislation will not change that. However, we believe it is better to provide additional incentives to encourage the formal registration of copyright, rather than punish those who do not comply.

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[7] From the statement of Congress William J. Hughes, Introducing H.R. 897, the Copyright Reform Act of 1993, February 16, 1993, page 4.

[8] Ibid. page 5.

The Guild has been educating its members and others in the industry about registration procedures for years. We even supply copyright registration forms to every member of the Guild upon their joining and provide additional copies upon request.

In our view, positively reinforcing the voluntary registration of works will go a long way towards achieving the Library's goal, as stated by the Register, "* * * to encourage prompt registration for creation of a complete registration record in the Copyright Office." Considering the percentage of artists that actually register their works, it would certainly work better than continuing to deprive a victim of infringement the ability to bring a lawsuit into Federal Court or denying him or her the ability to recoup attorney's fees or statutory damages, as current law provides. For example, lowering the registration fee or easing the requirements for group or multiple registrations might be the kind of incentives that would encourage more registrations to occur by individual authors.

The guild supports abolition of the Copyright Royalty Tribunal

The Graphic Artists Guild, having participated in the rate hearings of the Copyright Royalty Tribunal (CRT) since its inception, strongly urge its abolition. Over the years, the CRT has exercised its rate setting function in a manner that, in our opinion, has set extremely low rates for the reuse of published pictorial, graphic and sculptural works by Public Broadcasting Service (PBS) and its affiliate stations.

We believe the rate setting function of the CRT could be equally well exercised by ad hoc arbitration panels under the supervision of the Copyright Office. In fact, the Copyright Office undoubtedly has far greater familiarity with the field of the visual arts than the CRT.

Moreover, we wish to put the Guild on the record once again, as strongly opposing the compulsory license for pictorial, graphic and sculptural works under the Copyright Act. We believe that this compulsory license deprives the copyright owner of his or her Constitutional right to choose the parties to whom rights will be licensed. Further, the PBS and its affiliates, report only relatively small amounts of usage of the license. This means that either the license is not used, or uses are not reported. In either event, the license should be abolished, since the creator's rights should weigh more heavily than the apparently minimal need of PBS for "free" usage. I use the word "free" advisedly, since almost no payments have been made to artists under the compulsory licensing provisions. As was pointed out in the last rate hearing, even as well known a photographer as Jay Maisel was listed as "location unknown," and the $18.75 due him was not paid until a protest was made at the rate heating that he was an internationally famous photographer who had maintained the same studio location for 25 years. And of course, the license fee made for the use would have been far, far in excess of $18.75 paid.

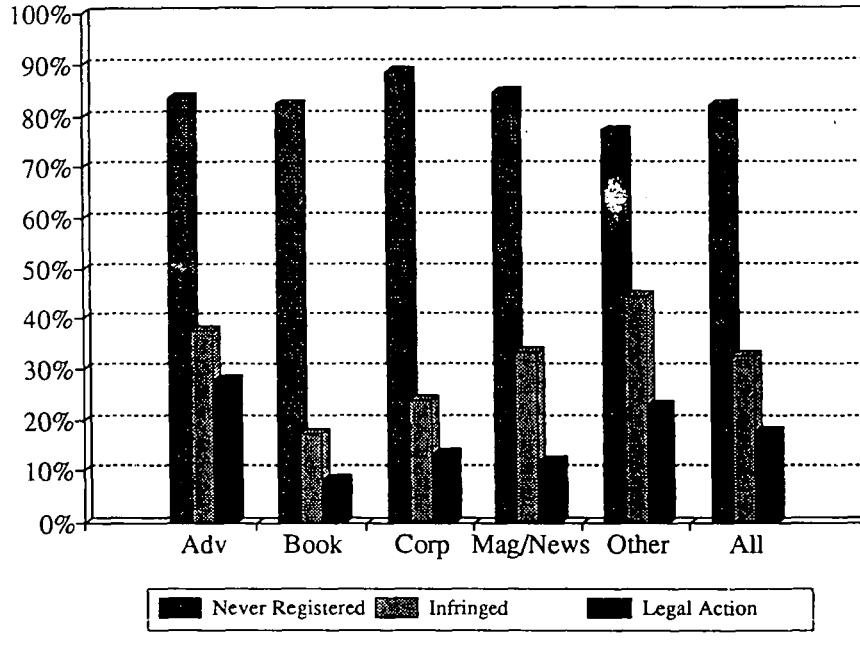
For all of these reasons we support the abolition of the Copyright Royalty Tribunal and will request that the Copyright Office review the need for the compulsory licensing of pictorial, graphic and sculptural works if the functions of the CRT are taken over by the Copyright Office.

CONCLUSION

Mr. Chairman, the Graphic Artists Guild applauds your efforts to rectify a situation that was in long need of repair. Enactment of S. 373 will level the playing field and put individual artists and other creators on equal footing with the publishers, advertising agencies and manufacturers who rely so heavily upon artists' work to survive. We are convinced that these enhanced protections will encourage the development of new works, works from which the public will benefit.

The Guild pledges its good offices to assist in the passage of this legislation. Thank you again for the opportunity to bring the Guild's perspective before you and the other members of the Subcommittee.

Illustrator Practices By Market



ILLUSTRATORS WHO REGISTER THEIR COPYRIGHTS—BY MARKET (1990 DATA)

[In percent]

	Always	Sometimes	Never
Advertising	5.1	11.5	83.3
Book Publishing	8.5	9.2	82.3
Corporate	3.3	8.3	88.4
Magazines and Newspapers	4.2	11.3	84.5
Other [1]	7.4	15.5	77.1
Overall	6.0	12.0	82.1

[1] Includes architectural, technical, theater, fashion and packaging.

ILLUSTRATORS WHOSE WORK WAS INFRINGED OR ALTERED—BY MARKET

[In percent]

	Yes	No
Advertising	37.6	62.4
Book Publishing	17.4	82.6
Corporate	23.9	76.1
Magazine and Newspapers	33.2	66.8
Other [1]	44.5	55.5
Overall	32.6	67.4

[1] Includes architectural, technical, theater, fashion and packaging.

ILLUSTRATORS WHO RESORTED TO LEGAL ACTION

[In percent]

	Yes	No
Advertising	28.0	72.0
Book Publishing	8.5	91.5
Corporate	13.4	86.6
Magazine and Newspapers	11.9	88.1
Other [1]	22.7	77.3
Overall	17.9	82.1

[1] Includes architectural, technical, theater, fashion and packaging.

PAUL BASISTA'S RESPONSES TO QUESTIONS SUBMITTED BY SENATOR CHARLES GRASSLEY

Question 1. Increased Litigation. It has been claimed that the repeal of these sections will cause an increase in new infringement suits. I think it is important to avoid adding to the litigation burden on the federal courts.

What can those of you who support the Bill do to reassure me about the volume of litigation that will result?

Answer. Infringement suits will decrease because of the deterrent effect of S. 373. The *threat* of successful litigation is the best defense against clogging the courts with unnecessary and wasteful lawsuits.

Because copyright owners will have access to the meaningful legal remedies of attorney's fees and statutory damages, the *Copyright Reform Act of 1993* will deter copyright infringements, thereby reducing the number of infringement disputes. If disputes should occur, there is a greater likelihood they would be settled by the parties themselves (instead of by the courts), because most willful infringers will not be willing to risk the added penalties of attorney's fees and statutory damages.

Nevertheless, when willful infringements do occur the remedy of the courts should be available to an aggrieved party if a settlement cannot be reached. Presently graphic artists and other individual creators do not have the means to pursue infringements of their work, and often stand by helplessly while infringers of their work thumb their noses with taunts of "so sue me." The beneficial effect of the

Copyright Reform Act will be to level the playing field, and give individual creators the same access to remedies that more wealthy copyright owners have long enjoyed.

There is no merit to the suggestion that repeal of Sections 411(a) and 412 will lead to an increase in frivolous or harassing litigation. No small business person can risk valuable time and resources pursuing a meritless infringement claim. Pursuing such a claim would not result in an award of statutory damages or attorney's fees because those remedies are awarded only if the plaintiff's claim is successful. Furthermore, any plaintiff asserting a frivolous or harassing claim in court would face the prospect of paying the defendant's attorney's fees under Section 505. The courts have the power and discretion to protect defendants from meritless claims, and they have not hesitated to use that authority to sanction copyright plaintiffs where appropriate in the past. The *Copyright Reform Act* would not disturb this safeguard.

Question 2. Small Business Concerns About Litigation. Many small businesses have expressed concern that by making it easier to bring suit for infringement we will make it easier for large firms to use copyright litigation as a means to eliminate small competitors.

Could you elaborate on why this may be a problem, based on past experience under current law?

Answer. The Graphic Artists Guild is an organization comprised of individual artists who have in the past faced, and who continue to face, competition from design firms and other relatively large entities. While many of these larger firms have had access to the full range of copyright remedies, they have not, to my knowledge, used copyright litigation as a weapon to eliminate competition from our members. I cannot imagine why our members would be more likely to be victimized by harassing copyright litigation than they have in the past.

For those small businesses who infringe the work of others, those businesses should be concerned about the viability of this conduct. If they are concerned about harassment suits, the courts, in their discretion, may also award attorney's fees to them as a sanction against the harassing party. Again, the effect of the legislation will not only deter infringements, it will also deter frivolous court actions because the courts may choose to penalize those that initiate them.

Question 3. Impact on Mandatory Registration. Could you please comment on Dr. Billington's recommendation that the copyright law be expanded to require the mandatory registration of all intellectual material?

Answer. As I understand Dr. Billington's position, he is proposing that the Library's powers under Section 407 be expanded to require the deposit of published works and other works widely disseminated to the public. The Graphic Artists Guild supports the expansion of the Library's authority under Section 407 as a means of maintaining the Library's collection, rather than using the registration system to penalize copyright owners who cannot reasonably comply with burdensome registration and deposit requirements.

Question 4. Impact on the Current Differences Between Domestic Copyright Registration and the Law as it Applies to Foreign Works.

Currently we operate a two-tiered system in domestic and foreign product registration where the foreign producers are exempt from the need to register their products with the copyright office before bringing suit on an infringement.

Could you please elaborate on this competitive disadvantage and discuss how repeal would help eliminate the problem?

Answer. There is no doubt that foreign copyright owners enjoy an advantage over our own. As a signatory to the Berne Convention, the U.S. treats authors according to the laws of the country from which they come. For example, we honor the copyrights of most European authors, which extend to their lifetime plus 70 years, 20 years longer than our own. This gives them 20 years added protection.

Foreign owners also have advantages over U.S. authors under the current registration system. U.S. authors must register their works as a condition for filing an infringement action; foreign owners need not do so. Eliminating the registration requirement for *all* copyright owners would have the beneficial result of putting foreign and domestic authors on equal footing in the enforcement of their copyrights.

Since Section 412 adversely affects foreign and domestic owners alike, maintaining the formality of requiring pre-infringement registration as a condition of entitlement to statutory damages and attorneys' fees encourages other countries to set up or maintain barriers to enforcement of the rights of U.S. authors abroad. By perpetuating barriers to enforcement of copyrights for all authors, we risk having other countries do the same, and in ways that favor their own citizens and discriminate against U.S. authors.

PREPARED STATEMENT OF SALLY BENSUSEN ON BEHALF OF THE GRAPHIC ARTISTS GUILD

Mr. Chairman, My name is Sally Bensusen. I am a scientific illustrator with thirteen years experience.

In February, 1989, I was commissioned by the editor of the bimonthly *Journal of NIH Research* to design and illustrate "Evolutions," a full-page, regular feature of the magazine which would depict the historical development of knowledge about a biological or medical subject.

The subjects covered in "Evolutions" are typically on the cellular or molecular level, and often quite abstract in imagery: the plasma membrane, gene families, mitochondria, and the like. For each issue, a writer and I conferred at some length about each subject, she supplying information from her research on an accompanying article, and I offering possible visual approaches. The design of each "Evolutions" page incorporated key stages in the subject's history. The artwork had to be colorful and draw attention; had to lead the eye around in logical progression; and, as with all scientific illustration, it had to be accurate. Each "Evolutions" page averaged three to four weeks to completion, including multiple consultations with the writer and editor.

Using a contract I drafted, I sold only first reproduction rights for $1,100 a piece, reserving all other rights. The publisher indicated a desire to exploit other uses for these works, and in his own handwriting added, "all promotion rights and future editorial rights exercisable at the client's option for an additional fee of 50 percent of the original fee, paid at the time of next use." I agreed to these terms.

Feedback from the readership was very favorable. After 5 issues, I was listed with a bio, on the "Contributors" page. In March, 1990, the *Journal* went monthly. I agreed to alternate my "Evolutions" page with that of another illustrator, as neither of us could work fast enough to do the page monthly.

In the late summer of 1990, I learned that the magazine, through a full page advertisement, was selling slides of the nine "Evolutions" pages done to date for $20 each. When I questioned the editor about it she said it really wasn't a big deal—they probably wouldn't sell many anyway—and I'd have to talk to the publisher or president about it.

The publisher took the position that selling reprints of their magazine in slide format did not constitute reuse. It was, they felt, simply a promotional gimmick to advertise the *Journal,* which they hoped would make some money back on their investment.

At that point, I finally registered the copyrights to all my "Evolutions" artwork. Because of the severe demands on my time to meet deadlines and keep business records, I do not, as a matter of course, register the copyrights to my work. I found it ironic and disturbing however, that even though I was required to register the copyright to my work in anticipation of any legal action, the Copyright Office nevertheless exempts scientific illustration from its deposit requirements. In other words, even though the Copyright Office has no interest in acquiring my scientific illustrations for the Library of Congress, I was still burdened with the requirement to register them.

Through an attorney, I demanded that the publisher either cease and desist producing and selling the slides; or pay me the 50 percent reuse fee for my six works of art, as our contract specified. My attorney advised me of the risks of selling images on slides; they could easily be duplicated and passed on to other users, jeopardizing the protection of the copyright on my artwork. Also, there was no provision for a copyright notice on the "Evolutions" page, which if separated from the blanket protection of the magazine's copyright could also endanger protection of the image. No copyright notice was included with any of the slides which had been duplicated for sale.

My attorney's letter to the magazine was short and to the point: all unauthorized activity in the sale of the slides of my artwork would cease. Further, it demanded payment for the reuse of the "Evolutions" art, as per the original agreement, and it included my lawyer's costs as well.

Although I received a check for reflecting 50 percent of the original fee for the six images ($3,300), I received no attorney's fees. Instead, a letter accompanying the check claimed all promotional and editorial rights to my art with this payment, which the publisher interpreted as owning all rights to the "Evolutions" feature. Any future use by me, the creator, would require the *Journal's* permission. This did not reflect our agreement.

Afraid that cashing the check could imply acceptance of these terms expressed in the accompanying letter, I had the check placed in escrow. The publisher continued to refuse to deal my attorney, and as long as I pursued the matter out of court, my

attorney was powerless. Court time, is expensive, and because the work was registered after these infringements occurred, I knew I would not be able to recover any of court costs or attorney's fees.

Finally, after months of wrangling, the publisher agreed that the payment reflected payment for the earlier unauthorized uses only. Only then did I cash the check.

However, a new client recently informed me that the *Journal* had allegedly granted him permission to use my "Evolutions" pages without my authorization. Fortunately for me, this client requested the grant of rights from me, after seeing my credit line on the work.

Despite my small success in resolving this particular problem, I still lost nearly 30 percent of a modest reuse fee in order to protect my rights. What hurts even more though, is knowing that the Copyright Office's rationale for forcing me to register my work is to increase the deposits of works to the Library of Congress. Yet the Library is not interested in acquiring the work that I do, namely scientific illustration.

My experience typifies the kind of abuses occur regularly, and these are the infringements of which I'm made aware. In many cases, the infringements occur without my ever learning about them. But in most cases of infringement, even if I learn about them, there is little I can do to remedy the situation. I strongly urge you and your colleagues to advance S. 373, the Copyright Reform Act of 1993. The legislative solution it will provide is sensible and needed.



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By Drew Kaplan

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You can revise your snatched graphic any way you like. You'll be able to rotate it, magnify it, crop only the part you want, erase any area of the image and print it out.



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It's great for your personal projects. It's fast. It's easy. And, the results are incredibly impressive. But, be sure you always get permission from the copyright owner first.

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Senator HATCH [assuming Chair]. Thank you.
Mr. Weisgrau, we'll turn to you now.

STATEMENT OF RICHARD WEISGRAU, EXECUTIVE DIRECTOR, AMERICAN SOCIETY OF MEDIA PHOTOGRAPHERS

Mr. WEISGRAU. Thank you, Senator.

On behalf of the ASMP, the American Society of Media Photographers, I would like to thank you and Senator DeConcini for sponsoring this legislation and for inviting us to testify here today.

I have been executive director of this organization for 6 years, and prior to that I was a working photographer for 20, a member of the ASMP board of directors. I went from that board to this position. So I speak here not as an academic and not as a lawyer, but as a working photographer who now represents other photographers.

We support the Copyright Reform Act, Senate bill 373. We're living in an age of increasing infringements, and we believe that this bill might be the last good hope for photographers to be able to enforce their copyrights. Certainly there are several reasons for this, I won't burden you with the several pages of discussion about that that's in our written testimony.

The copyright law, through sections 411 and 412 indeed discriminates against photographers and deprives them of adequate remedies when their copyrights are infringed. I personally have dealt with situations where 411 has stopped photographers from going in and getting injunctions to stop the publication of infringing works because their originals are in the hands of the infringer, and they can't file a registration. They cannot get a registration, so they cannot access the courts to get a TRO.

The injustice of this law is really exacerbated by the fact that the Library of Congress' interests are tangled in it. We certainly believe in the Library of Congress' mission and we support it. But we know that they do not rely upon the registration system to acquire photography. They have told us this in face to face meetings. And they have told us how they go about getting it, and it is not through the registration system.

We support the position of the Librarian which he took here today, with one exception. We do not believe that Senate bill 373 should be delayed in order to accommodate the Library's interest.

Sections 411 and 412 prevent the effective enforcement of copyright owners' rights. Mr. Turow seemed to be concerned about the lack of evidence of all this infringement. The ASMP has more than 5,000, we have 5,400 members. The publishers described us in the 1989 work-for-hire hearings as the most aggressive group of authors that they had ever dealt with. If our people won't get you, you're probably safe in any quarter of the author's world.

We surveyed our members right after the House hearings. Of our members, 60 percent said they had been infringed; of those, 11 percent filed suit. So much for the theory about this rampant litigation. People don't want to file suit, even the aggressive people.

Indications are that 78 percent would not file a suit in a copyright infringement unless they would be able to recover the costs of doing that. And in the vast majority of cases, the actual damages

or profits in copyright infringement cases, where photographers are concerned, can't begin to cover the cost of the litigation.

Digital technology is making high quality copying of photographs an instant and easy chore. Scanner and computer technology allows quick copying. If you take this technology and combine it with attitudes and behaviors that are prevalent today, you have a disaster. In 1986, the OTA surveyed as a part of its study on the effects of new technology on the intellectual property system, small business owners. Actually I should eliminate the word small. Business owners is what they said.

This is what they said to summarize their survey. Within their own companies, they are willing to set rules and guidelines against conduct that violates intellectual property rights. However, they will only go as far as setting standards. They feel that they cannot and will not accept the responsibility for actual enforcement of rules or laws designed to prevent behavior such as copying. That, sir, is exactly what we find on a day-to-day basis in the industry.

Authors have to enforce their own copyrights. A healthy intellectual property system depends on strong private enforcement. We are not asking for special treatment or exemptions or special regulations. We are simply asking for equal treatment. We want access to the statutory damages and the attorneys' fees that are guaranteed under 412 without the registration requirement. We want to be able to go into court without the need to register a photograph which we may never be able to put our hands on.

To those who say that Congress is acting too fast in this matter, I would point out that this law has been in effect for 15 years. These abuses have been going on all through that time, and they are increasing daily. We do not think that Congress is acting too fast. We believe that they are acting in the nick of time, and we would hope to see this bill passed very soon.

As for the charge of frivolous litigation, I'm amazed. Frivolous lawsuits are not going to bring plaintiffs awards of statutory damages. The plaintiffs and their lawyers will know that. They will not get attorneys' fees. In fact, it is more likely in a frivolous lawsuit that a defendant is going to be awarded the attorneys' fees. And if in fact in a lawsuit called frivolous the plaintiff was awarded attorneys' fees and statutory damages, that would mean probably that the suit wasn't so frivolous after all.

Infringers realize that in most cases, the individual author is not registered. This becomes a license to steal. They know that they do not have the financial resources to pursue these types of infringements. I have been told, when acting on behalf of ASMP members, and contacting infringers, been told to my face, in face-to-face meetings, "You can do whatever you want, but the fact is that you're never going to collect enough money to pay for the act of trying to collect it." I mean, that's just like being told "Go away, pal. You can't get to me." And the fact is, that's true. We can't get to them.

So the infringers have a beautiful shield, and they use it artfully. Many of them use it over and over again.

I would like to go to the point of criminal enforcement. We tracked the infringer in California and found material that we thought put him in violation of the RICO Act, the copyright law,

and we hired lawyers, and they developed the material and took it to the U.S. Attorney in northern California. The answer was:

Yes, we think you've got everything you say here. We have a backlog, we figure it's going to take about 7 years to clean it up. They just can't assign it. We can't assign it to anyone.

So that was the end of that because the images in question were not registered.

Litigation isn't going to increase. But even if it did, something beautiful would happen. People with just claims would not be denied access to the courtroom on financial circumstances. No just claim should be denied a fair hearing in our system.

The Author's Guild has expressed a concern that this legislation is going to cause more suits, and the publishers have expressed that same fear, and they seem to be dwelling on this idea of fair use. It seems to me that they are asking for the right to take another's work when it is clearly not fair use, or when it is ambiguous as to whether it is fair use or not. They want to be able to borrow a person's work without risk.

Now, gambling has a risk. Risk is inherent in any business. If they don't want to take the risk, they should not take the work. And if they do take the work and it is not clear whether it is a fair use or not, what else are the courts for but to make these determinations if individuals cannot agree? And I cannot believe that biographers, critics, historians and the like are going to be punished by the courts in the event they make an honest mistake in pursuit of their work. I believe the penalty for innocent infringement is $200.

