Constitutionality of Judicially-Imposed Compulsory Licenses in Copyright Infringement Cases

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CONSTITUTIONALITY OF JUDICIA-LY-
IMPOSED COMPULSORY LICENSES
IN COPYRIGHT INFRINGEMENT CASES

I. INTRODUCTION

The general object of this note is to examine the use of compulso-
ry licenses\(^1\) in copyright law. More specifically, it examines the
increasing likelihood, although of questionable constitutionality, of
judicially-imposed compulsory licensing as a remedy in copyright
infringement cases.

This Note asserts that compulsory licenses are a political
compromise divorced from the policies behind the Copyright Clause
of the United States Constitution. Congress imposed compulsory
licensing in response to technological changes in information
transmission,\(^2\) thereby unwittingly extending copyright protection
beyond the scope of the Copyright Clause. Compulsory licenses,
while politically pragmatic, grant a copyright owner plenary rights
instead of the bundle of exclusive rights ordinarily granted by
copyright law. Additionally, this Note contends that because lower
courts misunderstand the nature and scope of copyright law, they,
misled by that confusion, are threatening to turn to compulsory
licensing to settle conflicts between the litigants before them.\(^3\)
Such an *ultra vires* remedy should not be imposed because
copyright law is purely a statutory construct, and only Congress is
empowered by the Constitution to create the remedies for copyright
infringement.

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\(^1\) Compulsory licenses provide for the right to “use a copyrighted work if certain proce-
dures are followed” and a statutorily defined fee is paid. DONALD F. JOHNSTON, COPYRIGHT
HANDBOOK 115 (1978).

\(^2\) For example, in the cases of cable and satellite broadcast transmission, Congress’
*See also* Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 430 n.11, 220
machines, and cable systems).

\(^3\) American Geophysical Union v. Texaco, Inc., 37 F.3d 881, 899-900 n.19, 32 U.S.P.Q.2d
(BNA) 1545 (2d Cir.) (1994) (“If the dispute is not now settled, this appears to be an
appropriate case for exploration of the possibility of a court-imposed compulsory license.”).

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This Note emphasizes the purposes behind copyright law and reveals how compulsory licenses conflict with those purposes. The first section addresses the constitutional basis for statutory copyright law, focusing on its history and Supreme Court interpretation. The second section traces the use of compulsory licenses and the arguments advanced for and against their use. Finally, this Note concludes that judicially imposed compulsory licenses are unconstitutional.

II. THE PURPOSES BEHIND COPYRIGHT LAW

A. THE STATUTE OF ANNE

Any explication of United States copyright law must begin in Great Britain with the Statute of Anne.4 The United States Copyright Clause originated from this 1710 British statute, which replaced the Stationers’ two centuries old monopoly controlling publishing in England.5

The focus of the Statute of Anne can be gleaned from its preamble and stated purpose. Its preamble describes the act as “[a]n act for the Encouragement of Learning, by Vesting the Copies of Printed Books in the Authors . . . of such copies. . . .”6 The purpose is stated to be “the Encouragement of learned Men to Compose and write useful Books.”7 The Statute transformed the copyright scheme in important ways:

First, the focus of protection shifted from the publisher to the author. Second, the statute created a public domain through the requirement that a new work be created in order to acquire copyright protection. Third, the limited term of the copyright further strengthened the public benefit. By eliminating the perpetual copyright, the work was accessible to all upon expiration of the copyright term. Finally, the

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4 Statute of Anne, 8 Anne, ch. 19 (1710) (Eng.).
5 L. Ray Patterson, Copyright and the "Exclusive Right" of Authors, 1 J. INTELL. PROP. L. 1, 9-14 (1993).
6 8 Anne, ch. 19 (1710) (Eng.).
7 Id.
existence of the statute itself embodied the assumption that no adequate right existed at common law.8

The driving force of the Statute of Anne, then, was to curtail publishers' (Stationers') control over publication, thereby ensuring public access to information.9 The United States Copyright Clause originated from this Statute.

