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ARTICLES

U.S. COPYRIGHT LAW AFTER GATT: WHY A NEW CHAPTER ELEVEN MEANS BANKRUPTCY FOR BOOTLEGGERS

*Jerry D. Brown**

"I am a bootlegger; bootleggin' ain't no good no more."
-Blind Teddy Darby¹

I. INTRODUCTION

On December 8, 1994, President Clinton signed into law House Bill 5110, the GATT (General Agreement on Tariffs and Trade) Implementation Act of 1994.² By passing the GATT Implementation Act before the end of 1994, the United States joined 123 countries in forming the World Trade Organization ("WTO"). The WTO is a multilateral trade organization established by GATT 1994, wherein member countries consent to minimum standards of rights, protection and trade regulation. Complying with these standards required the United States to amend existing law in several areas concerning trade and commerce, including areas that regulate intellectual property rights.³

* B.A., University of Oklahoma, 1992; J.D., Oklahoma City University School of Law, 1995. The author wishes to thank his wife, Angela Marie Poe-Brown, for three years of enduring patience, love, and stability, for he could not have finished his education without her. Thanks go also to John C. Kluge, for offering advice and suggestions on previous drafts from a disinterested point of view. Finally, the author would especially thank Associate Dean Jay Conison, Oklahoma City University School of Law, for his thoughts, advice, and insight in drafting this paper.

1. As British police hauled away a young bootlegger's entire inventory of Compact Discs ("CDs") in Colchester, the young bootlegger played this old blues song on his sound system. *Record Haul by Music "Police,"* THE OBSERVER (London), Dec. 12, 1993, at 13.

2. General Agreement on Tariffs and Trade Act of 1994, Pub. L. No. 103-465, 108 Stat. 4809 (1994).

3. Though the textual result of the Uruguay negotiations is entitled *The Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations*, the treaty itself has come to be known simply as "GATT 1994." Similarly, the intellectual property sections of GATT 1994, the *Trade-Related Aspects of Intellectual Property, Including Trade in Counterfeit Goods*,

This Article addresses the subsequent addition of Chapter 11 to Title 17 of the United States Code.⁴ This chapter, and its criminal counterpart in Title 18, establish liability for the unauthorized recording of live performances, a popular and increasing form of “bootlegging.” In short, Chapter 11 requires that one making a recording of a live performance obtain the consent of the performer.⁵ One who makes a recording of a live performance without the performer’s consent is liable to the performer, and is also subject to the remedies or penalties set forth in existing copyright law.⁶

Current federal copyright law already prohibits some types of bootlegging, such as counterfeiting and pirating.⁷ In many respects, these laws control domestic bootlegging successfully. Before the new amendments, however, and for reasons addressed in this Article, Congress left to the states the task of regulating the unauthorized recording of live performances, what this Article refers to these recordings as “classic” bootlegging. Congress’ failure to regulate classic bootlegging left enough room in federal law for people around the world to profit from this special form of infringement. In addition, many foreign countries considered state regulation of classic bootlegging an inadequate form of protection for their artists in the United States. Consequently, these countries did not provide American artists the same protection they provided their own citizens.

Because the required provisions were buried deep within the language of GATT, and because federal copyright law already prohibits most forms of bootlegging, the recent amendments received little fanfare from the press or legal commentators. However, there are a few in the music industry who foresee the new amendments as having a great impact on domestic and international copyright protection. For these people, the new amendments

is commonly abbreviated as “TRIPs.” The TRIPs provisions of GATT 1994, delineated by articles and subsections, are located in Annex 1-C of the *Agreement Establishing the World Trade Organization*. Unless indicated otherwise, citations to the TRIPs portion of GATT 1994 will be given as GATT 1994, citing to the pertinent article.

4. See generally 17 U.S.C. §§ 101-114 (1994).

5. General Agreement on Tariffs and Trade Act of 1994, Pub. L. No. 103-465, 108 Stat. 4809 (1994).

6. *Id.* The remedies for copyright infringement are set forth in 17 U.S.C. §§ 501-510 (1994).

7. See *infra* part IV.A.

“close a gaping loophole”⁸ of protection in existing law, one that allowed classic bootleggers to profit without violating federal law.

The addition of these amendments presents many interesting issues. Of these issues, this Article will address three:

- (1) Where, and to what extent, was federal law inadequate in controlling bootlegging?
- (2) Second, what will the new amendments bring to existing law?
- (3) Finally, how effective will the new amendments be, in conjunction with GATT 1994 standards, in controlling bootlegging in the United States and abroad?

Part II, the section that follows, will familiarize the reader with bootlegging terms and the recording industry in general. Part III of this Article will analyze the toll that bootleggers have taken on the recording industry to date. Parts IV and V will summarize the current federal and state methods of controlling bootlegging. Part VI will outline the new GATT and federal provisions, and will trace their legislative history. Finally, Part VII will examine those areas in existing law where the new amendments will have the most effect.

II. BOOTLEGGING AND THE RECORDING INDUSTRY: THE PLAYERS

A. *Classes of Bootlegging*

Bootlegging is the unlawful sale or manufacturing of some product,⁹ including phonorecords.¹⁰ The word “bootlegging” originates from acts of piracy and theft: an “allusion to concealing objects in the leg of a high

8. *GATT and Intellectual Property: Hearings on H.R. 4894 and S. 2368 Before the Senate Judiciary Comm. on Patents, Copyrights and Trademarks and the House Subcomm. of the Judiciary on Intellectual Property and Judicial Administration*, 103d Cong., 2d Sess. (1994) (statement of Jason Berman, Chairman and Chief Executive Officer, Recording Industry Ass’n of America). As will be discussed in parts IV, V, and VI, existing federal copyright law does not prohibit some types of bootlegging, so long as the bootleggers conform to the compulsory licensing provisions of 17 U.S.C. § 115 (1994).

9. Judges and authors have defined “bootlegging” in a number of ways. Even the Supreme Court has defined bootlegging: “A bootleg phonorecord is one which contains an unauthorized copy of a commercially unreleased performance.” *Dowling v. United States*, 473 U.S. 207, 209 n.2 (1985).

10. “Phonorecords” is a term of art in copyright law, which not only includes records, but also any “material objects in which sounds . . . are fixed by any method now known or later developed . . .” 17 U.S.C. § 101 (1994).

boot.”¹¹ As with many unauthorized acts, there exist different classes of bootlegging, each with its own distinct legal consequences. The distinctions among these classes lie either in the source material being bootlegged or the packaging of the product.¹² This Article will identify three classes of bootlegging: counterfeiting, pirating, and classic bootlegging.¹³

Counterfeiting is the unauthorized duplication or sale of a pre-existing copyrighted work, where the duplicate has been manufactured to look and sound like the authorized copy. One may compare counterfeit phonorecords with counterfeit money; both purport to be authentic when in truth they are not.¹⁴ Similar to counterfeiting, *pirating* is the unauthorized duplication or sale of a copyrighted work that was not released to the public. Included in the category of pirated recordings are outtakes,¹⁵ studio rehearsal tapes, “B-sides,” and demonstration or audition tapes.¹⁶ *Classic bootlegging* is the third type of bootlegging. Bootlegging in the *classic* sense is the unauthorized copy of a live performance of a copyrighted work. Usually, one becomes a classic bootlegger by recording a live performance in person or through a public broadcast.¹⁷ This Article identifies classic bootlegging as such because the unauthorized recording of a live performance is the original and most notorious type of bootlegging.

11. WEBSTER’S NEW WORLD DICTIONARY 168 (College ed. 1968).

12. Were one referring only to the source material being copied, one could divide bootlegging into two categories, instead of three: unauthorized recordings of pre-released works, and unauthorized recordings of unreleased works.

13. At least two sources have used the three-category method. See Douglas Wong, *Cantopop Piracy Poses Threat to Music Industry*, STRAITS TIMES, Dec. 11, 1993, at 44. See also Daniel Roth, *The Battle Never Ends for the Tape-Pirate Police: Music Knock-Offs are Big Business*, CORP. LEGAL TIMES, Jan. 1994, at 17. When this Article uses the generic term “bootlegging,” it refers to the combination of all three categories.

14. One source has defined counterfeiting simply as “outright copies.” Wong, *supra* note 13, at 44.

15. An outtake is generally a song recorded by an artist to be released as part of a commercial recording, but never released, due to recording length or quality of work.

16. Compilation CDs also fall into this category, insofar as the number or sequencing of songs on the compilation have not been previously released. Consider further that the Supreme Court defines only two categories of bootlegging: “bootlegged,” and “pirated,” or “[the] unauthorized copy of a performance already commercially released.” See *Dowling v. United States*, 473 U.S. 207, 210 n.2 (1985).

17. “Classic” bootlegging also has been defined as “unauthorized studio or concert recordings,” so as to include elements of piracy. Wong, *supra* note 13, at 44.

B. Examples of Bootlegging: The Recording Industry

To illustrate these classes of bootlegging and their impact on the music industry, consider the following example. First, meet the copyright owners: Mike Musician is a blues guitar player and performer. Over the years, Mike has written fifty songs, which he performs in local bars and cafes. Mike wants a record contract so he can have his songs produced, copied, and distributed nationally.

Andy Agent is the vice president for Large Records. While scouting for new talent, Andy comes to one of Mike's shows. Andy is impressed with Mike's original works. Learning that Mike has not been signed to another company, Andy offers Mike a record contract with Large Records. Mike gladly accepts. In consideration for allowing Large Records the exclusive right to copy and distribute Mike's sound recordings, Mike receives a standard fee, and a percentage of revenue from all copies sold and public performances of those copies (a royalty). Mike records thirty of his songs. Phil Producer engineers and arranges fifteen of these songs, and saves the songs on masters. The masters are pressed, reproduced, packaged and distributed under the title "Fifteen Ways to Be Blue" by Mike Musician, produced by Phil Producer, on Large Records. The copies are shipped through distributors to record stores.

Andy Agent has made millions in the music business by predicting new trends in music. For example, Andy anticipated a blues revival in America and around the world, and he signed Mike in preparation for this trend. True to form, Mike's debut record becomes a commercial success. To date, five million copies of Mike's recording have been sold. Mike's performances sell out in hours wherever he plays. People would pay anything for Mike's recordings, including unauthorized recordings. Now it is time to meet the bootleggers.

C. Examples of Bootlegging: The Bootleggers

1. Example One: The Counterfeiter

Candy Counterfeiter lives in a large Asian country under Communist rule. This country is lax in enforcing the international intellectual property laws of foreign copyright holders. Candy also benefits from the success of Mike Musician, but without compensating Mike. Candy obtains a copy of Mike's debut record, takes it to her disc production factory, and makes several thousand duplicate copies of the recording. Candy intends to sell

these unauthorized copies in record stores in Asia and throughout the world, often next to the authorized copy. Candy intends the unauthorized copies to look and sound exactly like the original, including the packaging, sequencing of the songs, design, labeling, and catalog information.

Unless one were instructed to look for differences, the average consumer could not tell the authorized from the unauthorized copy — with one exception. Candy's unauthorized copy sells for about one-tenth the price of the authorized copy. It costs Candy about a dollar to make the copy, and she sells her copies for about a dollar and a half.¹⁸ Because Candy pays no royalties, artist fees, studio time, or production costs, she may charge less for her disc. Before the arrival of digital audio, Candy's customers would have paid a cheaper price for her inferior copies because multiple copies diminish in sound quality from the original. Now that the information can be transferred digitally, there is virtually no loss of audio quality between the original and the unauthorized copy.¹⁹

2. Example Two: The Pirate

Peter Pirate, a part-time computer engineer, lives in London. Peter is obsessed with the music of Mike Musician. Fortunately for Peter, he has a friend, Peggy, who works at Large Records. Peggy has few perquisites at her job, save one. Peggy has access to the master archives at Large Records. Peter thinks he, as well as others, would enjoy hearing the rehearsal tapes from Mike Musician's sessions in the recording studio. Peter asks Peggy to borrow the masters. Eventually, Peter obtains the songs that Mike recorded that were not released. Peter copies a tape for himself, and decides to sell other tapes for profit. He makes no attempt to distinguish these recordings from the authorized recordings. Instead, he simply makes copies of the masters onto blank analog cassettes, labels them "Mike Musician: The Pirate Sessions," and sells them through mail order and through advertisements in music collector magazines.

18. These figures are estimated. Actual figures vary according to the volume of illegal recordings produced and the method used to produce them. See generally *China Cranks Up Production of Fake CDs*, SAN DIEGO UNION-TRIBUNE, Dec. 11, 1994, at A41; Richard S. Ehrlich, *China's Bootleg CDs Called Threat to Industry*, WASH. TIMES, July 8, 1994, at A14.

19. Compact discs store information digitally. Unlike albums or audiocassettes, the dilution of sound quality between the master and the original recording is negligible. In addition, compact discs wear out less quickly than albums or cassettes. See N. Jansen Calamita, *Coming to Terms with the Celestial Jukebox: Keeping the Sound Recording Copyright Viable in the Digital Age*, 74 B.U. L. REV. 505, 516 (1994).

3. Example Three: The Classic Bootlegger

Frank Fan, a student of economics at State University, is also a fan of Mike Musician. Frank likes to talk about Mike with fellow blues fans through a mailing list on the Internet. Frank has ordered "The Pirate Sessions" through Peter's advertisement in *Goldmine* magazine, and checks his mailbox every day for its arrival. As a student of economics, Frank appreciates the ideas of supply and demand. Recently, Mike Musician played a concert near Frank's school, and Frank obtained front row tickets. Though the ticket stubs clearly read, "NO CAMERAS, NO RECORDINGS," Frank took a portable mini-disc player to the concert and recorded Mike's performance onto two blank "floptical" discs. Mini-disc players record sounds onto discs through digital transfer, which is the best available method of capturing a live performance today.²⁰

Frank had two reasons for recording the concert. First, he wanted a copy of the performance for his pleasure. Second, he wanted to trade copies of his recording for copies of other bootleg recordings. Recently, Fannie Fan posted to the Internet list that she had made a bootleg recording of a Mike Musician show in Memphis, and that she wanted to trade her copy for copies of other performances. Frank sent a message to Fannie offering to trade one bootleg for the other. Unlike Peter, Frank never intended to profit financially from his bootleg recording. On the contrary, he would have gladly paid for an authorized live performance of Mike in concert, were one ever released. Frank is a bootlegger in the classic sense.

This Article will analyze bootlegging, and its impact on the recording industry, using the above examples. To understand the nature of bootlegging and its relation to the recording industry, consider first the present state of bootlegging in the United States and around the world.

III. BOOTLEGGING AND THE RECORDING INDUSTRY: THE PROBLEM

A. *Bootlegging Domestically*

The recording industry is "big business," both domestically and internationally.²¹ Domestically, annual sales of pre-recorded music and music videos reached the \$10 billion mark in 1993, its tenth straight year

20. *Id.*

21. Worldwide sales of \$30.5 billion per year qualify the music industry, by any analysis, as big business.

of growth.²² This figure represents an 11.3% increase over the 1992 record of \$9 billion.²³ The United States produced 955.6 million units in 1993, a 6.7% increase from the previous year.²⁴ Bootlegging is an especially important concern for the United States since exports of American music represent one of the few positive American trade balances.²⁵

B. *Bootlegging Internationally*

Internationally, legitimate music sales for 1993 totaled \$30.5 billion.²⁶ From these sales, the Recording Industry Association of America ("RIAA")²⁷ estimated that the recording industry lost \$2 billion worldwide to bootlegging in 1993.²⁸ Interestingly, the value of global music piracy dropped overall in 1993, for the first time in over a decade.²⁹ One source has credited the decline to international exchange rates and lower retail pricing.³⁰ Indeed, when one analyzes the 1993 figures, one can see that music piracy has not declined at all. Though the value of bootlegged recordings dropped from \$2.1 billion to \$1.9 billion in 1993,³¹ bootlegged compact discs ("CDs") doubled in that period from thirty-eight million units in 1992 to seventy-five million in 1993.³² Additionally,

22. *Music Video Sales Up 35% in Record Year*, VIDEO WK., Mar. 7, 1994, at 16 (citing data released by the Recording Industry Association of America ("RIAA")). This figure represents the retail value of industry shipments minus returns.

23. *Id.*

24. *Id.*

25. This information was listed on a fact sheet prepared by the RIAA and distributed to House and Senate members in an attempt to lobby for GATT-implementing legislation. Interview with Sen. Don Nickles (R-OK) (Nov. 28, 1994).

26. Jeffrey Jolson-Colburn, *Global Music Piracy Drops in '93*, HOLLYWOOD REP., June 9, 1994, at 1 (citing data released by the International Federation of the Phonographic Industry ("IFPI")).

27. The RIAA is an affiliation of record companies whose purpose is to further the political and economic interests of its members. As shown later, the RIAA plays a great role in the enforcement of copyright laws in the United States. Among the services provided by the RIAA are sales figures and statistics from previous years. The RIAA forwards the United States totals to the IFPI for international statistics. The 1994 statistics became available in April, 1995. Telephone Interview with Neil Sarsfield, associate at the IFPI Secretariat in London (Feb. 6, 1995).

28. Jolson-Colburn, *supra* note 26, at 1.

29. *Id.*

30. *Id.*

31. *Id.*

32. *Id.* The figures cited do not place bootlegs into "counterfeit," "pirated," and "classic" categories. The statistics do not indicate that they have been so divided. The RIAA also concurs that the statistics are not broken into the aforementioned categories. Additionally, it is doubtful

despite the decline in unit value, production of bootleg units, bootleg compact disc or otherwise, rose in 1993 — from 722 million to 752 million units worldwide.³³

The following table summarizes legitimate and bootleg music sales in 1993, according to geographic region.³⁴

WORLDWIDE MUSIC SALES IN 1993			
<u>Geographic Region</u>	<u>Legitimate (In Billions)</u>	<u>Bootleg (In Billions)</u>	<u>Percentage of Bootleg Sales in Overall Sales</u>
Europe	10.4	.482	4.6
Middle East	0.3	.096	3.6
Asia	6.9	.552	8.0
Africa	0.2	.049	2.4
Australasia	0.6	.019	3.1
Latin America	1.4	.277	2.0
North America	<u>10.7</u>	<u>.413</u>	3.9
Totals	<u>30.5</u>	<u>1.888</u>	

Note the percentage of overall sales generated from bootlegs in Asia — almost *twice* the percentage of any other geographic region. These totals fail to illustrate the financial impact bootlegging has on music industries in particular countries.