Finally, on the same thought of fair use, we would like to point out that we cannot find a case involving fair use in which attorneys' fees or statutory damages of any consequence have ever been awarded to the plaintiff. If the elimination of 412 puts a chill on the writings of some authors, we suggest that it will come from the fact that their contemplated actions might be illegal.

I believe that that is the purpose of law, to give people pause as to whether or not they should do something because it might be illegal, and then the purpose beyond that is, if in fact it is illegal to allow the injured party to recover. If they are unclear about these situations of fair use, I would suggest they should enter into appropriate negotiations with the party whose work they seek.

As to prank claims, I just don't accept that. I think that there aren't going to be a lot of crank claims in the courts because of this legislation. Crank claims don't get awards of statutory damages and attorneys' fees. They are more likely to get lawyers sanctioned.

Cranks and criminals, that's not the issue. Fair use is not the issue. I think you did that last year. The issue here for us and for all individual authors is simple. It is stopping infringement. We do not want to become rich people at the cost of infringers. That will never happen, even if you pass this legislation.

All we want to do is to be able to stop them. We cannot do that today. We will not be able to do it tomorrow unless you pass this legislation. We urge you and this committee to speed this bill to passage and provide the equity and impede the infringements and promote the public interest with a healthy and motivating copyright system.

Thank you.

[Mr. Weisgrau and Mr. Ossola submitted the following:]

[See also Mr. Weisgrau's submissions for the record in hearings on the Copyright Reform Act of 1993, Subcommittee on Intellectual Property and Judicial Administration, Committee on the Judiciary, House of Representatives, 103d Cong., 1st sess., Mar. 3 and 4, 1993, p. 264.]

PREPARED STATEMENTS OF RICHARD WEISGRAU AND CHARLES D. OSSOLA ON BEHALF OF THE AMERICAN SOCIETY OF MEDIA PHOTOGRAPHERS

SUMMARY

The American Society of Media Photographers (ASMP) strongly supports enactment of S. 373, the Copyright Reform Act. In ASMP's view, the key feature of the bill is Section 102(b), which would repeal Section 412 of the Copyright Act. Section 412 generally limits the availability of two critically important remedies under the Act—statutory damages and attorney's fees—to cases in which the work found to be infringed was registered in the Copyright Office prior to the commencement of infringements. This provision deprives photographers of two remedies that are indispensable to effective protection of copyrights, and serves as a shield for infringers:

- Working photographers, each of whom create thousands of images per year, find it literally and financially impossible to register their works in the Copyright Office. As a result, they are almost always ineligible to recover statutory damages and attorneys' fees.
- Without these two remedies, photographers cannot protect their copyrights against infringers. Most infringement disputes are brought to secure injunctive relief, and do not involve substantial monetary damages. Given the high costs of prosecuting infringement actions in the federal courts, photographers' inability to recover statutory damages and attorneys' fees makes enforcement actions impossible in most cases.
- Section 412 is, in effect and in practice, a license to infringers to steal. They know that photographers, like most individual copyright owners, cannot litigate meritorious infringement actions without the ability to recover statutory damages and attorneys' fees.
- The availability of these remedies to all copyright owners will force infringers to settle valid infringement claims without resort to litigation. Infringers faced with the prospect of paying statutory damages and the plaintiff's attorneys' fees must take meritorious infringement claims seriously, and almost always choose to settle rather than to litigate them.
- There is no basis in the history of statutory damages and attorneys' fees awards under the 1976 Copyright Act to conclude that federal judges will impose these remedies against historians, biographers, journalists or other authors when their good faith uses of copyrighted works are found not to be "fair use." Courts have discretion to limit statutory damages awards to a few hundred dollars, and to refuse to award attorneys' fees to a successful plaintiff. They have fairly and carefully exercised this discretion in the past, and there is no reason to conclude that they would not do so if Section 412 were repealed.

Mr. Chairman, we appreciate the opportunity to present the views of the American Society of Media Photographers (ASMP) on S. 373, the Copyright Reform Act of 1993. For our 5,000 members, the cream of this country's photographic talent working for publication, this legislation is the most importantcopyright initiative in recent years for one simple reason: it would eliminate Section 412 of the current law, and thereby make it possible for photographers, and millions of other individual copyright owners in this country, to protect their copyrights against infringers. In this era of extraordinary technological change, the opportunities to commit copyright infringement of photographic images abound—and we expect this trend to accelerate rapidly before the end of this century. Infringers today appropriate the images of our members with impunity because they know that our members lack the full panoply of copyright remedies enjoyed by publishers and other well-funded copyright industries. We fear that without effective enforcement, infringement will proliferate in coming years to such an extent that the value of copyright for photographers and other individual creators will be severely diluted and ultimately de-

stroyed. The destruction of our members' copyrights, their only real assets, would drive photographers out of the field and would deprive the public of access to the wonderfully diverse and evocative imagery that is so much a part of everyday life today.

I. INTRODUCTION

Our purpose in this written statement is not to repeat in full the points made last March in our testimony on the House counterpart to S. 373, H.R. 897. We submit that prior testimony in full as an appendix to this statement, and ask that it be made a part of the record before this Subcommittee. Instead, our purpose here is to highlight the central points that warrant repeal of Section 412, and to address the arguments put forth by publishers and others in defense of the retention of that provision.

We believe that those arguments fail to come to grips with the inequities and punitive effects of Section 412. We further believe that these arguments are nothing more than window-dressing for the publishers' true concern: to insure the perpetuation of a discriminary enforcement scheme under which they benefit handsomely and others suffer, and which enables them to ignore the legitimate infringement claims of photographers and other individual and small copyright owners. The publishers' opposition to the repeal of Section 412 is, in other words, based on their pocketbooks: they do not want to face valid infringement claims that carry with them the risk that statutory damages and attorneys' fees may be imposed. The availability of those remedies would force publishers to take these claims seriously, and to negotiate a fair settlement of them. That "level playing field" is something that the publishers seek to avoid, apparently at all costs.

II. THE PUNITIVE EFFECTS OF SECTION 412

A. Background of section 412

Before explaining the punitive effects of Section 412, it is worth recalling that this provision is of recent vintage. It became a part of our copyright law for the first time as part of the 1976 Copyright Act. The drafters of the provision hoped that it would serve as an incentive to registration; they did not anticipate that whatever the extent to which that objective has been met, the only demonstrable impact of the provision would be to deprive most individual copyright owners of the two remedies that make an infringement claim credible.

Prior to the Copyright Act of 1976, nothing like Section 412 existed. Under the Copyright Act of 1909, statutory damages and attorneys' fees were available to all prevailing copyright plaintiffs in the discretion of the courts. No artificial barriers to entitlement to these remedies had to be overcome by individual creators or by any other copyright owner.

Under a copyright system that existed for nearly 70 years prior to the 1976 Copyright Act, registrations of a vast array of creative works increased dramatically, and the collections of the Library of Congress were richly enhanced. These results were achieved without the benefit of Section 412, and they belie any claim that preservation of the provision is somehow indispensable to the infusion of creative works into the Library's collections.

B. Section 412 deprives photographers and other individual and small copyright owners of key remedies, and of access to the courts

Most copyright infringements, particularly those involving photographs or other creations of one individual, do not result in substantial actual damages suffered by the copyright owner. Rather, most copyright plaintiffs seek injunctive relief from the federal courts—often preliminary injunctive relief—in order to put a stop to the infringing activity.

Rarely does the actual, quantifiable economic injury suffered by the plaintiff rise to the level of the cost of obtaining relief from a federal court. In most cases, it will cost a copyright plaintiff far more to litigate the case, even if only to the point of obtaining a preliminary injunction, than the plaintiff could ever hope to recover in monetary damages. That is true not only with respect to the plaintiff's actual damages, which often cannot be proved in any amount, but also with regard to any profits earned by the defendant, which are often negligible or at the very least difficult to establish without engaging expensive damages experts.

In this context, the importance of statutory damages and attorneys' fees as remedies for copyright infringement cannot be overstated. For photographers, and indeed for many other individual and small business copyright owners, these remedies *must* be available in order to make the assertion of an infringement claim viable. The prospect—not the certainty—of recovering statutory damages, and of forcing the

losing defendant to pay the plaintiff's attorneys' fees in addition to the defendant's own—makes possible the assertion and, if necessary, the litigation of an infringement claim. Indeed, in many cases, the availability of these remedies is critical to the photographer's ability even to find a lawyer to represent him or her, in the absence (as is usually the case) of substantial actual damages or profits earned by the defendant.

The vital importance of statutory damages and attorneys' fees as remedies in copyright enforcement is admitted by the publishers themselves, notwithstanding their present defense of Section 412. In 1986, in a letter from counsel for the Association of American Publishers (AAP) to Ralph Oman, Register of Copyrights, Section 412 was characterized as "more than a shield for infringers than a benefit to anyone." The letter went on to state as follows:

> Registration as a condition to statutory damages and attorneys' fees in some cases, as one example, has become particularly problematic. Eligibility for such remedies has been an important ingredient in our copyright laws out of recognition that they may provide *the only real hope of meaningful economic relief in infringement actions.* A possible lack of eligibility for this relief has been the cornerstone of the tactics of even the most blatant infringers under the 1976 Copyright Act. (Emphasis added).

May 30, 1986 letter from Jon A. Baumgarten, Counsel for AAP, to Ralph Oman, p. 2 (attached hereto as Exhibit A).

Seven years ago, AAP's position was clear: Section 412 served no legitimate purpose, and in fact benefitted infringers. AAP expressed no concern about the role of Section 412 in encouraging registration; it made no mention of an alleged flood of litigation if the provision were eliminated. Instead AAP identified the same glaring inequity that now warrants the repeal of Section 412: it penalizes copyright owners by depriving them of essential remedies needed to combat copyright piracy, and it rewards infringers by allowing them to escape liability or at least to avoid paying substantial damages and attorneys' fees in most cases.

In light of AAP's prior position, its sudden change of heart must be viewed with skepticism. What facts or circumstances have changed between 1986 and today that have ameliorated the punitive and counterproductive effects of Section 412? AAP cannot identify any because there are none. AAP was correct in 1986 that Section 412 has profoundly negative effects on fair and effective enforcement of our copyright laws, and the same holds true today. Furthermore, if statutory damages and attorneys' fees are important remedies for publishers, those remedies are even more crucial for individual copyright owners who lack the resources and staffs that most publishers enjoy.

Because of Section 412, these remedies are rarely available to photographers or other individual and small copyright owners. Section 412 conditions the eligibility of a copyright plaintiff for statutory damages and attorneys' fees on the registration of the work infringed prior to the commencement of infringement. 17 U.S.C. 412. Prior registration of a photographer's images is, however, simply not feasible. Most ASMP members produce thousands of images throughout the course of a year; many create thousands in just a few photographic assignments. ASMP members are small businessmen and women; they do not have a staff to prepare and file registration applications for this creative output, and they do not have the financial resources either to pay the registration fees for these filings or to take the time necessary to deal with the registration process. We have calculated that it would take the average ASMP member at least two full weeks of his or her time to register the images he or she creates each year. No small business can afford that expenditure of time and effort.

It is, of course, impossible for the photographer to know which of these thousands of images may in the future be infringed, and therefore which should be registered in anticipation of that event. The photographer is often required to ship the unprocessed film directly to the client because of publication deadlines. The photographer, who is out in the field most of the time, has no way of knowing which images will be published, and therefore may be subject to a greater risk of infringement than unpublished images. Indeed, in many instances the photographer never even has an opportunity to view the magazine or other publication in which his or her images appear until long after-the-fact. Under these circumstances, complying with the three-month grace period provided for under Section 412 is not feasible.

We know from painful experience with Section 412 that these obstacles to compliance with its extraordinarily burdensome requirements cannot be overcome by most photographers. On a weekly basis, 5–10 infringement claims come across our desks, and very few of them involve photographs that have been registered prior to the inception of the infringement. We know from our own experience that photographers

do not pursue many of these claims, and we know why: they literally cannot afford to do because they stand no chance of ever recovering their litigation costs either through an award of statutory damages or attorneys' fees, or both. Thus in our experience over the last 15 years in which Section 412 has been in effect, its principal effect has been to deprive photographers and other creators of the two remedies that make possible the pursuit of any infringement claim by the average copyright owner.

The tragedy of this situation is threefold. First, photographers are forced to stand by helpless to stop infringers; the cumulative effect of this inaction is to devalue the copyright in the infringed image, and ultimately to destroy its value as an economic asset altogether. No one is interested in paying licensing fees for an image that has been illegally pirated and is distributed widely without permission by an infringer. Loss of control over the reproduction and distribution of an infringed image has both short-term and permanent effects on the attractiveness and value of the image in the marketplace.

Second, infringers go free. Our copyright system is predicated on private enforcement of copyright rights in civil actions. If the remedies necessary to bring those civil actions are unavailable to a significant number of copyright owners, private enforcement breaks down. Infringers not only continue their illegal activity and enjoy the fruits of their efforts, they and others like them are encouraged to continue that pattern of behavior.

Third, the integrity and even the viability of our copyright system is threatened. If copyrights cannot as a practical matter be protected, they are worth very little indeed. The "bundle" of rights afforded by Section 106 of the Copyright Act will not generate income for the owner of those rights if infringers are freely exercising them without permission. Respect for the copyrights of individuals will be discouraged, and those who create copyrighted works for their livelihoods and depend on income earned from granting reproduction rights will be forced out of their professions. We know that this problem is not limited to photographers; the owners of copyrights in computer programs face similar challenges, as did composers in the early part of this century (and the struggle of ASCAP and BMI to protect the value of their members' copyrights through systematic enforcement continues to this day). But photographers, like other individual copyright owners, find themselves particularly vulnerable to infringers when they lack the remedies to protect their own copyrights when it is necessary to do so.

The repeal of Section 412 would give photographers and other individual creators the means to protect themselves. That is all that ASMP asks on behalf of its members: we seek to provide them with the same remedies enjoyed by publishers and other copyright industries which have the resources to comply with Section 412, and which are not prejudiced by its effects.

III. REPEAL OF SECTION 412 WILL NOT ADVERSELY AFFECT THE LIBRARY'S COLLECTIONS, RESULT IN A LITIGATION EXPLOSION, OR CHILL THE FAIR USE OF COPYRIGHTED MATERIAL

The defenders of Section 412 trot out a number of speculative theories and deliberately overdrawn predictions of doom in an attempt to counter the hard evidence that the provision has had an adverse effect on the enforcement of copyrights by individual and small copyright owners. First, they profess to be greatly concerned about protecting the collections of the Library of Congress through the registration process. Second, they predict a "flood of lawsuits and infringement claims drawn by the magnet of statutory damages and attorneys' fees." (*See* "Why Congress Should Retain, Rather Than Repeal § 412 of the Copyright Act, authored by the Association of American Publishers, Association of American University Presses, Magazine Publishers of America, and National Humanities Alliance, August 18, 1993, p. 4). Third, they claim that the ability of all copyright owners to request these remedies will somehow "chill" the fair use of copyrighted material by exposing those authors, journalists and publishers making fair use determinations in good faith to the risk of paying statutory damages and attorneys' fees to the copyright owner if their judgments prove to be wrong. Fourth, they claim that regulatory changes can suffice to address the inequities associated with Section 412.

None of these arguments withstands scrutiny. Each of them is a front for the real concern of publishers: fear that they will have to settle the meritorious copyright infringement claims made by individual copyright owners because of the prospect of paying statutory damages and attorneys' fees.

A. Repeal of section 412 will not endanger the Library's collections

Section 412 was conceived as an incentive to registration, but there is no hard evidence that it has had such an effect. As the author of the provision, ACCORD Co-Chair and former Register of Copyrights Barbara Ringer, noted in her September 15, 1993, letter to James Billington, Librarian of Congress, no empirical evidence exists as to the contribution of Section 412, if any, to the decision of copyright owners to register their works. To the extent there is any evidence tending to show that Section 412 does indeed play an important role in the decision to register, it consists of anecdotal accounts from the publishers themselves. They claim that Section 412 is an important motivation in the decision of many publishers to register, and further threaten that if Section 412 is repealed, at least some of these publishers will stop registering.

This threat is merely a tactical position to intimidate the Librarian and Congress from eliminating a provision that serves very well the economic interests of publishers—but of virtually no one else. Even if this threat is taken at face value, it undermines the credibility of the publishers' supposed concern for the Library's collections. If that concern was indeed genuine, then surely publishers would continue to register their works (and to provide copies of published works in accordance with Section 407 of the Act) and thereby insure access to them by the Library—irrespective of what may happen to Section 412. It is within the publishers' power to continue to register their works regardless of the fate of Section 412; if they decide out of spite to cease registration because the provision is repealed, then the publishers must bear the responsibility for their actions. If their self-fulfilling prophesy comes to pass, they cannot point the finger at Section 412.

As for the effects of Section 412 outside the publisher arena, we can say with first-hand knowledge that Section 412 has had absolutely no effect on photographers' registration practices. A recent survey of our members showed that over 90 percent never register any of their images. And we know from dealing with hundreds of infringements of ASMP members' images that few of them have been registered at the time the infringement occurred. Thus for photographers, and we believe that for most individual creators, Section 412 has not been an incentive to registration. Indeed, we can state with the benefit of years of experience in the field that few photographers—indeed few individual copyright owners of any kind, and only slightly more lawyers—even know of the existence of Section 412. They find out about it only when they consult a knowledgeable lawyer to pursue a claim of infringement and are told that they cannot seek statutory damages and attorneys' fees from the infringer. In our experience, that information—which we regularly dispense—spells the end of the photographer's enforcement effort. He or she simply cannot pursue an infringement claim where few if any monetary damages can be recovered, and the cost of the litigation must be borne by the photographer, win or lose.

To the extent that Section 412 may play a role in the registration decisions of publishers and other members of copyright industries, there are plenty of alternative incentives that do not unfairly burden the enforcement of individual infringement claims as does Section 412. We will not discuss those alternatives in any detail here, for they have been fully explained in the Librarian's recent report to Congress following completion of Phase 1 of the work of ACCORD. Primarily among them is a strengthened Section 407, which will insure that most if not all of the creative output of copyright industries will in fact be donated to the Library completely outside the context of copyright registration.

B. Repeal of section 412 will not induce a litigation explosion

Perhaps the most cynical of the publishers' arguments is the vastly overblown prediction that repeal of Section 412 will result in a stampede of copyright infringement claimants into the federal courts. Nothing in the nearly 70 years of infringement litigation prior to enactment of Section 412 supports such a Chicken Little fantasy. Nor does the experience with statutory damages and attorneys' fees awards under the Copyright Act of 1976 bear out this prediction. Courts have been careful to exercise their broad discretion under Sections 504(c) and 505 consistent with the economic realities of the particular case; there have been few, if any, windfalls for plaintiffs or their lawyers (who virtually never are awarded their full fees, as every copyright lawyer with practical experience knows) as a result of the availability of statutory damages and attorneys' fees. If anyone has obtained a windfall, it has been the publishers themselves. In a recent suit by AAP against Kinko's, the publishers received one of the largest statutory damages and attorneys' fees awards in history: $510,000 in statutory damages, and over $1.36 million in legal fees and costs. *See Basic Books, Inc.* v. *Kinko's Graphics Corp.*, 21 USPQ 2d 1639 (S.D.N.Y. 1991).

In the past, therefore, statutory damages and attorneys' fee awards have hardly been a pot of gold at the end of the rainbow. In cases in which statutory damages or attorneys' fees have been awarded, the size of the award usually approximates the estimated amount of otherwise unprovable actual damages, and reimburses the plaintiff for out-of-pocket costs (the biggest part of which are usually the attorneys' fees). No one familiar with the history or realities of copyright infringement litigation can credibly maintain that the ability to request statutory damages and attorneys' fees would operate as an incentive to meritless litigation. Statutory damages and attorneys' fees are generally used by federal courts to make the plaintiff whole, not to bestow upon him or her an undeserved windfall.

ASMP has played an active role in many infringement disputes over the years, and we can attest to the emotional turmoil and disruption to the photographer's business that litigation inevitably brings. To our knowledge, rational photographers do not make infringement claims lightly, regardless of whether statutory damages and attorneys' fees are available. It is fatuous to suggest that photographers, or any other small business copyright owner, will plunge into federal court—and incur thousands of dollars in attorneys' fees in the process—asserting a weak or frivolous claim with the hope of a big payday down the road.

Far from encouraging litigation, our experience at ASMP suggests that the availability of statutory damages and attorneys' fees has the opposite effect. When an infringer is faced with a legitimate infringement claim, and when that infringer may be required to pay statutory damages and attorneys' fees if the matter is litigated, sensible lawyers settle the dispute. Our experience with statutory damages and attorneys' fees is that they are powerful tools for inducing settlements of legitimate claims. Without exception, every infringement dispute in which an ASMP photographer had the ability to claim statutory damages and attorneys' fees was settled without the need to resort to litigation. No defendant is interested in litigating a claim of copyright infringement when liability is clear and the defendant may ultimately have to pay two sets of attorneys' fees: its own and the plaintiff's.

As for the suggestion that the availability of these remedies will force users of copyrighted materials to settle weak or speculative claims of copyright infringement, that argument does not comport with reality or common sense. If a copyright owner asserts a weak or speculative claim of infringement, there is very little prospect of recovering statutory damages and attorneys' fees. These remedies are only recoverable if the plaintiff prevails in the litigation, which presumably would be difficult if the claim is unlikely to be sustained. And even if the plaintiff manages to win a borderline case, it is within the court's discretion to decide whether to award attorneys' fees at all, and to limit the amount of such an award consistent with the equities of the case.

If frivolous suits are brought, copyright plaintiffs and their lawyers face the prospect of paying the prevailing defendant's attorneys' fees, or sanctions imposed under Rule 11. Even if Section 412 were repealed, the federal courts have the power and discretion to protect those accused of infringement from frivolous or harassing suits.

To the extent that the elimination of Section 412 might lead to the filing of more actions that do have merit, that would be a desirable result. The federal courts are vested with exclusive jurisdiction to entertain copyright infringement actions, and they are not "burdened" when meritorious claims are filed. The protection of valid copyright interests through litigation is consistent with the policies and goals underlying our copyright system. Thus to the extent that the repeal of Section 412 empowers photographers and other individual creators to file meritorious infringement actions that would not otherwise have been brought, that is a beneficial and desirable result from the standpoint of the public policies inherent in our copyright laws.