B. THE COPYRIGHT CLAUSE AND FEDERAL COPYRIGHT LAW

The Copyright Clause found in Article I, Section 8, Clause 8, of the United States Constitution, states: “The Congress shall have Power . . . [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”10

Read literally, three fundamental policies are advanced by the clause: (1) to promote learning (“Progress of Science and useful Arts”); (2) to benefit authors (who get the “exclusive right”); and (3) to ensure public access (works are protected for “limited times”).11 Of these three policies, two benefit the public and one the author; and the benefit to the author is a means to the ends of promoting learning and protecting the public domain.12

As a constitutional delegation of power, the clause is a grant of, and a limitation on, Congress' power to define copyright law.13 As such, it is a limited monopoly, granted for a limited time, to foster creation and disseminate knowledge.14 Indeed,

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9 Interview, Professor L. Ray Patterson, February 12, 1995.
10 Because the clause includes both patent and copyright protection, one can separate the language and reveal the copyright clause: “The Congress shall have Power . . . To promote the Progress of Science . . . by securing for limited Times to Authors . . . the exclusive Right to their respective Writings . . . [.]” L. Ray Patterson, Copyright Overextended: A Preliminary Inquiry into the Need for a Federal Statute of Unfair Competition, 17 U. DAYTON L. REV. 385, 386 n.3 (1992).
11 Id. at 394-95.
12 Patterson, supra note 5, at 24.
14 See Patterson, Copyright Overextended, 17 U. DAYTON L. REV. 385, 388 n.10 (1992) (citing Fox Film Corp. v. Doyal, 286 U.S. 123, 127 (1932): “[T]he primary object in conferring the monopoly lies[s] in the general benefits derived by the public from the labors of authors.”);
[t]he monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors . . . by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.15

Copyright law, then, should be understood as a "statutory grant of a series of limited rights to which the copyrighted work is subject for only a limited period of time."16

From the first Copyright Act of 1790 to the Copyright Act of 197617, Congress has attempted to balance the interests of authors, disseminators (entrepreneurs who publish and distribute works), and the public (users of the copyrighted works).18 For example, in its Report concerning the 1909 Copyright Act, the House Judiciary Committee explains:

In enacting a copyright law Congress must consider . . . two questions: First, how much will the legislation stimulate the producer and so benefit the public; and, second, how much will the monopoly granted be detrimental to the public? The granting of such

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see also Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156, 186 U.S.P.Q. (BNA) 65 (1975):

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 the other arts.

16 Patterson, supra note 13, at 251.
17 There have been primarily five Copyright Acts: 1790, 1831, 1870, 1909, and 1976.
18 Patterson, supra note 10, at 388; see Gates Rubber Co. v. Bando Chem. Indus., Inc., 9 F.3d 823, 839, 28 U.S.P.Q.2d (BNA) 1503 (10th Cir. 1993) ("Copyright policy is meant to balance protection, which seeks to ensure a fair return to authors and inventors and thereby to establish incentives for development, with dissemination, which seeks to foster learning, progress and development.").
exclusive rights, under the proper terms and conditions, confers a benefit upon the public that outweighs the evils of the temporary monopoly.\textsuperscript{19}

The Supreme Court, moreover, has made clear that all of these interests are not equal, reaffirming that copyright exists primarily to serve the public interest; authors' and publishers' interests are therefore secondary.\textsuperscript{20}

That federal copyright law in the United States is a "creature of statute" cannot be overemphasized.\textsuperscript{21} "As the text of the Constitution makes plain, it is Congress that has been assigned the task of defining the scope of the limited monopoly that should be granted. \ldots\textsuperscript{22}"

An important aspect of this is that only Congress can define the remedies available for copyright infringement; therefore, courts cannot impose common-law remedies under circumstances that may appear appropriate for such remedies in other areas of law.\textsuperscript{23} This fact becomes increasingly important in light of copyright owners' attempts to persuade courts to apply common-law principles of property rights in adjudicating copyright disputes between copyright owners and users.

C. JUDICIAL MISUNDERSTANDING OF COPYRIGHT LAW—A NATURAL-LAW CONCEPT?

Copyright owners, although thankful for the protection offered by the statute, continually fight the statute's express limitation of those protections e.g., fair use.\textsuperscript{24} Their arguments are rooted in

\textsuperscript{19} H.R. REP. NO. 2222, 60th Cong., 2d Sess., 7 (1909).
\textsuperscript{20} See Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975) ("[T]he ultimate aim [of copyright] is \ldots to stimulate artistic creativity for the general public good."); Fox Film Corp. v. Doyal, 286 U.S. 123, 127 (1932) ("The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors.").
\textsuperscript{21} Fox Film Corp. v. Doyal, 286 U.S. 123, 127 (1932) ("But the copyright is the creature of the Federal statute passed in the exercise of the power vested in Congress."); Krafft v. Cohen, 117 F.2d 579, 580, 48 U.S.P.Q. (BNA) 401 (3rd Cir. 1941) ("Copyright \ldots is wholly a creature of statute.").
\textsuperscript{23} See generally, Rosette, supra note 8 (discussing federal common law and its place in copyright law).
their view that the source of copyright is a natural-law, proprietary right of the author. As such, the protection they seek by copyright is plenary and perpetual. While one may choose to hold copyright owners in low regard for their greed, it is the courts which should be the object of criticism when they apply the property-law doctrines advocated by the copyright owners.