C. *Bootlegging in Specific Countries*

Because countries, as sovereigns, are entitled to define intellectual property rights within their boundaries, it is important to analyze how bootlegging is addressed in specific countries in relation to their domestic intellectual property law.

1. Russia

Bootlegging will be most prevalent in countries where enforcement of intellectual property rights is lax or nonexistent. In the former Soviet Union, the communist government tolerated a small but thriving black

that even the international office of the RIAA keeps this type of statistic. Letter from Neil Turkewitz, Senior International Vice President of RIAA, to Jerry D. Brown, J.D., Oklahoma City University School of Law, 1995 (Jan. 17, 1995) (on file with the author).

33. Jolson-Colburn, *supra* note 26, at 1. To explain the rise in units, this source attributes their origin exclusively to production of bootleg CDs in China. See *infra* part III.C.4.

34. Jolson-Colburn, *supra* note 26, at 29 (rounded to nearest hundred million).

market of bootleggers.³⁵ Though a new, smaller Russia exists today, enforcement of copyright protection remains minimal. Sources have estimated that, in 1993, bootleg recordings accounted for ninety percent of all music sales in Russia.³⁶ Russian bootleggers quickly defend their practice with antiquated communist principles. Said one Russian bootlegger: "Once a piece of music has been sold to the public, it becomes public property [in Russia]."³⁷ One source has cited Russia's indifference to foreign copyright owners as a reason why American companies were slow to contribute to Russia's economic revolution.³⁸ For the future, Russia has vowed to take a tougher stance on copyright protection for foreign copyright owners.³⁹

2. Italy

Italy also faces economic problems attributable to bootlegging. In Italy, the bootleg remains a staple of domestic mass consumption. As one industry analyst commented:

There is a cynical belief in the Italian music industry that the legitimate sound carrier — the non-bootleg, non-pirated, non-rented, non-parallel-imported, non-hometaped article — has never quite established itself as a product of mass consumption in Italy, and that it is now starting to shed the limited public popularity it has enjoyed.⁴⁰

Bootlegging prevails in Italy for two reasons. Currently, Italy denies United States artists protection against the selling of bootleg recordings of their live performances.⁴¹ In Italy, one does not need a performer's consent to make a recording. One who records a live performance need only pay the composer's royalty to be allowed to bootleg.⁴² As discussed

35. Celestine Bohlen, *In Russia's Free Market, Cultural Piracy Thrives*, N.Y. TIMES, July 2, 1993, at A4.

36. *Id.*

37. *Id.*

38. *Id.*

39. *Id.*

40. Mike Hennessey, *Italy's Social, Economic and Political Situation Means Stiff Competition for Limited Leisure Dollars: Record Industry Could Use Another "Thriller,"* BILLBOARD, July 3, 1993, at I2.

41. *U.S. Report on EU Trade Barriers*, REUTER EUR. COMMUNITY REP., Apr. 12, 1994. This Article discusses Italy's right to preclude United States artists from protection in part VI.

42. A "mechanical" royalty is paid to the publisher of the music in order to obtain permission to use the songs. Once paid, the royalty is divided among the composers. See Mark Lewis, *Lawyers, Songs, and CD Money*, S. CHINA MORNING POST, Sept. 19, 1993, at 52. As will be seen later, one of the problems of current copyright law is that bootleggers need only pay the

in Part VII, performers' rights in Italy are "neighboring" rights, rather than authors' rights. Neighboring rights are similar, but not equal to, authors' rights (they neighbor authors' rights). Thus, when a treaty requires a country to extend authors' rights protection to foreign intellectual property owners, that country may still withhold for its citizens neighboring rights. Such a distinction allows Italy to provide Italian performers, but not foreign performers, the right to consent to a fixation of their live performance.⁴³ Once produced in Italy, bootleggers export unauthorized copies all over the world, including the United States.⁴⁴ In 1993, bootlegs accounted for over seventeen percent of all music sales in Italy.⁴⁵

Second, overall music sales in Italy fell sharply in 1993, a twenty percent decline from 1992.⁴⁶ Italian record industry sources attribute the loss to the demand on the "leisure dollar," or the excess money that young people have to spend on entertainment.⁴⁷ Analysts also complain that unit CD prices are too high. However, these critics have identified the symptoms rather than the illness. Where a country tolerates excessive bootlegging activity, legitimate record producers lose profits they could invest in new talent. Every dollar spent on bootleg recordings equals one lost to the music industry. Where new talent is not offered for sale, consumers have little reason to buy legitimate CDs.⁴⁸ Where the only difference between authorized and unauthorized recordings is price, consumers will buy the less expensive bootleg copy. The prognosis looks bleak. In Italy, bootlegging is a disease that is killing an otherwise healthy music business. At least one Italian recording industry executive has accurately summarized the problem:

"mechanicals" in many countries to "legally" bootleg sound recordings of live performances.

43. Because the new provisions of GATT recognize performers' rights as authors' rights, countries like Italy will be required to extend this protection to all performers. See *infra* part VII.

44. These copies have made their collective way to Oklahoma. The author recently took a random sample of ten CDs from the dozens of bootleg "imports" offered for sale at a local CD store in order to determine their source of distribution. All ten bootleg CDs were manufactured in Italy. To compensate for its risk in selling questionable inventory, the CD store priced the bootlegs two, and sometimes three, times higher than authorized CDs. For example, a single CD "import" recording by the alternative band The Smiths cost fifty dollars. Authorized releases by The Smiths sell new for as little as \$10.99.

45. Hennessey, *supra* note 40, at 12.

46. *Id.*

47. *Id.* The theory supposes that when one groups CDs and other recording media with video games and software, all of which are competing for leisure dollars, one will see losses in CD sales.

48. As mentioned previously, bootleggers usually make recordings of artists who have proven commercially successful.

For years, the Italian industry has enjoyed annual sales increases of around 10 percent and has been totally complacent about all the problems that beset the market. Our distribution system is hopelessly out of date, records are overpriced, and we have big piracy, bootlegging and record rental problems. There are radio stations not paying performance and neighboring rights, and, though we finally have a blank tape levy, . . . [W]e now have a split in the industry association — a split I find idiotic at a time when we need more than ever to work together to clean up and regenerate the market.⁴⁹

As suggested by the quotation above, the Italian recording industry has split into two representative factions — one more tolerant than the other of bootlegging. One source attributes this split to the position some companies took regarding bootleg reform.⁵⁰ Because the Italian recording industry cannot unify in its stance on bootleg reform, changes to Italian law will slow proportionate to its level of disorganization. Thus, for some time to come, Italy will stand as the model of bootlegging which is shattering a once healthy music industry.

3. Germany

Like Italy, Germany also faces problems with bootlegging. Germany represents Europe's largest music market.⁵¹ In 1993, Germany had an 8.7% rise in overall sales value and a 7.5% increase in unit sales totaling \$2.73 billion.⁵² German record officials acknowledged, however, that "old technology," like piracy, still contributed to overall revenues.⁵³ As in Italy, American artists in Germany faced problems at one time with unrestricted bootlegging of their live performances.⁵⁴ Many looked to Germany's adoption of GATT standards (discussed in Part VI) to remedy this problem. Instead, opponents of bootlegging claimed a small victory outside of GATT.

Until 1993, German copyright law forbade reproducing recordings of live performances without the consent of the performer, regardless of where

49. Hennessey, *supra* note 40 (quoting Luigi Mantovani, Virgin Records Managing Editor) at 12.

50. *Id.* at 111.

51. Dominic Pride, *German Market Dodges Recession; 1993 Unit Sales Post Healthy Gains*, BILLBOARD, Apr. 23, 1994, at 6.

52. *Id.* (U.S. dollars).

53. *Id.*

54. *U.S. Report on EU Trade Barriers, supra* note 41.

the performance took place.⁵⁵ That aspect of the law protected all German citizens. However, this law afforded protection to non-German performers *only* if the performance took place within a Treaty of Rome signatory country.⁵⁶ Thus, a recording of a concert by a non-German performer in the United States, a non-European Community member, could have been manufactured in Germany legally, without the performer's consent.⁵⁷

In October of 1993, recording artist Phil Collins challenged this German law before the European Court of Justice,⁵⁸ asserting that Germany's discriminatory treatment of non-German performers violated Article Seven of the Treaty of Rome provisions.⁵⁹ The European Court of Justice held that Germany could not protect its citizens without extending the same protection to non-German citizens, and ruled for Collins.⁶⁰ Consequently, sources estimated that the *Collins* decision would eradicate more than half of all German bootlegging.⁶¹ However, the ruling applied only to EC member countries. As such, countries like the United States must wait for GATT legislation to pass in Germany to receive universal protection.⁶²

4. China

According to the International Federation of the Phonographic Industry ("IFPI"), China was responsible for the doubling of worldwide bootleg compact disc units in 1993.⁶³ In 1994, China housed twenty-six CD production factories,⁶⁴ producing as many as seventy-five million units per

55. *European Court Blocks German Copyright Law, Helps Artists Stop Bootleg Sales*, INT'L TRADE REP., Nov. 3, 1993, at 1839. See also *Collins Wins Fight vs. Bootleg*, DAILY VARIETY, Oct. 21, 1993, at 14; Mike Hennessey, *Court Closes German Copyright Loophole: Artists No Longer Face "Protection Gap" Bootlegs*, BILLBOARD, Oct. 30, 1993, at 3.

56. See 6 NIMMER ON COPYRIGHT, Appendix 40 (1995).

57. Hennessey, *supra* note 55, at 3.

58. The alleged bootleg recording was of a Collins concert in California, and as such, was not subject to German intellectual property protection.

59. Article 7 of the Treaty of Rome states that European Community members may not economically discriminate in favor of their own citizens, and must give equal protection to all European Community members.

60. Hennessey, *supra* note 55, at 3.

61. *European Court Blocks German Copyright Law, Helps Artists Stop Bootleg Sales*, *supra* note 55, at 1839.

62. For more on "neighboring" rights and the doctrine of reciprocity, see *infra* part VII.

63. Jolson-Colburn, *supra* note 26, at 29.

64. One source has the number increasing from 15 to 29 in eighteen months. See Maggie Farley, *U.S.-China Trade Talks Stall Over Copyrights*, L.A. TIMES, Dec. 17, 1994, at D1.

year,⁶⁵ in a country where legitimate domestic demand for CDs totaled three million.⁶⁶ In 1992, the number of CD factories in China was two. The excess CDs are sold locally and shipped through Taiwan to other parts of Asia and to Europe.⁶⁷ United States industry groups estimated that, in 1993, sales lost from copyright infringement in China totaled \$827 million.⁶⁸

Fifty-two percent of all music sales in China are bootleg sales.⁶⁹ In addition, China remains second only to the United States with revenue from bootleg sales totaling \$347 million.⁷⁰ However, bootleg sales only account for four percent of total United States music sales. In China, that number accounts for over half of the sales.

The United States and China have negotiated in ongoing trade talks centered on China's enforcement of foreign intellectual property rights.⁷¹ The United States wants China to shut down its CD factories as a show of good faith, since most of the CD production factories in China are state-owned. In June 1994, the United States gave China six months to tighten its enforcement or face "Section 301" sanctions.⁷² The United States extended the February 4, 1995, deadline to February 27, 1995.

In the wake of WTO membership, the United States increased its bargaining leverage with China.⁷³ China intended to become a founding member of the WTO, but citing past trade violations, the United States blocked China's entry.⁷⁴ Negotiations between the United States and China continued without success up to the February 27 deadline. Six hours

65. See *id.* at D1. Another source suggests the number is 62 million per year. Wong, *supra* note 13, at 44.

66. *China Cranks Up Production of Fake CDs*, *supra* note 18, at A41.

67. *Id.*

68. Farley, *supra* note 64, at A14. See also Ehrlich, *supra* note 18, at A14.

69. Jolson-Colburn, *supra* note 26, at 29.

70. *Id.*

71. Farley, *supra* note 64 at D1.

72. See generally 19 U.S.C. § 2411 (A)-(C) (1994). Section 301 sanctions permit the United States Trade Representative (USTR) to impose sanctions comparable to the damage done to American producers by illicit trade practices in another country. China was once a "301" nation in 1991. Two weeks before the deadline of December 30, 1994, the United States broke off key trade talks with China, warning that future trade sanctions were inevitable if China failed to make serious offers to improve intellectual property rights enforcement. China countered by citing instances where it has cracked down on bootlegging, such as by giving the death penalty in extreme cases. A senior United States trade official said China had failed to honor its promises of two years past. Additionally, China had permitted the number of factories which make pirate CDs to jump from 15 to 29 in the 18 months since the United States and China had begun negotiations on the issue.

73. *Id.*

74. *Id.*

before the deadline, however, China ordered two of its most productive counterfeiting plants to close.⁷⁵ The Shenfei Laser and Optical System Company and the Zhuhai Special Economic Zone Audio-Video Publishing House were ordered to stop doing business by the Chinese government for "severe infringement upon copyrights."⁷⁶ China's concession postponed any further deadlines and set the stage for future negotiations.

As illustrated by the trade talks with China, the United States has a great interest in encouraging foreign countries to respect American copyrights abroad. To be certain, foreign countries expect the United States to extend reciprocal protection to foreign countries within its borders. Just how does the United States fare in its protection against bootlegging? In the following section, this Article considers the current state of American copyright law, as well as its advantages and disadvantages in relation to bootlegging.

IV. CURRENT STATE OF U.S. COPYRIGHT LAW: THE OLD SOLUTION

A. Summary of U.S. Copyright Protection

1. Subject Matter

In the United States, there exists copyright protection for literary and artistic works, under federal copyright law.⁷⁷ These laws protect musical works and sound recordings.⁷⁸

Musical works, though not defined by statute, include any sounds produced by means of musical instruments and any vocal sounds accompanying the music.⁷⁹ The owner of a copyright⁸⁰ in a musical work

75. *Reuter World News Highlight*, THE REUTER EUR. BUS. REP., Feb. 26, 1995, available in LEXIS, Nexis Library.

76. *Id.*

77. See generally 17 U.S.C. § 102 (1994). Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression. *Id.*

78. On the scope of copyright protection of sound recordings, see generally 17 U.S.C. § 114 (1994).

79. "Of the seven items listed, four are defined in section 101. The three undefined categories — 'musical works,' . . . have fairly settled meanings. There is no need, for example, to specify the copyrightability of electronic or concrete music in the statute since the form of a work would no longer be of any importance. . . ." H.R. REP. NO. 94, 94th Cong., 2d Sess. 53-56 (1976). Congress does make the distinction between dramatic and nondramatic musical works. See, e.g., 17 U.S.C. § 115(a) (1994). This Article's analysis in this area is necessarily limited to nondramatic musical works.

holds the exclusive rights to the following, subject to certain exceptions:⁸¹ (1) to make copies of the musical work;⁸² (2) to prepare derivative works based on the musical work;⁸³ (3) to distribute copies of the musical work to the public;⁸⁴ (4) to perform the musical works publicly;⁸⁵ and (5) to display the musical work publicly.⁸⁶ For musical works created after January 1, 1978, copyright protection lasts for the life of the author plus fifty years after the author's death.⁸⁷

Sound recordings are defined as "works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture or other audiovisual work, regardless of the nature of the material objects, such as disks, tapes, or other phonorecords, in which they are embodied."⁸⁸ Like the definition of phonorecord, a recording can be a sound recording regardless of the medium onto which the recording is transferred. Owners of a copyright in a sound recording have the same rights of reproduction, derivative works, and distribution that are given to owners of a copyright under 17 U.S.C. § 106(1)-(3), subject to the following important exceptions.⁸⁹

First, the right of reproduction granted in 17 U.S.C. § 106(1) is limited to making phonorecords of the actual sounds fixed in the recording, and not any other independent fixation of sounds.⁹⁰ Second, the right to prepare a derivative work under 17 U.S.C. § 106(2) is limited only to rearranging, remixing, or otherwise altering the sequencing or quality of the actual sounds embodied in the sound recording.⁹¹ Finally, as the language

80. Ownership rights vest initially with the author of the musical work. See 17 U.S.C. § 201(a) (1994).

81. The exceptions are noted in 17 U.S.C. § 106 (1994).

82. 17 U.S.C. § 106(1) (1994).

83. 17 U.S.C. § 106(2) (1994). A "derivative work" is a term of art defined in 17 U.S.C. § 101 (1994). To illustrate, owners of a copyright in the Kenny Rogers song, *The Gambler*, could authorize a movie to be made based on the story in the song.

84. 17 U.S.C. § 106(3) (1994). Note that the right of distribution is limited to the right of "first" distribution. See 17 U.S.C. § 109 (1994).

85. 17 U.S.C. § 106(4) (1994). "Public" and "performance" are both terms of art, and are defined in 17 U.S.C. § 101 (1994).

86. 17 U.S.C. § 106(5) (1994). "Display" is a term of art defined in 17 U.S.C. § 101 (1994).

87. See 17 U.S.C. § 302(a) (1994). For musical works created before 1978, see generally 17 U.S.C. § 304 (1994).

88. 17 U.S.C. § 101 (1994).

89. 17 U.S.C. § 114(a) (1994). Because the owners of a copyright in a sound recording take the same rights as those provided by § 106, those rights are also subject to the limitations set forth in §§ 107-120. 17 U.S.C. § 106 (1994).

90. 17 U.S.C. § 114(b) (1994).