C. Repeal of section 412 will not "chill" fair use of copyrighted works

In a desperate attempt to identify supposedly adverse effects associated with repeal of Section 412, publishers and others raise the specter, once again, of burdened fair use decisions. They claim that authors, journalists, scholars and publishers will be discouraged from making borderline fair use determinations because of the fear of having to pay statutory damages and attorneys' fees.

This is a far-fetched claim. Repeal of Section 412 would not implicate fair use principles at all. Erroneous fair use determinations made in good faith have not resulted in awards of statutory damages and attorneys' fees in the past. Indeed, in one recent fair use case, actual damages of $2,000 initially awarded to a prevailing plaintiff were subsequently vacated by the district court that made the initial award. *See Lish* v. *Harder's Magazine Foundation,* 807 F. Supp. 1090 (S.D.N.Y. 1992). There is no basis in the history of such awards to substantiate speculation that federal courts will in the future depart from these practices. Individual scholars and writers who make good faith determinations of fair use after the repeal of Sec-

tion 412 will not face any realistic possibility of having to pay statutory damages and attorneys' fees if they are held liable for infringement by a court. If they nevertheless harbor some unfounded fears that such a fate will befall them, that is a small price to pay for making sure that copyrights can effectively be enforced.

D. Regulatory changes are no substitute for the repeal of section 412

As noted above, photographers literally cannot comply with the burdensome requirements of Section 412. Even if registration were made easier through greater reliance upon "short-form" and group registrations, photographers would still lack the time and resources to register thousands of images per year. The cost of the deposit copies of the images alone would be prohibitively expensive. Easing the burden of registration is a laudable objective that the Copyright Office should vigorously pursue, but regulatory changes will not alleviate the prejudicial effects of Section 412.

Nor will regulatory reform change the character of Section 412, which operates as a trap for the unwary. As long as Section 412 remains a part of the copyright law, it will have a disproportionate impact on individual and other small copyright owners who do not have the filing clerks and legal staffs that publishers rely upon to use Section 412 to their advantage.

* * * *

We urge prompt and favorable action by this Subcommittee on S. 373, and we urge the speedy enactment of the legislation. Thank you for the opportunity to present our views.

RICHARD WEISGRAU'S RESPONSES TO QUESTIONS SUBMITTED BY SENATOR CHARLES GRASSLEY

Question 1. Increased Litigation. It has been claimed that the repeal of these sections will cause an increase in new infringement suits. I think it is important to avoid adding to the litigation burden on the federal courts.

What can those of you who support the Bill do to reassure me about the volume of litigation that will result?

Answer. Based on my experience as Executive Director of the American Society of Media Photographers (ASMP), I think the enactment of the Copyright Reform Act would have three litigation-related effects. *First,* individual authors will have the remedies they need to take enforcement action against willful infringers. Thus, many valid infringement claims that cannot be asserted under present law for lack of effective remedies would be asserted if the legislation is enacted. *Second,* the vast majority of these infringement claims will be settled without the need to file a complaint in federal courts, because willful infringers will settle those claims prior to the commencement of litigation. As I testified, in the relatively few occasions in which photographers have been able to claim statutory damages and attorneys' fees, the infringers have immediately settled the dispute before litigation was instituted. I strongly believe, based on my ownextensiveexperience negotiating solutions to infringementdisputes, that most infringers will not risk paying the copyright owner's attorneys' fees and statutory damages by defending an untenable position in court. *Third,* the volume of litigation in the federal courts would increase, if at all, only slightly if the legislation is enacted. While the vast majority of infringement claims would be settled out of court (as they are now), some small percentage of them—most likely those involving repeat offenders or willful infringers who refuse to negotiate in good faith—will find their way into the federal courts. That is as it should be. The federal courts are there to hear copyright infringement suits, among others, and Congress decided that their jurisdiction over them should be exclusive. If more infringement suits are filed following enactment of the legislation, then those suits will be of the type that *should* be heard: meritorious claims against willful infringers that cannot now be pursued, but which can be pressed if effective remedies are made available.

Question 2. Small Business Concerns About Litigation. Many small businesses have expressed concern that by making it easier to bring suit for infringement we will make it easier for large firms to use copyright litigation as a means to eliminate small competitors.

Could you elaborate on why this may be a problem, based on past experience under current law?

Answer. In my view, the small business concern stated in this question has no basis in fact or practical experience. The Copyright Reform Act would benefit individual authors and small copyright owners who cannot register their works and

thus cannot enforce their copyrights because they are without effective remedies. Most large firms either already register because they have the resources to do so, or have chosen not to invest in registration in the exercise of their business judgment. Thus, large firms will not have any greater incentive to use copyright infringement litigation as a competitive weapon than they do now. And now, in my experience, copyright litigation is rarely used in such a fashion by either large or small copyright owners.

If large owners do attempt to use copyright litigation unfairly, the courts will retain the discretion to deal with abuses by awarding attorneys' fees to prevailing defendants under Section 505. If the litigation has no merit and is used to further goals having nothing to do with legitimate copyright interests, then small businesses can protect themselves with affirmative defenses such as the misuse of copyright defense.

Question 3. Impact on Mandatory Registration. Could you please comment on Dr. Billington's recommendation that the copyright law be expanded to require the mandatory registration of all intellectual material?

Answer. I do not understand Dr. Billington's proposal to be that "all intellectual material" would be subject to deposit under an expanded Section 407. It is my understanding that the authority under that section would encompass published material and other material, considered unpublished under the copyright law, which is nevertheless widely disseminated such as "transmission programs". ASMP supports the expansion of the Librarian's authority under Section 407, and believes that the preservation of the Library's collection can be achieved without inflicting the damage on copyright owners that results from operation of Sections 411(a) and 412.

Question 4. Impact on the Current Differences Between Domestic Copyright Registration and the Law as it Applies to Foreign Works.

Currently we operate a two-tiered system in domestic and foreign product registration where the foreign producers are exempt from the need to register their products with the Copyright Office before bringing suit on an infringement.

Could you please elaborate on this competitive disadvantage and discuss how repeal would help eliminate the problem?

Answer. U.S. authors suffer from an indefensible competitive disadvantage with respect to their foreign counterparts in the enforcement of copyright in our courts. Under Section 411(a), which would be repealed by the Copyright Reform Act, U.S. copyrights owners must first file an application to register the work allegedly infringed before bringing suit against an infringer. Foreign copyright owners, on the other hand, are not subject to this requirement, and may file suit in federal court without first going through the bureaucratic exercise of preparing and filing a registration application.

For photographers, this discrimination has had a real and harmful impact. Many photographers simply do not have copies of their images to register, because they are sent to clients under short publication deadlines. It is often many months before photographers' images are returned to them, and even then many images that were never published are often lost and never find their way back to the photographer. In these circumstances, which occur regularly, photographers find themselves without any remedy against infringers; they cannot meet the deposit requirements associated with registration, and thus cannot file a registration application. As a result, they are unable to file an infringement action in federal court, insofar as having a registration application on file is a jurisdictional requirement under current law.

Our foreign colleagues, on the other hand, do not suffer from this predicament. They can always avail themselves of the enforcement powers of U.S. federal courts, and do not need to comply with burdensome registration requirements in order to do so. There is simply no basis for maintaining such a system, which operates to the detriment of our own authors.

Senator HATCH. Thank you.

I'm going to submit some of the questions, but let me just ask a couple before we end here today. I'm kind of pressured, too. But Ms. Waldholtz, in your statement you state that there are adequate statutory and judicial safeguards to prevent abuse by copyright owners, even if section 412 of the Copyright Act were repealed.

I personally think that's a significant concession, coming from your perspective as a representative of one of our Nation's greatest and most important computer software companies, and one of the companies that really has done networking like nobody else has.

If Senate bill 373 does in fact make it easier for aggrieved plaintiffs to file suit, I would imagine that a large corporation like Novell would be a likely target for plaintiffs who may currently be deterred from suing under current law. So can you explain why you feel that the repeal of section 412 does not in fact increase your company's exposure to unfounded or frivolous litigation?

Ms. WALDHOLTZ. Thank you, Senator.

It's a balance of risks. As we look at what the likelihood is that we are going to be sued by what's been referred to today as a crank plaintiff versus the impediments that we're seeing to enforcing our copyright and going after copyright infringers, it's a risk, frankly, that we're willing to take. We believe that in the kind of crank lawsuits that we've talked about today that we will ultimately prove our case, and with the changes that are being proposed, be able to recover our attorneys' fees for defending ourselves.

On the other hand, Novell and a thousand other software makers are currently having to face an economic decision every day as to whether it's worth bringing a copyright infringement suit against someone where you may not be able to get statutory damages or your attorneys' fees back, even though you know you have an absolutely iron-clad proof of copyright infringement.

And I think as we look at not only our interests, but the interest of the entire industry, we think that it is worthwhile to allow people the opportunity to protect their copyrights, particularly allowing small or medium sized software companies an opportunity that right now they are foreclosed from, because they simply can't afford the attorneys' fees and costs of bringing suit. We're willing to take the risks of a few crank lawsuits in order to be able to help protect the intellectual property in our industry.

Senator HATCH. That's interesting. I noticed that Novell has significant sales abroad, as do many SBA members.

Ms. WALDHOLTZ. Yes.

Senator HATCH. If you were experiencing widespread piracy in a particular country, what would you think of a rule that foreclosed your company or you from adequately enforcing your copyright because you had failed to comply with some local rule, such as depositing a copy of your work in that company's national library in advance of any infringing action?

Ms. WALDHOLTZ. Well, obviously it would be a great irritation to us. We actually do make some of our decisions on where we will sell our products abroad based on what kind of copyright protection we can receive.

Senator HATCH. And there is some irritation by people who are bringing their materials here. Defenders of section 412 often point out that the criticisms leveled against this provision of the Copyright Act could be addressed through fine-tuning of the registration procedures, at least that's sometimes the argument. But your statement indicates that even under current expedited registration procedures, Novell was unable to effectively combat widespread infringement when it introduced its NetWare 4.0 software in Europe.

Now, could you explain to us how the current system let you down in that case?

Ms. WALDHOLTZ. Yes; it's the case that I referred to a bit earlier, and I can just explain a little more fully what happened. Our

NetWare 4.0 product was rolled out of the United States, and then we made almost immediate plans for distribution in Europe. We shipped that product to Europe.

Within a week, through the work that we do by monitoring these illegal bulletin boards, we found a product that we knew we had shipped to Austria by checking its serial number on this illegal bulletin board. As I said, we had already begun the process necessary for registering, we had started to gather up the source to deposit at our company.

But the software industry, the pressures of getting your product to market are such that we don't always get our registration on file by the time we roll out the product. We are still making changes to the product at the last possible moment before reproduction for sale.

Senator HATCH. You're constantly making changes.

Ms. WALDHOLTZ. Constantly.

Senator HATCH. It never ends.

Ms. WALDHOLTZ. That's right. As a matter of fact, I think if you look at any major software product that's come out recently, you would find out it had gone through a myriad of what we call beta stages, where we provide this product, a product that has not yet been formally published, but we provide it to users to allow them to try to use it, to see what kinds of problems they have, and then we change our product to meet those problems. Those products are never registered with the copyright office, because we don't consider them ready for publication yet.

And yet I know that WordPerfect, another software company, very prominent in the industry, had to file suit recently to combat piracy of one of their beta releases. And so it is not unusual for even the largest software companies to not have registered their products at the time it is rolled out. We do make the effort to register it as quickly as possible after that.

But in this particular case, because of the sophistication of software pirates today, and the ease in which you can copy our product, with literally a dozen keystrokes and a few floppy disks, we lost thousands of dollars in potential sales to software pirates just in the interim between the time we found the infringement and the time we got expedited registration.

And this is something that's magnified greatly in the smaller companies who don't have the resources or the knowledge of the copyright registration requirements to protect themselves.

Senator HATCH. Well, thank you.

Mr. Weisgrau, I've been impressed by the hundreds of letters I've received from photographers around this country. In fact, I will just put into the record a number of letters from Utah photographers that are interesting to me. [Laughter.]

These letters have pointed out the significance of Senate bill 373 to them as they seek to protect their rights to copyright. I'm just curious, are there any photographers you know of who don't view the current copyright system as an obstacle?

Mr. WEISGRAU. I've never met one.

Senator HATCH. OK. So this isn't a situation like that of the authors, where some support the current law and some oppose it?

Mr. WEISGRAU. Not at all, sir.

Senator HATCH. OK. When you call section 412, and I suppose that's true of you, too, Mr. Basista, isn't it?

Mr. BASISTA. By and large, sir.

Senator HATCH. Yes, I don't know of any collage artists that would oppose this.

When you call section 412 a license to steal, that's pretty extreme language. But do you really think that section 412 is used intentionally and not just perhaps negligently by those who would infringe the copyright in a photograph?

Mr. WEISGRAU. Positively, Senator. When you speak, and I again, have the unhappy task occasionally of carrying this message for our members to infringers, when they have failed to get remedy on their own, and I have been told at the first opening remarks of a conversation that we're not going to be able to collect enough money to make this worthwhile. When I hear that, I know that this is a person that has experience at this.

As a counterpoint, we frequently go into situations, and when I say frequently, the frequency of recovery improves when there is a registration. In those rare instances where a photograph is covered, and that is not normally because the photograph was registered, but because it was in a collective work, and that work was registered and that copyright registration will cover it.

Where we can find a registration for a photograph, and we go to an infringer, and we say to them, "This is registered, you will be paying our attorneys' fees and your attorneys' fees and statutory damages on top of it," I have never seen a case in 6 years now that didn't settle. I have never seen a case that's come across our desk, and we monitor infringements at about the rate of five a week now. About 5 years ago, that was one a week.

Senator HATCH. That's very interesting.

Well, I think every panel here today has been extremely interesting, certainly to me, and I know Senator DeConcini, as he remarked on his way out, he said "This is really a very, very interesting set of hearings." Who says that copyright law has to be boring and mundane? [Laughter.]

All I can say is that I want to compliment each of the witnesses here today. Everyone here has made some very telling and good points. I have tremendous respect for you.

So we'll try to do what's right here, and we'll just see what happens. We hope that we can please the vast majority of you. Thank you so much. With that, we will recess the hearings until further notice.

[Whereupon, at 12:55 p.m., the subcommittee adjourned, to reconvene at the call of the Chair.]

APPENDIX

PROPOSED LEGISLATION

103D CONGRESS
1ST SESSION

S. 373

To amend title 17, United States Code, to modify certain recordation and registration requirements, to establish copyright arbitration royalty panels to replace the Copyright Royalty Tribunal, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 16 (legislative day, JANUARY 5), 1993

Mr. DECONCINI (for himself and Mr. HATCH) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

A BILL

To amend title 17, United States Code, to modify certain recordation and registration requirements, to establish copyright arbitration royalty panels to replace the Copyright Royalty Tribunal, and for other purposes.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the "Copyright Reform Act of 1993".

TITLE I—COPYRIGHT OFFICE

SEC. 101. COPYRIGHT RECORDATION PROVISIONS.

Section 301(b) of title 17, United States Code, is amended—

(1) in paragraph (3) by striking "or" after the semicolon;

(2) in paragraph (4) by striking the period and inserting "; or"; and

(3) by adding at the end the following:

"(5) perfecting security interests.".

SEC. 102. COPYRIGHT REGISTRATION PROVISIONS.

(a) REGISTRATION AND INFRINGEMENT ACTIONS.—Section 411 of title 17, United States Code, is amended to read as follows:

"§ 411. Registration and infringement actions

"In the case of a work consisting of sounds, images, or both, the first fixation of which is made simultaneously with its transmission, the copyright owner may, either before or after such fixation takes place, institute an action for infringement under section 501, fully subject to the remedies provided by sections 502 through 506 and sections 509 and 510, if, in accordance with requirements that the Register of Copyrights shall prescribe by regulation, the copyright owner serves notice upon the infringer, not less than 10 or more than 30 days before such fixa-

tion, identifying the work and the specific time and source of its first transmission.".

(b) REGISTRATION AS PREREQUISITE TO CERTAIN REMEDIES FOR INFRINGEMENT.—Section 412 of title 17, United States Code, and the item relating to section 412 in the table of sections at the beginning of chapter 4 of title 17, United States Code, are repealed.

SEC. 103. THE COPYRIGHT OFFICE: GENERAL RESPONSIBILITIES AND ORGANIZATION.

(a) REGISTER OF COPYRIGHTS.—Section 701(a) of title 17, United States Code, is amended to read as follows:

"(a)(1) The President shall appoint, by and with the advice and consent of the Senate, the Register of Copyrights. The Register of Copyrights shall be paid at the rate of pay in effect for level IV of the Executive Schedule under section 5315 of title 5.".

"(2) All administrative functions and duties under this title, except as otherwise specified, are the responsibility of the Register of Copyrights as director of the Copyright Office of the Library of Congress. The Register of Copyrights shall appoint all other officers and employees of the Copyright Office, who shall act under the Register's general direction and supervision.".

(b) ANNUAL REPORT.—Section 701(c) of title 17, United States Code, is amended to read as follows:

"(c) The Register of Copyrights shall make an annual report to the Congress on the work and accomplishments of the Copyright Office during the previous fiscal year.".

(c) REPEAL.—Section 701(e) of title 17, United States Code, is repealed.

SEC. 104. COPYRIGHT OFFICE REGULATIONS.

Section 702 of title 17, United States Code, is amended by striking the last sentence.

SEC. 105. CONFORMING AMENDMENTS.

(a) DEFINITIONS.—Section 101 of title 17, United States Code, is amended by striking the definition of the "country of origin" of a Berne Convention work.

(b) RECORDATION OF TRANSFERS AND OTHER DOCUMENTS.—Section 205(c) of title 17, United States Code, is amended by striking "but only if—" and all that follows through the end of paragraph (2) and inserting the following: "but only if the document, or material attached to it, specifically identifies the work to which it pertains so that, after the document is indexed by the Register of Copyrights, it would be revealed by a reasonable search under the title or registration number of the work.".

(c) INFRINGEMENT OF COPYRIGHT.—Section 501(b) of title 17, United States Code, is amended in the first

sentence by striking ", subject to the requirements of section 411,".

(d) REMEDIES FOR INFRINGEMENT.—Section 504(a) of title 17, United States Code, is amended by striking "Except as otherwise provided by this title, an" and inserting "An".

TITLE II—COPYRIGHT ROYALTY TRIBUNAL

SEC. 201. COPYRIGHT ARBITRATION ROYALTY PANELS.

(a) ESTABLISHMENT AND PURPOSE.—Section 801 of title 17, United States Code, is amended to read as follows:

"§ 801. Copyright arbitration royalty panels: establishment and purpose

"(a) ESTABLISHMENT.—The Register of Copyrights is authorized to appoint and convene copyright arbitration royalty panels to—

"(1) make determinations concerning the adjustment of the copyright royalty rates as provided in section 803;

"(2) adjust royalty payments under section 1004(a)(3);

"(3) distribute royalty fees deposited with the Register of Copyrights under sections 111 and

119(b) in the event a controversy over such distribution exists; and

"(4) distribute the royalty fees deposited with the Register of Copyrights under section 1005 in the event a controversy over such distribution exists under section 1006(c).".

(b) MEMBERSHIP AND PROCEEDINGS.—Section 802 of title 17, United States Code, is amended to read as follows:

"§ 802. Membership and proceedings of copyright arbitration royalty panels

"(a) COMPOSITION OF COPYRIGHT ARBITRATION ROYALTY PANELS.— A copyright arbitration royalty panel shall consist of 3 arbitrators selected by the Register of Copyrights pursuant to subsection (b).

"(b) SELECTION OF ARBITRATION PANEL.—Not later than 10 days after publication of a notice initiating an arbitration proceeding under section 803 or 804, and in accordance with procedures specified by the Register of Copyrights, the Register of Copyrights shall select 2 arbitrators from lists of arbitrators provided to the Register by parties participating in the arbitration. The 2 arbitrators so selected shall, within 10 days after their selection, choose a third arbitrator from the same lists, who shall serve as the chairperson of the arbitrators. If such

2 arbitrators fail to agree upon the selection of a chair-
person, the Register of Copyrights shall promptly select
the chairperson.

"(c) ARBITRATION PROCEEDINGS.—Copyright arbi-
tration royalty panels shall conduct arbitration proceed-
ings, in accordance with such procedures as they may
adopt, for the purpose of making their determinations in
carrying out the purposes set forth in section 801. The
arbitration panels shall act on the basis of a fully docu-
mented written record. Any copyright owner who claims
to be entitled to royalties under section 111 or 119 or any
interested copyright party who claims to be entitled to roy-
alties under section 1006 may submit relevant information
and proposals to the arbitration panels in proceedings ap-
plicable to such copyright owner or interested copyright
party. The parties to the proceedings shall bear the entire
cost thereof in such manner and proportion as the arbitra-
tion panels shall direct.

"(d) REPORT TO THE REGISTER OF COPYRIGHTS.—
Not later than 180 days after publication of the notice
initiating an arbitration proceeding, the copyright arbitra-
tion royalty panel conducting the proceeding shall report
to the Register of Copyrights its determination concerning
the royalty fee or distribution of royalty fees, as the case
may be. Such report shall be accompanied by the written

record, and shall set forth the facts that the arbitration panel found relevant to its determination.

"(e) ACTION BY COPYRIGHT ARBITRATION ROYALTY PANEL.—Within 60 days after receiving the report of a copyright arbitration royalty panel under subsection (d), the Register of Copyrights shall adopt or reject the determination of the arbitration panel. The Register shall adopt the determination of the arbitration panel unless the Register finds that the determination is arbitrary. If the Register rejects the determination of the arbitration panel, the Register shall, before the end of that 60-day period, and after full examination of the record created in the arbitration proceeding, issue an order setting the royalty fee or distribution of fees, as the case may be. The Register shall cause to be published in the Federal Register the determination of the arbitration panel, and the decision of the Register (including an order issued under the preceding sentence). The Register shall also publicize such determination and decision in such other manner as the Register considers appropriate. The Register shall also make the report of the arbitration panel and the accompanying record available for public inspection and copying.