The basis of the natural-law property right in copyright is the idea that an author created the work and is therefore entitled to the fruits of his or her labor. As one nineteenth-century commentator argued:

A work before it is published belongs only to the author; it is his spoken or written meditation, his thought, his intellectual being; it is himself; the author is not bound to account for it to any one, and is the absolute master to modify or destroy it. The fruit which he then draws from it is the well-being of study, the enjoyment of labor and of the exercise of his faculties; it is that pleasure of creation which is produced by the birth of ideas.

Thus, an author is entitled, by natural law, to the fruits of his labor. Anything less than a perpetual copyright, the argument goes, is an unjustifiable taking of private property.

The common law protects this proprietary interest of authors up until the time of publication. Upon publication, statutory copyright preempts any perpetual, common-law protection because Congress has power to grant copyrights only for limited times. Moreover, an author's act of publication brings his or her rights into the realm of the rights of others e.g., academics and consumers. Therefore, the Constitutional mandate to promote learning and protect the public domain must prevail over an author's post-publication rights.

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26 Patterson, supra note 5, at 5.
27 Id. at 24 n.63 (quoting Charles Renouard, Theory of the Rights of Authors, 22 AM. JURIST & L. MAG. 39, 43 (1839)).
28 See Patterson, supra note 5, at 8-9.
29 See Patterson, supra note 5, at 25.
If an author seeks statutory benefits e.g., damages, then he or she must correspondingly accept statutory costs e.g., fair use.\textsuperscript{30}

Traditionally, courts approached copyright issues from a proprietary perspective\textsuperscript{31} and used property-law principles in deciding conflicts between copyright owner and copyright users. Part of the explanation for this misconception is that courts fail to recognize copyright law as being regulatory in nature, and instead focus entirely on its proprietary aspects.\textsuperscript{32} The consequence is confusion between the use of the work (a proprietary concept) and the use of the copyright (a regulatory concept), and courts latching onto the former at the expense of the latter.\textsuperscript{33}

Perhaps courts should recognize copyright as quasi-property as the Supreme Court has done.\textsuperscript{34} As the quasi-property distinction makes clear, copyright is a regulatory concept "because the real subject of copyright is not the work, but the use of the work."\textsuperscript{35} The difference between property and quasi-property is the scope of the right to exclude. As Justice Holmes explained in *White-Smith Music Publishing Co. v. Apollo Co.*:

The notion of property starts … from confirmed possession of a tangible object and consists in the right to exclude others from interference with the more or less free doing with it as one wills. But in copyright, property has reached a more abstract expression. The right to exclude is not directed to an object in possession or owned, but is *in vacuo*, so to

\textsuperscript{30} A primary limitation on the exclusive rights of the copyright owner is the fair use doctrine. See 17 U.S.C. § 107. Through a four-factor balancing test, the doctrine allows the use of copyrighted materials in a reasonable manner without the consent of the owner. The factors include: (1) the purpose of the use; (2) the nature of the work; (3) the amount and significance of the portion used in relation to the work as a whole; and (4) the effect of the use upon the potential market for or value of the work. *Id.*


\textsuperscript{33} *Id.*

\textsuperscript{34} See *Int'l News Serv. v. Associated Press*, 248 U.S. 215 (1918), where the Court was concerned that International News was "reap[ing] where it had not sown" by using AP press dispatches. *Id.* at 242. The Court characterized the news reports as "quasi-property for the purposes of their businesses because they are both selling it as such . . .." *Id.*

\textsuperscript{35} Patterson, *supra* note 32, at 59.
It is a prohibition of conduct remote from the persons or tangibles of the party having the right.\textsuperscript{36}

As quasi-property, copyright law regulates the use of the copyright, not the use of the work. And because it is regulatory in nature, copyright law may be viewed as an unfair competition doctrine:\textsuperscript{37} "the competitor uses the copyright; the consumer uses the work."\textsuperscript{38} Copyright protects the owner against the unfair use by competitors, not use by consumers.\textsuperscript{39} The copyright owner has the right to interfere with a competitor's use of a copyright, but not with the consumer's use of a publicly disseminated work.\textsuperscript{40}