91. *Id.*

clearly indicates, there is no public performance right for owners of a sound recording.⁹²

2. Remedies

Ownership rights would be worthless without a method of enforcing them. To this end, Congress has provided copyright owners with equitable, civil and criminal relief for copyright infringement.⁹³ The general infringement section is found in 17 U.S.C. § 501: "Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118 . . . is an infringer of the copyright [or the right of the author, as the case may be]."⁹⁴ By its language, this section applies to copyright infringers of both musical works and sound recordings.

First, the remedies for copyright infringement under chapter five include injunctive relief.⁹⁵ Courts may grant injunctive relief to "prevent or restrain infringement of copyright,"⁹⁶ or to impound or destroy any unauthorized copies or methods of making unauthorized copies.⁹⁷ Second, copyright infringers are liable to the copyright owner civilly. Damages include actual damages and profits,⁹⁸ statutory damages of up to

92. The statute expressly denies this right to owners of sound recording copyrights in 17 U.S.C. § 114(a) (1994). This limitation placed on the owner of a copyright in a sound recording has been a source of recent controversy in the field of intellectual property. For years, performance rights advocacy groups have insisted that public performance rights should be extended to owners of a copyright in a sound recording. To date, Congress has yet to grant this right. With the arrival of new technology, music "on demand," and digital cable radio, advocates have again stressed the need for a public performance right in sound recordings. For two excellent treatments of the issue, see N. Jansen Calamita, *Coming to Terms with the Celestial Jukebox: Keeping the Sound Receding Copyright Viable in the Digital Age*, 74 B.U. L. REV. 505 (1994), and William H. O'Dowd, *The Need for a Public Performance Right in Sound Recordings*, 31 HARV. J. ON LEGIS. 249 (1994).

Generally, their argument proceeds as follows: with digital music "on demand," broadcasters blur the line between "broadcasting" (where there exists no copyright protection for sound recordings) and "distribution," (where copyright protection exists) insofar as the consumer may "order" a recording directly from the broadcaster and listen to it in its entirety. Because broadcasters distribute individual recordings to individual consumers, these broadcasters compete directly with the owners of a copyright in the sound recording for revenues. As a result of this competition, a performance right in sound recordings is necessary, now more than ever.

This Article addresses this controversy for one reason. Although the Chapter 11 amendments contain such terms as "performers," "performance," and "sound recordings," they neither address nor modify existing law in this area.

93. Remedies for copyright infringement may be found generally in Chapter 5 of Title 17.

94. 17 U.S.C. § 501(a) (1994).

95. See 17 U.S.C. § 502 (1994).

96. 17 U.S.C. § 502(a) (1994).

97. 17 U.S.C. § 503(a)-(b) (1994).

98. 17 U.S.C. § 504(a)-(b) (1994).

\$100,000,⁹⁹ and/or court costs and attorneys fees.¹⁰⁰ Finally, there exist criminal penalties for copyright infringers under Chapter 5.¹⁰¹ Copyright infringement has been a crime since 1897, applying to all works, except sound recordings, since 1909, and to sound recordings since 1971.¹⁰² Criminal copyright infringement, however, was a misdemeanor offense until 1971, when Congress classified certain types of infringement as felony offenses.¹⁰³ Currently, one who willfully, and for profit, infringes a copyrighted work may be subject to the penalties set forth at 18 U.S.C. § 2319, which includes fines of up to \$250,000 and prison terms of up to five years.¹⁰⁴ The criminal penalties also provide for forfeiture and destruction of all infringing copies and the devices used to make them.¹⁰⁵ The statute of limitations for bringing a copyright infringement action under Chapter 5 is three years.¹⁰⁶

B. Application of Copyright Laws to Examples

The issue arises as to whether current copyright law is adequate to deal with the problems of bootlegging. Consider again the examples provided in Part II. Under current law, Mike owned outright the copyright in his musical works, insofar as they are original works of authorship fixed in a tangible medium of expression.¹⁰⁷ As owner of the copyright, Mike enjoyed all the rights given to copyright owners in musical works under § 106.¹⁰⁸ When Mike transferred these musical works onto a fixed medium, one that embodied the musical works in a sound recording, he also had a copyright in the sound recording under § 114. As copyright

99. 17 U.S.C. § 504(a), (c)(1)-(2) (1994). Note that under 17 U.S.C. § 504(a), the owner of the copyright may sue for actual damages and profits, or statutory damages, but not both. In addition, § 504(c)(2) provides for both punitive damages for willful infringement, and nominal damages for innocent infringement.

100. 17 U.S.C. § 505 (1994).

101. See 17 U.S.C. § 506 (1994).

102. For a history of criminal copyright infringement provisions, see Mary Jane Saunders, *Criminal Copyright Infringement and the Copyright Felony Act*, 71 DENV. U. L. REV. 671 (1994).

103. *Id.*

104. 17 U.S.C. § 506(a) (1994). 18 U.S.C. § 2319 provides that criminal copyright infringers may be subject to imprisonment of up to ten years in prison if the infringement is a second offense. For the time and value limitations on using this provision, see 18 U.S.C. § 2319(b) (1994).

105. 17 U.S.C. § 506(b) (1994). See also 17 U.S.C. § 509 (1994).

106. 17 U.S.C. § 507 (1994).

107. As for ownership in general, see 17 U.S.C. § 201(a) (1994). Regarding copyright ownership in the musical works, see 17 U.S.C. § 106 (1994).

108. 17 U.S.C. § 106(1)-(5) (1994).

owner, Mike enjoyed all the remedies available to copyright owners under Chapter 5.

Recall that Mike transferred some of his ownership rights to Large Records by means of a contract. In exchange for a fee and a royalty, Mike sold his copyright ownership in the sound recordings to Large Records, and licensed Large Records to use his copyright in the musical works.¹⁰⁹ At that point, Mike was the copyright owner in the musical works and the beneficial owner in the sound recordings.¹¹⁰ Large Records became the owner of copyright in the sound recordings and a licensed user of Mike's musical works. To benefit from owning the copyright in the public performance of the musical works, Mike contracted with ASCAP,¹¹¹ which collects his royalties for the public performance of his musical works. Large Records only receives the profits from each Mike Musician recording sold, because the profit from sales of sound recordings is the only source of revenue for a copyright owner in a sound recording.¹¹²

Having analyzed the ownership interests of Mike and Large Records, the importance of determining the scope of copyright ownership should be clear. A bootlegger could infringe Mike's rights without infringing the rights of Large Records, or a bootlegger could infringe the rights of both. In short, where one is positioned in the bootleg hierarchy may determine what copyright interest is implicated, who owns that interest, and what remedy may be sought for each infringement.

109. Pursuant to 17 U.S.C. § 106(1), (3), and (4), Large Records may now legally reproduce, distribute, and publicly perform Mike's musical works.

110. A "beneficial owner" is "one who does not have title to property but has rights in the property but has rights in the property which are the normal incident of owning the property." BLACK'S LAW DICTIONARY 156 (6th ed. 1990). Copyright law provides enforcement rights to beneficial owners of a copyright. According to U.S.C. § 511(b), "[t]he legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of section 411, to institute an action for infringement of that particular right committed while he or she is the owner of it."

111. ASCAP, the American Society of Composers, Authors and Publishers, serves copyright owners in musical works by collecting royalty fees paid to copyright owners for the right of public performance. Musical work copyright owners license this right to ASCAP, which in turn collects the royalties for the owners. For a history of ASCAP, see *CBS v. ASCAP*, 400 F. Supp. 737 (S.D.N.Y. 1975), *rev'd*, 562 F.2d 120 (2d Cir. 1977), *rev'd*, 441 U.S. 1 (1979), *on remand*, 607 F.2d 543 (2d Cir. 1980), *on remand*, 620 F.2d 930 (2d Cir. 1980), *cert. denied*, 450 U.S. 970 (1981).

112. The distribution rights of 17 U.S.C. § 114(b) will be the profit generator for Large Records. Though far less profitable than the distribution rights, Large Records may also generate revenue from the licensing of their sound recordings.

1. Example One: The Counterfeiter

a. Musical Works

For Mike, in Example One, no derivative work or public performance issues are raised, only the rights to reproduce and distribute under 17 U.S.C. § 106(1) and (3). Candy Counterfeiter is simply manufacturing and distributing Mike's musical works without his authorization and also without a compulsory license.¹¹³ Counterfeiting musical works through unauthorized recordings, as in this example, falls squarely within the elements of copyright infringement, absent any defenses.¹¹⁴

b. Sound Recordings

Because counterfeiting also includes the unauthorized copying of sound recordings, Large Records has an interest in enforcing its § 114 reproduction and distribution rights. Indeed, many record companies can and will pursue this type of litigation, by reason of their standing to sue.¹¹⁵ Collectively, record companies share an interest in protecting their rights, and have unified through the RIAA in an attempt to combat bootlegging. Besides lobbying Congress for pro-recording industry legislation, the RIAA, a non-profit trade association funded by member companies,¹¹⁶ supports several anti-bootlegging programs. Ninety-five percent of all American record companies are members of the RIAA.¹¹⁷ RIAA officials work with federal, state, and local law enforcement personnel in coordinating raids on bootleggers at the border and in the city.¹¹⁸

113. The compulsory license provisions are discussed *infra* part IV.

114. 17 U.S.C. § 502 (1994).

115. As owners of the right to copy and distribute the sound recordings, record companies may pursue Chapter 5 remedies to enforce these rights. See 17 U.S.C. § 502(b) (1994).

116. Roth, *supra* note 13, at 17.

117. *Id.* See also John M. Glionna, *High-Tech Robbery: A Boom in Bogus Tapes, CDs and Videos has Police Redoubling Anti-Piracy Efforts*, L.A. TIMES, Sept. 13, 1994, Business Section (Valley Edition), at 3.

118. Roth, *supra* note 13, at 17. As bootlegging increases, so too has the size of the RIAA anti-bootlegging unit. Currently, the unit staffs one general counsel, three staff attorneys, and eleven field investigators in various areas around the United States.

In conjunction with law enforcement officials, the RIAA conducts between 50 and 100 raids each year. The RIAA's involvement does not end upon arrest. Once the bootleggers are arrested, the RIAA assists in the prosecution actions, by bringing suit on behalf of member companies, by providing prosecutors with background information, expert witnesses, or by filing

c. Defenses To, and Exemptions From, Copyright Infringement Liability

In both civil and criminal copyright infringement proceedings, federal copyright law provides for certain defenses. Those defending a copyright infringement claim frequently invoke the defenses provided by statute: fair use¹¹⁹ and first sale.¹²⁰ The fair use exception at 17 U.S.C. § 107 sets forth four factors that courts must consider in determining whether the use of a copyrighted work was “fair:” (1) the purpose and character of the use (commercial or non-profit);¹²¹ (2) the nature of the copyrighted work;¹²² (3) the amount used in relation to the whole work;¹²³ and (4) the effect that using the work would have on the potential market for the copyrighted work.¹²⁴ Plainly, all four factors, when used in determining whether counterfeiting falls under the fair use exception, favor the copyright owner in finding the use unfair. Counterfeiting is the commercial exploitation of a copyrighted musical work by means of copying the entire work so as to undermine the commercial sales of the authorized work. Under such a characterization, one would be hard-pressed to find a case where fair use was properly raised as a defense, in the context of counterfeiting.

Under the first sale doctrine, once a copy of a copyrighted work has been sold to the public, a copyright owner has no right to challenge the later sale of the copy.¹²⁵ However, this section also requires the sold copies to be “lawfully made under this title,” for the first sale exception to

amicus curiae briefs. To insure that all areas of the country are equally protected against bootlegging, RIAA officials employ outside counsel to assist in litigating more rural actions. The assistance which the RIAA provides to record companies in opposing bootlegging seems to be effective. The number of seized bootleg cassettes increases each year. Between 1992 and 1993, the number doubled. As of January 1994, the RIAA anti-bootlegging unit was responsible for 1,215 arrests and indictments, and 463 guilty pleas and convictions, since 1989. *Id.* at 17. See generally Glionna, *supra* note 117.

119. 17 U.S.C. § 107 (1994). Even though the language of § 107 does not expressly incorporate sound recordings, one could argue that because owners of a copyright in sound recordings are provided certain limited rights granted to copyright owners under § 106, the fair use defense of § 107 applies to sound recordings also.

120. 17 U.S.C. § 109(a) (1994).

121. 17 U.S.C. § 107(1) (1994). Courts generally favor non-profit uses of a work in determining whether a use was “fair.”

122. 17 U.S.C. § 107(2) (1994). Musical works fall within the core of copyright, and as such, merit the most protection.

123. 17 U.S.C. § 107(3) (1994). Generally, the less one “uses” a copyrighted work, the more “fair” that use becomes.

124. 17 U.S.C. § 107(4) (1994).

125. 17 U.S.C. § 109(a) (1994).

apply.¹²⁶ Though scores of cases exist where alleged copyright infringers raise the defense of first sale, they do so only where the copyrighted works in question were "lawfully made."¹²⁷ Because unauthorized copies of musical works or sound recordings can never be "lawfully made" within the meaning of § 109(a), the first sale defense is never available to counterfeiters.¹²⁸

Along with the defenses provided by copyright law, the rights of copyright owners in musical works are subject to the further limitation of compulsory licensing. The compulsory licensing provisions are set forth in 17 U.S.C. § 115. Generally, the reproduction and distribution rights given to copyright owners in non-dramatic musical works, as defined in 17 U.S.C. § 106 (1) and (3) are subject to compulsory licenses. One who complies with the conditions of § 115 may obtain a compulsory license to make and distribute phonorecords of the copyrighted work without the consent of the owner.¹²⁹ However, one may obtain a compulsory license only when the copyrighted musical work was previously distributed publicly in the United States by the copyright owner's authority.¹³⁰ Further, a person may obtain a compulsory license only where his or her primary purpose is to distribute to the public phonorecords of the music for private use.¹³¹ As a result, one could never obtain a compulsory license to copy or distribute an unreleased or unauthorized musical work.

In regard to sound recordings, § 115 clearly states that a person may not obtain a compulsory license to copy or reproduce a sound recording of a musical work unless the sound recording was made lawfully, and the

126. *Id.*

127. For the most recent important case determining the scope of copyright in relation to the first sale doctrine, see *Parfums Givenchy Inc. v. Drug Emporium*, 38 F.3d 477 (9th Cir. 1994), analyzed in Dominic Bencivenga, *Attack on Gray Market: Lawyers See Potent Litigation Strategy Emerge*, N.Y.L.J., Dec. 1, 1994, at 5. For a contemporary analysis of the "gray market" in general, see David E. Korn, *Closing Down the Gray-Goods Market*, LEGAL TIMES, May 2, 1994, at 36.

128. See *United States v. Sachs*, 801 F.2d 839 (6th Cir. 1986) (copyright infringement conviction upheld on appeal where prosecution met their burden of proof against a defense of first sale by proving only that the copies were unauthorized). See also *United States v. Powell*, 701 F.2d 70, 73 (8th Cir. 1983); *A&M Records, Inc. v. A.L.W., Ltd.*, 855 F.2d 368 (7th Cir. 1988) cited in Mary Jane Saunders, *Criminal Copyright Infringement and the Copyright Felony Act*, 71 DENV. U. L. REV. 671 (1994).

129. 17 U.S.C. § 115(a)(1) (1994).

130. *Id.*

131. *Id.* The legislative history of § 115 indicates that this section forecloses the possibility of background music producers from obtaining a compulsory license to distribute their work insofar as background music is not made and distributed for "private" use.

owner of the copyright in the sound recording consented.¹³² Though Candy could have obtained a § 115 compulsory license to copy and reproduce Mike's musical works, she never obtained the necessary authorization of Large Records to reproduce the copyrighted sound recordings. As a result, Candy is a copyright infringer.

d. Economic Implications of Counterfeiting

Because counterfeiting clearly violates the distribution and reproduction rights of copyright owners, supplementing or amending the law in this area would seem unnecessary. The defenses to copyright infringement are inapplicable, the compulsory licensing provisions are explicit, and the statutes furnish a number of remedies to the infringed copyright owner.¹³³ Many persons experienced in the music business agree that counterfeiting hurts everyone — even the consumer. It hurts everyone, that is, except the unauthorized copier. The biggest loss that record companies face through counterfeiting is when recording companies invest in risky artists — new acts with little or no commercial success — with revenues they can only recoup through artists who achieve public success. Contrast their investment with that of counterfeiters. Counterfeiters invest only in “hit makers,” thus depriving the music industry of investment revenues for new talent.¹³⁴ Often, when consumers criticize the recording industry for only releasing recordings by commercially “risk free” artists, consumers have no one to blame except counterfeiters.

In short, where federal law provides record companies with a way to control bootlegging — through standing, statutory or contractual rights — record companies stand a better chance of containing bootlegging before it becomes a problem. As one author put it, “[t]he [RIAA] anti-piracy unit acts like a spy satellite while the record companies only have periscopes.”¹³⁵

132. *Id.*

133. One may ask at this point why counterfeiting continues to be a problem in the United States. In short, though American law is adequate to deal with counterfeiting, laws in many countries are not. Thus, the only way America may see a reduction in counterfeiting is through other countries strengthening their criminal penalties and enforcement mechanisms. By becoming members of the World Trade Organization, countries are required to do just that.

134. The argument that research and development revenue is one of the most important advantages of intellectual property protection is often raised by those who advocate cracking down on patent infringement.