"(f) JUDICIAL REVIEW.—Any decision of the Register of Copyrights under subsection (e) with respect to a determination of an arbitration panel may be appealed,

by any aggrieved party who would be bound by the determination, to the United States Court of Appeals for the District of Columbia Circuit, within 30 days after the publication of the decision in the Federal Register. The pendency of an appeal under this paragraph shall not relieve persons obligated to make royalty payments under sections 111, 119, or 1003 who would be affected by the determination on appeal to deposit the statement of account and royalty fees specified in those sections. The court shall have jurisdiction to modify or vacate a decision of the Register only if it finds, on the basis of the record before the Register, that the Register acted in an arbitrary manner. If the court modifies the decision of the Register, the court shall have jurisdiction to enter its own determination with respect to the amount or distribution of royalty fees and costs, to order the repayment of any excess fees, and to order the payment of any underpaid fees, and the interest pertaining respectively thereto, in accordance with its final judgment. The court may further vacate the decision of the arbitration panel and remand the case for arbitration proceedings in accordance with subsection (c).".

(c) ADJUSTMENT OF COMPULSORY LICENSE RATES.—Section 803 of title 17, United States Code, is amended to read as follows:

"§ 803. **Adjustment of compulsory license rates**

"(a) PETITIONS.—In accordance with subsection (b), any owner or user of a copyrighted work whose royalty rates are specified by this title, or by a rate established by the Copyright Royalty Tribunal before the date of the enactment of the Copyright Reform Act of 1993, or by a copyright arbitration royalty panel after such date of enactment, may file a petition with the Register of Copyrights declaring that the petitioner requests an adjustment of the rate. The Register of Copyrights shall make a determination as to whether the petitioner has a significant interest in the royalty rate in which an adjustment is requested. If the Register determines that the petitioner has a significant interest, the Register shall cause notice of this determination, with the reasons therefor, to be published in the Federal Register, together with the notice of commencement of proceedings under this chapter. Except as provided in subsection (b)(1), the rates set by a copyright arbitration royalty panel shall attempt to reflect what the fair market value of the use would be in the absence of a compulsory license.

"(b) TYPES OF PROCEEDINGS.—

"(1) CABLE.—In making determinations concerning the adjustment of the copyright royalty rates in section 111, copyright arbitration royalty panels

shall make their determinations only in accordance with the following provisions:

"(A) The rates established by section 111(d)(1)(B) may be adjusted to reflect national monetary inflation or deflation, or changes in the average rates charged cable subscribers for the basic service of providing secondary transmissions to maintain the real constant dollar level of the royalty fee per subscriber which existed on the date of the enactment of the Copyright Reform Act of 1993, except that—

"(i) if the average rates charged cable system subscribers for the basic service of providing secondary transmissions are changed so that the average rates exceed national monetary inflation, no change in the rates established by section 111(d)(1)(B) shall be permitted; and

"(ii) no increase in the royalty fee shall be permitted based on any reduction in the average number of distant signal equivalents per subscriber.

Copyright arbitration royalty panels may consider all factors relating to the maintenance of

such level of payments including, as an extenuating factor, whether the cable industry has been restrained by subscriber rate regulating authorities from increasing the rates for the basic service of providing secondary transmissions.

"(B) In the event that the rules and regulations of the Federal Communications Commission are amended at any time after April 15, 1976, to permit the carriage by cable systems of additional television broadcast signals beyond the local service area of the primary transmitters of such signals, the royalty rates established by section 111(d)(1)(B) may be adjusted to ensure that the rates for the additional distant signal equivalents resulting from such carriage are reasonable in the light of the changes effected by the amendment to such rules and regulations. In determining the reasonableness of rates proposed following an amendment of Federal Communications Commission rules and regulations, a copyright arbitration royalty panel shall consider, among other factors, the economic impact on copyright owners and users, except that no adjustment in

royalty rates shall be made under this subparagraph with respect to any distant signal equivalent or fraction thereof represented by—

"(i) carriage of any signal permitted under the rules and regulations of the Federal Communications Commission in effect on April 15, 1976, or the carriage of a signal of the same type (that is, independent, network, or noncommercial educational) substituted for such permitted signal, or

"(ii) a television broadcast signal first carried after April 15, 1976, pursuant to an individual waiver of the rules and regulations of the Federal Communications Commission, as such rules and regulations were in effect on April 15, 1976.

"(C) In the event of any change in the rules and regulations of the Federal Communications Commission with respect to syndicated and sports program exclusivity after April 15, 1976, the rates established by section 111(d)(1)(B) may be adjusted to assure that such rates are reasonable in light of the changes to such rules and regulations, but any such adjustment shall apply only to the affected

television broadcast signals carried on those systems affected by the change.

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

"(E) With respect to proceedings under subparagraph (A) or (D), petitions under subsection (a) may be filed during 1995 and in each subsequent fifth calendar year.

"(F) With respect to proceedings under subparagraph (B) or (C), petitions under subsection (a) may be filed within 12 months after an event described in either such subsection. Any change in royalty rates made pursuant to subparagraph (B) or (C) may be reconsidered in 1995 and each fifth calendar year thereafter, in accordance with subparagraph (B) or (C), as the case may be.

"(2) PHONORECORDS.—With respect to proceedings to adjust the copyright royalty rates in section 115, petitions under subsection (a) may be filed in 1997 and in each subsequent tenth calendar year.

"(3) COIN-OPERATED PHONORECORD PLAYERS.—If a negotiated license authorized by section 116 is terminated or expires and is not replaced by another license agreement under such section, the Register of Copyrights shall, upon petition filed under subsection (a) within 1 year after such termination or expiration, convene a copyright arbitration royalty panel. The arbitration panel shall promptly establish an interim royalty rate or rates for the public performance by means of a coin-operated phonorecord player of non-dramatic musical works embodied in phonorecords which had been subject to the terminated or expired negotiated license agreement. Such rate or rate shall be the same as the last such rate or rates and shall remain in force until the conclusion of proceedings by the arbitration panel, in accordance with section 802, to adjust the royalty rates applicable to such works, or until superseded by a new negotiated license agreement, as provided in section 116(c).

"(4) NONCOMMERCIAL BROADCASTING.—A copyright arbitration royalty panel may commence proceedings to adjust the copyright royalty rates in section 118 as provided in that section.

"(5) DIGITAL AUDIO RECORDING.—The Register of Copyrights shall make adjustments to royalty payments under section 1004(a)(3) as provided in that section.".

(d) DISTRIBUTION OF COPYRIGHT ROYALTIES.—Section 804 of title 17, United States Code, is amended to read as follows:

"§ 804. Distribution of copyright royalties

"The distribution of royalties under this title shall be as provided in section 111(d)(4), 119(b)(4), and 1007.".

(e) REPEAL.—Sections 805 through 810 of title 17, United States Code, are repealed.

(f) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 8 of title 17, United States Code, is amended to read as follows:

"Sec. 801. Copyright arbitration royalty panels: establishment and purpose.
"Sec. 802. Membership and proceedings of copyright arbitration royalty panels.
"Sec. 803. Adjustment of compulsory license rates.
"Sec. 804. Distribution of copyright royalties.".

SEC. 202. JUKEBOX LICENSES.

(a) REPEAL OF COMPULSORY LICENSE.—Section 116 of title 17, United States Code, and the item relating

to section 116 in the table of sections at the beginning of chapter 1 of such title, are repealed.

(b) NEGOTIATED LICENSES.—(1) Section 116A of title 17, United States Code, is amended—

(A) by redesignating such section as section 116;

(B) by striking subsection (b) and redesignating subsections (c) and (d) as subsections (b) and (c), respectively;

(C) in subsection (b)(2) (as so redesignated) by striking "Copyright Royalty Tribunal" and inserting "Register of Copyrights";

(D) in subsection (c) (as so redesignated)—

(i) in the subsection caption by striking "ROYALTY TRIBUNAL" and inserting "ARBITRATION ROYALTY PANEL"; and

(ii) by striking "the Copyright Royalty Tribunal" and inserting "a copyright arbitration royalty panel"; and

(E) by striking subsections (e), (f), and (g).

(2) The table of sections at the beginning of chapter 1 of title 17, United States Code, is amended by striking "116A" and inserting "116".

SEC. 203. PUBLIC BROADCASTING COMPULSORY LICENSE.

Section 118 of title 17, United States Code, is amended—

(1) in subsection (b)—

(A) by striking the first 2 sentences;

(B) in the third sentence by striking "works specified by this subsection" and inserting "published nondramatic musical works and published pictorial, graphic, and sculptural works";

(C) in paragraph (1)—

(i) in the first sentence by striking ", within one hundred and twenty days after publication of the notice specified in this subsection,"; and

(ii) by striking "Copyright Royalty Tribunal" each place it appears and inserting "Register of Copyrights";

(D) in paragraph (2) by striking "Tribunal" and inserting "Register of Copyrights";

(E) in paragraph (3)—

(i) by striking the first sentence and inserting the following: "In the absence of license agreements negotiated under paragraph (2), the Register of Copyrights shall, pursuant to section 803, convene a copy-

right arbitration royalty panel to determine and publish in the Federal Register a schedule of rates and terms which, subject to paragraph (2), shall be binding on all owners of copyright in works specified by this subsection and public broadcasting entities, regardless of whether such copyright owners have submitted proposals to the Register of Copyrights.";

(ii) in the second sentence—

(I) by striking "Copyright Royalty Tribunal" and inserting "copyright arbitration royalty panel"; and

(II) by striking "clause (2) of this subsection" and inserting "paragraph (2)"; and

(iii) in the last sentence by striking "Copyright Royalty Tribunal" and inserting 'Register of Copyrights"; and

(F) by striking paragraph (4);

(2) by striking subsection (c); and

(3) in subsection (d)—

(A) by redesignating such subsection as subsection (c);

(B) by striking "to the transitional provisions of subsection (b)(4), and"; and

(C) by striking "Copyright Royalty Tribunal" and inserting "copyright arbitration royalty panel".

SEC. 204. SECONDARY TRANSMISSIONS BY SUPERSTATIONS AND NETWORK STATIONS FOR PRIVATE VIEWING.

Section 119 of title 17, United States Code, is amended—

(1) in subsection (b)—

(A) in paragraph (1) by striking ", after consultation with the Copyright Royalty Tribunal," each place it appears;

(B) in paragraph (2) by striking "Copyright Royalty Tribunal" and inserting "Register of Copyrights";

(C) in paragraph (3) by striking "Copyright Royalty Tribunal" and inserting "Register of Copyrights"; and

(D) in paragraph (4)—

(i) by striking "Copyright Royalty Tribunal" each place it appears and inserting "Register of Copyrights";

(ii) by striking "Tribunal" each place it appears and inserting "Register"; and

(iii) in subparagraph (C) by striking "conduct a proceeding" in the last sentence and inserting "convene a copyright arbitration royalty panel"; and

(2) by striking subsection (c) and inserting the following:

"(c) DETERMINATION OF ROYALTIES.—The royalty fee payable under subsection (b)(1)(B) shall be that established by the Copyright Royalty Tribunal on May 1, 1992, as corrected on May 18, 1992.".

SEC. 205. CONFORMING AMENDMENTS.

(a) CABLE COMPULSORY LICENSE.—Section 111(d) of title 17, United States Code, is amended as follows:

(1) Paragraph (1) is amended by striking ", after consultation with the Copyright Royalty Tribunal (if and when the Tribunal has been constituted),".

(2) Paragraph (1)(A) is amended by striking ", after consultation with the Copyright Royalty Tribunal (if and when the Tribunal has been constituted),".

(3) Paragraph (2) is amended by striking the second and third sentences and by inserting the fol-

lowing: "All funds held by the Secretary of the Treasury shall be invested in interest-bearing United States securities for later distribution by the Register in the event no controversy over distribution exists, or by a copyright arbitration royalty panel in the event a controversy over such distribution exists. The Register shall compile and publish on a semi-annual basis, a compilation of all statements of account covering the relevant 6-month period provided by paragraph (1) of this subsection.".

(4) Paragraph (4)(A) is amended—

(A) by striking "Copyright Royalty Tribunal" and inserting "Register of Copyrights"; and

(B) by striking "Tribunal" and inserting "Register".

(5) Paragraph (4)(B) is amended to read as follows:

"(B) After the first day of August of each year, the Register of Copyrights shall determine whether there exists a controversy concerning the distribution of royalty fees. If the Register determines that no such controversy exists, the Register shall, after deducting the Copyright Office's reasonable administrative costs under

this section, distribute such fees to the copyright owners entitled, or to their designated agents. If the Register finds the existence of a controversy, the Register shall, pursuant to chapter 8 of this title, convene a copyright arbitration royalty panel to determine the distribution of royalty fees.".

(6) Paragraph (4)(C) is amended by striking "Copyright Royalty Tribunal" and inserting "Register of Copyrights".

(b) AUDIO HOME RECORDING ACT.—

(1) ROYALTY PAYMENTS.—Section 1004(a)(3) of title 17, United States Code, is amended—

(A) by striking "Copyright Royalty Tribunal" and inserting "Register of Copyrights"; and

(B) by striking "Tribunal" and inserting "Register".

(2) DEPOSIT OF ROYALTY PAYMENTS.—Section 1005 of title 17, United States Code, is amended by striking the last sentence.

(3) ENTITLEMENT TO ROYALTY PAYMENTS.—Section 1006(c) of title 17, United States Code, is amended by striking "Copyright Royalty Tribunal"

and inserting "Register of Copyrights shall convene a copyright arbitration royalty panel which".

(4) PROCEDURES FOR DISTRIBUTING ROYALTY PAYMENTS.—Section 1007 of title 17, United States Code, is amended—

(A) in subsection (a)(1) by striking "Copyright Royalty Tribunal" and inserting "Register of Copyrights";

(B) in subsection (b)—

(i) by striking "Copyright Royalty Tribunal" and inserting "Register of Copyrights"; and

(ii) by striking "Tribunal" each place it appears and inserting "Register"; and

(C) in subsection (c)—

(i) by striking the first sentence and inserting "If the Register finds the existence of a controversy, the Register shall, pursuant to chapter 8 of this title, convene a copyright arbitration royalty panel to determine the distribution of royalty payments."; and

(ii) by striking "Tribunal" each place it appears and inserting "Register".

(5) ARBITRATION OF CERTAIN DISPUTES.—Section 1010 of title 17, United States Code, is amended—

(A) in subsection (b)—

(i) by striking "Copyright Royalty Tribunal" and inserting "Register of Copyrights"; and

(ii) by striking "Tribunal" each place it appears and inserting "Register";

(B) in subsection (e) by striking "Copyright Royalty Tribunal" each place it appears and inserting "Register of Copyrights";

(C) in subsection (f)—

(i) by striking "Copyright Royalty Tribunal" each place it appears and inserting "Register of Copyrights";

(ii) by striking "Tribunal" each place it appears and inserting "Register"; and

(iii) in the third sentence by striking "its" and inserting "the Register's"; and

(D) in subsection (g)—

(i) by striking "Copyright Royalty Tribunal" and inserting "Register of Copyrights"; and

(ii) by striking "Tribunal" each place it appears and inserting "Register".

TITLE III—GENERAL PROVISIONS

SEC. 301. EFFECTIVE DATE.

(a) TITLE I.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by title I take effect on the date of the enactment of this Act.

(2) SECTION 103.—The amendments made by section 103 take effect on January 1, 1994.

(b) TITLE II.—The amendments made by title II take effect on January 1, 1994.

(c) EFFECTIVENESS OF EXISTING RATES AND DISTRIBUTIONS.—All royalty rates and all determinations with respect to the proportionate division of compulsory license fees among copyright claimants, whether made by the Copyright Royalty Tribunal, or by voluntary agreement, before the effective date set forth in subsection (b) shall remain in effect until modified by voluntary agreement or pursuant to the amendments made by this Act.

ADDITIONAL SUBMISSIONS FOR THE RECORD

LORI ADAMSKI-PEEK,
PHOTOGRAPHER,
Park City, UT, April 14, 1993.

Hon. ORRIN HATCH,
U.S. Senate, Washington, DC.

DEAR MR. HATCH: As a professional photographer in Park City, Utah and a member of the American Society of Media Photographers (ASMP), I would like to thank you for your support of photographers and all other individual creators. I would also like to express my concern for The Copyright Reform Act of 1993 (S. 373). By introducing this act, you have addressed a major flaw in the current copyright law and have provided for a more cost effective implementation of the law's protecting the photographers' rights.

Like most photographers, I produce thousands of images a year. The registration of each individual image becomes virtually impossible when time constraints, limited staff and the complicated forms are taken into consideration. The current law which requires registration to take place prior to infringement in order to qualify for statutory damages and legal fees is clearly not in the photographers' best interest and protection.

Infringers are clearly aware of the fact that it is an extreme financial burden to be represented legally without the ability to collect statuary damages and legal fees; the potential damage awards hardly seem worth it. The current regulations seem to pave the way for our works to be abused.

I give you my full support with your efforts to protect our copyright laws. Thank you.

Sincerely,

LORI ADAMSKI-PEEK.

JIM MARIE PHOTOGRAPHY,
PURPLE MESA PRODUCTIONS,
Salt Lake City, UT, October 14, 1993.

Hon. ORRIN HATCH,
Subcommittee on Patents, Copyrights and Trademarks,
U.S. Senate, Washington, DC.

DEAR MR. HATCH: I am a professional photographer and owner of my own business in Salt Lake City. I am writing to urge you to support *The Copyright Reform Act of 1993, S. 373.* This bill will provide the means for better enforcement against copyright infringement and will streamline the Copyright Office bureaucracy, thereby saving tax dollars (yours and mine).

Like many professional photographers, I produce thousands of individual images each year, to be more specific I produced 1,436 images in the last 30 days! Time constraints, limited staff (I am the chief cook and bottle washer in my business) and complicated forms make registration of each photograph a virtual impossibility. Because registration is required prior to infringement in order to qualify for statutory damages and legal fees, the remedies afforded under the current law are mostly a sad joke.

Yes, the Copyright is mine, but without the ability to collect statutory damages and legal fees, the financial burden of legal representation becomes overwhelming—far outweighing potential damage awards. What attorney would take a case when the damages will only be in the $300 to $1,000 range?

So what happens? Most photographers are unable to register their images because it just is not feasible. We take the risk and occasionally lose. It hasn't happened to me yet but with the law the way it is now I realize it is just a matter of time (I do know of other photographers that it has happened to). Unethical businesses that know of this loophole not only will but do profit from it!

I urge you to promote the correction of injustice in this situation by supporting the passage of this crucial bill, Thank You.

Sincerely,

JIM MAIRE.

DEREK SMITH,
PHOTOGRAPHER,
Salt Lake City, UT, October 13, 1993.

Hon. ORRIN HATCH,
Subcommittee on Patents, Copyrights and Trademarks,
U.S. Senate, Washington, DC.

DEAR MR. HATCH: I am writing to urge your continued support of the Copyright Reform Act of 1993, S. 373.

I am a professional photographer working out of Salt Lake City and I believe this bill will provide for better enforcement against copyright infringement. It will also streamline the Copyright Office workload and save tax dollars.

Like many other photographers I produce thousands of individual photos every year. Time constraints, limited staff, and complicated forms make registration of each photograph impossible. Because registration is required prior to infringement in order to qualify for statutory damages and legal fees, the remedies afforded under the current law are mostly an illusion. It is just not practical to register all of the images I make with the copyright office, if did, they would have to hire an extra person just to handle all the work my studio alone would be sending in.

Without the ability to collect statutory damages and legal fees, the expense of legal representation becomes too great, making it impractical to litigate. The expenses of going to court far outweigh the potential damage awards.

The current law makes it too easy for infringers to steal our images.

Your strong support of this bill is crucial.

Sincerely,

DEREK SMITH.

P.S. I very much appreciate your ongoing efforts to keep vitamins and food supplements available without prescriptions.

SKYLIGHT IMAGES,
TED DEAN, PHOTOGRAPHER,
Park City, UT.

Hon. ORRIN HATCH,
U.S. Senate, Washington, DC.

DEAR SENATOR: I am a small business owner. My business provides editorial and advertising photographic services. I would like to urge your support of The Copyright Reform Act of 1993 (S. 373.) My business is extremely competitive. I don't mind dealing with fair competition, but the way the law is currently written I have to be concerned with theft of my services. At the present time, I am required to register every image I produce. This is almost impossible for a small business owner like myself. Without registration, I cannot collect statutory damages or legal fees in the case of copyright infringement. Potential infringers know that a small businessperson, like myself, could not afford to defend myself against copyright infringement (aka theft of my services.)

Another benefit of this bill is that the paperwork and corresponding workload of the Copyright Office will be reduced. This will save tax dollars and hopefully contribute to the reduction of the deficit.

Your strong support of this bill would be greatly appreciated. Thank you for your time and consideration.

Sincerely,

TED DEAN.

DAVID C. SCHULTZ,
PHOTOGRAPHER,
Park City, UT, June 22, 1993.

Hon. ORRIN HATCH,
U.S. Senate, Washington, DC.

DEAR SENATOR HATCH: I'm writing in regard to The Copyright Reform Act of 1993, S. 373.

Being a professional commercial photographer I have a great interest in this bill and hope that you will support it. My business involves sending out thousands of images each year to clients around the world, many of which I've had no personal contact or previous working relationship with by which to make a character judgment on. That's part of doing business but it unfortunately affords a greater oppor-

tunity for unlicensed usage of these images. The amount of time and paperwork involved in the registration of this large number of photos is not only a great burden to myself but also to the Copyright Office. Passage of this bill would save both parties a great deal of wasted time not to mention a few taxpayer dollars by streamlining the procedure.

The age of computer-enhanced imaging and the ability to manipulate and piece together several photos and other art forms electronically has become readily available and common practice. This is a major concern of many artist since it makes the temptation for violation of our rights more.attractive.

If our work is not registered with the Copyright Office our inability to collect statutory damages and legal fees for these violations will often make the difference in whether or not we can afford to prosecute. This again adds to the attraction to the illegal use of our work.

Your support of this bill will be very much appreciated. Thank you very much for your time and interest.

Sincerely,

DAVID C. SCHULTZ,
Photographer.

MARK D. MAZIARZ,
PHOTOGRAPHY,
Park City, UT, July 8, 1993.

Hon. ORRIN HATCH,
U.S. Senate, Washington, DC.

DEAR SENATOR HATCH: Your support of The Copyright Reform Act of 1993 (S. 373) is very important and maybe even crucial to my continued work as a freelance stock photographer.