The 1976 Copyright Act, moreover, is clearly regulatory. It suggests publication be accompanied by notice for copyright protection or the copyright may be lost.\textsuperscript{41} The Act limits the length of the term of rights and subjects all rights to fair use\textsuperscript{42} and the first sale doctrine.\textsuperscript{43} It distinguishes among different kinds of copyrights, such as the copyright of compilations and derivative works.\textsuperscript{44}

Why do courts have difficulty focusing on the regulatory nature of copyright law when resolving copyright issues? One response is the narrow parameters the courts face in such cases. As the Eleventh Circuit Court has characterized the setting of a copyright case before a court: "[f]requently, the court is presented with a 'good guy' copyright owner and a 'bad guy' ('pirate') copyist. As a result, in affording relief, the interest of the public in the free flow and availability of ideas is often overlooked."\textsuperscript{45}

\textsuperscript{36} 209 U.S. 1, 19 (1908) (Holmes, J., concurring).
\textsuperscript{37} Patterson, supra note 32, at 62.
\textsuperscript{38} Id. at 61. As Professor Patterson points out, the use of the work and the use of the copyright are not reflexive—"[u]sing the copyright necessarily entails using the work, but using the work does not necessarily entail using the copyright." Id. at 60-61.
\textsuperscript{39} Id. at 61.
\textsuperscript{40} Id.
\textsuperscript{42} 17 U.S.C. § 107.
\textsuperscript{43} 17 U.S.C. § 109.
\textsuperscript{44} 17 U.S.C. § 103.
\textsuperscript{45} Cable News Network, Inc. v. Video Monitoring Servs. of Am., Inc., 940 F.2d 1471, 1483 (11th Cir. 1991).
Moreover, the concerns of the legislature are different than those of a court. The legislature considers the general consequences of its actions for all citizens, whereas the court considers the particular consequences of its rulings for the parties before it. It is far easier for a court, with its understanding of copyright shaped by a natural law perspective, to apply property principles to resolve the dispute.

The courts continued application of property principles to a regulatory statute creates confusion. The danger of this confusion about copyright's regulatory versus proprietary nature is a restraint in consumer access to copyrighted material, and, more important, uncopyrighted material. As the 1976 Copyright Act makes clear, a work is copyrightable only if it is an "original work of authorship." What constitutes an "original work of authorship" is explained in the next section.

D. WHAT IS COPYRIGHTABLE MATERIAL? ORIGINALITY IS THE SINE QUA NON OF COPYRIGHT PROTECTION.

In a landmark copyright decision, Feist Publications, Inc. v. Rural Telephone Service Co., the Supreme Court strictly limited a copyright owner's monopoly to original expressions and not the underlying facts of a work. The Supreme Court reigned in the scope of copyright by holding: "(1) copyright requires original authorship; (2) anyone has a constitutional right to use unoriginal material contained within copyrighted work; and (3) a copyright owner's proof of infringement includes showing the copying of component(s) that are original . . . " The issue in Feist was the degree of "originality" required for compilations to receive copyright

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46 Id.
47 Patterson, supra note 32, at 62.
48 Id. at 10.
protection.52

The Feist Court emphasized originality as a constitutional requirement for copyright protection53 and further imposed a constitutional requirement for creativity.54 The Court's originality standard requires "that the work was independently created by the author (as opposed to copied from other works) and that it possesses at least some minimal degree of creativity."55

In addition to this constitutional requirement, Congress expressly included a creativity requirement by requiring copyrightable works be "original works of authorship."56 The Feist Court mandated a minimal level of creativity before a work could receive copyright protection.57 "An author who claims infringement must prove the existence of . . . intellectual production, of thought, and conception."58 The consequence of this formulation is that "unoriginal"59 arrangements will be considered as being in the public

52 See Tracy Lea Meade, Note, Ex-Post Feist: Application of a Landmark Copyright Decision, 2 J. INTELL. PROP. L. 245, 251-52 (1994), setting out the facts as follows:

The Feist company published area-wide telephone directories. The region covered by the Feist directory at issue included the area that Rural Telephone had serviced exclusively with a phone directory. Both directories contained white and yellow page sections, and they profited from the sale of advertisements in the yellow page section. Feist was unable to contract for the use of Rural's listings, so it copied listings from Rural's directory. Feist's employees excluded listings outside the scope of its directory and independently verified and supplemented the listings copied from the Rural white pages. Some of Feist's listings, however, mirrored those in the Rural directory, including four false entries designed to detect copying. The district court granted summary judgment to Rural Telephone on its copyright infringement claim based upon the evidence of actual copying. In an unpublished opinion, the Tenth Circuit affirmed the lower court's ruling. Subsequently, the United States Supreme Court granted Feist's petition for certiorari.