135. Roth, *supra* note 13, at 17.

2. Example Two: The Pirate

a. Contractual Arrangements

The piracy example also involves the reproduction and distribution sections of 17 U.S.C. §§ 106 and 114, though the authorized recordings were not released to the public. To determine who may bring an action for piracy copyright infringement, one should determine which rights the artist and the record company bargained for in their contract. Specifically, one should determine whether Large Records obtained from Mike the copyright in all of Mike's sound recordings. Frequently, a record company will have exclusive rights to all of an artist's sound recordings, yet allow the artist a contractual right to determine whether a particular sound recording is released to the public. Having determined that a record company has a vested interest in the sound recordings under § 114, the record company may in turn exercise the enforcement mechanisms of the RIAA, as discussed above. Absent a company's interest in the sound recordings, the burden falls upon the artist to enforce his or her § 114 rights.

b. Compulsory Licensing

Because Mike's pirated studio recordings were not released publicly, Peter Pirate may not rely on compulsory licensing to copy and distribute Mike's musical works. In addition, those who copy Peter's pirated tapes may not obtain a compulsory license under § 115, in reliance on Peter copying and distributing Mike's works publicly. For § 115 to apply, the original distribution must be authorized by the copyright owner — and in this case it was not. Insofar as the pirated works were also sound recordings, for which Large Records owned the copyright, Large Records may take action against Peter for copyright infringement.

c. Economic Implications of Pirating

The biggest problem the music industry faces from piracy is losing control over when and whether an artist's work is released. Artists often record enough material at one time to warrant release on two separate recordings. Record companies frequently hold back one recording for a later release, so as to offer the consumer new material from an artist at regular intervals. Were these unreleased recordings pirated and made available to the public prematurely (the scenario in Example 2), the pirated recordings would compete directly with the authorized releases for profits.

As a result, the record company would lose control over an artist's cache of music, and the profits derived therefrom.

As mentioned, artists frequently have a right to determine what sound recordings become publicly released. Artists will bargain for this contractual right to insure that each sound recording meets his or her creative standards. Consider a contemporary example drawn from popular singer/songwriter Elvis Costello. During a recent recording session, Costello recorded enough of his favorite cover songs to release a separate recording. Set for release in 1994, Costello halted its release indefinitely, for artistic reasons.¹³⁶ These recordings were later pirated under the bootleg title, "The Kojak Assortment."¹³⁷ That the recordings were released without his consent, Costello lamented:

I don't want to have criminals telling me when to release my records. I'll put it out when the right time comes Let's face it: the CD revolution is complete now, and everything you've ever wanted is available — so people think that everything that exists should be available. Well, I don't agree; I think there's still a right time for things to come out.¹³⁸

Both artists and record companies face similar problems from the pirating of sound recordings — losses in profits, royalties, control, and power over the musical works and the sound recordings. Artists lose integrity when nondeveloped works are released publicly. In short, one should not dismiss the effects of piracy simply because piracy is not as blatantly infringing as counterfeiting.

3. Example Three: The Classic Bootlegger

a. Classic Bootlegging Analyzed Under Current Law

Classic bootlegging falls into an obscure area of copyright law. The music recorded on bootlegged copies is performed publicly. This is opposed to the music being copied from studio recordings, as is done with counterfeited or pirated copies. In contrast to counterfeiting and pirating,

136. Brett Milano, *Elvis Costello: A Brutal Youth*, CD REVIEW, Mar. 1994, at 13. Milano suggests Costello felt that releasing his recording of 1950s cover songs would detract too much attention from the more sophisticated material Costello had just released.

137. *Id.* This recording has since been released as ELVIS COSTELLO, *The Kojak Variety* (Warner Bros. Records, 1995).

138. Milano, *supra* note 136, at 13.

there are no preexisting sound recordings in classic bootlegging.¹³⁹ Insofar as classic bootlegging involves the unauthorized fixation of a copyrighted musical work performed publicly, the issue becomes whether current copyright law sufficiently addresses this form of unauthorized copying.

Under current law, the composer (in this example, Mike) is the owner of the copyright in musical works. As owner, he has standing to sue for copyright infringement.¹⁴⁰ Owners of a § 114 right in sound recordings cannot sue based on the right of public performance because § 114 does not provide sound recording copyright owners the right to sue for public performance infringement.¹⁴¹ Owners of musical work copyrights are left to enforce these rights themselves.

At this point, the compulsory licensing provisions of § 115 become crucial. Under 17 U.S.C. § 115(a), a person who obtains a compulsory license by complying with the statutory conditions may not be sued by the owner of the copyright in the musical work. For § 115 to apply, the musical work must be: (1) non-dramatic; (2) previously distributed through phonorecords to the American public; and (3) made and distributed under a compulsory license for the primary purpose of distributing them to the public for private use.¹⁴² Note here that nothing in § 115 requires the persons seeking a compulsory license to reproduce the actual musical works themselves.¹⁴³

In our example, the musical works were released publicly in the United States under the consent of the copyright owner, and were intended to be sold to the public for private use, as required by this section. Insofar as classic bootlegging does not involve the copying or distribution of sound recordings, a classic bootlegger need not obtain consent from the owner of the copyright in the sound recordings to produce his or her bootleg copies. Under current law, a bootlegger need not obtain a performer's consent to record the performer's live performance. Thus, neither Mike Musician nor

139. Under 17 U.S.C. § 114(b) (1994), the rights of owners of sound recordings are clearly limited to those sounds "actually fixed." Again, even mirror imitations of copyrighted sound recordings are not actionable.

140. Under 17 U.S.C. § 501(a) (1994), only the legal or beneficial owner of a copyright has standing to bring an infringement action.

141. 17 U.S.C. § 114 (1994).

142. 17 U.S.C. § 115(a)(1) (1994).

143. Though this is not clear from reading the statute, 17 U.S.C. § 115(a)(2) (1994) states: "A compulsory license *includes* the privilege of making a musical arrangement of the work" (emphasis added). This language implies that there exist a variety of ways by which a person may obtain a compulsory license, so long as the license does not encompass a copyrighted sound recording of the musical work.

Large Records' copyrights has been infringed under federal law. In Example 3, Frank need only pay the compulsory license to one employed on behalf of Mike, so that Frank may copy and distribute these bootleg recordings in accordance with federal law. Absent a change in federal law (state law notwithstanding), Frank is *not* a copyright infringer.

b. Classic Bootlegging Arguments Advanced

How could federal law allow this type of bootlegging? Is the exception a loophole, an oversight, or a calculated omission in existing law? Interestingly, classic bootlegging often is seen by the record industry as the least harmful infringement, and by music critics as the "saving grace" of the music world.¹⁴⁴ Generally, music critics denounce bootlegging statistics as "misleading" because the statistics do not distinguish classic bootlegging from counterfeiting.¹⁴⁵ Critics argue that were these statistics divided into classes, classic bootlegging would appear to be far less of a threat to the music industry than record companies would have the public believe.¹⁴⁶ In turn, the public would become more tolerant of classic bootleggers. Consider a few more arguments advanced in defense of classic bootlegging.

First, fans resort to classic bootlegging because a typical artist seldom releases an authorized recording of his or her live performance.¹⁴⁷ Advocates of classic bootlegging extol the "passion" or "verve" of the live performance over its studio counterpart, and justify bootlegging for artistic purity.

Second, classic bootlegging and often pirated bootlegging, thrive mostly around artists who no longer release music, and thus provides no "present" threat. True fans want to hear "new" music from their favorite groups, even if this "new" music has been locked in a vault for twenty

144. Of course, classic bootlegging would be perceived as less harmful than counterfeiting.

145. The IFPI requires countries that submit bootleg statistics to provide statistics for each "class," the same classes used in this Article. However, a vast majority of countries, including the United States, do not provide this detailed information to the IFPI. Instead, they provide only "bootleg" statistics. Telephone interview with Neil Sarsfield, associate at the IFPI Secretariat in London, (Feb. 6, 1995).

146. Tony Parsons, *The Arts: Bootlegs Keep Music Kicking*, DAILY TELEGRAPH (London), Nov. 25, 1994, at 21.

147. A good illustration is the modern rock group U2. Sources estimate there exist almost 200 unauthorized live recordings of U2's concerts, compared to only three authorized live releases. Lewis, *supra* note 42, at 52.

years. A good example of this artist type is the Beatles.¹⁴⁸ One source has reported that John Lennon himself avidly collected Beatles bootlegs for his private collection.¹⁴⁹ In addition, some critics have concluded that E.M.I. Records' release of the Beatles' live performances for the BBC in the early 1960s — recordings that have been available on bootleg recordings for years — was an attempt to recoup the profits that bootleggers were making on these recordings.¹⁵⁰

Others feel that bootleggers provide a valuable service to the public by placing music, which is otherwise hard to obtain or prohibitively expensive, within the reach of the less affluent masses.¹⁵¹ Still others argue that bootlegging increases an artist's sales and reputation. When a consumer hears an artist's music, regardless of whether that recording was authorized, the consumer may purchase more authorized releases from the artist. As a result, artists indirectly benefit from the publicity that bootlegging provides. In addition, the more that an artist is bootlegged, the more that the artist's reputation is enhanced in musical and popular culture.¹⁵² After all, who would own 200 different bootleg copies of just any artist?

c. Arguments Against Classic Bootlegging

These arguments may help to explain the gap in existing law. Since only artists, as the usual copyright owners in the musical works, can sue, many fans look upon anti-bootlegging artists as greedy.¹⁵³ Said one disgruntled fan: "These [bootlegged] bands are all multi-million sellers —

148. *Id.* Though the Beatles formally stopped recording around 1970, new releases by the Beatles were sold illegally for many years after that. There are so many existing Beatles bootlegs that a book which was named after a Beatles' song, *You Can't Do That*, was written to categorize and review these bootlegs. According to an article, some Beatles fans will pay big money for a "30-minute rehearsal of 'Hey Jude,' filled with coughs, jokes, and flubbed lyrics." Ken Hoff, *Belmo's the Man for Beatle's Bootlegs*, HOUS. POST, Feb. 5, 1994, at F1.

149. David Yonke, *Legalities Aside, Bootlegs Booming*, ROCKY MOUNTAIN NEWS (Denver), Sept. 20, 1994, at 8D.

150. *Id.* See also Michael Corcoran, *A Big Year for the Beatles; Rarities CD Set is Just the Beginning*, DALLAS MORNING NEWS, Dec. 4, 1994, at 1C.

151. David Lister, *Underrated: The Case for Bootlegging: The Battle for Britten*, THE INDEPENDENT (London), June 1, 1994, at 24.

152. On this point, consider a recent advertisement for an album by the musician Prince. The advertisement read that, although *unauthorized*, "The Black Album" was the biggest selling bootleg recording of all time.

153. *Record Haul by Music "Police," supra* note 1, at 13.

why should I feel sorry for them because they are not getting royalties?"¹⁵⁴

Because current law requires owners to sue on their own behalf, they lack a united artistic front. Record companies, with or without the assistance of the RIAA, always will enforce their rights against bootleggers. Their unity sends a message to bootleggers and consumers that bootlegging will not be tolerated. In contrast, rigorous enforcement of copyrights by artists will vary according to the artist's position on bootlegging. Some artists pursue any type of bootlegging, even through costly litigation.¹⁵⁵ Other artists are at best indifferent to bootlegs of their live performances. For example, one group taking the latter point of view is the Grateful Dead. This rock group is notorious for encouraging bootleggers to record Grateful Dead live performances.¹⁵⁶ Because artists send mixed signals, fans frequently receive the wrong message about bootlegging.

With all these arguments in favor of classic bootlegging, one may begin to question its actual harm to the recording industry. Advocates of classic bootlegging fail to consider that virtually all types of bootlegging hurt the music business in one way or another. First, classic bootleggers take away royalties from the artist. Regardless of an artist's financial worth, he or she deserves compensation for his or her work. Second, like the Costello example above, classic bootlegging negates the artist's ability to determine which works will be released to the public. Classic bootlegging, then, also takes away the artist's right to decide whether to release a live concert tour performance. Usually, an artist waits to release a recording of the performance until he or she completes his or her tour, so as to attract as many fans to the concert venue as possible. However, when a recording of a live performance is released contemporaneously with a concert tour, many fans will choose to buy the less expensive, longer-lasting recording over attending the concert. Finally, those employees normally associated with the manufacturing and distributing of authorized recordings suffer financially, insofar as they will receive no profits from the manufacturing of unauthorized copies.

154. *Id.*

155. *See supra* part III.

156. *Record Haul by Music "Police," supra* note 1. Interestingly, the Grateful Dead has sued one of its fans for copyright infringement, proving that any label of "indifference" placed on them could be inaccurate. *See Grateful Dead Prod. v. Come 'N' Get It*, Copyright L. Rep. (CCH) ¶ 27,251 (S.D.N.Y. 1983).

C. *The Rise of Volume Bootlegging*

The problems associated with classic bootlegging only would have worsened, absent a change in federal law. As just outlined, the factors are: (1) the gap of protection in existing law; (2) the ability of bootleggers to make legal copies by paying the compulsory license; (3) the inability of record companies to pursue litigation directly; (4) the indifference of some artists to classic bootlegging; (5) the public's tolerance of classic bootlegging; and (6) music critics' and fans' advocacy of classic bootlegging. Each factor plays a role in increasing the likelihood of bootlegging.

For example, consider the rise in *volume* bootlegging, which is defined as classic bootlegging on an international scale. Volume bootleggers obtain a recording of a live performance by a popular artist, mass-produce the recording, and sell the recording internationally. Because volume bootleggers manufacture and distribute on a large scale, they often can afford to pay the compulsory license required to keep their activities legal. International laws continue to crack down on counterfeiting and piracy, making volume bootlegging the only unsettled frontier. In other words, bootleggers are herded into this category by the strict enforcement of the other categories. So corralled, volume bootleggers will exploit the inadequacies of current law as long as such inadequacies exist.

Until GATT 1994 is implemented on an international scale, volume bootleggers will manufacture and reproduce unauthorized copies of live performances through loopholes in local laws, or if their country fails to show the United States reciprocity in copyright enforcement. Volume bootleggers will then export these recordings all over the world, including the United States. Although American law grants performer's rights and provides remedies against the distribution and sale of volume bootlegs, inefficiencies in federal law make seeking these remedies awkward and complex.¹⁵⁷ As a result, volume bootlegging has emerged as the most profitable method of bootlegging.

In summary, classic bootlegging, when the manufacture and distribution of unauthorized copies remains minimal, is a nuisance for the recording industry.¹⁵⁸ But when classic bootlegging becomes volume

157. State law remedies are discussed *infra* part VI.

158. This fact is evidenced by many state law exceptions to classic bootleg copyright infringement, in that the bootlegger has to record the performance with the intent to sell or distribute the recording for profit. True fans would not be affected by such a law. In addition, note the federal volume requirements for felony copyright infringement. However, state law tolerance of this type of bootlegging may be preempted by Chapter 11. See also *infra* part VII.

bootlegging, lawmakers must act swiftly to remedy the problem. In short, volume bootlegging, which is a mass-produced, unauthorized recording of a live performance, is the type of bootlegging the GATT/TRIPs amendments seek to limit.

V. U.S. NON-COPYRIGHT PROTECTION: OTHER SOLUTIONS

As illustrated in Part IV, current copyright law is inadequate to deal with some types of bootlegging. As a result of these shortcomings, the United States has supplemented copyright law with non-copyright statutes, including interstate theft and trademark law provisions. States have also filled some of the gaps in federal law. The following will address each of these laws in turn.

A. *National Stolen Property Act*

Until 1985, the question existed whether the National Stolen Property Act, 18 U.S.C. § 2314,¹⁵⁹ (“NSPA”) could be used to prosecute those who engaged in bootlegging across interstate lines.¹⁶⁰ The Supreme Court resolved this issue in *Dowling v. United States*.¹⁶¹ In *Dowling*, the defendant had manufactured and distributed, by mail, performances by Elvis Presley.¹⁶² The defendants were charged, inter alia, with violations of the NSPA¹⁶³ by transporting through interstate commerce the stolen and converted Presley bootlegs.¹⁶⁴ The defendants were convicted on all counts, appealed their convictions, and the Ninth Circuit affirmed.¹⁶⁵ Addressing the NSPA convictions, the Ninth Circuit determined that rights held by a copyright owner were equivalent to rights enjoyed by owners of

159. The National Stolen Property Act (“NSPA”) provides criminal penalties for any person who “transports . . . in interstate or foreign commerce any goods, wares, merchandise, securities or money, of the value of \$5,000 or more, knowing the same to have been stolen, converted or taken by fraud.” 18 U.S.C. § 2314 (1995).

160. An obvious limitation one faced when employing this statute was that, by its terms, the statute only applied to interstate transportation of bootleg material. Thus, bootleggers who shipped locally were not affected by the law.

161. 473 U.S. 207 (1985).

162. *Id.* at 210 n.3.

163. The single defendant who appealed to the Supreme Court only challenged his convictions for violations of the NSPA. *See id.* at 209 n.1.

164. *Id.* The United States alleged in the lower court that defendants had neither been licensed nor authorized by RCA Records, the copyright owners in Presley’s sound recordings from that period, to manufacture and distribute these releases. *See generally* 17 U.S.C. §§ 106, 114 (1994).

165. *Dowling*, 473 U.S. at 212.

other property, and as such deserved protection under the statute.¹⁶⁶ Because other circuit courts had differed in their opinions regarding the scope of the NSPA,¹⁶⁷ the Supreme Court addressed the issue of whether the NSPA applied to interstate bootlegging.¹⁶⁸

The Government argued that even though the records themselves were not stolen, the musical works embodied in those records were stolen, insofar as the defendants had duplicated the works through unlawful means.¹⁶⁹ The Supreme Court disagreed, and reversed the Ninth Circuit. Justice Blackmun, writing for the majority, first distinguished copyright ownership from other types of property ownership.¹⁷⁰ Unlike property rights in tangible goods, the rights conferred to a copyright holder are limited to those granted by statute. To illustrate, the law does not give "the copyright owner control over all possible uses of his work."¹⁷¹ Copyright, like all forms of intellectual property, falls into the category of intangible property. There exists an important distinction between owners of tangibles and intangibles. When interfering with the ownership of intangibles, one does not take away the owner's *entire* use of the property. For the majority in *Dowling*, this distinction marked the difference between "infringement" and "theft."