As the current law reads, I am unable to collect statutory damages and legal fees in case I were to seek legal action against someone who used one of my images illegally, unless I register each of the two to three thousand images I make this year with the Copyright Office. The work entailed in registering this number of images is overwhelming, while the possibility of illegal use of one of my images is high, considering that by the nature of the business I am required to send images to clients on a speculative basis, with no guarantee that they will not use an image without my knowledge.

This bill will, most importantly, facilitate the enforcement of copyright infringement, which is of utmost importance to me as a maker of creative pieces. Secondly, the bill will save my tax dollars by streamlining the Copyright Office's operations. Of course, since the bill will free up the time required by me to submit material to the Copyright Office, I can use this time to better market my photographic services, thereby increasing my income and, consequently, my taxes paid to the government. So, you see Senator Hatch, it's a win-win situation for everybody.

Thank you for your time and I surely hope you will help me and the hundreds of thousands of others who will benefit from your support of the Copyright Reform Act of 1993.

Sincerely,

MARK D. MAZIARZ.

NATIONAL SCHOOL BOARDS ASSOCIATION,
OFFICE OF THE GENERAL COUNSEL,
Alexandria, VA, November 15, 1993.

Hon. DENNIS DECONCINI,
Subcommittee on Patents, Copyrights and Trademarks,
U.S. Senate, Washington, DC.

SUBJECT: NSBA STATEMENT ON S. 373

DEAR CHAIRMAN DECONCINI: NSBA wishes to express its opposition to the repeal of Section 412 of the copyright law. Our opposition is based on the following:

- Public policy is far more important in the field of copyright than a matter of discussion of the idiosyncracies of copyright law of the Berne Convention. From the very beginning U.S. Copyright law has been based on the philosophy of granting a limited monopoly to promote the progress of science and the arts. This philosophy was best said by the U.S. Supreme Court in 1974:

> The limited scope of the copyright holder's statutory monopoly, like the limited copyright duration required by the constitution, reflects a balance of competing claims upon the public interest: creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and other arts. *Twentieth Century Music Corp.* v. *Aiken* 422 U.S. 151, 156 (1974).

An owner of a copyright may constitutionally be subject to terms and conditions just as an owner of any other monopoly can be subject to the terms and conditions. It should not surprise anyone that a person who owns a monopoly does not wish to have any conditions placed on that monopoly—therefore, their objections to Section 412. The formalities found in Section 412 make sense in terms of sound public policy for several reasons:

- First—the acquisitions for the Library of Congress. This is no more of a burden on the owner of a copyright than the burden on the owner of real property who is told if he or she wishes to develop that property, a portion has to be set aside for rights of way, schools or libraries.
- Second—those of us in education and scholarship need the information and protection that section 412 affords, such as information on authority, dates of creation and publication, etc.
- If Section 412 were repealed, we, in education, do not have the resources to determine who has what copyright, particularly when the material which we have found and wish to use is imprecise. Thus, we will not be able to seek permissions but will be at risk for an infringement action. The pressure for a school district to settle the suit will be tremendous, attorneys fees for prevailing plaintiffs are almost automatic, attorneys fees for the prevailing defendant are almost non existent.
- Finally, any change in Section 412 should be considered in a much broader context—civil justice reform. In the past several years the Senate Judiciary Committee has been wrestling with concern relating to the proliferation of litigation, cost of litigation, changes in the Federal Rules of Civil Procedure, etc. The repeal of Section 412 will undoubtedly bring an increase in litigation with the promise of attorneys fees and statutory damages, especially in the field of scholarship. The National School Boards Association would support a broader review of the issue of attorneys fees—particularly to include any prevailing party where a judgment materially alters the relationship between the parties. See *Farrar* v. *Hobby,* 113 S.Ct. 566 (1992).

The Berne Convention continues to be an issue on any copyright issue—the question to be asked is *why?* U.S. law should be based on what is best for U.S. policy, not what exists at W.I.P.O. I was a member of the committee of experts to urge the U.S. to join Berne because it was good policy supporting U.S. interests. However, that does not mean that every change in domestic law has to be based on Berne philosophy. We are members of Berne and no one rationally can contend that Section 412 takes us out of compliance.

It would appear to us at NSBA that whatever perceived problems are attributed to Section 412, the solution is not necessarily the repeal of the section. We believe that an adjustment in the registration procedures, perhaps through changes in Section 408 regulation, is a far better course of action and the Register should be urged to seek those changes.

Sincerely,

AUGUST W. STEINHILBER,
General Counsel.

U.S. DEPARTMENT OF COMMERCE,
OFFICE OF THE GENERAL COUNSEL,
Washington, DC, November 1, 1993.

Hon. DENNIS DECONCINI,
Subcommittee on Patents, Copyrights and Trademarks,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: Thank you for your request for the Administration's position on the repeal of sections 411(a) and 412 of the Copyright Act, which is proposed in S. 373.

Section 411(a) requires U.S. and non-Berne country copyright owners to register the copyright in their works before bringing an infringement action. Section 412 denies statutory damages and attorneys' fees to any of those copyright owners who did

not register their works before the time of infringement (or within three months of publication). The Administration believes that sections 411(a) and 412 of the Copyright Act should be repealed to correct several inequities in the Copyright Act.

The repeal of section 411(a) will provide all copyright owners equal access to U.S. courts. U.S. copyright owners are currently placed at a disadvantage, since foreign authors from Berne Convention countries do not have to register before bringing an infringement action. At a time when the United States is asking its trading partners to eliminate formalities and impediments to effective enforcement in their copyright laws, we should eliminate this unnecessary hoop through which we require U.S. copyright owners to jump.

The repeal of section 412 will ensure that infringement of *any* copyrighted work will carry with it the possibility of statutory damages and attorneys' fees, thus deterring infringement and encouraging settlements. Many copyright owners, particularly individuals and small businesses who may not seek the aid of legal counsel *until* their works are infringed, are unaware that under section 412 certain remedies will be unavailable to them if they do not register their works *before* their works are infringed. Moreover, certain copyright owners, such as photographers who produce hundreds or thousands of works each year, may not be able to afford the time or money it would take to register each work to ensure that all remedies will be available if and when one of those works is infringed. With the explosion of digital technology, and the ease with which copyright works can now be copied, effective enforcement provisions are of increasing and vital importance.

The repeal of sections 411(a) and 412 will not undermine the voluntary registration system. Substantial incentive for copyright owners to register their works on a voluntary basis remains. The certificate of registration constitutes prima facie evidence of the validity and ownership of the copyright, and provides a public record in the event of any dispute over authenticity, authorship or the date of creation. Further, the proposed legislation does not repeal the mandatory deposit provisions of section 407, which requires that all copyrighted works published in the United States be deposited with the Library of Congress.

We recognize the importance of preserving and continuing to build the record of our intellectual and cultural heritage, and we are mindful of the concerns of the Library of Congress that the remaining incentives will not be sufficient and the repeal of these sections could have a detrimental effect on quality or scope of its collections. Those concerns led the Librarian of Congress to establish the Advisory Committee on Copyright Registration and Deposit (ACCORD). A report of the co-chairs of the ACCORD on the issue of repeal of sections 411 and 412 has now been issued. The Librarian of Congress has also commented on the co-chairs' report in a letter dated October 1, 1993.

We have reviewed the report of the co-chairs of the ACCORD, as well as the Librarian's letter. We note that neither the report nor the Librarian's letter supports the retention of sections 411(a) and 412. The report of the co-chairs includes numerous suggestions. Some of the suggestions are aimed at mitigating any possible adverse effects the repeal of sections 411(a) and 412 might have on the Library's collections or the Copyright Office's records. Others are intended to enhance and strengthen the collections and records further. We support, in principle, the establishment of additional incentives to registration and the improvement of the Library's collections, provided that such actions would not unduly burden copyright owners. Should the Subcommittee decide to consider any of the recommendations contained in the report for inclusion in the legislation, we would welcome the opportunity to assist the Subcommittee in any way.

We have one technical comment with respect to the repeal of section 412. We believe that the legislation should make clear that it would not apply retroactively. A change in the availability of statutory damages and attorneys' fees could have a significant effect on the positions of parties in pending litigation. Therefore, we recommend that the following language be added to S. 373:

> *The amendments made by this Act shall not affect the right of any party in any case pending in court on the date of enactment to have its rights determined on the basis of the law in effect prior to the date of enactment.*

With this minor amendment, and for the reasons outlined above, the Administration believes the repeal of sections 411(a) and 412 of the Copyright Act is in the public interest, and supports the provisions of S. 373 proposing such action.

The Office of Management and Budget advises that it has no objection to the transmittal of this report from the standpoint of the Administration's program.

Sincerely,

CAROL C. DARR,
Acting General Counsel.

MAGAZINE PUBLISHERS OF AMERICA,
Washington, DC, October 19, 1993.

Hon. DENNIS DECONCINI,
Subcommittee on Patents, Copyrights and Trademarks,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: By letter dated May 14, 1993, the Magazine Publishers of America (MPA) submitted to you its initial comments on S. 373, the "Copyright Reform Act of 1993". In that letter (a copy of which is attached for your reference), we indicated that we would be providing you with additional commentary following further analysis of the legislation and assessment of its potential impact. In conjunction with the Subcommittee's October 19, 1993 hearing, we submit the following views on what we understand to be the subject matter of the hearing: the registration-related provisions of S. 373. We request that both this letter and our May 14, 1993 letter be made part of the Subcommittee's permanent record of deliberations on S. 373.

MPA opposes the outright repeal of Section 412 of Title 17 of the United States Code, which requires that works (both published and unpublished) be registered (or that there be an attempt to register) in order for plaintiffs in infringement suits to be eligible for statutory damages and attorney's fees. At the outset, we must say that we find it curious that the "burden of proof" in the ongoing debate over Section 412 seems to have fallen on those defending the existing statutory system, rather than on those advocating the "radical" changes described by Register Oman in his House of Representatives testimony.[1] Nonetheless, MPA believes that there are strong considerations of copyright policy and public policy supporting the retention of the fundamental requirements of Section 412.

LITIGATION-BASED CONCERNS

There can be no doubt that repeal of Section 412 would substantially increase the number of infringement actions, as well as the number of explicit and implicit *threats* of infringement actions. After all, eased access to the courts through the availability of attorney's fees and simplification of litigation through availability of statutory damages are the supporting rationales put forth by the legislation's proponents. An admitted goal of the proponents is to force more settlements. The formalities of copyright apparently are to be replaced by the formalities of litigation.

As we indicated in our May 14 comments, MPA members have been, and will continue to be, both copyright owners and copyright users. They are sometimes plaintiffs and sometimes defendants in infringement cases. Our membership includes both large and small companies. From our perspective, a fundamental objective of copyright law and policy is the maintenance of *balance* in the rights and remedies of all concerned—owners and users, plaintiffs and defendants, and the public at large. It also seems to us that, in the heat of the impassioned pleas for fairness to plaintiffs and owners, too little attention is being paid to the defendants/users side of the "fairness" equation.

Certainly, there is considerable cost in bringing and pursuing an infringement action. But there also is considerable cost in *defending* an infringement action, no matter what the merits of the plaintiffs' allegations. As we all know, awards of attorney's fees to successful defendants are not common (especially when the success is based on "fair use," a defense of critical importance to our industry). If universal availability of statutory damages and attorney's fees for plaintiffs is added to the mix of possible sanctions, the incentive for defendants to settle, rather than to litigate, in the face of all but the most frivolous allegations, will indeed be strong. The resulting encouragement and reward of questionable claims will be injurious both to defendants and to the proper functioning of the copyright system as a whole.

The inhibiting effect on the use of pre-existing works will be especially profound. Particularly in our industry, with its inflexible publication deadlines and editorial

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[1] Statement of Ralph Oman, Register of Copyrights, Before the Subcommittee on Intellectual Property and Judicial Administration, Committee on the Judiciary, U.S. House of Representatives, March 4, 1993 [hereinafter, "Oman"], at 3.

time pressures, whenever such decisions must be made (as they are almost daily), the tendency will be to make the most conservative decision about the use of a pre-existing work, or to avoid such use at all in order to avoid the substantially increased risk of litigation posed by the repeal of Section 412's registration requirements.

Another issue of fundamental fairness to defendants is the matter of notice. The decision to make copyright protection formality-free has long since been made. All works—no matter the degree of creativity or substantiality—are copyrighted upon fixation without any notice requirement. Nonetheless, it seems to us *not* unfair to require, as Section 412 does, that copyright owners create some public record of their claim to ownership as a condition of access to the extraordinary judicial remedies of statutory damages and attorney's fees. The other Berne nations are also formality-free, but how many other Berne nations provide these remedies?[2] Published works, at least, usually carry some clues to copyright ownership and status. But if S. 373 is enacted, *for the first time in American copyright history,* works which are not published, carry no notice, and are not registered will be the subjects of claims for statutory damages and attorney's fees. (In this respect, Section 412 is *not* the historical aberration which the bill's proponents claim it to be.)

THE REGISTRATION SYSTEM

To our knowledge, no party to the ongoing debate over S. 373 disputes the efficacy of the existing registration system. It has resulted in the finest, most comprehensive library collection of published and unpublished works in the world—and an accompanying public record of incalculable value. Also, to our knowledge, no one has yet produced evidence that Section 412 is not the powerful and effective incentive to register which Congress intended it to be. Additionally, we believe that there is widespread agreement that the physical and monetary demands of registration and deposit in some limited instances and for some limited classes of copyright owners can be burdensome, and, in conjunction with the requirements of Section 412, can on occasion result in certain difficulties for copyright owners.

Looking at these facts as a whole, especially the overwhelming public benefits of the registration system and the role which Section 412 plays in that system, it is clear to us that the solution to the problem of occasional difficulties for limited classes of copyright owners is *not* to repeal Section 412—with the enormous risks that repeal would entail—but to refine and fine tune the registration process itself. Indeed, the core arguments made by the bill's proponents are based on the burdens of registering, not on the requirements of Section 412. The Copyright Office already has broad regulatory authority under Section 408 to deal with such narrow concerns. In addition, perhaps some limited refinement to the statute itself could be made. If there are some identifiable problems with the mechanics of the registration system for a limited class of copyright owners, let's fix them. But let's not rip out the entire engine in the process.[3]

Another registration-related issue upon which we wish to comment (an issue also related to the litigation-based concerns which we have) is the matter of the "screening" function performed by the Copyright Office during the registration process. There can be no reasonable doubt that repeal of Section 412 would reduce the number of registration applications submitted to the Office for screening and approval or rejection. The debate on this point has been focused on the worth of the "screening" function itself. Proponents of the legislation argue that little or nothing will be lost by diminution of this function, it being merely a ministerial, paper-processing procedure. We believe, to the contrary, that the warning issued by the now-silenced voice of the individual best situated to render such a judgment—Register Oman—should be heeded. His view of the worth of the "screening" process, and what would be lost by reducing its use, is far different from that of the bill's proponents. In discussing the types of alleged "works" screened-out by the Office during the registration process, Oman stated in his March testimony before the House subcommittee:

> The central principle underlying the list of exclusions is that these elements represent the basic building blocks of human expression. Monopoly claims on the building blocks of expression subject all citizens to harassing

[2] According to Register Oman, "No other country awards statutory damages for infringement of copyright. This is an extraordinary remedy that until now has only been justified because it applied to registered works." Oman, *Supra* note 2, at 3.

[3] Of course, there may be parties who will not wish to register under any circumstances or conditions. Realistically, it should be borne in mind, these parties cannot be expected to comply willingly with any of the voluntary or mandatory deposit requirements being advocated as substitutes for Section 412.

> copyright infringement suits for exercising basic First Amendment freedoms, and engaging in legitimate business enterprises. The copyright registration system screens out those claims * * *. The proposed Reform Act effectively abolishes this entire process of front end screening of copyright claims.[4]

The bill's diminution of the "screening" process, combined with its provision for eased access to attorney's fees and statutory damages, can only result in a litigation explosion. Anyone who does not believe that baseless or borderline suits will be threatened and filed under the new system in hopes of leveraging settlements is naive. In a nation already plagued by an overabundance of litigation, we should be absolutely sure that there are no better ways to resolve copyright claims short of litigation before opening the floodgates to even more.

FAIR USE CONCERNS

Only last year, under the leadership of senior members of the Senate Judiciary Committee, the Congress struck a firm blow for sound copyright policy—and First Amendment policy—by pushing to enactment Public Law 102–492, rectifying erroneous and damaging judicial interpretations of the "fair use" doctrine. We fear that, if you ultimately give approval to S. 373, you effectively will have reversed yourselves.

As discussed above in our comments on litigation-related issues, we see repeal of Section 412 as having an unavoidably inhibiting impact on the use of pre-existing works. The inherent uncertainty of a totally formality-free environment, combined with the looming threat of statutory damages and attorney's fees, naturally will cause any sensible publisher, editor, or writer to exercise extreme caution in considering any use of a pre-existing work, no matter what the purpose or extent of the use. The problem is only exacerbated when considering "fair use" issues. Fair use is by its very nature a defense to a charge of infringement. A fair use is openly and admittedly an unauthorized use of a pre-existing, copyrighted work. It is an inherently risky proposition for the unauthorized publisher of such materials. As mentioned above, mounting *any* defense in an infringement case is costly. The problem is compounded in fair use cases, where the chances of recovering attorney's fees, even after mounting a successful fair use defense, are exceedingly slim.

Those who rely on the "fair use" defense already run the risk under existing law of having to pay statutory damages and attorney's fees if their use of registered works is not sustained by the courts. If unregistered works—especially unpublished ones—become subject to awards of statutory damages and plaintiff's attorney's fees under S. 373, the risk of reliance upon the "fair use" defense will increase dramatically, with a proportionately chilling effect on the use of pre-existing works, and dilution of the fair use doctrine itself. The public store of information and knowledge—as well as the quality of debate and discussion over important public issues—can only suffer.

To illustrate this point, we refer to an example used by MPA's witness (Kenneth M. Vittor, Vice President and Associate General Counsel of McGraw-Hill, Inc.) during the House hearings on the aforementioned "fair use of unpublished works" legislation.

> In this hypothetical, suppose a magazine journalist for a business magazine researching allegations regarding a corporation's controversial financial practices receives in the mail an unsolicited copy of an internal employee memo from the corporation's files. The revealing memo substantiates an employee's claims to the magazine reporter that the corporation has engaged in illegal conduct. For example, assume that the internal corporate memo describes an elaborate financial scheme apparently designed to avoid the corporation's financial disclosure obligations under the federal securities and the foreign corrupt practices laws. As a responsible journalist, the reporter approaches the corporation for comment prior to publication of the article which will include selected—but devastating—quotations from the damaging memo. In response, the corporation not only threatens to sue the magazine for libel but, as the owner of the copyright in the internal employee memo, proceeds to file a copyright infringement claim in New York

[4] Oman, *Supra* note 1, at 15.

prior to publication seeking to enjoin the publication of the article and the magazine on the grounds of copyright infringement.[5]

In that context, the purpose of the example was to illustrate the impact of a then-existing effective judicial ban on the use of unpublished works. You remedied that problem with Public Law 102–492. But let us see how the same fact pattern would be affected by enactment of S. 373 and repeal of Section 412. Under current law, the corporation could attempt to register the memorandum with the Copyright Office and then sue the journalist and/or the magazine for infringement. But statutory damages and attorney's fees would not be available to the corporation. The corporation would be hard-pressed to prove actual damages. Under S. 373, the corporation would not have to bother even attempting to register. It could go directly to federal court, file an infringement suit, *and* demand statutory damages and attorney's fees from the journalist and/or magazine. The chilling effect of such a prospect—especially on the activities of individual writers and journalists and smaller publications—is readily apparent. The Copyright Act is not intended to be used as a censorship tool or a privacy act. Repeal of Section 412, unfortunately, would facilitate such impermissible uses.

THE RUSH TO JUDGMENT

On September 15, 1993, the co-chairs of ACCORD issued their report to the Librarian of Congress, Dr. Billington. On October 1, Dr. Billington submitted his views and recommendations to Congress. If one message to the Congress can be gleaned from any fair reading of these documents, it is this: do not rush to judgment on the repeal of Section 412. The stakes are too high. The alternatives are untested and unfunded. There is deep and genuine controversy among objective experts about the issue. ACCORD itself could reach no consensus. Its members "agreed to disagree".[6] In all likelihood, there are solutions to the stated problems short of repealing the registration requirements. Such solutions should be tried before pursuing the draconian solution offered in S. 373's repeal of the registration requirements.

For all the reasons stated in this document, MPA believes that Section 412 should not be repealed. But no matter what decision you ultimately make, we urge you to proceed with care and caution. More and more thoughtful individuals and vitally interested organizations are becoming engaged in the debate each day on all sides of the issues. The outcome of this debate is too important to be short-circuited by the imposition of arbitrary and unnecessary deadlines regarding the repeal of a key element of the Copyright Act which has served the public interest so well for so many years. MPA pledges its continuing cooperation in this effort.

Sincerely yours,

GEORGE GROSS,
Executive Vice President.

STATEMENT OF ANDREW FOSTER, JR., ON BEHALF OF THE PROFESSIONAL PHOTOGRAPHERS OF AMERICA

Mr. Chairman and Members of the Subcommittee: My name is Andrew Foster, Jr. I am Executive Director of the Professional Photographers of America ("PPA"). PPA is the largest association of professional photographers in the United States, with some 16,000 members throughout the nation. We represent photographers in all fields of professional photography, including portrait photography and commercial and magazine photography [any others worth noting]. I am pleased to convey PPA's unqualified support for the repeal of sections 411(a) and 412 of the Copyright Act as proposed by the Copyright Reform Act of 1993.

The lifeblood of a professional photographer is the exclusive rights granted by copyright to sell copies of his or her work and to grant rights to others to reproduce and distribute that work. Unauthorized copying strikes at the photographer's economic heart.

I can describe the practical problems of photographers and their practical concerns over the copyright laws. I am not a copyright lawyer, and do not pretend to be in a position to opine on legal questions.

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[5] *Hearings Before the Subcommittee on Intellectual Property and Judicial Administration, Committee on the Judiciary, U.S. House of Representatives, 102d Congress, 1st Session, Serial No. 94 (1991),* at 69.

[6] Letter of the Co-Chairs of ACCORD to the Librarian of Congress transmitting the Report of the Co-Chairs of ACCORD, September 15, 1993, at 1.