53 Feist Publications, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 346 (1991). The Supreme Court articulated this requirement in The Trade-Mark Cases, 100 U.S. 82, 94 (1879), defining the constitutional term "writings" as "only such as are original, and are founded in the creative powers of the mind."


55 Id. at 345.


57 Meade, supra note 52, at 253.


59 Id. at 363.
domain and not afforded copyright protection by the compilation copyright.60

Beyond its impact on compilations, the importance of *Feist* lies in its express exclusion of facts or ideas in formulating a definition of authorship.61 An author's expression is protected not the underlying fact or idea, which is public domain material. The *Feist* Court explains that "facts do not owe their origin to an act of authorship." The distinction is one between creation and discovery: "[t]he first person to find and report a particular fact has not created the fact; he or she has merely discovered its existence."62 The court continues by asserting, "[t]his result is neither unfair nor unfortunate. It is the means by which copyright advances the progress of science and art."63 This exclusion of facts from copyright protection, therefore, allows authors to exploit facts from the public domain.64

The lesson of *Feist* is that unoriginal works are not protected by copyright law. Without originality, there can be no copyright protection since "[c]opyright protection subsists . . . in original works of authorship fixed in any tangible medium of expression . . . ."65 And without a copyright, there can be no infringement of the exclusive rights of a copyright owner.66 This fact is important because compulsory licenses, discussed in detail in the next section, apply to a whole work, regardless of whether the work contains uncopyrightable components.

60 Meade, supra note 52 at 253.
61 This proposition was first announced in Baker v. Selden, 101 U.S. 99, 103 (1879). The Copyright Act of 1976 states:
In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.
63 Id. at 350.
64 Meade, supra note 52, at 255.
"Anyone who violates any of the exclusive rights of the copyright owner . . . is an infringer of the copyright . . . ."
Congress has used compulsory licenses to keep pace with new technology. One commentator suggests that a compulsory license resembles "an unwritten contract which gives the user unlimited use of the work or product in return for the promise that he will pay a fee or royalty at some later date." Compulsory licenses were first introduced in the 1909 Copyright Act and expanded under the 1976 Act. Because compulsory licenses restrict copyright owners' power to exclude users once the royalty fee is paid, copyright owners complain about their loss of control. Compulsory licenses also force users to pay amounts that may not reflect a work's worth. The history of Congress' choice to impose compulsory licenses reveals that while copyright owners complained loudly about them initially, they fight to keep them.

In this section, the statutory history of the 1909 and 1976 Acts are presented first. Next, the reasons for and against compulsory licenses are addressed.

A. STATUTORY HISTORY OF COMPULSORY LICENSES

1. 1909 Copyright Act. The first compulsory license was granted under the 1909 Act for mechanical sound reproductions. The mechanical license allows the user to record a new version of a recorded, publicly distributed song on a phonorecord e.g., piano roll, record, cassette, compact disc and distribute the new version after paying the royalty rate to the copyright owner.
sense the license was introduced in response to new technology: the manufacture of piano rolls capable of mechanically reproducing copyrighted songs.\(^{73}\) In another sense, Congress imposed the compulsory license to prevent one record company, the Aeolian Company, which had been hoarding recording and publishing rights, from gaining an industry-wide monopoly.\(^{74}\) These two views are consistent because the new technology enabled that company to monopolize the industry. Congress, then, chose to implement a compulsory licensing scheme to reach a "balance between adequate protection for the proprietor of a musical work on the one hand and the avoiding of 'a great music monopoly' on the other."\(^{75}\)

2. 1976 Copyright Act. The 1976 Copyright Act modified the mechanical compulsory license\(^{76}\) and expanded the use of compulsory licenses into other areas. These areas included: retransmission by cable systems of broadcast signals;\(^{77}\) public performance of music on jukeboxes;\(^{78}\) and public broadcasting.\(^{79}\) In 1988 Con-

\(^{73}\) See White-Smith Music Publishing Co. v. Apollo Co., 209 U.S. 1, 18 (1908) (holding that "perforated rolls" and machines that utilize them are not "copies within the meaning of copyright act").