Justice Blackmun then summarized the cases upholding the applicability of the NSPA to certain types of property. He concluded that the NSPA always dealt with property that could be stolen, taking away an owner's complete use of the property.¹⁷² Because there is no "taking" of intangible goods, one may only infringe, but not steal, another's copyright.¹⁷³ Insofar as the NSPA only addresses stolen property,

166. *Id.* (citing *Dowling*, 739 F.2d at 1450 (9th Cir. 1984) (citing *U.S. v. Belmont*, 715 F.2d 459, 461-62 (9th Cir. 1983)), *cert. denied*, 465 U.S. 1022 (1984)).

167. *See* *United States v. Smith*, 686 F.2d 234 (5th Cir. 1982), *cited in Dowling*, 473 U.S. at 213, at n.6.

168. Specifically, the Court formulated the issue as follows: "whether phonorecords that include the performance of copyrighted musical compositions for the use of which no authorization has been sought nor royalties paid are consequently 'stolen, converted, or taken by fraud' for purposes of [18 U.S.C.] § 2314." *Dowling*, 473 U.S. at 216.

169. *Id.* at 215. Alternatively, the Government asserted that even if placing unauthorized musical works onto records does not by itself render the records "stolen," unlawful procurement of the source material for the records should be deemed "stolen" within the meaning of the NSPA. The Supreme Court expressly declined to address this argument for several reasons, including the lack of sufficient evidence presented at the trial level. *Id.* at n.7.

170. *Id.* at 216-17.

171. *Id.* at 217 (citing *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 432 (1984)).

172. *Dowling*, 473 U.S. at 216.

173. *Id.*

Blackmun concluded that the NSPA is inapplicable to persons whose only "theft" was that of copyright.¹⁷⁴

Although the reasoning used to decide this case remains sound, the majority appears to have relied upon less obvious reasons in reversing the Ninth Circuit. Its reasons are issues which this Article addresses. First, the Court noted that Congress need not rely upon its interstate commerce power to enact copyright laws. Rather, the Constitution gives Congress the exclusive power to regulate copyright.¹⁷⁵ Therefore, courts should be reluctant to read into any non-copyright-specific law copyright implications. As the *Dowling* Court concluded:

No such need for supplemental federal action has ever existed . . . with respect to copyright infringement, for the obvious reason that Congress always has had the bestowed authority to legislate directly in this area Given that power, it is implausible to suppose that Congress intended to combat the problem of copyright infringement by the circuitous route hypothesized by the Government.¹⁷⁶

Second, the *Dowling* Court relied heavily on congressional intent in reaching their decision. Not only did Congress have the power to regulate copyright directly, Congress exercised that power carefully and deliberately.¹⁷⁷ Finding that sound recordings had inadequate protection under federal copyright law, Congress granted limited protection to sound recordings.¹⁷⁸ Further, Congress furnished copyright owners with a number of civil remedies to protect their interests.¹⁷⁹ As for criminal sanctions, Congress took great pains, and small steps, to craft the criminal copyright provisions to effectively control bootlegging.¹⁸⁰

In 1982, when Congress determined that existing criminal penalties were inadequate, it enhanced the criminal fine and prison terms for willful and for-profit infringement in sound recordings and trafficking in fraudulent labels.¹⁸¹ These changes to the law reflected congressional intent to

174. *Id.* at 218.

175. *Id.* at 220. Article I, section 8, clause 8 of the U.S. Constitution provides Congress with this power: "The Congress shall have the Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. CONST. art. I, § 8, cl. 8.

176. 473 U.S. at 220-21.

177. *Id.* at 222.

178. *Id.*

179. *Id.* at 221.

180. *Id.* at 224-25.

181. *Dowling*, 473 U.S. at 224 (referring to the Piracy and Counterfeiting Amendments Act of 1982, Pub. L. No. 97-180, 96 Stat. 91 (1982)).

control the problem of bootlegging through copyright provisions, not through non-copyright law. On this issue, the *Dowling* Court concluded:

Thus, the history of the criminal infringement provisions of the Copyright Act reveals a good deal of care on Congress' part before subjecting copyright infringement to serious criminal penalties. First, Congress hesitated long before imposing felony sanctions on copyright infringers. Second, when it did so, it carefully chose those areas of infringement that required severe response — specifically, sound recordings and motion pictures — and studiously graded penalties even in those areas of heightened concern. This step-by-step, carefully-considered approach is consistent with Congress' traditional sensitivity to the special concerns implicated by the copyright laws.¹⁸²

At the very least, *Dowling* makes clear the need for an expansive federal copyright law, free from supplemental federal and state regulations. The *Dowling* case stands for more than black letter law. It provides insight into how the Court addresses copyright law in general, and more specifically, the effectiveness of copyright law in controlling bootlegging. Furthermore, where federal law is silent on an issue, such as classic or volume bootlegging, Congress must act through its power to regulate copyrights to remedy the problem, rather than rely on state law to control bootlegging. In short, one should be reluctant to apply non-copyright law to copyright infringement cases, based on the Court's rationale in *Dowling*.

B. Trademark/Fraudulent Label Provisions

The same law that enhanced the penalties for criminal copyright infringement also substantially increased the penalties for trafficking in counterfeiting labels, 18 U.S.C. § 2318.¹⁸³ Pursuant to this section, one

182. *Id.* at 225.

183. The full text of this section reads as follows:

Trafficking in counterfeit labels or phonorecords and copies of motion pictures or other audiovisual works

(a) Whoever, in any of the circumstances described in subsection (c) of this section, knowingly traffics in a counterfeit label affixed or designed to be affixed to a phonorecord, or a copy of a motion picture or other audiovisual work, shall be fined under this title or imprisoned for not more than five years, or both.

(b) As used in this section —

(1) the term "counterfeit label" means an identifying label or container that appears to be genuine, but is not;

(2) the term "traffic" means to transport, transfer or otherwise dispose of, to another, as consideration for anything of value or to make or

who knowingly traffics in counterfeit labels which are attached to a copyrighted sound recording shall be punished by monetary fines, imprisonment up to five years, and/or forfeiture and destruction of the illegal goods.¹⁸⁴ A counterfeit label is “an identifying label or container that appears to be genuine but is not.”¹⁸⁵ Though the *Dowling* Court only briefly addressed this issue, Congress intended the “new penalties [to] be in addition to any other provisions of Title 17 or any other law.”¹⁸⁶ Congress made clear its intent that federal counterfeit labeling provisions should work in conjunction with federal copyright law to control bootlegging.

obtain control of with intent to so transport, transfer or dispose of; and

(3) the terms “copy”, “phonorecord”, “motion picture”, and “audiovisual work” have, respectively, the meanings given those terms in section 101 (relating to definitions) of title 17.

- (c) The circumstances referred to in subsection (a) of this section are —
- (1) the offense is committed within the special maritime and territorial jurisdiction of the United States; or within the special aircraft jurisdiction of the United States (as defined in section 46501 of title 49);
 - (2) the mail or a facility of interstate or foreign commerce is used or intended to be used in the commission of the offense; or
 - (3) the counterfeit label is affixed to or encloses, or is designed to be fixed to or enclose, a copyrighted motion picture or other audiovisual work, or a phonorecord of a copyrighted sound recording.
- (d) When any person is convicted of any violation of subsection (a), the court in its judgment of conviction shall in addition to the penalty therein prescribed, order the forfeiture and destruction or other disposition of all counterfeit labels and all articles to which counterfeit labels have been affixed or which were intended to have had such labels affixed.
- (e) Except to the extent they are inconsistent with the provisions of this title, all provisions of section 509, title 17, United States Code, are applicable to violations of subsection (a).

18 U.S.C. § 2318 (1994).

184. 18 U.S.C. § 2318(a), (d) (1994).

185. 18 U.S.C. § 2318(b)(1) (1994).

186. 18 U.S.C. § 2318(e) (1994). The Government argued that Congress had intended for the “any other law” language to include the NSPA. On this issue of whether Congress intended the trademark provisions to supplement federal copyright law, the *Dowling* Court observed: “Neither the text nor the legislative history of either the 1982 [Copyright Felony] Act or earlier copyright legislation evidences any congressional awareness, let alone approval, of the use of [the NSPA] in prosecutions like the one now before us.” *Dowling*, 473 U.S. at 225 n.18. The Court simply was unwilling to extend by implication a congressional intent from the Copyright Felony Act to the NSPA. The Court did not conclude that Congress has no power to regulate copyright outside copyright law. On the contrary, the Court noted that where Congress intends non-copyright law to be applied to cases of copyright infringement, Congress must speak with a clear, unambiguous voice. Congress should speak either in the statute itself, or in its legislative history. This issue will be analyzed again in addressing the new amendments and the issue of preemption. See *infra* part VII.

Laws against trafficking in counterfeit labels, like trademark counterfeiting laws,¹⁸⁷ are designed to catch bootleggers who photocopy

187. The federal trademark counterfeiting law, 18 U.S.C. § 2320 (1994), reads as follows:

§ 2320. Trafficking in counterfeit goods or services

(a) Whoever intentionally traffics or attempts to traffic in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services shall, if an individual, be fined not more than \$2,000,000 or imprisoned not more than 10 years, or both, and, if a person other than an individual, be fined not more than \$5,000,000. In the case of an offense by a person under this section that occurs after that person is convicted of another offense under this section, the person convicted, if an individual, shall be fined not more than \$5,000,000 or imprisoned not more than 20 years, or both, and if other than an individual, shall be fined not more than \$15,000,000.

(b) Upon a determination by a preponderance of the evidence that any articles in the possession of a defendant in a prosecution under this section bear counterfeit marks, the United States may obtain an order for the destruction of such articles.

(c) All defenses, affirmative defenses, and limitations on remedies that would be applicable in an action under the Lanham Act shall be applicable in a prosecution under this section. In a prosecution under this section, the defendant shall have the burden of proof, by a preponderance of the evidence, of any such affirmative defense.

(d) For the purposes of this section —

(1) the term “counterfeit mark” means —

(A) a spurious mark —

(i) that is used in connection with trafficking in goods or services;

(ii) that is identical with, or substantially indistinguishable from, a mark registered for those goods or services on the principal register in the United States Patent and Trademark Office and in use, whether or not the defendant knew such mark was so registered; and

(iii) the use of which is likely to cause confusion, to cause mistake, or to deceive; or

(B) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of the Lanham Act are made available by reason of section 110 of the Olympic Charter Act;

but such term does not include any mark or designation used in connection with goods or services of which the manufacturer or producer was, at the time of the manufacture or production in question authorized to use the mark for designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation;

(2) the term “traffic” means transport, transfer, or otherwise dispose of, to another, as consideration for anything of value, or make or obtain control of with intent so to transport, transfer, or dispose of;

(3) the term “Lanham Act” means the Act entitled “An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes”, approved July 5, 1946 (15 U.S.C. 1051 et seq.); and

(4) the term “Olympic Charter Act” means the Act entitled “An Act to incorporate the United States Olympic Association”, approved September 21, 1950 (36 U.S.C. 371 et seq.).

Note that in the realm of federal intellectual property laws, this section provides the harshest penalties for infringement.

album art or manufacture unauthorized cassette tape or CD labels, but who do not duplicate the sounds of a copyrighted sound recording.¹⁸⁸ For example, a volume bootlegger records and manufactures a live recording of a popular artist. On the jacket or label of the recording, the bootlegger places a trademark, or otherwise designates the recording as official or authorized. While the volume bootlegger may be immune to copyright infringement liability, a bootlegger may nonetheless violate 18 U.S.C. § 2320 by trafficking in counterfeit labels. Insofar as federal trademark laws protect copyrighted works outside copyright law, such laws frequently provide the only barrier against classic and volume bootlegging at the federal level.

C. State Law Provisions

Where federal law has failed to provide support in combating classic and volume bootlegging, states have enacted laws designed to fill the gaps. Currently, every state except Vermont provides felony and misdemeanor penalties for some types of bootlegging.¹⁸⁹ Of these states, twenty-eight classify volume or repeat bootlegging as a felony.¹⁹⁰ In 1989, California became the first state to upgrade certain types of bootlegging to felony status.¹⁹¹

1. The Preemption Problem

States face a large obstacle in enacting their copyright provisions: preemption. Title 17 of the United States Code, § 301(a), specifically preempts state law in many, but not all, areas of copyright:

[A]ll legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 . . . are governed *exclusively* by this title. Thereafter, *no person* is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.¹⁹²

Clearly, states are preempted from passing legislation granting persons any rights equal to those given copyright owners by Congress, as provided in § 106. Under § 301(b)(3), however, states were given some latitude in

188. Roth, *supra* note 13, at 19.

189. *Id.*

190. *Id.*

191. *Id.*

192. 17 U.S.C. § 301(a) (1994) (emphasis added).

enacting non-copyright law, so long as the laws relate to "activities violating legal or equitable rights *that are not equivalent* to any of the exclusive rights within the general scope of copyright as specified by section 106."¹⁹³ This provision is simply a restatement of § 301(a): states may legislate in areas of copyright not preempted by Congress. Within this narrow field, states have enacted a number of copyright provisions. These laws speak to copyright issues which Congress either has yet to address, or has chosen not to address. From these laws, three major types emerge. Often, a state law will include all three types. First, states have enacted laws which protect sound recordings. Second, states require certain disclosure on the packaging of a sound recording. Third, states provide American and foreign performers protection under GATT/TRIPs.

2. Protection for Sound Recordings

Many states have enacted laws designed to provide owners of sound recordings fixed before the date on which federal protection begins on February 15, 1972. Federal law provides the same protection to these owners.¹⁹⁴ These laws seek to offer some type of protection to all owners of sound recordings. Because these state laws extend, but do not modify federal copyright law, no court has found these laws in conflict with federal preemption provisions.¹⁹⁵

3. Disclosure Requirements

Many state laws also require disclosure of certain information on the packaging of a sound recording. For example, Alaska's sound recordings statute provides:

A person who . . . offers for sale . . . any phonograph record, disc . . . or other article on which sounds are recorded, without clearly and conspicuously disclosing on the outside cover, box, or jacket the actual name and full address of the manufacturer,

193. 17 U.S.C. § 301(b)(3) (1994) (emphasis added).

194. *See* 17 U.S.C. § 114 (1994). Federal copyright protection for sound recordings exists only for sound recordings fixed after February 15, 1972, the effective date of the original provision. To be certain, these state laws specifically exclude sound recordings governed by federal copyright law from their scope, avoiding the issue of preemption. *See, e.g.,* ALASKA STAT. § 13A-8-81(d) (1994): "Subdivision (a)(1) of this section [granting state sound recording protection] applies only to sound recordings that were initially fixed prior to February 15, 1972."

195. As of the date of publication, there is no known state or federal case holding that such a law is preempted.

and the name of the actual performer or group, is guilty of a misdemeanor.¹⁹⁶

This type of law has been held to limit further protection to owners of a copyright, thus invoking preemption. That is, courts have determined that such disclosure regulations were enacted to protect the public from buying deceptive products.¹⁹⁷ Consequently, these laws work more like consumer protection laws, outside the scope of federal copyright law.¹⁹⁸

Moreover, the disclosure regulations extend federal trademark and fraudulent label provisions one step further, by requiring the manufacturer to disclose on the label the true name and address of both the artist and the manufacturer. Such a requirement presents a dilemma for bootleggers. The bootlegger must either affix the actual, unauthorized label to the bootleg copy, and thus, violate federal law, or, he must affix a misleading label to the bootleg copy, and violate state law.

4. Performer's Rights

The third type of state law currently provides American and international performers with the protection of both GATT/TRIPs, and the new amendments.¹⁹⁹ Under these laws, a person may not knowingly, and for commercial profit, transfer a live performance onto any device, without the consent of the "owner" of the live performance.²⁰⁰ Many of these laws do not limit this protection to sound recordings. Rather, the unauthorized fixation of a live performance on videotape is also prohibited.²⁰¹

These provisions provide the performer with a presumption that he is the "owner" of the live performance: "[i]n the absence of a written agreement or operation of law to the contrary, the performer or performers of the live performance shall be presumed to own the rights to record or

196. ALASKA STAT. § 45.50.900 (1994).

197. *Videotape Counterfeiting Charge Is Preempted Under Federal Law*, N.Y.L.J., Apr. 11, 1994, at 32.

198. *Id.*

199. United States enforcement of GATT will begin one year after the date of the establishment of the World Trade Organization.

200. For example, see Arizona's version of this law:

A person commits unlawful copying or sale of sounds or images from recording devices by knowingly . . . [t]ransferring or causing to be transferred to an article any performance, whether live before an audience or transmitted by wire or through the air by radio or television without the consent of the owner and with the intent to obtain commercial advantage or personal financial gain.

ARIZ. REV. STAT. ANN. § 13-3705(A)(5) (Supp. 1994).

201. *Id.*

authorize the recording of the live performance.”²⁰² Accordingly, while most performer’s rights statutes give the “owner” of the live performance the right of consent, these laws recognize that performers often will be the owners of the live performance.

Further, the drafters addressed the problem of having performers present to testify in every case in which their rights are violated. Most state laws, in consideration of the burden such a requirement would place on performers, allow “competent” bookkeepers to testify as to the absence of a consensual or contractual agreement between the performer and the bootlegger. According to one of these provisions: “[i]n any proceeding where a performer’s consent is in issue, a person who is authorized to maintain custody and control over business records reflecting consent shall be considered a proper witness, subject to all rules of evidence relating to competency and admissibility.”²⁰³ Thus, performers are relieved of the burden of testifying at every state trial.

While state laws provide much-needed attention to otherwise neglected areas of copyright law, these provisions are inadequate for several reasons. First, state laws are not uniform in this area. As such, protection for performers and owners of sound recordings will vary from state to state. Second, state laws have failed to effectively recognize the modern interstate and international performance tours of many artists. Third, limited office budgets and a growing problem with violent crime make enforcement of these provisions by local prosecutors unattractive.²⁰⁴ Fourth, many foreign countries do not consider state laws adequate to protect a foreign performer’s interests. As a result, these countries fail to provide American performers with consensual rights while in their countries.²⁰⁵ Finally, and most importantly, the United States Customs Service does not usually enforce state law rights at the border.²⁰⁶ Consequently, the most effective weapon the United States may employ in its war on bootlegging cannot be used to enforce state law rights. For these reasons, and others discussed below, the United States chose to regulate “performer’s rights” at the federal level.