Because of the importance of copyright to our members, PPA has become increasingly active in protecting and enforcing those copyrights and in educating the public concerning the rights of photographers. Our members feel so strongly about this problem that, for the past several years, they have imposed a special assessment on themselves to fund these efforts. We have met with much success in both litigation and education.

Unfortunately, we have also met with much frustration. This frustration has been directly caused by the sections of the Copyright Act you are considering repealing today, sections 411(a) and 412 and their requirements of advance copyright registration as a prerequisite for meaningful copyright protection.

To understand the mischief caused by these requirements, you must understand the realities of professional photography. Most professional photographers are small businessmen and women operating on very tight margins. This means two things: (1) every sale is important, and (2) there is no spare money or time to spend on lawyers or on burdensome bureaucratic requirements that may prove to have been a waste of time.

For these people the registration requirement is truly burdensome. A typical professional photographer takes dozens, or even hundreds of photographs each working day. At the time the photographs are taken, it is impossible to know which will be valuable, which customers will want, and which is likely to be infringed. To obtain the full protection of copyright, the photographer currently must register virtually every one of those photographs. Of course, with respect to the great majority of photographs, this effort will prove to have been a complete waste of time.

And what does registration require. It requires the photographer to make an extra images of literally every work for deposit with the Copyright Office. Where the photograph is considered to have been published, an issue which my lawyers advise me is often uncertain under the law, the photographer must fill out a two page form and pay a $20.00 fee for each photograph!

For small business people trying to squeeze value out of every hour, since it is the last dollars earned that go to the bottom line, these tasks are an impractical burden.

Then there are photographers who simply can not register their works. It is common practice in some fields of photography for the photographer to turn the film over to the client for processing and use. The photographer has nothing to deposit with the Copyright Office; nothing to register.

Moreover, so far as PP of A can tell, advance registration serves no useful purpose. Infringers do not check with the copyright office before copying. Nor could such a check assure lawfulness, since copying remains unlawful even if the image is not registered. So photographers are being asked to bear an essentially pointless burden.

One service PPA provides for our members is the opportunity to talk to one of the PPA copyright lawyers about apparent infringements. Our lawyers tell me that, time after time, they have to tell the photographer that a clear case of infringement has occurred but that nothing can be done. While the photographer can theoretically register the photograph (assuming it is still in his or her possession) and sue for actual damages, that is simply not economically viable in the absence of statutory damages and attorneys fees. After all, the actual damages caused by any single act of copying is usually small. It is the cumulative effect of repeated copying (which is often undetected, or involves works that are not identified) that creates the problem.

Even where the individual photograph is particularly valuable, say with actual damages of $1,500, litigation is not a viable option. How many hours of a copyright lawyer's time can you buy for $1,500? Not enough to bring a copyright suit, I can assure you.

What this means is that our lawyers have to tell our members:

> Yes, you have a clear right given to you by Congress. Yes, that right has clearly been violated and you have been wronged. Unfortunately, there is no meaningful remedy.

You have no idea how strongly that news affects the typical photographer. Frankly, he or she feels betrayed by the legal system and convinced that whoever made the law was toying with justice. That is not a good way for citizens to feel.

Now, I hasten to add that routine infringers are taking a real risk. PPA has funded lawsuits against routine infringers and has obtained substantial recoveries. But the suits have cost us hundreds of thousands of dollars, and only the most flagrant infringers can be sued.

Even in these cases of ongoing, routine infringement, the requirement of advance registration has caused great mischief. To make the cases viable, we base them on

copying done in response to investigative orders submitted after warnings have failed. Although this is a time-honored technique, in each case we have brought we have had to deal against claims that we "set up" or participated in the infringement. With one exception—now on appeal—courts, have recognized the necessity of such investigative orders and have rejected motions to dismiss. However, this issue is a major distraction, wastes a lot of resources and diffuses the moral thrust of our suits.

The lawyers tell me that some courts have been raising questions about whether the requirement that a copyright owner register a work prior to suit precludes the granting of meaningful injunctive relief with respect to unregistered works and future works. While I do not fully know the state of the law on this issue, I will say that it is essential that injunctions granted against systematic infringers cover all works of the infringed photographer. By the time an action has been brought with respect to one photograph, it is not likely that the particular photograph will again be infringed. It is the future work of that photographer that is most vulnerable. Any provision of the law that raises doubt about a court's ability to grant meaningful injunctive relief against such copying severely hurts photographers.

In PPA's view, a meaningful right must be protected by a meaningful remedy. Our experience has been that the requirement of prior registration as a condition for obtaining statutory damages and attorney's fees, has deprived most photographers of meaningful copyright protection. We are concerned that the requirement of registration prior to litigation has caused courts to question their ability to grant meaningful injunctive relief. For those reasons, we support the repeal of those requirements.

One final note. I understand that there are other provisions of the Copyright Reform Act of 1993 that are not related to the question of copyright registration. PPA is not affected by those provisions and takes no position on them. However, we believe, whatever the fate of those provisions, that section 102 of the bill is good law, and should be enacted.

Thank you.

STATEMENT OF JENNIFER A. BORASKI ON BEHALF OF SWFTE INTERNATIONAL, LTD.

MEMORANDUM

TO: U.S. Senate,
The Honorable Dennis DeConcini, Chairman,
Subcommittee on Patents, Copyrights and Trademarks.

FROM: Jennifer A. Boraski, Legal Assistant,
Swfte International, Ltd.

DATE: October 19, 1993.

This memorandum serves as a formal statement made by Swfte International, Ltd., a privately held software publishing company with its primary offices located at 722 Yorklyn Road, Hockessin, Delaware, 19707, in response to the proposed "Copyright Reform Act of 1993" (H.R. 897, S. 373), which among other things, would repeal the provisions of 17 U.S.C. Sections 411(a) and 412.

We would first like to thank you for the opportunity to have this statement read before the Committee today. As a small software company located in Hockessin, Delaware, which has been the direct target of a Copyright Infringement action, we would like to express our belief that the repeal of Sections 411(a) and 412 of the "Copyright Reform Act of 1993" would have a negative effect on smaller software companies, which comprise a majority of the software industry, and other small publishers.

Under the present law, 17 U.S.C. Section 411(a), "no action against infringement of the copyright in any work shall be instituted until registration of that copyright claim has been made in accordance with this title." Under the proposal to eliminate Sections 411(a) and 412, a copyright owner will no longer be required to register his/her software before filing an action against any said infringer, or to recover statutory damages and attorney's fees. Some members of The Library of Congress Advisory Committee of Copyright Registration and Deposit as well as the Software Publishers Association ("SPA") support H.R. 897, S. 373 (Section 102), by which the registration requirement will be eliminated. However, we believe that the negative effect the repeal of Sections 411(a) and 412 will have on the software industry and other small publishers, will far outweigh any benefits that the Committee and the SPA are seeking.

The present system of requiring registration of copyrightable clearly works to the favor of smaller companies who are actually protected from predatory lawsuits by

this practice, rather than encumbered by it. As a small company embroiled in such a predatory lawsuit, Swfte International, Ltd. strongly believes that larger companies will use this proposed "carte blanche" copyright system to prey on smaller companies.

The SPA supports the revision (Section 102) and strongly urges that the registration process no longer be a prerequisite to enforcing copyright protection and the award of statutory damages and attorney's fees, on the basis that it will have a significant impact in the war against piracy. Their view is that the requirement to register a copyright has a significant adverse affect on the ability of the software industry to protect its assets against infringers. The SPA has stated that "one of the primary reasons for this impact is that many software businesses (especially the newer and smaller start-up businesses) are simply unaware that their rights and remedies under the Copyright Act are adversely effected if they do not promptly register their newly developed products." (See Statement of the Software Publishers Association on H.R. 897, The Copyright Reform Act of 1993 before the Subcommittee on Intellectual Property and Judicial Administration of the House Committee on the Judiciary U.S. House of Representatives March 3, 1993, (the "Statement"), at p.4). The SPA further states that "while the industry includes several large players, the majority of the software developed and marketed by the industry comes from small start-up/ entrepreneurial ventures, often founded with almost no capital and little more than an idea. Their priorities are developing quality leading-edge software product. As a result, they frequently pay little or no attention to copyright law until they learn of an infringement. It is only then that they learn that any legal proceedings must await while they register their product, and that, in any event, they will be unable to recover statutory damages and attorney's fees." *Id.* In addition, the Copyright Advisory Committee has stated in their Accord—September 1993, "unlike large corporate owners the great majority of individual authors and small copyright owners know little or nothing of copyright requirements, including registration and section 412."

This argument, which seems to be the primary argument of supporters of repeal, seems unfounded. A copyright registration certificate is the best protection that a copyright owner has against possible infringement, and our belief is that the smaller companies have not complained of any of the problems stated above. In addition, lack of education concerning the registration process on the part of a relatively low number of smaller companies and entrepreneurs is not a valid reason for eliminating the protections afforded by the registration process. Trade associations such as the SPA could help to cure any deficiencies in the registration process caused by this perceived lack of education by expending more energy to educate smaller companies in the industry. (See The Library of Congress Advisory Committee of Copyright Registration and Deposit (the "Accord"), p. 33).

The registration process plays a far greater role in protecting a copyright owner's assets than the proponents of the proposed legislation would lead one to believe, particularly the smaller companies in the software and other industries, for several reasons:

First, a copyright owner is able to obtain protection for his product by registering the product with the copyright office. The registration process is simple and inexpensive. Once a product is registered under 17 U.S.C. Section 410(c), a certificate of registration constitutes *prima facie* evidence of the validity of such copyright. This registration certificate by no means constitutes "a false sense of security to its indication of authorship and ownership," as stated by Paul Goldstein in his Working Paper No. 2 submitted to the Copyright Advisory Committee, but in fact gives a copyright owner the backing of the copyright office on the issue of copyrightability. This *prima facie* evidence weighs heavily in the courts as well. The courts give deference to the judgment and discretion of the Copyright examiners in determining the validity of copyrightable subject matter by the issuance of a certificate of registration. (See The Case For and Against 17 U.S.C. Section 411(a), ("Working Paper No. 2"), July 12, 1993, p. 4)

Second, the review process which is part of the Copyright Offices' registration process assists in protecting the valuable assets of the software industry. The Copyright Advisory Committee confirms this opinion by stating that "First is the gatekeeper function of registration: screening of the application and deposit by the Copyright Office is intended to keep invalid copyright claims out of court and to provide a certified record and a solid basis for the ordering of proof." The Copyright Office's review in addition to screening out meritless claims made by some companies, also prohibits registration of material which constitutes public domain subject matter. This process greatly benefits the smaller companies, which may not have the resources or the financial backing from which the four or five larger companies in the software industry benefit. The registration process keeps the open market alive and

greatly expands the growth of science and technology throughout the software industry, as it is one of the fastest-growing sectors of the U.S. economy. (See the "Accord," p. 28).

Although the SPA has stated that "many publishers are reluctant to register out of concern over the possible disclosure of trade secrets embodied in their software." (See the "Statement," p. 5). On the contrary, the registration and deposit process puts the entire industry on notice that a product is protected. Simply the notice placed by the © symbol sends a strong signal to any possible infringers or pirates. Thus, the registration process discourages, rather than encourages, potential pirates from stealing or copying trade secrets. A relatively small amount of education could alleviate the SPA's perceived concern. This process can also be used to benefit all companies not only by way of security, but also as a means to search and review what is protected by the Copyright Law, in order to prevent any intentional infringement. The Public Register constitutes a means by which companies can rule out the use of material belonging to a copyright owners.

Third, and most important, Sections 411(a) and 412 have served to discourage meritless, predatory litigation intended to harm or eliminate smaller companies. If Sections 411(a) and 412 are repealed, it would create an open market for litigation of possible infringement for years to come. By opening this door to allow copyright owners to institute litigation before registering their product in accordance with the present copyright law, a monopolistic tone will be set for the software industry, not to mention the harm that it will cause those defending the accusations of infringement. The Copyright Advisory Committee has stated that "Plaintiffs must win their case before any possibility of statutory damages and attorney's fees arises, and the courts can generally be relied on to prevent unfounded claims from succeeding. Nuisance suits can also be deterred in appropriate cases by granting attorney's fees to the winning defendant or imposing sanctions under Rule 11." (See "Accord," p. 34). If this Section is repealed the larger companies of the industry will seek out and crush the smaller companies with such nuisance lawsuits to gain control of the marketplace. The financial strain of litigation for smaller companies in the way of temporary restraining orders and attorneys fees, will severely harm and most likely crush the smaller companies, therefore eliminating competition. The presence of litigation may also cause the withdrawal of a company's financial backers, which will in turn force the company into settlement regardless of whether such claims are valid. Defending such a lawsuit, even an unfounded predatory case designed to sap a smaller competitor of its financial strength and ability to compete, is daunting enough without the added burden of potential damages arising from infringement on products that are not even registered for protection and the existence of which a smaller company may not have had notice.

In summary, the Copyright Office is a clearing house for intellectual property, and is designed as an open repository that all companies, large and small, can use to double check any potential infringements that may unknowingly occur in the normal course of business. Removing the registration process would simply open the door for larger companies to lay claim to vast libraries of software and use them as the proverbial stick in their quest for control over a once-free market. Certainly, smaller companies have not complained of the expense or the complexities of filing for registration. It is the larger companies, looking to win a foot-race to the Copyright Office, who are pushing for this action. This change clearly works against the interest of smaller publishers and only strengthens larger, stronger companies who already command disproportionate control over the marketplace for intellectual property.

Finally, we suggest that emphasis should be placed on education and assistance with the simple process of copyright registration, rather than eliminating this requirement which will encourage litigation.

STATEMENT OF THE AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES (AFSCME)

The American Federation of State, County, and Municipal Employees (AFSCME) Local 2477 and Local 2910 appreciate the opportunity to submit its views on S. 373, the Copyright Reform Act of 1993. We represent over 400 employees of the Copyright Office, including clerks, technicians, catalogers, examiners, attorneys, and others. We are the people who actually create and maintain the public records of the Copyright Office, and we believe this experience brings some unique prospective to the debate over the Copyright Reform Act of 1993.

The Copyright Reform Act proposes many changes to the U.S. copyright system: it removes two of the three incentives supporting copyright registration; amends the

recordation provisions of the Copyright act; abolishes the Copyright Royalty Tribunal (CRT); shifts the functions of the CRT to the Copyright Office; converts the position of the Register from appointment by the Librarian of Congress to appointment by the President; and removes from the Librarian any authority over Copyright Office regulations and Copyright Office staff. The bill effects a major reorganization of government operations impacting copyright policy, judicial administration, and Library acquisitions policy.

On March 3rd and 4th hearings were held before the House Subcommittee on Intellectual Property and Judicial Administration. In response to those hearings, the respective Chairmen and Ranking Minority Member of the two Congressional Subcommittees responsible for copyright legislation gave the Librarian of Congress permission to form the Advisory Committee on Copyright Registration and Deposit (ACCORD) to advise him on aspects of the Copyright Reform Act. On September 15, 1993, co-chairs of Accord, Robert Wedgeworth and Barbara Ringer submitted Phase I of Accord's report based on the conclusions of the co-chairs from the discussions which were generated within the Advisory Committee. Generally, the Report restated arguments for and against repealing sections 411(a) and 412 of the copyright law, and suggested possible changes to copyright registration and mandatory deposit. On October 1, 1993, the Librarian of Congress wrote the respective Congressional Subcommittee Chairmen as to his reaction to Accord's recommendations.

October 19, 1993, a hearing was held before this Subcommittee on aspects of the Copyright Reform Act. The nature of the debate had shifted considerably since the first hearings before the House Subcommittee, due in part from a separate consideration of the CRT portion of the proposal. During the hearings before the Senate Subcommittee, the focus of the debate centered on the copyright registration incentives of section 411(a) and 412, and alternatives for maintaining the collections of the Library of Congress. Section 411(a) requires nonBerne Union works to be registered before filing of a copyright infringement suit, and section 412 essentially requires registration in order to secure statutory damages and attorney's fees.

Testifying before the Senate Subcommittee were a diverse group of witnesses. The Librarian of Congress restated his concerns for the collections of the Library of Congress in terms incorporating much of the advice he had received through the Accord Process. A representative of several library associations testified to the central importance of the collections of the Library of Congress to the American library system. Private sector voices opposing elimination of section 412 were associations representing publishers and the Authors Guild. Written comments were submitted by a small software publisher supporting retention of the incentives on the grounds that elimination would increase the capacity of large corporations to drive smaller competitors out of business by burying them with litigation costs. Speaking in support of eliminating the incentives were the Software Publishers Association, a writers' union, a graphic artists' union, and representatives for photographers.

While the testimony over the incentives supporting registration has been spirited, it appears the importance of the public record maintained by the Copyright Office has been conceded by most. Nevertheless, because copyright vests automatically in all writings, and most writings are never registered in the Copyright Office, it has been argued that the vast majority of copyrighted property falls outside of the public record system. This argument, we believe obscures a vital point. The public record system has always been intended primarily as a record of commercial intellectual property. Today, our copyright industries are the jewel of the U.S. economy, comprising about 6 percent of the Gross Domestic Product. An overwhelming proportion of the intellectual property serving as the foundation of this vibrant economic sector can be found in the registration records of the Copyright Office. No other nation in the world has such an edge in exploiting intellectual property, and great care should be taken to maintain this American advantage.

Confirming our views as to the importance of sections 411(a) and 412 is the copyright experience of our neighbors to the north. The Canadian Copyright Office consists of approximately 17 people, and registers about 8,000 claims a year. Its influence even in its own country is small.

Shortly after passage of the 1976 Copyright Act in the United States, the Canadians started their own revision process. Serving as the foundation of the Canadian revision effort was the so-called Keyes-Brunet report which analyzed various areas of Canadian copyright law. On the subject of the Canadian Copyright Office, Keyes-Brunet concluded that it was such an inconsequential agency, that it should be abolished.

As might be expected, the recommendation by the leading Canadian revision study to abolish the Canadian Copyright Office sparked serious discussion of the issue among Canadians. In this debate, the Canadians were openly envious of the comprehensive public record maintained by the U.S. Copyright Office. Yet, it quickly

became apparent to the Canadians that the driving force behind the comprehensive American system were the incentives of sections 411(a) and 412. Adoption of those incentives would have reversed some strongly held Canadian copyright traditions. As might be expected, the Canadians opted for the middle course. They declined to abolish their Copyright Office and they refused to adopt strong incentives such as those that existed in the United States. The net result was continuation of the Canadian Copyright Office as a small, inconsequential government agency.

In formulating copyright policy, every nation must make choices consistent with that nation's economic circumstances and the values that it holds. Obviously, in formulating policies relating to its Copyright Office, the Canadians have made different choices from the choices we have made in the United States. While the decision made by the Canadians might work best from them, the Canadians are not the world's dominant intellectual property leader. In the whole world, only the United States possesses a comprehensive, centralized public record of its significant commercial intellectual property. The advantages such a public record achieves in promoting commerce in intellectual property appears self evident, and great caution must be exercised in considering fundamental changes in the world's most successful copyright system.

The Copyright Reform Act as currently proposed advances no new incentives to replace sections 411(a) and 412. In the Accord process, substantial effort was undertaken to find alternative incentives to support the registration system. Of the possible alternatives which were identified, the "new era" electronic data base appears to be the most promising.

A decade ago, futurists predicted an information revolution which would alter lifestyles and avenues of communication. Today, such talk can no longer be considered vision because the realities of the information revolution are already upon us. While the information revolution portends great benefits to the public, it also portends great dangers to institutions in the dissemination of information business. This danger obviously includes governmental institutions as well as private sector institutions. During the information revolution, some of these institutions will grow and prosper, some will decline and become inconsequential, and some will disappear entirely.

Proponents of the "new era" copyright registration incentive argue that if licensing and permissions information were included in the Copyright Office's electronic data base, inclusion by members of the copyright industries would become so necessary that the incentives of 411(a) and 412 could disappear. While AFSCME Local 2477 and Local 2910 enthusiastically embrace the idea of enhancing the Copyright Office's electronic data base for the benefit of the copyright industries, we have two major concerns.

First, while the electronic super highway is in the planning stage, it is clearly not built yet. While we strongly believe the super highway will eventually become reality, its completion will probably not come quickly or easily. Therefore, while the super highway is in the planning stage, its future existence can not be used as an incentive today to support a high level of copyright registration.

Second, even when the information super highway is in place, we question whether the current revenue base of the Copyright Office will allow the Office to invest in the necessary equipment and personnel to enable the Office to quickly create the record, and get the information on to the super highway. Currently, two-thirds of the Copyright Office's budget comes from registration fees. The 1976 Copyright Act set the copyright registration fee at $10, and while this fee was doubled to $20 in 1990 to account for inflation, the financial benefit of the fee increase was greatly offset by the establishment of numerous group registration procedures.

As between the two incentives supporting copyright registration, sections 411(a) and 412, most would conclude that section 412 is the more significant. We would agree with that assessment. However, we further believe that the importance of section 411(a) has probably been underestimated. We note that automatic copyright renewal vesting appears to have caused a decline of registrations in numbers far exceeding expectations. If sudden removal of section 411(a) were to cause a 10 percent to 20 percent decline in copyright registration, an instantaneous meltdown of the Copyright Office would occur in terms of the services which traditionally have been provided to the copyright industries.

It is apparent to us that the Copyright Office desperately needs new resources if its processing procedures and new information services are to be upgraded to better serve the requirements of the copyright industries. The traditional sources of increased funding—fee payers and taxpayers—will have predictable objections to increased assessment. It is our hope that the most affluent among the copyright industries will recognize the needs of the Copyright Office and be sympathetic to the perilous financial situation which the Copyright Office currently occupies. If suffi-

cient voluntary donations could be provided, the Copyright Office could modernize its processing services and provide new information services on licensing and permissions. Through such commitments, it would appear section 411(a) could be phased out and replaced by an enhanced electronic data base.

Issues with respect to section 412 appear far more complex, and the Senate Subcommittee has some very difficult choices it must make on this issue. It is apparent not all who have entered the debate over this issue can be satisfied at this time. It is the hope of AFSCME Local 2477 and Local 2910 that decision on this issue can be deferred until the "new era" copyright incentives are in place, and section 411(a) has possibly been phased out. At a later date, it may be clear that the "new era" incentives are sufficient to support the copyright registration system without section 412. In addition, some of the current opponents of eliminating section 412 might reassess their position and embrace removal of the provision. In making choices over copyright policy. it is importance to remember that the United States currently possesses the world's strongest copyright system. In modifying that system due to a changing national and international environment, it is our belief that delaying change until a broad consensus is achieved over the wisdom of a contemplated change is the wisest course to follow.