\(^{79}\) 17 U.S.C. § 118(b)(3) (1988 & Supp. V 1993) states: "In the absence of a license agreement . . . the Librarian of Congress shall determine and publish a schedule of rates and terms which . . . shall be binding on all owners of copyright in works specified by this subsection and public broadcasting entities, regardless of whether or not such copyright owners have submitted proposals to the Librarian of Congress."
gess added a compulsory license for retransmission by satellite carriers of broadcast signals to private home viewers. 80

The history of the early stages of 1976 Copyright Act revision highlights the fact that compulsory licenses benefit copyright owners. In 1961, the Register of Copyrights recommended the elimination of compulsory licenses, although well received by scholars and authors, the proposal was “drowned in a sea of protests from the recording industry.” 81

The record industry argued that compulsory licensing fosters “a variety of recordings of the same musical works, provides authors and publishers with greater public exposure from multiple recordings, and allows small record companies to compete with larger ones by making recordings of the same music.” 82 The Register of Copyrights countered these assertions in the 1961 report. He argued, for example, that without compulsory licensing, popular composers would be able to negotiate their own interests, large record companies could not “steal away hits” originated by smaller companies, and if it was true that authors and publishers benefited from multiple recordings, “they would presumably seek to give non-exclusive licenses to several companies.” 83 The strongest argument for eliminating the compulsory license was that the original justification for compulsory licensing—to prevent an industry-wide monopoly—was no longer applicable because of the development of the music industry. 84

The fact of the matter was that “record producers . . . regard[ed] the compulsory license as too important to their industry to accept

80 17 U.S.C. § 119(a)(1) (1988 & Supp. V 1993) states: “[S]econdary transmissions of a primary transmission made by a superstation and embodying a performance or display of a work shall be subject to statutory licensing under this section if the secondary transmission is made by a satellite carrier to the public for private home viewing, and the carrier makes a direct or indirect charge for each retransmission service to each household receiving the secondary transmission or to a distributor that has contracted with the carrier for direct or indirect delivery of the secondary transmission to the public for private home viewing.”

81 14 HOFSTRA L. REV. 379, 390 (citing REGISTER OF COPYRIGHTS, 87TH CONG., 1ST SESS., REPORT ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 34 (Comm. Print 1961), reprinted in 3 GROSSMAN, OMNIBUS COPYRIGHT REVISION LEGISLATIVE HISTORY (1976)).

82 14 HOFSTRA L. REV. 379, 391-392.

83 Id. at 392 (citing REGISTER OF COPYRIGHTS, 87TH CONG., 1ST SESS., REPORT ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 34 (Comm. Print 1961), reprinted in 3 GROSSMAN, OMNIBUS COPYRIGHT REVISION LEGISLATIVE HISTORY (1976)).

84 Id.
As the prime beneficiaries of compulsory licenses, the record industry producers would not, and did not, allow Congress to alter the mechanical compulsory license—except, of course, to increase the royalty rate.

B. THE REASONS FOR COMPULSORY LICENSES

Commentators have generally put forth three reasons for compulsory licenses: (1) ensure public dissemination and authors' compensation; (2) market failure—high transaction costs; and (3) enforcement problems due to free riders. Although discussed separately below, the three reasons are intertwined and to a degree reinforce each other.

The most frequently cited reason for compulsory licenses is that they ensure public dissemination while at the same time providing some guaranteed compensation for copyright owners. The compulsory license is a practical solution, advocates argue, because it is fair for the copyright owner to receive royalties and beneficial to the public to have access to the work. The cable industry, for example, argued that "[c]able television through its reception and distribution of television broadcast signals, promotes the dissemination of knowledge to the public. Indeed, without this service, significant numbers of Americans would be denied the fruits of creative labor."86

The second reason offered for compulsory licenses is market failure. The private market place fails because copyright owners are unable to negotiate with those desiring to use the copyrights; the resulting transaction costs and delays are often invoked to justify compulsory licenses.87 For example, during the discussion over Section 118, public broadcasters argued that compulsory licenses were necessary to assure them "broad access to copyrighted materials at reasonable royalties without protracted delays in

86 Id. at n.87.
obtaining permission from copyright owners."88

When the House Committee on the Judiciary debated the compulsory license for cable rebroadcasts,89 it specifically addressed transaction costs, noting that "it would be impractical and unduly burdensome to require every cable system to negotiate with every copyright owner whose work was retransmitted by a cable system. Accordingly, the Committee has determined ... to establish a compulsory copyright license ...."90

The shortcoming of those positions is that they ignore the fact that transaction costs are also detrimental to copyright users as well as owners. Both parties have the incentive to use blanket licensing as in the music industry such as that run by A.S.C.A.P. Moreover, technology could allow two parties to negotiate through a computer-based system containing a catalogue of copyrighted works and corresponding royalty charges.91 In the future, it may be possible that technology will allow a copyright owner to track subsequent transfers of his or her copyrighted work. As Professor Goldstein concludes:

the variety of alternatives that could be devised is as great as the ingenuity of private entrepreneurs to strike the bargain that suits them best. Yet, these efforts will be undertaken only if there exists the exclusive rights to warrant them. By reaching so quickly for the compulsory licensing solution, Congress effectively foreclosed experimentation with possibly more efficient private alternatives.92