202. ALASKA STAT. §13-A-8-81(e) (1994).

203. *Id.*

204. Roth, *supra* note 13, at 19.

205. For more on the issue of reciprocity, see *infra* part VI.B.

206. *GATT and Intellectual Property: Hearings on H.R. 4894 and S. 2368 Before the Senate Judiciary Comm. on Patents, Copyrights and Trademarks and the House Subcomm. of the Judiciary on Intellectual Property and Judicial Administration*, 103d Cong., 2d Sess. (1994) (statement of Ira Shapiro, Gen. Counsel to the Office of the USTR).

V. HOUSE BILL 5110: THE NEW SOLUTION

As shown above, American copyright law adequately protects against counterfeiting and pirating, so long as the requisite ownership interests can be satisfied under the statute. Federal law, however, does not prohibit classic and volume bootlegging. State law and federal non-copyright laws address the problems of volume bootlegging to some degree. Unfortunately, in the absence of a uniform federal law, many seeking to enforce their rights under these provisions have experienced difficulty. To the extent that federal law is deficient in this area, bootleggers have profited from the gap in federal law. Yet this problem is not unique to the United States. Many countries do not provide performers' rights to artists during a live performance. Because of the absence of minimum standards regulating the unauthorized fixation of live performances, the proponents of GATT chose to address this area on an international level.

A. GATT/TRIPS Provisions

GATT entered into force in 1948, and is a multilateral trade agreement designed to promote freer trade among its member countries.²⁰⁷ Currently, 123 countries, whose combined imports and exports represent eighty percent of all world trade, are members of GATT.²⁰⁸

The Uruguay Round, the eighth round of trade negotiations under GATT, took eight years to complete.²⁰⁹ The previous round, the Tokyo Round, lasted from 1973 to 1979.²¹⁰ The Uruguay Round began at a conference of nations in Punta del Este, Uruguay, in September 1986.²¹¹ For the first time in GATT history, the conference agenda included greater international protection for intellectual property rights. That the Uruguay Round included intellectual property rights protection has been attributed to the United States' insistence.²¹² The United States had recently completed North American Free Trade Agreement ("NAFTA") negotiations with Canada and Mexico, which contained several provisions on intellectual

207. Lenore Sak, *Trade Negotiations: The Uruguay Round*, CONG. RES. SERV. No. IB86147, at 1.

208. *Id.*

209. *Id.*

210. *Id.*

211. *Id.* at 2.

212. Dorothy Schrader, *Enforcement of Intellectual Property Rights Under the GATT 1994 TRIPS Agreement*, CONG. RES. SERV. No. 94-228A, at 1.

property rights.²¹³ Armed with the momentum created by the success of NAFTA, the United States insisted that the Uruguay Round contain provisions relating to intellectual property rights enforcement.²¹⁴

The conference initially established a general committee, the Trade Negotiation Committee ("TNC"), which had oversight duties for the two major negotiation groups: the Group on Negotiations on Goods and the Group of Negotiations on Services.²¹⁵ Among the topics delegated to the Group on Negotiations on Goods was the Trade-Related Aspects of Intellectual Property Rights, Including Counterfeit Goods, commonly referred to as "TRIPs." In its final version, the TRIPs Agreement consisted of seven parts, which included seventy-three articles in GATT 1994.²¹⁶ For the first time in the history of GATT negotiations, the final text included provisions for international intellectual property protection.²¹⁷ As a result, GATT/TRIPs represented the first multi-national, uniform attempt at regulating intellectual property rights worldwide.

Pursuant to Article 41 of GATT/TRIPs, member countries are required to enact domestic laws that provide effective barriers against infringement of intellectual property rights guaranteed by GATT.²¹⁸ Important among these provisions are three: (1) criminal provisions and penalties; (2) customs and border enforcement; and (3) protection for sound recordings and the unauthorized fixation of live performances. As the following sections will discuss, the new amendments incorporate all three requirements.

1. Criminal Provisions

First, GATT/TRIPs requires all member countries to enact substantial criminal procedures and penalties designed to protect intellectual property rights.²¹⁹ Strong criminal penalties and their indiscriminate enforcement are the most effective weapons against global pirating.²²⁰ Too often, bootleggers are not deterred by civil remedies. Many bootleggers simply view judgment awards against them as the "cost of doing business."²²¹

213. *Id.*

214. *Id.*

215. Sak, *supra* note 207 at 2.

216. Schrader, *supra* note 212, at 2.

217. *Id.*

218. GATT 1994, art. 41(1).

219. GATT 1994, art. 61.

220. Schrader, *supra* note 212, at 9. Where bootlegging can be controlled domestically, its international ramifications decrease sharply.

221. *Id.*

GATT member countries must at least afford criminal penalties for willful copyright and trademark infringement on a commercial scale.²²² In addition, member countries must provide their judicial systems with the power to seize and destroy all infringing goods and the methods used to produce them.²²³ Regarding these requirements, current American law remains unaffected because the United States is one of the only countries to provide substantial penalties for trademark and copyright infringement.²²⁴

2. Border and Customs Enforcement

Second, member countries of GATT are required to adopt customs procedures that provide owners of intellectual property with a mechanism for challenging suspect imports — before the infringing goods become distributed domestically.²²⁵ Specifically, intellectual property owners must be able to petition for customs enforcement by providing enough evidence to establish a *prima facie* case for infringement, including a description of the infringing goods.²²⁶ Finding sufficient cause, authorities empowered to act on this complaint must hold the goods, pending a determination whether the goods are infringing.²²⁷ At this point, the one who is questioning the legality of the imported goods may be required to post a bond.²²⁸

Intellectual property owners then would have the opportunity to inspect the goods to establish an infringement claim.²²⁹ Where infringement is found, the appropriate authorities may order the destruction or disposal of the infringing goods.²³⁰ These authorities may or may not have to compensate the importer, depending on local law.²³¹ Again, because the United States adequately provides for customs and border enforcement in existing law, little change will be needed to comport to GATT/TRIPs requirements.²³²

222. GATT 1994, art. 61.

223. *Id.*

224. *See* 18 U.S.C. § 2319 (1994) for the criminal provisions for copyright infringement. *See* 18 U.S.C. § 2320 for the penalties for trafficking in counterfeit trademark goods.

225. GATT 1994, art. 51.

226. *Id.* at art. 52.

227. *Id.*

228. *Id.* at art. 53(1).

229. *Id.* at art. 52.

230. GATT 1994, art. 59.

231. *Id.* at art. 59.

232. *See, e.g.*, 17 U.S.C. § 509 (1994) (federal copyright seizure and forfeiture procedures).

3. Sound Recording Protection

Finally, GATT member countries are required to provide some type of domestic protection for sound recordings.²³³ The protection may, but need not, be in the form of a providing copyright protection to sound recordings.²³⁴ Before GATT/TRIPs, protection of sound recordings was regulated internationally by the 1961 Rome Convention on the Protection of Performers, Producers of Phonograms, and Broadcast Organizations ("Rome Convention"). The Rome Convention offered non-copyright protection to sound recordings for a minimum term of twenty years. As mentioned in Part II, the United States was not a member of the Rome Convention. Unlike copyrights, protection for sound recordings under the Rome Convention was considered a "neighboring" or "related" right. That is, Rome Convention member countries provided protection to foreign sound recordings only when the respective foreign country provided reciprocal protection.²³⁵

During the TRIPs negotiations, the United States strongly urged negotiators to adopt a copyright form of protection for sound recordings. The United States believed that the minimum standards of the Rome Convention inadequately protected American sound recording copyright owners.²³⁶ In addition, the United States believed that because it was not a member of the Rome Convention, many countries were failing to give American artists reciprocity.²³⁷ The European Community resisted the requirement for copyright protection in sound recordings in part because of a perceived lack of "performers' rights" in United States federal law.²³⁸ The result in the final version of TRIPs may be viewed as a compromise, though leaning toward "neighboring" rights. In short, while the TRIPs

233. GATT 1994, art. 14. See also Dorothy Schrader, *Intellectual Property Provisions of the GATT 1994: "The TRIPs Agreement,"* CONG. RES. SERV. NO. 94-302A, 17 (Mar. 3, 1994).

234. GATT 1994, art. 14.

235. Schrader, *supra* note 233, at 18.

236. *Id.* Primarily, the United States considered twenty years to be an inadequate level of protection. Instead, the United States favored "national treatment," rather than the "related rights" incorporated into GATT/TRIPs. As addressed in part VI, national treatment generally means that a member country is obligated to give protection to certain foreign types of intellectual property where the country of origin provides protection, regardless of reciprocity.

237. *Id.*

238. *Id.* See also *GATT and Intellectual Property: Hearings on H.R. 4894 and S. 2368 Before the Senate Judiciary Comm. on Patents, Copyrights and Trademarks and the House Subcomm. of the Judiciary on Intellectual Property and Judicial Administration*, 103d Cong., 2d Sess. (1994) (statement of Jason Berman, Chairman and Chief Executive Officer, Recording Industry Association of America).

negotiators opted for the non-copyright, “related” rights approach, they still allow copyright protection as an alternative.²³⁹

As a result, the “baseline” protection afforded sound recordings under GATT/TRIPs remains, with some exceptions, the minimum requirements of the Rome Convention. Article 14 of the final version of GATT sets forth these rights. First, performers shall be able to authorize: (1) the first fixation of their live performance and its reproduction to phonorecords; and (2) the broadcasting or public communication of their live performance.²⁴⁰ Second, record producers shall have the right to authorize or prohibit the direct or indirect reproduction of their audio recordings.²⁴¹ Third, broadcasters will have the right to prohibit: (1) a fixation of their broadcast; (2) reproduction of any unauthorized fixation; (3) unauthorized rebroadcasting; and (4) any communication of the broadcast.²⁴² Insofar as federal law amply protects the interests of both record producers²⁴³ and broadcasters,²⁴⁴ amending these laws to conform to GATT/TRIPs remains minimal, leaving performers’ rights the only rights at issue.

While the United States could have argued that it adequately afforded protection for performers under state law, it instead amended federal law, for two reasons. First, Article 14(6) of GATT/TRIPs allows member countries some latitude in their enforcement of sound recording rights on the perceived failure of another country to show reciprocity. This provision conforms to the original standards of the Rome Convention.²⁴⁵ Second, to the extent that foreign countries can exercise this discretion, countries that currently afford the United States no protection have no incentive to change their position — even after GATT/TRIPs implementation — absent a change in United States federal law. Thus, to alter the status quo, the United States was required to recognize performers’ rights on a federal level.

The United States, however, did not leave the Uruguay Round without some concessions. GATT/TRIPs will provide the United States with several sought-after changes in current international standards. First, an

239. See generally GATT 1994, art. 14.

240. GATT 1994, art. 14(1).

241. *Id.* at art. 14(2).

242. *Id.* at art. 14(3).

243. The term “record producer,” as used in GATT, is the American equivalent of sound recording copyright owners. Therefore, under 17 U.S.C. § 114, record producers have adequate United States protection.

244. Broadcasters generally receive United States copyright protection when the works at issue fall under the category of motion pictures. See 17 U.S.C. §§ 102, 106 (1994).

245. Schrader, *supra* note 212, at 18.

international standard for protection of sound recordings will exist. GATT member countries will be required to give American sound recording copyright owners adequate protection in the member countries. Before GATT/TRIPs implementation, at least seventy countries failed to provide the United States with this protection.²⁴⁶ Second, Article 14 of GATT/TRIPs requires member countries to adhere to Article 18 Berne Convention²⁴⁷ standards in providing retroactive protection to any right granted in Article 14. That is, GATT member countries will be obligated to give protection to sound recordings that have protection in their countries of origin, even if this protection has to be applied retroactively.²⁴⁸ This provision substantially benefits the United States. Now, GATT member countries will have to give all American sound recordings copyright protection, and not just those sound recordings fixed or reproduced after the effective date of GATT/TRIPs legislation.²⁴⁹ Finally, unlike the Rome Convention, minimum term protection for sound recordings will be fifty years instead of twenty (although for broadcasters the term will remain twenty).²⁵⁰ Thus, sound recording copyright owners are given thirty extra years of protection under GATT/TRIPs.

In December 1991, a 450-page draft was proposed at the Uruguay Round. This draft represented the framework for what became the final text for GATT 1994.²⁵¹ Two years later, on December 13, 1993, the Uruguay Round of GATT concluded, having produced its result: a 22,000-page document entitled the *Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations*.²⁵² On April 15,

246. *GATT and Intellectual Property: Hearings on H.R. 4894 and S. 2368 Before the Senate Judiciary Comm. on Patents, Copyrights and Trademarks and the House Subcomm. of the Judiciary on Intellectual Property and Judicial Administration*, 103d Cong., 2d Sess. (1994) (statement of Jason Berman, Chairman and Chief Executive Officer, Recording Industry Association of America).

247. GATT 1994, art. 9(1). The Berne Convention refers to the Paris Act of the Berne Convention for the Protection of Literary and Artistic Works, July 24, 1971. Article 18(1) of the Berne Convention provides: "This Convention shall apply to all works which, at the moment of its coming into force, have not yet fallen into the public domain in the country of origin through the expiry of the terms of protection."

248. *Id.* Note an important exception to retroactivity contained in the Berne Convention, art. 18(3): "The application of this principle shall be subject to any provisions contained in special conventions to that effect existing or to be concluded between countries of the Union. In the absence of such provisions, the respective countries shall determine . . . the conditions of application of this principle."

249. *See* GATT 1994, art. 9(1).

250. GATT 1994, art. 14(5).

251. Sak, *supra* note 207, at 3.

252. *Id.*

1994, trade officials representing over one hundred countries, including the United States, met in Morocco to sign the final documents.²⁵³ With the GATT/TRIPs negotiations completed, it was left to member countries to pass any necessary implementing legislation.

B. U.S. Implementing Legislation

On July 2, 1993, while the final points of GATT/TRIPs were negotiated in Uruguay, Congress passed Public Law 103-49, providing GATT implementation "fast track" procedures.²⁵⁴ Pursuant to this law, Congress extended fast track procedures for all GATT implementing legislation, provided that President Clinton notified Congress on or before December 15, 1993, of his intention to join GATT.²⁵⁵ This date would allow Congress 180 days to address the merits of GATT. As part of the fast track provisions, Congress could only vote "up or down" on the implementing legislation, without adding supplements or amendments.²⁵⁶

1. House Bill 4894 and Senate Bill 2368

While the implementing language was formulated, two members of Congress became dissatisfied with the Clinton Administration's method of proceeding with GATT-implementing legislation in this area.²⁵⁷ Since the Administration delayed presenting the final implementing legislation, Representative William Hughes (D-NJ) introduced House Bill 4894 on August 3, 1994, and Senator Dennis DeConcini (D-Ariz.) introduced Senate Bill 2368 on August 5, 1994.²⁵⁸ The Senate bill consisted of the Clinton Administration's draft legislation.²⁵⁹ Both bills were designed to implement portions of GATT/TRIPs. Representative Hughes and Senator DeConcini explained that they introduced the bills to stimulate public discussion of the issues, contrary to the "back door" method the Clinton

253. *Id.*

254. Pub. L. No. 103-49 (1993) (amending 19 U.S.C. § 2902): "An Act to provide authority for the President to enter into trade agreements to conclude the Uruguay Round of multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade, to extend tariff proclamation authority to carry out such agreements, and to apply congressional 'fast track' procedures to a bill implementing such agreements."

255. *Id.* at § 3(a).

256. 48 Pat. Trademark & Copyright J. (BNA) 414 (Aug. 18, 1994).

257. 48 Pat. Trademark & Copyright J. (BNA) 371 (Aug. 11, 1994).

258. *Id.* Representative Hughes was Chairman of the House Subcommittee on Intellectual Property and Judicial Administration. Senator DeConcini, since retired, was Chairman of the Senate Subcommittee on Patents, Copyrights, and Trademarks.

259. *See generally id.*

Administration had used to formulate the proposals.²⁶⁰ Said Senator DeConcini on introducing the bill: "I believe it is important for the public to have the opportunity to review the changes that are being proposed to domestic law prior to the formal submission of the implementing legislation by the administration. For this reason, I am introducing this bill today."²⁶¹

a. House Bill 4894

House Bill 4894, entitled the "Federal Anti-Bootleg Act of 1994," would have created civil liability for the trafficking of bootleg sound recordings, though it did not address criminal penalties.²⁶² The bill would have amended the Lanham Act, 15 U.S.C. § 1125, by adding the provisions under a new § 1125A.²⁶³ House Bill 4894 would have given the right of consent to "featured" performers of live performances.²⁶⁴ In addition, the proposal would have included music videos of live performances.²⁶⁵ To summarize House Bill 4894, one who, without consent of a featured performer: (1) reproduced from an unauthorized fixation; (2) transmitted to the public; or (3) distributed to the public through sale, rent, etc. (without regard to whether the fixation occurred within the United States) a live performance, would be subject to the remedies for copyright infringement set forth in 17 U.S.C. §§ 502-505.²⁶⁶ Finally, House Bill 4894 provided seizure and forfeiture provisions for unauthorized copies of live performances that were imported into the United States.²⁶⁷

b. Senate Bill 2368

Because Senate Bill 2368 contained the Clinton Administration's draft legislation, its language was far more detailed than the House bill. In fact, both the final House and Senate versions of the GATT-implementing legislation contained substantially the same language as Senate Bill

260. *Id.*

261. 140 CONG. REC. S10,883-905 (1994) (daily ed. Aug. 5, 1994) (statement of Sen. DeConcini).

262. H.R. 4894, 103d Cong., 2d Sess. (1994).

263. Since neither the proposed nor the final bills actually create a copyright, the drafters did not need to place the provisions in the copyright sections of federal law.