We thank the Senate Subcommittee for giving us the opportunity to submit written comments for the record.

STATEMENT OF THE BUSINESS SOFTWARE ALLIANCE

The Business Software Alliance (BSA) appreciates having the opportunity to present this statement on S. 373, the Copyright Reform Act of 1993. Member companies of the BSA are: Aldus Corporation, Apple Computer, Inc., Autodesk, Inc., Borland International, Inc., Computer Associates, Inc., GO Corporation, Lotus Development Corporation, Microsoft Corporation, Novell, Inc., and WordPerfect Corporation.

The BSA exists to promote the continued growth of the industry through programs to eradicate software piracy. The focus of these programs is understanding of and compliance with software copyright laws in the U.S. and around the world.

According to a recent economic study commissioned by the BSA, the U.S. packaged software industry market totalled about $20.7 billion in 1991 and is growing at a rate of 16.4 percent per year. The computer software industry is the fastest growing major industry in the United States. BSA's member companies provide nearly three quarters of the packaged PC software published by U.S. companies. U.S. companies enjoy a 75 percent share of the world market for all packaged PC software. In 1991, foreign sales of U.S. packaged software venders were $17.9 billion. Our industry now employs 421,000 full-time employees worldwide. Since 1987, software employment has risen at an annual rate of 6.6 percent.[1]

S. 373 focuses primarily on three areas of the current copyright law: (1) the requirement of registration as a prerequisite to an infringement suit and the right to obtain statutory damages and attorney's fees, and (2) the relationship of the Copyright Act to state law governing security interests, and (3) the structure and organization of the Copyright Office and the Copyright Royalty Tribunal.

REGISTRATION AS A PREREQUISITE TO INFRINGEMENT SUITS AND THE RIGHT TO STATUTORY DAMAGES AND ATTORNEY'S FEES

The current two tier approach discriminates against U.S. authors

S. 373 amends Section 411 of the Copyright Act to eliminate the advantage now given to "works whose country of origin is not the United States." Under existing law owners of works "whose origin is not in the United States" may sue for infringement without receiving a registration certificate from the Library of Congress. The practical effect of this provision is that owners of works created in America—unlike owners of works created abroad—must apply to the Copyright Office and receive a registration certificate before they can bring an action in federal court to enjoin infringing uses of their works and obtain damages.

The disadvantage to works of American authorship in this "two tier approach" is compounded by the fact that, even after a work has been registered, Section 412 of the Copyright Act prohibits U.S. copyright owners from receiving statutory damages and attorney's fees for piracy of their works which occurred prior to registra-

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[1] Stephen Siwek, Harold Furchtgott-Roth, Economists Inc., the U.S. Software Industry:Economic Contribution in the U.S. and World Markets (March 1993).

tion.[2] In these cases owners of copyrights of U.S. origin must prove actual monetary damages as their only means of effective relief. These provisions of sections 411 and 412 clearly discriminate against U.S. copyright owners in favor of foreign copyright owners. The BSA supports the decision of the Chairman and the Ranking Republican member of the Subcommittee, expressed in S. 373, to eliminate this discrimination. Also, the BSA is pleased to note that the co-chairs of the Library of Congress Advisory Committee on Copyright Registration and Deposit ("ACCORD"), Robert Wedgeworth and Barbara Ringer, agree with this decision.[3]

As the Subcommittee knows, the current "two tier" approach to registration came into being as part of the Berne Convention Implementation Act and represented a compromise between the Senate and House versions of that legislation. The House bill adopted the views of the Library of Congress, which had argued that the Congress should take a "minimalist approach" to the changes necessary to comply with the Berne treaty. The Senate bill was based on a more literal reading of Article 5(2) of the Berne Convention which mandates that "the enjoyment and exercise of these [exclusive rights] shall not be subject to any formality." The principal advantage of the two tier approach embodied in the 1988 compromise legislation is that it makes it unlikely that foreign copyright owners will complain about the failure of the U.S. to comply with the Berne Convention because they are no longer subject to formalities. Therefore, the U.S. cannot be accused of unfair international trade practices. However, this does not mean that it is fair to U.S. authors.

The current two tier approach creates problems in copyright enforcement efforts

The continuation of discriminatory formalities in U.S. law—even though directed only at works of U.S. origin—creates problems for the BSA and its member companies in their efforts to combat piracy both at home and overseas. Two recent experiences of BSA are an excellent illustration of how current Sections 411 and 412 can pose significant problems to the software industry's' antipiracy efforts.

In the last year, BSA filed an action against a computer bulletin board operating out of Baltimore, Maryland. In this case, BSA found that there were literally hundreds if not thousands of copies of copyrighted software programs that were being illegally uploaded and downloaded by users of the bulletin board. Particularly significant was the fact that after BSA obtained a court order in the case it discovered that, in addition to the computer programs for which copyright registration certificates had been issued, there were a significant number of beta versions of programs—pre-release versions of software programs—that were being pirated that had not been registered with the Copyright Office. Because of the current requirements of Section 411, BSA was severely handicapped in its ability to pursue action against the piracy of the beta versions. Moreover, had copyright registration applications been filed for the beta versions after bringing the action in Baltimore, BSA still would have been unable to recover statutory damages and attorney's fees for the piracy of the beta versions because of the current limitations of Section 412. Fortunately, because of the number of registered computer programs that were discovered in the case, BSA was able to pursue its action and successfully shut the bulletin board down.

By way of contrast, at the same time BSA was pursuing its action in Baltimore, police in Berlin, Germany, in cooperation with BSA, were carrying out raids against computer bulletin boards operating in Berlin that were also illegally downloading and uploading unregistered beta versions of computer programs. While these actions in Berlin were criminal in nature, had BSA pursued civil actions against these same bulletin boards it would not have been faced with the same obstacles in Germany that it faced in Baltimore because of the current requirements of Sections 411 and 412.

The United States is viewed as the model in the world for strong copyright law and enforcement. As a result of industry/government cooperation, the United States has achieved considerable success in recent years in persuading foreign governments to enact copyright laws to protect rights in computer programs. *However, the enforcement of the rights granted under these laws in many countries has been far from easy. Often various procedural impediments make it difficult to get into court.* And, the ability to obtain effective injunctive and monetary relief—of the kind which discourages further piracy—also is a serious problem. When we complain about such

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[2] Not only is an injured party unable to obtain statutory damages for infringements which took place prior to registration of a work, but he or she may not obtain statutory damages where the work continues to be infringed *after* registration. *See Mason* v. *Montgomery Data Inc.*, 967 F.2d 135 (5th Cir. 1992).

[3] *See* September 15, 1993 letter to Librarian of Congress, Dr. James Billington, accompanying the Report of the Co-Chairs, Robert Wedgeworth, Barbara Ringer, The Library of Congress Advisory Committee on Copyright Registration and Deposit ("ACCORD") (September 1993).

problems, we at times are faced with the argument that the U.S. system—by requiring registration as a precondition to suit and limiting statutory damages and attorney's fees to post registration infringements—is little different. Enactment of S. 373 would eliminate this argument and enhance the industry's ability to eradicate piracy worldwide.

Copyright registration is of limited value in litigation

In addition to encouraging foreign governments to take an obstructive, "minimalist" approach to eliminating cumbersome formalities, the existing law can unfairly prejudice U.S. copyright owners in asserting their rights at home. Under Section 410 of the Copyright Act, the Register of Copyrights issues a certificate of registration only after an "examination" to determine that "the material deposited constitutes copyrightable subject matter." As the legislative history of the 1976 Copyright Act states, "unlike a patent claim, a claim to copyright is not examined [under this section] for basic validity before a certificate is issued."[4]

Copyright Office examiners do not have the ability to make fine line determinations about what constitutes copyrightable subject matter. For this reason, the BSA supports the recommendation of the ACCORD to revise Section 410 to restore the "rule of doubt" in the examining and registration process, making clear in statutory language that if, under a "reasonableness" standard, there is any genuine uncertainty regarding registrability in a particular case, the doubt should be resolved in favor of the applicant.[5] As recognized by the ACCORD, Section 410 was intended to weed out of the registration process obviously uncopyrightable subject matter such as machines, book titles and names. Fine line decisions about copyrightability are best made by the courts on the basis of the fact finding and evidentiary process available only in adversarial judicial proceedings. It is particularly difficult to make fine line decisions about the content of registrations in computer programs where the material deposited consists of source code which is not easily understandable to the reader and which does not even indicate the kind of interfaces and screen displays which may be a part of the expression embodied in a given work.

For all practical purposes the kind of *prima facie* determination of copyrightability represented in a copyright registration could easily be made by a court after a cursory examination of the work involved. This is exactly what happens in a majority of the developed countries of the world. Therefore, the claimed advantages of registration in expediting the litigation process are largely illusory.

Of course, to the extent that copyright owners find registration an advantage in litigation, nothing in S. 373 will prevent them from continuing to register and have the benefits of the system.

Mandatory registration is not necessary or appropriate as a means of building the Library's collections

Another argument used in favor of the existing system is that the mandatory deposit accompanying registration of a work assists the Library of Congress in building its collections. However, among ACCORD members there was "a strong consensus * * * that Library acquisitions policy should not drive copyright registration policy."[6] Moreover, as noted at the introduction of this legislation, much of the material deposited in conjunction with Section 411 is of no value to the Library's collections and is exempted from the mandatory deposit requirement. This must certainly be true of the computer source code deposits which accompany software registrations. In addition, the requirement that copyright registrants give up copies of their works to the Library without compensation constitutes a burden imposed on authors which is unrelated with the purpose of the copyright system as provided in Article I, Section 2 of the Constitution, to "promote progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive rights to their respective writings and discoveries."

Furthermore, the legislative history of the 1976 Act makes it clear that section 407 requiring mandatory deposits on demand of the Library—not Section 411 dealing with registration—is the part of the Act intended, to supply the Library of Congress with material for its collections. As stated in the Committee report accompanying the 1976 Act:

> Under section 407 of the bill, *the deposit requirements can be satisfied without ever making registration,* and subsection (a) makes clear that deposit "is not a condition of copyright protection."

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[4] H.R. Rep. No. 94–1476, 94th Cong. 2d. Sess. at 157.

[5] Report of the Co-Chairs, Robert Wedgeworth, Barbara Ringer, The Library of Congress Advisory Committee on Copyright Registration and Deposit at 64.

[6] ACCORD at 9.

(emphasis supplied).[7]

To the extent that the Library of Congress has an interest in using the Copyright Act as a vehicle for enriching its collections, it is clear that Section 407—which remains untouched in S. 373—will meet this need. However, Section 407 is not, itself, without its problems. To the extent that copyright owners are required to deposit with the Library, on demand, full copies of computer programs on magnetic disks which may contain valuable trade secrets which become available to all users of the Library's reading room, the industry believes there is a potential for harm in the present system. Indeed, this particular concern was shared by members of ACCORD.[8]

THE RELATIONSHIP OF THE COPYRIGHT ACT TO THE UNIFORM COMMERCIAL CODE

In general, the BSA supports the principal of federal preemption of state law regarding copyrights which is contained in Section 301 of the Copyright Act. Section 301 preempts state law regarding "legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright * * *." The purpose of Section 301, as we understand it, is to create a uniform law of copyright by prohibiting a patchwork of state laws which would disrupt the smooth functioning of the federal law copyright system. With adherence to the Berne Convention and the prohibition against formalities contained in that treaty, it is particularly important that states be discouraged from creating barriers to the smooth functioning of the copyright system.

However, an over-broad interpretation of Section 301 can impede efficient commerce in copyrighted products. This is the case with regard to the recent decisions of federal bankruptcy courts in *National Peregrine, Inc.* v. *Capitol Federal Savings and Loan,* 116 Bankr. 194 (Bank C.D. Cal. 1990) and *Official Unsecured Creditors' Committee* v. *Zenith Productions, Ltd.* (*in re* AEG Acquisition Corp.) 127 Bankr. 34 (Bank. C.D. Cal 1991).

Neither of these cases involved state laws which created copyright or copyright-like rights. Rather, the disputes involved were simply whether the Uniform Commercial Code would apply to security interests in transactions involving copyrights.

Many start-up software companies must rely on bank or investor financing in order to enter the market place. Investors, banks and their attorneys are accustomed to securing their loans and investments under the state laws embodying the Uniform Commercial Code. These recent cases, requiring federal recordation of security interests, can only confuse investors and their counsel in cases involving intellectual property. This discourages easy access to capital by start-up companies, thereby limiting the very incentives to investment in copyrighted works which the Copyright Act is meant to foster. S. 373 clarifies the law to eliminate this confusion. BSA supports this clarification.

THE STRUCTURE OF THE COPYRIGHT OFFICE AND THE COPYRIGHT ROYALTY TRIBUNAL

In addition to the reforms addressed above, S. 373 proposes to make a number of structural changes to the Copyright Office and the Copyright Royalty Tribunal. Recently subject to hearings before this Subcommittee, the provisions concerning the replacement of the Copyright Royalty Tribunal with ad hoc arbitration panels have been reintroduced in separate legislation, S. 1346. S. 373 also proposes to convert the Register of Copyrights from a Librarian of Congress appointee to a Presidential appointee. The BSA takes no position on these provisions.

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The Business Software Alliance appreciates having the opportunity to submit this statement on the provisions of S. 373, the Copyright Reform Act of 1993, as they impact our industry and the BSA members.

STATEMENT OF OLAN MILLS II, CHAIRMAN OF THE BOARD, OLAN MILLS, INC.

Mr. Chairman and Members of the Subcommittee: My name is Olan Mills II. I am Chairman of the Board of Olan Mills, Inc., a Company founded during the Depression in 1932 by my father and mother. The company has been in business under the same family ownership and management for over sixty years. We specialize in family portraits and consider ourselves "America's Family Photographer." Over the

[7] H.R. Rep. No. 94–1476, 94th Cong. 2d. Sess. at 150.
[8] ACCORD at 15, 16 and 39.

years our business has grown. We now have more than 900 studios located throughout the United States.

Our company supports the proposal in S. 373 to remove the advance registration and deposit burdens from the Copyright Act. I am a businessman. As a businessman, I want to tell you about the practical problems created by the prior registration requirements for my business.

Our industry is a very competitive one. One glance at the yellow pages under "photographers" in any city's phone book reveals the extent of the competition. While there are thousands of photographers trying to build their businesses, the difficulty for them all—the really tough part—is attracting customers into their studios to sit for a photograph. This was the single biggest challenge in the business in 1932 and it still is today. My father and mother went door to door and started the business by offering a loss leader plan in which the customer would receive a special price for the first photograph with additional copies available at a higher price.

We still use the same approach today, although we of course don't go door-to-door anymore. In our Club Plan we offer the customer three separate sittings in our studio and an 8 x 10 color portrait from each sitting at a total price of $15, well below our actual costs. We recoup the cost of attracting the customer, the studio, the plant production, general and administrative costs, and a profit only through the sale of additional portraits in various sizes and finishes to the customer for his friends and family. We try to do a good enough job that the customer will buy several copies, perhaps of several poses.

This system puts the customer in the driver's seat. The customer decides how much to purchase based on how good a job we did, what is needed, and what the customer can afford. If we do a poor job, or if the customer can afford only one copy, we lose money. But if the customer likes our work, he or she has the option to purchase additional copies. So the customer pays in proportion to how well we perform and how satisfied the customer is.

It is important to understand that the market for these photographs is quite limited. Because of privacy and other concerns, portraits can only be sold to the customer, and not to unrelated third parties. If a customer takes the portrait we offer him under our loss-leader plan and hires an infringer to copy it elsewhere, then our entire market for that portrait is utterly destroyed.

Technology has advanced to where good copies of our work could be made by the corner drug store or photo shop without the need for our negatives. We found these businesses taking advantage of our ability to create a pleasing image by offering to copy our work at prices far lower than we were able to charge. After all, they did not incur all of the costs we incurred in taking the photograph.

The infringer avoids all the difficult parts of the business, that is attracting the customer into the studio, and producing an attractive and high quality portrait.

Such unauthorized copying breaks the link between the quality of our work and our return. A customer may be absolutely delighted with our portrait and want copies for everyone in the family, but may still buy only one copy from us. Infringers hurt not only our company but our employees. Our photographers and our sales persons are paid, not only by the hour, but they receive in addition a commission, as a sales incentive. Such commissions are common throughout the industry. When our employees do a good job for the customer but lose commissions to infringers, it hurts morale, increases employee turnover, and costs them income.

Thus, unauthorized copying of our portraits is a major threat to our business, and it increases as copying technology improves. Such copying is hard to detect, and we cannot quantify its impact with precision, but as a business we have made the hard judgment to spend hundreds of thousands of dollars in legal fees, and hundreds of hours of time, fighting just the most flagrant infringers. What we have recovered in these legal fights does not cover our legal costs of making these challenges.

We have brought suits against routine infringers generally in cooperation with the Professional Photographers of America, Inc. These suits have reduced the rate of open and flagrant copying, but at great expense. Our lawyers tell us that the prior registration requirements have greatly complicated that enforcement effort. So, you might ask, why don't we register?

Simply stated, advance registration would be an enormous burden. We do not know what photographs will be infringed, so we would need to register each and every photograph. As I said before, we have 900 studios. In total, our company produces well over 100,000 photographs per week. If we were to register each week's production at each studio as an unpublished collection, we would make nearly 50,000 group registrations per year. These registrations would need to be accompanied by some form of deposit showing each of the thousands of photographs taken each day. Imagine the paperwork burdens alone that this would place on our com-

pany, to administer these documents. Imagine the paperwork burden this would impose on the Copyright Office.

Moreover, this huge burden would serve no purpose. Nobody ever would sift through all of the paperwork and copies—except maybe lawyers after suit had been brought looking for some after-the-fact excuse.

I am told that the Library of Congress has expressed a concern that repeal of sections 411(a) and 412 would deprive it of its ability to obtain materials for its collections. I do not understand this concern. Several years ago, our lawyer called the Copyright Office to ask whether we should deposit copies of our output. We were advised quite clearly that hundreds of thousands of Olan Mills photographs were not wanted, The message was in essence, "don't call us, we'll call you." No one ever has.

Olan Mills, Inc. (and I suspect most responsible businesses) will provide the Library of Congress with any copies of works that it wants. But we should not be required to flood it with hundreds of thousands of portraits of no general interest to anyone. Nor should we be mired in paperwork intended to facilitate such a wasteful exercise.

As a businessman, I know that one key to an efficient and competitive business is the identification and elimination of procedures that serve no useful purpose, or whose utility is outweighed by their cost. This is a difficult process. As practices grow up, they put down deep roots. Like farmers, we have to do some weeding from time to time. I believe that is why Vice President Gore has been working on "Reinventing Government." Here is a simple way to eliminate an unnecessary, and as best we can tell, useless aspects of government.

My message to you today is that advance registration and deposit requirements pose huge practical problems for my business and, I gather, for other similar businesses. Unless someone can demonstrate equally compelling benefits—and that is for you to judge—we support repeal of Sections 411(a) and 412.

Thank you.

STATEMENT OF THE SOFTWARE PUBLISHERS ASSOCIATION

Mr. Chairman, thank you for the opportunity to appear this morning in support of H.R. 897, the Copyright Reform Act of 1993. I am Steve Peters, senior corporate counsel for Adobe Systems, Inc., a software company that develops, markets and distributes software products for producing, communicating and printing documents. I am appearing on behalf of the Software Publishers Association, which I will refer to as the SPA.

The SPA is the principal trade association of the personal computer software industry, with a membership of over 1000 companies. Its members include large companies such as Adobe, Apple, Borland, IBM, Lotus, Microsoft, Novell, Symantec, and WordPerfect, as well as hundreds of small companies that develop and market business, consumer and educational software products.

The U.S. software industry today is a $40.2 billion industry, with over 50 percent of its sales coming from international markets. The U.S. software industry currently commands a 75 percent share of the world-wide software market. It is one of the fastest-growing sectors of the U.S. economy, currently growing at the rate of 12.3 percent per year. It creates enormous benefits to the nation's economic vitality and balance of payments.

The SPA supports H.R. 897, primarily because of the positive impact it will have on eliminating the industry-wide problem with software piracy, and on enhancing the economic viability of the industry in general. Specifically, the SPA supports Section 101 (relating to the recordation of security interests in copyrighted works), and Section 102 (relating to copyright registration provisions). The SPA takes no position, however, on Section 103, dealing with the General Responsibilities and Organization of the Copyright Office, or on Title II of the bill, dealing with the Copyright Royalty Tribunal.

THE REGISTRATION REQUIREMENT

Let me begin with a discussion of Section 102 of the bill—the provision eliminating the registration requirement. Under this section, a copyright owner will no longer be required to register as a prerequisite to filing suit to enforce his or her copyright, or to recover statutory damages and attorneys' fees. The SPA supports this revision because it will have a significant impact in the war against software piracy.

The SPA actively monitors the scope and extent of software piracy both in the United States and worldwide, and is engaged in significant efforts to deter such pi-

racy, as well as to detect and prosecute piracy when and where it occurs. In the last two years the SPA has brought over 400 lawsuits and audits on behalf of its members against businesses, educational institutions, and other entities unlawfully using or distributing PC software.

Piracy is a problem for all industries dealing with copyrighted products. But it is perhaps most destructive to the software industry. Three reasons set the software piracy problem apart from piracy directed at other copyrighted works:

First, unlike other copyrighted products, software is exceptionally easy to reproduce, and the copy is identical in all respects to the original. Second, while most other copyrighted works are copied primarily so that someone can make money by distributing the illegal copies to others, software is frequently copied extensively by a single organization for its own internal use. Third, the relatively high retail value of most software, which reflects the research and development costs that go into producing these products, also increases the incentive to pirate. The extent of software piracy is enormous. Industry studies have indicated that, at a minimum, for each legal copy of software in circulation, another copy is pirated. The SPA estimates that revenue lost to software piracy worldwide amounts to billions of dollars each year.