The third reason often cited for compulsory licenses, enforcement problems from free riders, blends the first reason's notion of fairness with the second reason's suggestion of transactional obstacles. New technologies have created new ways in which to use

88 Id. at 1138 (emphasis added) (quoting Subcomm. on Patents, Trademarks, and Copyrights of the Senate Comm. on the Judiciary, 86th Cong. 1st Sess., The Economic Aspects of the Compulsory License 100-101 (Comm. Print 1960)).
91 Goldstein, supra note 87, at 1138.
92 Id. at 1139.
copyrighted works and commercially exploit them. Photocopying machines, for example, allow for complete or partial copying of a copyrighted work and then subsequent distribution without paying the copyright owner. And in the extreme case, digitalized information can be instantaneously transmitted over the Internet to potentially thousands of users. These redistributions of copies of a copyrighted work, it is argued, deprive a copyright owner of fair compensation.

These fears, however, assume the copyright owner has absolute control of a copyrighted work; in actuality, the fair use doctrine precludes such control. Also, as alluded to above, new technology may increase enforcement of copyrights. Thus, in the case of legitimate infringement, the copyright owner will always have the right to seek an injunction and/or statutory damages.

C. ARGUMENTS AGAINST COMPULSORY LICENSES

Copyright owners and users both have reasons for disliking compulsory licenses. The owners, of course, complain that the royalty rates are set too low, and the users complain that the rates are too high. The government-determined copyright royalty fee in place, however, does not prevent the copyright owner and user from negotiating a different rate. Often the parties negotiate a rate lower than the government rate because the user can always comply with the government rate. In this sense, the government rate not only acts as a ceiling for how much a copyright owner can demand for a popular work from a potential user, but serves as a floor for unpopular works.

Compulsory licenses' intrusions into the market place impact the investment in the development, production, and marketing of

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95 Robert Cassler, Copyright Compulsory Licenses—Are they Coming or Going?, 37 J. COPYRIGHT SOC'Y 231, 232 (1990).
96 Id. n.5 (noting in footnote 5 that record companies often receive three-fourths (3/4) government rate from artist for mechanical license).
Because investment into a work is proportional to expected value and returns, "compulsory licensing undercuts this investment mechanism by placing an artificial ceiling on the amount that can be recovered in the marketplace." The possible consequence is a reduced differentiation among works produced because no work will attract investment in excess of the aggregate returns determined by the compulsory licensing scheme. In this sense, compulsory licenses may conflict with the purpose of the Copyright Clause of promoting original works of authorship.

While these arguments merit attention, the strongest argument against compulsory licenses is not the price squabbles between copyright users and sellers, but the constitutional conflict. Although enacted by Congress, compulsory licenses extend the copyright monopoly beyond the constitutional scope set forth in the Copyright Clause and Supreme Court rulings because they fail to distinguish uncopyrightable components.

Section 102 of the Copyright Act provides that "[a] protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." Additionally, the Supreme Court unequivocally stated in *Feist* that "originality remains the sine qua non of copyright" and set out a minimum level of creativity required to qualify as an original work entitled to copyright protection. Unoriginal works or unoriginal components therein, therefore, are not copyrightable, nor are works that have passed into the public domain. Compulsory licenses, in such instances, require royalty payments to authors or publishers of works that are not copyrightable. These authors and publishers are not entitled to this legal subsidy under copyright law. That Congress has chosen to do so is one concern, for a court to do so is a far greater one.

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98 *Id.*
99 *Id.*
100 U.S. CONST. art. I, § 8, cl. 8.
IV. JUDICIALLY IMPOSED COMPULSORY LICENSING

To the extent that compulsory licenses are unconstitutional, no one can impose them. To the extent they simply lack convincing public policy justification, only Congress is empowered to impose them. The judicial branch does not have express or implied constitutional or statutory authority to impose compulsory licenses.