264. H.R. 4894, 103d Cong., 2d Sess. § 102 (1994).

265. *Id.*

266. *Id.*

267. *Id.*

2368.²⁶⁸ Whereas the House bill addressed only the copyright amendments of TRIPs, the Senate bill addressed trademark and patent amendments, as well as the copyright amendments.²⁶⁹

First, unlike the House bill, Senate Bill 2368 would not extend a performer's right to music videos, a right unnecessary to comply with GATT/TRIPs requirements.²⁷⁰ Second, the Senate bill provided both criminal and civil penalties for the creation of, and trafficking in, bootleg sound recordings. Section three of Senate Bill 2368 would have amended the criminal provisions for copyright infringement at 18 U.S.C. § 2319 by adding § 2319A: "Creation of and traffic in bootleg sound recordings prohibited."²⁷¹

The criminal provisions of Senate Bill 2368 applied only to persons who "willfully, and for purposes of commercial gain or private financial advantage, without the consent of a performer or performer's agent[:]" (1) fix in a sound recording; (2) broadcast or transmit the sounds of a live performance; or (3) reproduce, sell, rent, etc., the unauthorized sounds of a live performance. These persons shall, upon conviction, be fined as much as \$250,000 or imprisoned for up to five years, or both.²⁷² In addition, the criminal provisions of Senate Bill 2368 would have allowed courts to order the forfeiture and destruction of all infringing goods and devices, along with the criminal penalties.²⁷³ Both the civil and criminal provisions contained language which stated an intent not to preempt any civil or criminal state law in this area.²⁷⁴

The language of the civil and criminal provisions of Senate Bill 2368 was similar. To summarize, a person who, without the consent of a performer or a performer's agent: (1) fixes a live performance on a sound recording; (2) broadcasts, transmits, or otherwise communicates a sound recording of a live performance; or (3) duplicates sounds from an unauthorized sound recording, or offers to rent, sell, etc., copies of unauthorized sound recordings, shall, upon judgment of civil liability, "be subject to the sanctions under sections 502 through 505 of Title 17, United States Code, as if he were an infringer of copyright under section 501 of

268. 48 Pat. Trademark & Copyright J. (BNA) 558 (Sept. 29, 1994).

269. S. 2368, 103d Cong., 2d Sess. §§ 8-10 (1994).

270. GATT 1994, art. 41(1). Absent from GATT 1994, art. 14 is any requirement that protection for sound recordings also extend to music videos.

271. S. 2368, 103d Cong., 2d Sess. § 3(a) (1994).

272. *Id.*

273. *Id.* These penalties are the same as those for willful copyright infringement under 18 U.S.C. § 2319 (1994).

274. *Id.*

such title.”²⁷⁵ Under the civil section, as under its criminal counterpart, judges were empowered to order the forfeiture and destruction of all infringing goods and the devices used to produce them.²⁷⁶ Again, the civil provisions stated an intent not to preempt state law in this area.²⁷⁷

As for foreign-manufactured articles, Senate Bill 2368 provided that when an imported article, fixed outside the United States, would have been made or sold in violation of this section if the article had been fixed in the United States, the imported item’s sale, reproduction, importation, or distribution would be in violation of these provisions.²⁷⁸ In addition, Senate Bill 2368 would have granted to the United States Customs Service the power to enact regulations preventing the importation of goods deemed illegal under this section.²⁷⁹ Goods imported in violation of this section would have been subject to applicable forfeiture and destruction laws under existing customs regulations.²⁸⁰

Both bills were debated at a joint hearing held on August 12, 1994, by the House Subcommittee on Intellectual Property and Judicial Administration and the Senate Subcommittee on Patents, Copyrights, and Trademarks.²⁸¹ Addressing the Joint Committee in favor of the proposed legislation, Jason Berman, Chairman and Chief Executive Officer of the RIAA, told Congress that in regard to bootlegging, “the TRIPs Agreement ‘closes a gaping loophole in the existing international legal framework under which United States’ performers and record companies have suffered grave prejudice.’”²⁸² Insofar as many countries do not allow reciprocity for United States’ performers, Berman pleaded with Congress to pass the current legislation. Noted Berman:

TRIPs represents the first international treaty to which the United States is a party that secures a performer’s ability to

275. S. 2368, 103d Cong., 2d Sess. § 4(a) (1994). As such, the proposed amendment would not create copyright protection for performers. Rather, a performer simply would be given the right to refuse consent to the fixation of his or her live performance. The language of the bill incorporates the remedies afforded to infringed owners of copyright as an adequate remedy for this type of violation.

276. *Id.* at § 4(b).

277. *Id.* at § 4(c).

278. *Id.* at § 4(d).

279. *Id.* at § 4(d)(2)(B) (1994).

280. S. 2368, 103d Cong., 2d Sess. § 4(d)(2)(C).

281. 48 Pat. Trademark & Copyright J. (BNA) 414 (Aug. 18, 1994).

282. *GATT and Intellectual Property: Hearings on H.R. 4894 and S. 2368 Before the Senate Judiciary Comm. on Patents, Copyrights and Trademarks and the House Subcomm. of the Judiciary on Intellectual Property and Judicial Administration*, 103d Cong., 2d Sess. (1994) (statement of Jason Berman, Chairman and Chief Executive Officer, Recording Industry Ass’n of America).

prevent bootlegging. Passage of legislation creating criminal penalties for bootlegging will give [the United States] the effective means of curtailing an illicit trade currently generating about one billion dollars annually.²⁸³

Also speaking on behalf of the proposed legislation was Ira S. Shapiro, General Counsel to the Office of the United States Trade Representative.²⁸⁴ Shapiro conceded that current federal and state law were inadequate to address the international problems of bootlegging because recourse through state law "ha[d] been difficult."²⁸⁵ State law, in effect, failed to reflect the sophisticated nature of current bootleggers and the "international scale of performance tours."²⁸⁶ Changing existing law, according to Shapiro, would "provide some uniformity in rights," and allow the United States Customs Service to play a role in anti-bootlegging measures.²⁸⁷ "Since the United States Customs Service does not normally enforce rights provided under various state laws, a federal law is an appropriate and important adjunct to efforts to address global piracy of sound recordings."²⁸⁸

2. House Bill 5110 and Senate Bill 2467

Before a committee vote could be taken on the proposed legislation, the Clinton Administration introduced the final, comprehensive version of the GATT-implementing legislation. On September 27, 1994, these proposals were introduced in Congress by Representative Richard Gephardt (D-Mo.) as House Bill 5110, and by Senator George Mitchell (D-Me.) as Senate Bill 2467, on behalf of the administration.²⁸⁹ Regarding unauthorized fixation of live performances, both bills track the language of Senate Bill 2368 that Senator DeConcini introduced.²⁹⁰

283. *Id.*

284. *GATT and Intellectual Property: Hearings on H.R. 4894 and S. 2368 Before the Senate Judiciary Comm. on Patents, Copyrights and Trademarks and the House Subcomm. of the Judiciary on Intellectual Property and Judicial Administration*, 103d Cong., 2d Sess. (1994).

285. *GATT and Intellectual Property: Hearings on H.R. 4894 and S. 2368 Before the Senate Judiciary Comm. on Patents, Copyrights and Trademarks and the House Subcomm. of the Judiciary on Intellectual Property and Judicial Administration*, 103d Cong., 2d Sess. (1994) (statement of Ira Shapiro, Gen. Counsel to the Office of the USTR).

286. *Id.*

287. *Id.*

288. *Id.*

289. 48 Pat. Trademark & Copyright J. (BNA) 558 (Sept. 29, 1994).

290. H.R. 5110, 103d Cong., 2d Sess. (1994).

Similar to earlier legislation, section 513 of House Bill 5110 creates a new section 2319A of Title 18 to: (1) criminalize bootlegging, including music videos of live performances; (2) provide penalties of criminal fines and up to five years imprisonment for the first offense; and, (3) insure forfeiture and destruction of copies and copying materials.²⁹¹ The civil

291. *Id.* at § 513. The final version reads as follows:

Sec. 513. CRIMINAL PENALTIES FOR UNAUTHORIZED FIXATION OF AND TRAFFICKING IN SOUND RECORDINGS AND MUSIC VIDEOS OR LIVE PERFORMANCES.

(a) IN GENERAL. Chapter 13 of Title 18, United States Code, is amended by inserting after section 2319 the following:

§ 2319A. Unauthorized fixation of and trafficking in sound recordings and music videos of live musical performances.

“(a) OFFENSE. — Whoever, without the consent of the performer or performers involved,

“(1) fixes the sounds or sounds and images of a live musical performance in a copy or phonorecord, or reproduces copies or phonorecords of such a performance from an unauthorized fixation;

“(2) transmits or otherwise communicates to the public the sounds or sounds and images of a live musical performance; or

“(3) distributes or offers to distribute, sells or offers to sell, rents or offers to rent, or traffics in any copy or phonorecord fixed as described in paragraph (1), regardless of whether the fixations occurred in the United States; shall be imprisoned for not more than 5 years or fined in the amount set forth in this title, or both, or if the offense is a second or subsequent offense, shall be imprisoned for not more than 10 years or fined in the amount set forth in this title, or both.

“(b) FORFEITURE AND DESTRUCTION. — When a person is convicted of a violation of subsection (a), the court shall order the forfeiture and destruction of any copies or phonorecords created in violation thereof, as well as any plates, molds, matrices, masters, tapes, and film negatives by means of which such copies or phonorecords may be made. The court may also, in its discretion, order the forfeiture and destruction of any other equipment by means of which such copies or phonorecords may be reproduced, taking into account the nature, scope, and proportionality of the use of the equipment in the offense.

“(c) SEIZURE AND FORFEITURE. — If copies or phonorecords of sounds or sounds and images of a live musical performance are fixed outside of the United States without the consent of the performer or performers involved, such copies or phonorecords are subject to seizure and forfeiture in the United States in the same manner as property imported in violation of the customs laws. The Secretary of the Treasury shall, not later than 60 days after the date of the enactment of the Uruguay Round Agreements Act, issue regulations to carry out this subsection, including regulations by which any performer may, upon payment of a specified fee, be entitled to notification by the United States Customs Service of the importation of copies or phonorecords that appear to consist of unauthorized fixations of the sounds or sounds and images of a live musical performance.

provisions of section 512 remain substantially the same, with three exceptions. First, under the new bill, Title 17 of the United States Code contains the copyright provisions. These provisions would be amended to include a new Chapter 11. Chapter 11 would in turn contain the civil liability provisions of section 512.²⁹² Second, the requirement to obtain

“(d) DEFINITIONS. — As used in this section —

“(1) the terms ‘copy’, ‘fixed’, ‘musical work’, ‘phonorecord’, ‘reproduce’, ‘sound recordings’, and ‘transmit’ mean those terms within the meaning of title 17; and

“(2) the term ‘traffic in’ means transport, transfer, or otherwise dispose of, to another, as consideration for anything of value, or make or obtain control of with intent to transport, transfer, or dispose of.

“(e) APPLICABILITY. — This section shall apply to any Act or Acts that occur on or after the date of the enactment of the Uruguay Round Agreements Act.”

(b) CONFORMING AMENDMENT. — The table of sections for Chapter 113 of Title 18, United States Code, is amended by inserting after the item relating to section 2319 the following:

“2319A. Unauthorized fixation of and trafficking in sound recordings and music videos of live musical performances.”

292. *Id.* at § 512. The final version reads as follows:

Sec. 512. CIVIL PENALTIES FOR UNAUTHORIZED FIXATION OF AND TRAFFICKING IN SOUND RECORDINGS AND MUSIC VIDEOS OF LIVE MUSICAL PERFORMANCES.

(a) IN GENERAL. — Title 17, United States Code, is amended by adding at the end the following new chapter:

“CHAPTER 11 — SOUND RECORDINGS AND MUSIC VIDEOS

“Sec. 1101. Unauthorized fixation and trafficking in sound recordings and music videos.

“(a) UNAUTHORIZED ACTS. — Anyone who, without the consent of the performer or performers involved —

“(1) fixes the sounds or sounds and images of a live musical performance in a copy or phonorecord, or reproduces copies or phonorecords of such a performance from an unauthorized fixation,

“(2) transmits or otherwise communicates to the public the sounds or sounds and images of a live musical performance, or

“(3) distributes or offers to distribute, sells or offers to sell, rents or offers to rent, or traffics in any copy or phonorecord fixed as described in paragraph (1), regardless of whether the fixations occurred in the United States,

shall be subject to the remedies provided in sections 502 through 505, to the same extent as an infringer of copyright.

“(b) DEFINITION. — As used in this section, the term ‘traffic in’ means transport, transfer, or otherwise dispose of, to another, as consideration for anything of value, or make or obtain control of with intent to transport, transfer, or dispose of.

“(c) APPLICABILITY. — This section shall apply to any act or acts that occur on or after the date of the enactment of the Uruguay Round Agreements Act.

“(d) STATE LAW NOT PREEMPTED. — Nothing in this section may be construed to annul or limit any rights or remedies under the common law or statutes of any State.”

consent from a “performer or performer’s agent” was changed to allow authorization only to the “performer or performers involved.”²⁹³ Third, unlike Senate Bill 2368, the scope of section 512 includes music videos of live performances. Section 512 also addressed the importation or distribution of bootleg recordings fixed outside the United States by allowing the Customs Service to seize any illegally manufactured goods.²⁹⁴ Finally, the preemption provisions of Senate Bill 2368 were included in House Bill 5110.²⁹⁵

The Senate Finance Committee approved Senate Bill 2467 on September 29, 1994, by a vote of nineteen to zero.²⁹⁶ The House Ways and Means Committee approved House Bill 5110 on September 28, 1994, by a vote of thirty-five to three.²⁹⁷ Set for a vote in the House on October 5, 1994 — two days before congressional adjournment — but Senator Ernest F. Hollings (D-SC) exercised a procedural option that suspended any vote on GATT-implementing legislation for forty-five legislative days.²⁹⁸

Consequently, any vote on GATT would have come well after the 1994 November elections. Congressional leaders scheduled a two-day lame duck session to begin on November 29, 1994. On November 29, after some debate, the House passed House Bill 5110.²⁹⁹ On December 1, the Senate passed Senate Bill 2467.³⁰⁰ Finally, on December 8, 1994, President Clinton signed into law the compromised version of the GATT-implementing legislation, House Bill 5110.³⁰¹

293. The words “performer’s agent” were omitted from the final version. The Senior International Vice President of RIAA, who had played an important role in drafting the new legislation, explained that the issue of standing is crucial to this section. As such, the drafters wanted to make it as clear as possible exactly who was entitled to sue. Telephone Interview with Neil Turkewitz, Senior International Vice President of RIAA.

294. H.R. 5110, 103d Cong., 2d Sess. § 512 (1994).

295. *Id.* at § 513.

296. *GATT Pact Lurches Off Course As Hollings Hits the Brake*, CONG. Q. WKLY. REP., Oct. 1, 1994, at 2761.

297. *Id.*

298. *Id.* As Chairman of the Senate Commerce Committee, Hollings said he would hold the bill in his committee for forty-five legislative days. One reason for this delay was offered by Rep. Barney Frank (D-Mass.): “A lot of people don’t want to vote on it this close to the election GATT cuts across lines within districts.” *Id.*

299. *GATT Bill Brings Major Reforms to Domestic Property Law*, Mgmt. Brief. (BNA) (Dec. 5, 1994).

300. *Id.*

301. *Id.*

VII. JOINDER OF NEW AND EXISTING LAW

Within the next two years, House Bill 5110 will be incorporated into existing law.³⁰² With the negotiations completed, what remains to be analyzed is how the new amendments affect existing federal law.

A. *What Remains Unaffected*

Though GATT/TRIPs implementation will affect intellectual property laws worldwide, the United States will experience fewer changes to existing law than will other countries. As previously noted, many of the changes required by GATT/TRIPs minimum standards exist in United States law.³⁰³ As a result, some areas of American copyright law will see little, if any, change.

The addition of Chapter 11 to Title 17 should not affect those areas concerning counterfeiting and pirating. This fact is due primarily to the *purpose* of the new amendments — to give performers protection against the unauthorized fixation of their live performances. To this end, except to the extent discussed in the following section, the new amendments will neither modify nor extend the civil or criminal sanctions for counterfeiting or pirating.³⁰⁴ Similarly, the scope of copyright law itself remains unchanged. The new provisions do not *create* a new area of copyright protection for live performances, nor do they give performers the right to sue for copyright infringement. Instead, the new amendments only provide performers with copyright remedies. In addition, Chapter 11 expressly provides that state law will not be affected, except in situations where prosecutors and performers only seek redress under the federal provisions.

302. Member countries are required to implement into their laws the GATT/TRIPs requirements one year after the entry into force of the overall Multilateral Trade Agreement (MTA), establishing the agreements concluded after the Uruguay Round. GATT 1994 art. 65(1). Under existing timetables, this date would be July 1, 1996. See Schrader, *supra* note 233, at 7.

303. Recall the GATT/TRIPs criminal provisions and customs/border enforcement requirements, compared to existing United States provisions.

304. One of the issues that will be discussed below is the fact that there are no “amount” requirements for one to be charged with a felony crime under the new provisions. What this means to counterfeiters and pirates is simple: some able prosecutors may attempt to charge bootleggers with the new, less burdensome criminal statute, rather than the other statutes. Accordingly, the new amendments would have a huge and direct impact on the counterfeiting and pirating criminal provisions.

In short, while much of state law will remain unaffected, its use in combating bootlegging most likely will diminish.³⁰⁵

B. What the New Amendments Will Affect

Though some aspects of current law will remain unchanged, the new amendments will have a direct, lasting effect on a number of other areas. These areas directly affected by the new provisions are summarized below.