The software piracy problem is, quite literally, a national economic issue. Stealing software means stealing jobs. For this reason, the SPA believes that controlling piracy should be a major goal of U.S. policy makers. Passage of H.R. 897 would help meet this goal by greatly simplifying the process that allows the software industry to enforce its copyrights, and by providing the economic incentive to do so that is unavailable in so many cases.

At present, a copyright owner cannot bring suit against an infringer until its copyright has first been registered with the U.S. Copyright Office. In addition, unless the owner registered before the act of infringement, the owner cannot recover the statutory damages and attorneys fees allowed by the Copyright Act. While these requirements may not sound burdensome, in practice the net effect of these rules is a significant adverse impact on the ability of the software industry to protect its assets against infringers.

One of the primary reasons for this impact is that many software businesses (especially the newer and smaller startup businesses) are simply unaware that their rights and remedies under the Copyright Act are adversely affected if they do not promptly register their newly developed products.

The basic scenario is a simple one, but is played out over and over again. Software developers are inventors, skilled craftsmen, and entrepreneurs. While the industry includes several large players, the majority of the software developed and marketed by the industry comes from small start-up/entrepreneurial ventures, often founded with almost no capital and little more than an idea. Their priorities are developing quality leading-edge software products, the kind that will keep the U.S. in the lead in this technology, not on complying with the formalities of the U.S. Copyright Office. As a consequence, they frequently pay little or no attention to copyright law until they learn that someone has infringed the copyright in their new product. It is only then that they learn that any legal proceedings must wait while they register their product, and that, in any event, they will be unable to recover statutory damages and attorneys' fees. Faced with a scenario where the legal fees may exceed the actual damages they could recover, they often decide that enforcement of their rights is simply not worth the price.

A variation on this theme results from the rapid pace at which software products are revised, modified, and enhanced. Existing computer programs are frequently updated and enhanced to create new versions or releases, and new programs are frequently derivatives of older ones. Thus, registration of new versions is often overlooked, or there is confusion over when it is necessary to register a new version.

This problem has arisen time and time again in the infringement lawsuits that the SPA files on behalf of its members. All too often an SPA investigation will reveal infringement of a member's software product, but after the member is contacted about participating in the lawsuit, it turns out that the product is not registered. At that point, the SPA's only options are to proceed without that member's participation or to delay filing the suit while the product is registered, and then to proceed without the ability to recover statutory damages or attorneys' fees. Because most of the lawsuits filed by the SPA are settled on the basis of statutory damages, this is a significant problem.

This roadblock in the way of recovering statutory damages has a significant inhibiting effect on the industry's ability to enforce its copyrights and protect its products. Statutory damages may often constitute the only meaningful remedy available to a copyright owner for infringement of his or her work. With most industry products selling for a few hundred dollars, and many for less than that, the ability of

a copyright owner to recover significant actual damages, as authorized by the Copyright Act, is greatly reduced. When this is coupled with the inability to recover attorneys' fees, what we see is a significant deterrent to copyright owners who seek to enforce their rights.

The cause of this problem, mandatory registration, serves no useful purpose. It is a formality that is required only of U.S. claimants, and presents an often significant bureaucratic deterrent to filing and prosecuting litigation.

Even for companies that are knowledgeable about the registration requirement (such as the SPA's larger members), there are several impediments to registration that often result in a conscious decision not to register. For example, many publishers are reluctant to register out of concern (real or imagined) over the possible disclosure of trade secrets embodied in their software that might result from the fact that the required deposit is publicly available for viewing. Although the Copyright Office has taken steps to allay these concerns by issuing regulations that reduce the amount of program code required for deposit, they still remain.

The registration process also imposes an unnecessary burden on software publishers who are required to deal with issues defining and/or limiting the scope of their claims, when, unlike the patent process, the Copyright Office does not (and should not) decide the scope of copyright protection for software.

For example, many defendants in copyright infringement litigation are raising as an affirmative defense a claim of "fraud on the copyright office" based on failure to disclose certain information in the registration process that would have the effect of limiting the scope of the copyright claim. In the recent case of *Ashton-Tate Corp.* v. *Fox Software. Inc.*, 760 F. Supp. 831 (N.D. Cal. 1991) for example, one federal judge took the extraordinary step of declaring invalid the copyright to the then-dominant software product in its field because the application for registration had failed to disclose that it was derived from a public domain product, even though the product itself was copyrightable. The judge later reversed his ruling. The SPA believes that the scope of a copyright in a computer program should be decided on the merits, not on the technicality of a failure to define or limit the scope of the claim in the application.

The primary assets of the businesses in this industry—computer programs—would have almost no value, and this enormous industry would not even exist, were it not for the protection against unauthorized copying it receives under the Copyright Act. But although copyright protection is automatic upon creation, and is not conditioned upon registration, the protection is illusory if it cannot be enforced without registration. The SPA is not suggesting that registration be eliminated, as registration still is *prima facie* evidence of ownership and validity of the copyright. However, the SPA strongly urges that registration no longer be a prerequisite to enforcing one's copyright or obtaining the benefits of the statutory damage and attorneys' fee provisions. For these reasons, we support Section 102.

SECURITY INTEREST PERFECTION

Let me now turn to Section 101 of the bill, the provision relating to the recording requirements for perfecting a security interest in a copyrighted work. Section 101 would confirm that the perfection of security interests in copyrights does not require a recording with the Copyright Office, thereby allowing secured parties to perfect their rights by recording under the well-established rules of the Uniform Commercial Code.

The SPA supports this amendment to the Copyright Act because, quite simply, it will greatly reduce confusion and uncertainty in both the software and financial industries, and enhance the ability of software developers and publishers to leverage their intangible assets for further economic development.

With the ever-increasing economic significance of the software industry, its primary assets, the computer programs that it develops and markets, are increasingly being considered as collateral for financing future development and as security for other purposes. But according to two recent decisions (*National Peregrine. Inc.* v. *Capitol Federal Savings and Loan (In re Peregrine Entertainment. Ltd.*, 116 B.R. 194 (C.D. Cal. 1990) and *Official Unsecured Creditors' Committee* v. *Zenith Productions, Ltd. (In re AEG Acquisition Corp.)*, 127 B.R. 34 (C.D. Cal 1991)), secured creditors are required to comply with the recordation requirements of Section 205 of the Copyright Act or their security interests will be deemed unperfected. This has led to a great deal of confusion, and generally requires secured creditors to conduct searches and record their security interests both in the Copyright Office and with the local Secretary of State.

In commercial financing transactions, it is vital that the parties have quick access to accurate filing information about liens. Loans and business acquisitions often op-

erate on a very tight timetable and require immediate access to information. In most states, a UCC filing search can be performed quickly by use of an on-line computer database, and manual copies can be provided overnight. This is primarily because the state UCC recording systems are set up with the sole purpose of providing this type of information in a commercial setting.

By contrast, the Copyright Office, while it has recording capabilities, has not had as its primary purpose the facilitation of commercial transactions. Because of this difference in focus, searching Copyright Office records is often time-consuming and expensive, and the information is not always available via computer.

The filing system used by the Copyright Office is equally unsuited for these types of commercial transactions, as recordations must be made by title or registration number, rather than by owner. To perfect a security interest in all works of a debtor could thus require hundreds of filings, which must be continuously updated. The UCC recording system, which was expressly designed for commercial transactions, requires only a single filing to cover all of a debtor's intangible property, including property acquired in the future. The burdens on the searching and filing process imposed under the law as presently interpreted have a chilling effect on finance transactions, and serve to discourage lenders from lending to software businesses.

The *Peregrine* court recognized these shortcomings, and specifically invited Congress to take remedial action—noting that "If the mechanics of filing turn out to pose a serious burden, it can be taken up by Congress during its oversight of the Copyright Office." *Peregrine* at n10. The SPA urges the Congress to accept this invitation and to remedy these burdens on commerce and finance by passing H.R. 897.

Even more devastating to lender security is the fact that the Copyright Act uses a different system from the UCC for establishing priority of rights. It is essential to any recording system for commercial transactions that a lender know, based on public records, that it will have priority in collateral at the time of the transaction. Under the UCC, the rules of priority in security interests are simple—the first to file wins. A secured lender thus can be certain of its priority, as long as it has done the proper search and filing. Under the Copyright Act, however, no such certainty exists. Section 205(c) of the Copyright Act essentially provides that in a conflict between two secured parties, the first to sign wins, as long as it is recorded within 30 days (for documents signed within the U.S.) or 60 days (for documents signed outside of the U.S.). This means that a lender could be preempted based on a later filing.

To help understand the importance of priority rules to financing, let me use the example of a mortgage on real estate. Under a first to file system, a lender can be certain that its loan will be secured by a first mortgage by doing the proper search and filing. The filing is of public record, and no one is misled into making other loans based on that security. Under the system used in the Copyright Act, however, no lender would make a loan without waiting for 60 days, knowing that its mortgage could be preempted by a later filing of an earlier document. This degree of uncertainty is not supportable in today's financial markets, and will chill the availability of capital.

The benefits of enacting H.R. 897 would have a broad positive impact: the software industry would benefit, by removing barriers to capital; the financial industry would benefit, by creating more certainty and security in financing transactions wherein software is used as collateral; and the economy would benefit, by the incentives to business growth, creation of jobs, and reduction of duplication in government functions. Accordingly, the SPA supports Section 101 of H.R. 897.

The U.S. software industry is one of the bright spots in the American economy today. If the industry is to play its role in lifting the economy out of recession and creating new opportunities for the future, it must be able to take advantage of the incentives of the Copyright Act. Every dollar that ends up in an offshore bank account or is funnelled into other illegal activities by organized groups of pirates is a dollar that cannot be used to support the research and development necessary to keep the software industry vibrant and growing. Consumers also suffer when they have to pay higher prices for their software to compensate for the amount of product pirated that, by virtue of the economics involved, cannot be effectively pursued.

On behalf of the personal computer software industry I urge you to move quickly to mark up and pass Sections 101 and 102 of H.R. 897. We will be happy to cooperate with you and your staff in any way needed to help accomplish this result.

Thank you, Mr. Chairman. I shall be happy to answer any questions you may have.

DRAFT OF WORKING PAPER NO. 2

PREPARED BY PAUL GOLDSTEIN FOR THE USE OF THE LIBRARY OF CONGRESS ADVISORY GROUP ON COPYRIGHT REGISTRATION AND DEPOSIT

THE CASE FOR AND AGAINST 17 U.S.C. §411(A)

Section 411(a) of the 1976 Copyright Act provides, with certain exceptions, that *"no action for infringement of the copyright in any work shall be instituted until registration of the copyright claim has been made in accordance with this title."* The exceptions from this requirement include cases where registration has been sought but refused by the Copyright Office, where the action is to vindicate the rights of attribution or integrity under section 106(A), and where the infringement action involves non-U.S. Berne Convention works.

A quick review of the legislative history of section 411(a) and of its predecessor provision, section 13 of the 1909 Copyright Act, indicates that registration as a condition to suit has never enjoyed a full-fledged rationale that connects the fact of registration to the exigencies of infringement lawsuits. (The presumably deeper inquiry into legislative history that is now being undertaken by Staff may, however, shed a mere revealing light on the requirement.) Rather, the requirement appears to have emerged as simply one means for encouraging registration and deposit in a legal system that had dropped these two formalities as a condition to copyright. *At best the litigation rationale for registration was incidental: the registration process could screen out meritless claims, and the certificate could aid the court in determining relevant facts.*

Time and events have undermined even the incidental rationale for registration as a condition to suit. When Congress introduced the requirement in 1909, the Register's decision to deny registration could, and often did, serve a valuable screening function for the courts. At a time when the notice formality was all-important, an examiner's decision that a work was published without notice or with faulty notice, and was consequently in the public domain, could stop wasteful litigation in its tracks. At a time when the Copyright Act and Copyright Office Regulations excluded major categories of expressive subject matter—architectural works, sound recordings, nondramatic choreographic works—from copyright protection, an examiner's decision to deny registration could again save the social, and private costs of litigation.

The world of the 1909 Act, and to some extent also the world that ushered in the 1976 Act, have changed materially. Copyright notice is no longer a condition to copyright protection, with the result that this aspect of the Copyright Office's screening function has disappeared. Formerly excluded subject matter has come into the copyright fold, reducing the Copyright Office's screening function in this respect as well. *In short, whatever independent rationale the register-to-litigate requirement may once have enjoyed has significantly atrophied over time.*

The requirement today that, to file a lawsuit, a copyright owner must pursue the registration process to its administrative conclusion—issuance or refusal of registration—does little good and much harm. The first part of this analysis will explore what good, if any, is served by section *411(a);* the second part will consider its harms. The third part of this analysis will briefly address the real problem with section 411(a).

I. WHAT GOOD DOES SECTION 411(A) DO?

A. Section 411(a) provides an incentive to register and consequently serves the general purpose of promoting a record of claims to copyright in the United Stated Copyright Office and the deposit of copyrighted works for the collections of the Library of Congress

No one would dispute that section 411(a) provides an incentive to register claims to copyright. But no one would dispute either that, given the comparatively minuscule number of registrations occasioned by suit, section 411(a) has little positive effect on the general goals of registration and deposit. Register of Copyrights Ralph Oman observed in his 4 March testimony before the House Subcommittee on Intellectual Property and Judicial Administration that 1,831 copyright infringement suits were filed in 1991, as against a total of 634,797 works submitted for registration that year. Since registration for purposes or section 411(a) can be made on the eve of suit, the provision can thus be said to have spurred the registration of, at most, only 1,831 works—only slightly more than one-quarter of one percent of all applications filed that year. Even this figure is overly generous since a substantial number of these 1,831 works were probably registered earlier, *ante litem motem.*

B. Section 411(a) assign an important screening function to the Copyright Office, enabling it to apply its special expertise to resolving, at the threshold, questions that would otherwise consume costly, and relatively less expert, judicial time

As already noted, the original screening functions served by the requirement of registration as a condition to suit—examination for absence or imperfections in copyright notice and for uncopyrightable subject matter—have shrunk considerably under contemporary copyright law. Although the Copyright Office has filled the vacuum by making qualitative decisions on copyrightable subject matter and deposits, it is questionable whether the results reached by the Copyright Office on these issues mirror the results that would have been reached by a court applying the relevant legal standard had the parties pursued their claims there and not been intimidated by the denial of a registration certificate.

1. It has been argued that Copyright Office expertise, exercised in the registration process, has guided courts in determining whether, under section 101 of the Copyright Act, a claimed pictorial, graphic or sculptural work constitutes a "useful article" and, if it does, whether and to what extent the article is inseparably utilitarian. If Copyright Office decisions have had any effect on judicial decisions, it is certainly not evident from the decisions themselves, for it is hard to imagine an area of copyright law in which there is less uniformity among the courts, or a greater abundance or confusion. The reason, doubtless, is that these determinations pervasively implicate policy questions on the boundaries between copyright, patent and industrial design—questions on which the Copyright Office possesses no greater expertise than any other official body, and certainly less authority.

2. A registration certificate offers courts at best a false security with respect to its indication of authorship and ownership. It will, for example, rarely be evident to an examiner from the face of a certificate whether a work was truly made for hire under currently applicable standards, or is an individual, rather than joint, work of authorship.

C. Section 411(a) discourages the assertion of claims that lack a firm foundation in settled copyright rules

Professor Benjamin Kaplan observed in his 1960 Copyright Revision Study that "the fact that applications are officially examined puts a certain pressure on claimants to examine and attempt to comply with the law before attempting registration."While this is doubtless true, it is hard to imagine that the pressure encumbering completion of a registration application is any greater than the pressure affecting the contemporaneous decision to prepare a complaint for copyright infringement. In both cases, careful scrutiny can be expected, and can be anticipated to discipline the effort.

It is also argued that the obligation to fill out an application for registration exerts pressure against asserting dubious copyright claims. It is hard to believe, however, that the prospect that a registration application will be rejected even approaches in cautionary effect the prospect of an award of attorney's fees or Rule 11 sanctions for frivolously filed claims.

D. Even if, taken separately, the individual benefits of section 411(a) do not make the case for its retention, the benefits, once aggregated, do make the case

In fact, and even viewed in the aggregate, the benefits conferred by section 411(a) make at best an underwhelming case for its retention. Indeed, were Congress writing on a blank slate today, it is hard to imagine that anyone could make a convincing case for adding a provision along the lines of section 411(a). The best evidence of this fact is the extent to which Congress has allowed copyright infringement lawsuits to be filed today without the filing of a registration certificate.

1. Non-U.S. Berne nationals can file copyright infringement lawsuits without obtaining a registration certificate. (Congress' conclusion that Berne's prohibition on formalities mandated this exemption was by no means foregone.) This exemption is particularly striking since the discipline of filling out a registration application would be far more salutary for foreign lawyers, accustomed to different legal requirements, than for U.S. lawyers.

2. Section 411(a) does not require that a registration certificate be obtained, but only that, if not obtained, it be authoritatively refused. Thus, section 411(a) contemplates a class of cases involving U.S. copyright claimants in which the lawsuit will proceed without a registration certificate and, indeed, without the participation of the Register of Copyrights if he or she determines not to join in the action on the issue of registrability.

3. Some courts have, as a practical matter, entirely ignored section 411(a) by ordering injunctive relief encompassing not only the work for which a registration certificate was obtained, but all future works of the copyright owner.

II. WHAT HARM DOES SECTION 411(A) DO?

Rigorously enforced, section 411(a) imposes substantial harms on U.S. copyright owners, as well as on copyright owners outside the U.S. whose works do not qualify as Berne Works. Three facts are central to these harms: (A) the exigencies of copyright lawsuits, particularly in the current environment of widespread, private copying; (B) the false security that issuance of a copyright certificate may give to courts; and (C) the demoralization resulting from a two-tier scheme that favors certain foreign works over U.S. works.

A. The requirement that a copyright owner obtain registration—or a definitive refusal of registration—as a condition to suit will often stand in the way of (1) prompt relief and (2) complete relief.

1. The exigencies of copyright litigation often require the immediate issuance of a temporary restraining order, followed by a temporary injunction, upon the discovery of an infringing copy; as in other areas, justice delayed will often mean justice denied. Although it might be argued that this is precisely as it should be, since the issuance of a TRO or temporary injunction can inflict severe harm upon a defendant, bonding requirements for copyright owners seeking injunctive relief ensure that such harms will not go uncompensated.

To be sure, an expedited procedure does exist for obtaining a certificate promptly. But few copyright claimants are aware of the expedited procedure; the procedure itself is costly; and, even if pursued, the expedited procedure does not ensure the prompt issuance or denial of a certificate if the Copyright Office chooses to engage in protracted correspondence with the applicant before definitively accepting or rejecting the application.

Some courts will treat section 411(a)'s requirement as non-jurisdictional, and will allow a copyright owner to file a copyright lawsuit without the certificate, and to submit the certificate to the court once it is obtained. Nonetheless, many courts have held that the presence of the copyright certificate is jurisdictional. In any event, the resulting unpredictability does little to advance the fluency of the litigation process.

2. The requirement that a copyright certificate be introduced for each copyrighted work claimed to be infringed, while perhaps tolerable in the standard case where only a single work is in issue, may become intolerable in the increasing number of cases that can be characterized as "copyright class action" cases—cases such as *Williams & Wilkins* v. *United States*—in which the copyright owner requires for complete relief a remedy against the copying of all of its works.

To be sure, some courts—unlike the Court of Claims in *Williams & Wilkins*—have been disposed to allow plaintiffs to make a blanket allegation of copyright infringement for all works "similarly situated" upon the introduction of a representative sample of certificates. Yet, so long as the Act remains unamended, there is little assurance that this gloss on the Act will become universal.

B. Outside those few courts that regularly deal with copyright lawsuits, a registration certificate attached to a copyright complaint may give a court false confidence about the substantiality of the claim to copyright. Among the relatively uninitiated, there is an evident tendency to give the certificate's *prima facie* effect the same weight that section 282 of the Patent Act gives to patents.

Patent and copyright presumptions of validity arise from vastly different sources. The patent presumption arises from the prior art searches conducted in the PTO—searches of a sort that, in the nature of things, cannot be conducted for copyright. By contrast, section 410(c)'s presumption of copyright validity stems not from the examination conducted by the Copyright Office, but rather from the ordering of burdens of proof that in most cases would apply even absent a certificate. (For example, a work's originality is presumed not because of anything that went on in the Copyright Office but rather because, as between copyright owner and infringer, the infringer is better placed to prove the relevant facts.)

C. Finally, although this country's obligations under the Berne Convention do not require it to treat U.S. nationals as well as it treats other Berne nationals, the current bifurcated scheme is demoralizing for U.S. nationals. Imposition on U.S. nationals of a requirement not imposed on other Berne nationals can only serve to demoralize copyright owners who see themselves treated disadvantageously, with no real countervailing benefits to the United States copyright system. Also, the imposition of the registration formality as a condition to suit departs from the modern genius of U.S. copyright law which is to move toward the Berne model under which no formality is inserted between an author and his or her work.

III. WHAT IS THE REAL PROBLEM WITH SECTION 411(A)?

The real problem with section 411(a) is not that it requires registration, or refusal of registration, as a condition to filing a copyright infringement lawsuit. Few copyright owners would object to registration as a condition to suit if the registration process entailed no more than does the recordation process for transfer of real property titles in the United States: payment of a modest fee, deposit of the relevant instrument, and its immediate entry, with only formal examination, in the county title records. Registration under these conditions would be strictly *pro forma* and an acceptable incident to the costs of litigation generally. (Some might object, however, that the deposit requirement under even these conditions may remain onerous; others may argue that even a purely formal, fee-based registration system creates an undesirable precedent in other countries that might seek extortionate registration fees as a condition to access to its courts.)

The real problem with section 411(a) lies not in the application for registration made to the United States Copyright Office, but in the examination, both of the claimed subject matter and the form of its deposit, that precedes the issuance or refusal of a registration. Part of the problem lies in the delays that protract the examination process, and part in the Copyright Office's occasionally evident "Patent Office mentality" of resolving doubts against applicants.

It is beyond the scope of this analysis, and perhaps beyond the purview of our Committee, to weigh the costs and benefits of the Copyright Office examination process, much less to propose alternatives. Taking, as it must, that the current examination process is a fact of life, the only conclusion that this analysis can reach is that section 411(a)'s requirement that copyright owners traverse a Copyright Office examination as a condition to vindicating their claims in court is entirely without justification.

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