Proponents of judicially-imposed compulsory licenses, however, point to the Copyright Act itself as precedent for such power for the courts. Section 405 of the 1976 Copyright Act addresses the omission of notice on a copyrighted work publicly distributed by the copyright owner before the effective date of the Berne Convention Implementation Act of 1988. Subsection (b), deals with the omission by innocent infringers and exempts from liability actual or statutory damages for "any infringing acts committed before receiving actual notice that registration for the work has been made under section 408, if such person proves that he or she was misled by the omission of notice." In such a case, however, the court:

may allow or disallow recovery of any of the infringer's profits attributable to the infringement, and may enjoin the continuation of the infringing undertaking or may require, as a condition or permitting the continuation of the infringing undertaking, that the infringer pay the copyright owner a reasonable license fee in an amount and on terms fixed by the court. (emphasis added)

The argument by proponents of empowering the courts is that this express power to impose "reasonable license fees" in the case of innocent infringers implies the power to do so in other contexts where the equities are also clouded because an infringer was innocent. The weakness in this statutory interpretation is that it

104 Id.
105 Id.
goes against the maxim *expressio unius est exclusio alterius*, which is a rule of construction that means that where a legislature has expressly conferred power in one situation, it does so at the exclusion of all others. The courts, therefore, cannot imply the power to set a reasonable license fee except in the case of an innocent infringer who infringes a copyright without actual notice that the work was registered.

The second argument for judicially imposed compulsory licenses is that they balance the equities between the parties better than an injunction. In the "Betamax" case, *Universal City Studios, Inc. v. Sony Corp. of America*, the Ninth Circuit Court of Appeals held the manufacturers of video cassette recorders liable for copyright contributory infringement arising from home taping of television programs and remanded for consideration of a continuing royalty or lump some damages instead of an injunction. The court reasoned that "when great public injury would result from an injunction, a court could award damages or a continuing royalty." The United States Supreme Court reversed on Sony's liability and only Justice Blackmun's dissenting opinion approved the idea of a licensing scheme.

No less an authority than Professor Nimmer approved of the Betamax court's suggestion of a court imposed compulsory license when injunctions would cause great public harm. By analogy to property cases, he argues:

In nuisance cases, for example, the injured property owner may be denied an injunction against the objectionable activity where such an injunction would work a substantial injury to the public interest as well as to the interest of the particular defendant.

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108 *Id.* at 976.
109 *Id.*
110 *Id.*
112 *Id.* at 499-500 (Blackmun, J., dissenting).
Instead, the creator of the nuisance is given a license to continue his damaging activity and required to pay the property owner partial compensation for the diminishment of the property's value.\textsuperscript{114}

This reasoning, however, confuses copyright's grant of limited exclusive rights (quasi-property) with traditional property doctrine. Statutory copyright law, in furtherance of the purposes of the Copyright Clause, is a limited monopoly for a limited time and is therefore regulatory in nature, not proprietary. Even assuming a court could impose compulsory licensing, practical problems weigh in favor of them not doing so.

Because courts can only fashion relief between the parties involved, a practical problem with courts imposing a compulsory license is that the license fees imposed most likely will not be uniform across jurisdictions despite any similarity in facts.\textsuperscript{115} Moreover, using \textit{American Geophysical Union v. Texaco, Inc.}\textsuperscript{116} as an example, parties may stipulate the parameters of the conflict, and the court is left deciding the case on a narrow scope. In that case, the issue before the court concerned only eight articles that one researcher photocopied.\textsuperscript{117} The problem then arises that such stipulations may not adequately reflect, and therefore not put before the court for consideration, all the competing interests and histories.

Finally, and most important, the Constitution specifically delegates to Congress, and only Congress, the power to regulate copyright. Courts, moreover, are ill-equipped to impose a remedy as constitutionally questionable as compulsory licenses without the express authorization from Congress.

\textsuperscript{114} Id. at 1530 n.88 (citing Boomer v. Atlantic Cement Co., 26 N.Y.2d 219 (1970); see also \textit{Restatement (Second) Of Torts} § 951 cmt. a (1979) (indicating that damages may be awarded in lieu of injunction because of countervailing public interest)).


\textsuperscript{116} 37 F.3d 881 (2d Cir. 1994), order amended and superseded by 60 F.3d 913 (2d Cir. 1994), \textit{petition for cert. filed} 63 U.S.L.W. 3788 (U.S. Apr. 24, 1995) (No. 94-1726).

\textsuperscript{117} Id.
As technology advances, copyright owners are attempting to expand copyright protection to information in the public domain. They are seeking the legal subsidy of copyright law to ensure profits from works that may not meet the statutory requirements of originality or fixation. Copyright law, however, can only protect the owner's right to profit as the market for his or her work provides; it can not create a profit by creating a new market as compulsory licenses do. To the extent Congress chooses to impose compulsory licenses to support public broadcasting or emerging industries e.g., satellite transmission, then it is the only branch of our democratic government authorized to do so. The courts, lacking both the proper forum and perspective, should not usurp the Constitution or Congress by imposing compulsory licenses.

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