1. Federal Cause of Action

Because Chapter 11 creates a federal cause of action, one should expect to see a number of changes in the area of federal intervention. Federal authorities may now investigate and prosecute unauthorized fixations of live performances. Federal resources — both physical and monetary — may be used to combat volume bootlegging. Accordingly, one should expect to see a rise in the number of criminal actions brought against volume bootleggers. In addition, one should expect to find the new amendments applied to all types of bootlegging. Unlike the criminal copyright provisions of 18 U.S.C. § 2319, the new criminal provisions do not limit felony infringement status to a minimum amount of manufactured bootleg copies. Accordingly, one who fixes or sells for profit a single unauthorized recording of a live performance is subject to the same penalties as one who fixes or sells for profit a hundred, or even a thousand, copies of the same bootleg recording. The implications of the new provisions are simple — where federal and state prosecutors can find just one bootleg copy as defined under the new provisions, they will charge the bootlegger with a violation of the new law.

Additionally, the new amendments will expand the scope of United States Customs enforcement. These new amendments solve one major problem — that of regulating volume bootlegging at the state level. The United States Customs Service does not ordinarily enforce states' rights. Now that federal law is implicated, the United States Customs Service will

305. Insofar as there was no need to preempt state law to conform to the GATT/TRIPs requirements, the drafters decided not to foreclose an otherwise available avenue for infringement litigation. It was more important for the new amendments to comply with GATT/TRIPs, and obtain reciprocity from foreign countries, than to address any inadequacies in state law. Therefore, preemption in this area never became an issue. The "no preemption" language was probably included in the fear that courts, in the absence of such language, would construe Chapter 11 as being subject to the preemption provisions of § 301. This is so even though the right given performers is not one of copyright. Telephone Interview with Neil Turkewitz, Senior International Vice President of RIAA (Feb. 6, 1995).

be required to seize and destroy volume bootleg copies at the border. Customs enforcement should be especially effective in controlling volume bootlegging. The nature of classic, as opposed to counterfeit, bootlegging, is that classic bootleg copies are less likely to resemble outright copies. As such, classic bootleggings are more likely to be identified as bootlegs and removed from circulation. Finally, the federal cause of action brings with it uniformity of domestic law. With the addition of a federal anti-bootlegging provision, performers, including foreign performers, will have adequate protection in all fifty states, as opposed to only twenty-eight. In many cases, performers will also have expanded protection under federal law.

Two more areas of the new law are worth mentioning: standing and pleadings. As will be discussed, the new amendments do not seem to allow transfer or assignment of consensual rights from the performer to other persons. Because performers' rights presumably are nontransferable, persons other than the performer will not have standing to sue. In addition, because the new amendments create a cause of action instead of just a simple liability for copyright infringement, the elements of the new cause of action will be similar to a cause of action which arises under §§ 501, 106, and 114.³⁰⁶ To the extent that the two are different, actions brought under the new provisions may not benefit from the hundred years of established copyright precedent.³⁰⁷

2. Reciprocity by Foreign Countries

During GATT/TRIPs negotiations, the United States sought and acquired international protection for intellectual property rights. The United States requested and received a minimum of fifty years of protection for performers. Finally, the United States sought a return to the principles of "national treatment" as the baseline standard for GATT/TRIPs. Unfortunately, the United States had to settle for "neighboring" rights instead. Because GATT/TRIPs adopted a "neighboring" rights approach to intellectual property, the United States was forced to amend federal law to

306. Generally, the issues of "copying" and "substantial copying" are inapplicable to litigation under Chapter 11. Under this chapter, litigation will focus generally on "authorization." In other words, the "substantial copying" element is a relevant, but not material, issue.

307. The question arises as to whether certain defenses to copyright infringement will be applicable to the new laws. For example, could an alleged bootlegger claim an extension of "fair use" to negate his liability for an unauthorized fixation of a live performance? The law remains silent on this point. Attorneys, however, should consider potential fact situations where the usual defenses to copyright infringement could rightfully extend to liability suits under Chapter 11.

avoid further trade prejudice. However, analyzing the cost in relation to the benefits of this concession, the United States may now expect all GATT/TRIPs countries who are members to enforce American performers' rights in their respective countries. Clearly, the United States lost little, if anything. Indeed, American artists should expect expanded protection in as many as seventy countries.

3. The Gap in Existing Law

Finally, through a combination of GATT/TRIPs and the new amendments, the gap of protection for performers will be closed. Almost immediately, the United States will see the benefits derived through GATT/TRIPs negotiations. For instance, there will be a reduction of illegal goods imported into the United States. When countries like Germany, Italy, and China are required to "reevaluate" their positions concerning bootlegging, their compliance with baseline GATT/TRIPs requirements unquestionably will benefit the United States. Furthermore, countries will be required to control the export of bootleg products from within, which in turn will take a great deal of pressure off United States Customs and border enforcement. GATT/TRIPs represents a near-universal standard to which member countries will be required to adhere. Accordingly, there will soon be a world of change in the field of intellectual property, even in areas where current United States law remains unchanged.

C. Problems With the New Amendments

Though the United States amendments comply with the minimum requirements of GATT/TRIPs, there nonetheless exist problems with the new law. These problems arise from the language of the new provisions and the scope of GATT/TRIPs itself. Consider first the problems with the language of Chapter 11.

1. The Language of Chapter 11

a. "Performer" Defined

The new amendments limit the right of consent to the "performer or performers." How one defines "performer" will determine whether an individual has standing and the right of consent. Yet nowhere in the new amendments is the term "performer" defined. As noted earlier, the drafters of Chapter 11 attempted to clearly define those parties who had the right of consent. To this end, the drafters chose "performer or performers" for

the final version over earlier terms such as “performer or performer’s agent” and “featured performer.” Where the sole purpose of a statute is to grant a specific group of people the right to authorize a particular action, the individuals given that right should neither go undefined nor be left to judicial interpretation. Since courts have no definition of “performer” to resolve issues of standing and consent, judges must look to the purpose of the statute, its legislative history, and similar state statutes.

Recall that the provisions give the “performer or performers” the right to consent to a fixation of his, her, or their live performance. The conjunctive “or,” followed by the plural “performers,” indicates that the drafters perceived of situations where more than one person would have the right of consent. Where there is only one performer, no problem arises with the language of the statute — either the artist consented or did not. Where more than one person has this right, potential problems emerge.

By the drafters’ phrasing, this section can be interpreted to mean that a person needs only the consent from one of a group of authorized performers to obtain the requisite authorization. However, this interpretation should not be applied. Instead, the language should be interpreted to mean that where there is only one performer, that performer’s consent is required; and, where there is more than one performer, each individual performer’s consent should be obtained. The latter interpretation fares well with other instances in copyright law where more than one person is given the right to control how a particular work is used.³⁰⁸ In addition, this interpretation would result in as bright a line for “joint performers” as it would for single performers. Either the “performers” consented or they did not.

b. “Featured” Performers

According to this interpretation, does it necessarily follow that a person is required to obtain consent from every performer? One could argue that the drafters, by omitting the “featured” adjective in the final version, determined that no distinction should be made between “performers” and “featured performers.” In other words, the new amendments do not seem to exempt from the consent requirement “minor” or “sec-

308. *See, e.g.*, 17 U.S.C. § 201(a) (1994): “The authors of a joint work are co-owners of copyright in the work.” A “joint work” is “a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.” 17 U.S.C. § 101 (1994).

ondary” performers. The new amendments should not be read so broadly, for the following reasons.

Where the group of performers is truly a “group,” or an affiliation of artists who do not consider any one of them a “featured performer,” the language of this section raises no issue. Where a “featured performer” performs with a group of hired or otherwise secondary performers, the new amendments become vague. Certainly, no one would argue that a person needs the consent of every member of a choir — or a symphony — to obtain the requisite consent. Such a requirement would pose an undue burden on the person seeking authorization. It follows that the new amendments should not be interpreted to require the consent of every performer playing at a live performance.

Yet, if every performer’s consent is not needed, to whom shall a person inquire to obtain the necessary consent? Clearly, the definition of “performer” should not be based upon the number of artists on stage during the performance, inferable from the “choir” and “symphony” examples. In the alternative, consider the term “performer” being defined in those cases as follows: a “performer” is that person, and “performers” are those persons, who would normally take by contractual arrangement the right to authorize a fixation of his, her, or their live performance. The term “contractual arrangement” includes instances where performers have been hired to perform for a limited amount of time or in secondary or otherwise supporting roles. As with all contractual arrangements, the parties’ intent as to whether one or a group of people may exercise this right should be controlling. Pursuant to a cause of action under Chapter 11, or its criminal counterpart in Title 18, one is required to obtain consent only from that performer, or those performers, as the case may be, who meet the requirements set forth above.³⁰⁹ Such a definition would correctly limit “performer” status to “featured performers,” so to conform to the drafter’s intention as illustrated by earlier drafts.

c. State Law Presumptions

What of the presumption of ownership that some state laws provide to minimize the burden on performers? Since state law is not preempted in this area, it seems that the presumption would remain valid, at least

309. To illustrate, all four members of the Beatles would have to consent to an authorized fixation of their live performance, since all four members of the Beatles would have considered themselves a “group.” By contrast, one would only need the consent of Paul McCartney to fix a recording of a live performance of just Paul McCartney, insofar as McCartney is the “featured performer.”

under a state cause of action. Unfortunately, the new amendments do not expressly create this presumption. The language contained in these state laws, giving evidentiary benefits to performers, should be applied to federal causes of action, so as to provide federal courts with assistance in coping with new and often complex litigation. Absent the presumption of ownership, creating a clear method of determining standing without having the artist directly involved in the lawsuit, there exists the possibility that artists will be required to travel throughout the country to testify. This would in turn defeat the benefit of having a uniform law in each forum.

d. Soundboard Recordings

Finally, there remains the issue of soundboard recordings. A common practice in field of touring involves a sound engineer recording a live performance to determine whether vocals and instruments are properly amplified. Most likely, an artist has given consent to the sound engineer to fix a soundboard recording. The issue arises whether that consent should be extended to an engineer's duplication or transfer of the recording to other persons. The new amendments remain silent on this issue, insofar as they do not expressly limit the right of consent to the "first fixation." State law has also remained silent on the issue.

Should the performers' right of consent be limited to the "first fixation," many subsequent copies could be made from a soundboard recording, for which a sound engineer was given the requisite consent to record. Such an interpretation would lead to yet another "loophole" in the law in this area. In order to further the purpose of the new amendments and to foreclose any new potential gaps in the law, it should become standard business practice to obtain a contractual obligation from sound engineers prohibiting them from transferring the recording or a copy thereof to any unauthorized person.

2. Global Issues

While worldwide implementation of GATT/TRIPs will be nothing short of revolutionary, there nonetheless exist several problems relating to international intellectual property for which GATT/TRIPs cannot provide a remedy. These areas will be discussed further in this section. Note that all of these areas pose a special concern for the United States and its future negotiations with foreign countries.

In a recent article summarizing the impact of GATT/TRIPs, the former Register of Copyrights, Ralph Oman, cited three areas omitted from the scope of GATT/TRIPs: national treatment, freedom of contract, and global

access.³¹⁰ The issue of national treatment has been addressed.³¹¹ Since GATT/TRIPs countries reserve the right to determine whether countries are providing reciprocity, it will not necessarily follow that American performers will have protection in other countries. However, insofar as reciprocity was not extended to American performers due to a perceived inadequacy of performer's rights — and the United States has since amended the law to provide for performer's rights at a federal level — the United States may expect substantial, though not complete, compliance in this area.

The freedom to contract will also be affected. Because GATT/TRIPs fails to generally recognize freedom of contract, copyright protection societies and employers whose employees contribute protected works under the United States "work for hire" doctrine, will be constricted in collecting royalties in countries that do not recognize the transfer and licensing of initial rights.³¹² "Without this guarantee" Oman states, "countries can refuse to recognize valid contracts that were negotiated between employers and employees without any hint of coercion."³¹³ Consequently, foreign

310. Ralph Oman, *Intellectual Property After the Uruguay Round*, 42 J. COPYRIGHT SOC'Y 18, 31 (1994).

311. Generally, there exist two methods of providing national treatment. See Schrader, *supra* note 212, at 3. One method may be considered "pure" national treatment, while the other may be considered the "related" or "neighboring" rights approach. The first method requires Country A to protect the works of Country B on the same basis that Country A protects its own works. *Id.* Under the second, "material reciprocity" method, Country A protects the works of Country B only to the extent that Country B protects the works of Country A. *Id.* Clearly, the United States would have preferred the former, less restrictive standard under GATT/TRIPs. This is because the United States has suffered in the past from a lack of reciprocity.

While GATT/TRIPs "officially" adopted the former method, Article 3 nonetheless allows member countries to exempt from national treatment any new rights that GATT/TRIPs provides. See GATT 1994, art. 3(1):

Each Member shall accord to the nationals of other Members the same treatment no less favourable than it accords to its own nationals with regard to the protection of intellectual property ["pure" national treatment], subject to the exceptions already provided in . . . the Paris . . . Berne . . . Convention[s], . . . and the Treaty on Intellectual Property in Respect of Integrated Circuits [the "related" rights exemption]. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this agreement [As a result:] Those Members who assert that certain new rights are not subject to national treatment because they exceed the obligations of a given convention will presumably maintain the national treatment principle does not apply.

See Schrader, *supra* note 212, at 3.

312. The United States is one of only a handful of countries that recognizes instances where ownership of a work may vest originally with someone other than the author of the work. See 17 U.S.C. §§ 101, 201(b) (1994).

313. Oman, *supra* note 310, at 31.

countries can refuse to allow American performing rights societies to collect royalties on behalf of their artists.

Consider also the absence of a market access guarantee in the final version of GATT/TRIPs.³¹⁴ For all the protection a country can provide its intellectual property owners, such protection is worthless where owners are denied the right to solicit their works worldwide. In support of such restricted market access, some countries have concluded that "too much foreign culture threatens national culture."³¹⁵

A somewhat related issue to market access is "developing country status" ("DCS") provided by GATT/TRIPs, in that both limit the rights of intellectual property owners. GATT 1994 was signed by countries of varying economic and technological levels. To insure that lesser-developed countries would also benefit from GATT/TRIPs, the members of the Uruguay Round chose to include a DCS exception to immediate, full implementation of GATT/TRIPs provisions. As included in the GATT/TRIPs preamble: "Members . . . [r]ecognizing also the special needs of the least-developed country Members in respect of maximum flexibility in the domestic implementation of laws and regulations in order to enable them to create a sound and viable technological base."³¹⁶

Pursuant to Article 65(2), with certain defined exceptions, developing Member countries are allowed to extend the period under which GATT/TRIPs requirements must be enforced for five years.³¹⁷ Countries that are converting their economies from central to free enterprise may also claim five years under DCS.³¹⁸ Under certain circumstances, DCS countries may be allowed to renew this exemption for another five years, achieving a total of ten years.³¹⁹ During this period, however, DCS countries may not enact new laws that provide less protection than GATT/TRIPs requires of its Member countries.³²⁰ As a result, DCS countries have the right to choose not to protect the rights of foreign intellectual property rights holders for up to ten years. This period of non-protection is of great concern to the United States.

314. *Id.*

315. *Id.*

316. GATT 1994, preamble.

317. *Id.* at art. 65(2). The actual time is one year (accorded to all Member countries under art. 65(1)) plus an additional four years (under DCS exemption), for a total of five years. Those provisions of GATT/TRIPs not covered by the DCS exemption include national treatment (art. 3), most favored nation status (art. 4), and relation to the World Intellectual Property Organization (art. 5).

318. *Id.* at art. 65(3).

319. *Id.* at art. 65(4). *See also id.* at art. 66.

320. GATT 1994, art. 65(5).

As Oman correctly points out, though DCS countries have won a ten year "breather" regarding full GATT/TRIPs implementation, the United States does have methods to insure faster compliance with GATT/TRIPs provisions. On the issues of market access and DCS, the United States may employ a number of weapons, outside of GATT/TRIPs, to ensure substantial trade compliance with resisting countries.

The U.S. Congress may condition favorable trade concessions — what we call GSP — on immediate adoption of GATT/TRIPs. And the U.S. will continue to exercise its unilateral right under Section 301 of its trade act to designate priority foreign countries and impose sanctions on these countries with inadequate intellectual property protection. And the U.S. will continue to press in bilateral negotiations for immediate adoption of high levels of protection. The United States might also argue that as a condition for entry into NAFTA, the country seeking entry must adopt the entire package and forego the transition period. Moreover, the GATT implementing legislation in the United States will require United States TR to draft a "Model Intellectual Property Agreement," and that model will include many of the items that wound up on the cutting room floor during the GATT process.³²¹

Finally, as Oman concedes in his article, despite the above omissions, GATT/TRIPs should be considered a major success by everyone involved:

Despite these shortcomings, the TRIPs Agreement is a definite success. The changes that the United States sought for the international intellectual property order are so sweeping they could never have been obtained in a piece-meal negotiation of separate intellectual property treaties. The ultimate strength of TRIPs is very basic and very powerful: it raises the level of protection, and it puts teeth into the economic obligations of the Paris Convention and the Berne Convention. Both are immense achievements.³²²

VIII. CONCLUSION

The new amendments are a giant step on a long road to worldwide reform. At one time, the United States let classic and volume bootlegging

321. Oman, *supra* note 310, at 32-33.

322. *Id.* at 32.

become more sophisticated, and created a greater problem than the solutions provided by federal law. In the past ten years, the United States has explored different methods to solve the problem, through federal and state copyright and non-copyright law. The United States eventually realized, however, that some problems can only be solved on a global scale. That entailed multilateral treaties which set a universal norm. In exchange for near-universal protection under a fully implemented GATT/TRIPs, the United States replaces the plaster in a decaying wall of protection. In so doing, the country has made its wall of protection strong again. Now that the walls are fortified, bootleggers will be forced to find other ways to profit from the music industry. Until then, consider this Article an obituary written for volume bootleggers, as their acts of piracy will no longer be tolerated by American law. As Blind Teddy Darby said, "Bootleggin' ain't no good no more."³²³

323. *Record Haul by Music "Police," supra note 1, at 13.*

