COPYRIGHT REMEDY CLARIFICATION ACT AND COPYRIGHT OFFICE REPORT ON COPYRIGHT LIABILITY OF STATES

HEARINGS

BEFORE THE

SUBCOMMITTEE ON
COURTS, INTELLECTUAL PROPERTY,
AND THE ADMINISTRATION OF JUSTICE

OF THE

COMMITTEE ON THE JUDICIARY
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

H.R. 1131

COPYRIGHT REMEDY CLARIFICATION ACT

APRIL 12 AND JULY 11, 1989

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COPYRIGHT REMEDY CLARIFICATION ACT AND COPYRIGHT OFFICE REPORT ON COPYRIGHT LIABILITY OF STATES

WEDNESDAY, APRIL 12, 1989

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY,
AND THE ADMINISTRATION OF JUSTICE,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:20 a.m., in room 2226, Rayburn House Office Building, Hon. Robert W. Kastenmeier (chairman of the subcommittee) presiding.

Present: Representatives Robert W. Kastenmeier, Howard L. Berman, Benjamin L. Cardin, Rick Boucher, George E. Sangmeister, Carlos J. Moorhead, and Howard Coble.

Also present: Michael J. Remington, chief counsel; Virginia E. Sloan, counsel; Judith W. Krivit, clerk; and Joseph V. Wolfe, minority counsel.

OPENING STATEMENT OF CHAIRMAN KASTENMEIER

Mr. KASTENMEIER. The committee will come to order.

Mr. MOORHEAD. Mr. Chairman.

Mr. KASTENMEIER. The gentleman from California.

Mr. MOORHEAD. I ask unanimous consent that the subcommittee permit the meeting to be covered in whole or in part by television broadcast, radio broadcast and/or still photography, pursuant to rule 5 of the committee rules.

Mr. KASTENMEIER. Without objection, the gentleman's request is agreed to.

Today, the subcommittee is conducting a short hearing on the subject of State liability for copyright infringement. We are pleased to welcome the Register of Copyrights to present to us the results of a report on the issue that his office undertook at the request of the subcommittee.

As many of you know, the gentleman from California, Mr. Moorhead, the ranking minority member of the subcommittee, and I have introduced legislation on the subject to implement the recommendations of the Register's report, The Copyright Remedy Clarification Act, H.R. 1131. It has also been introduced in the Senate by Senators DeConcini, Simon and Hatch.

[The text of H.R. 1131 follows:]

101ST CONGRESS
1ST SESSION

H. R. 1131

To amend sections 501 and 910 of title 17, United States Code, to clarify that damages can be obtained against States and instrumentalities of States for infringement of copyright and exclusive rights in mask works.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 27, 1989

Mr. KASTENMEIER (for himself and Mr. MOORHEAD) (both by request) introduced the following bill; which was referred to the Committee on the Judiciary

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A BILL

To amend sections 501 and 910 of title 17, United States Code, to clarify that damages can be obtained against States and instrumentalities of States for infringement of copyright and exclusive rights in mask works.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Copyright Remedy Clarification Act".

SEC. 2. LIABILITY OF STATES AND INSTRUMENTALITIES OF STATES FOR INFRINGEMENT OF COPYRIGHT AND EXCLUSIVE RIGHTS IN MASK WORKS.

(a) COPYRIGHT INFRINGEMENT.—Section 501(a) of title 17, United States Code, is amended by adding at the end the following: "As used in this subsection, the term 'anyone' includes any State and any instrumentality of a State, both of which shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.".

(b) INFRINGEMENT OF EXCLUSIVE RIGHTS IN MASK WORKS.—Section 910(a) of title 17, United States Code, is amended by adding at the end the following: "As used in this subsection, the term 'any person' includes any State and any instrumentality of a State, both of which shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.".

SEC. 3. EFFECTIVE DATE.

The amendments made by this Act shall take effect on the date of the enactment of this Act but shall not apply to any case filed before such date.

Mr. KASTENMEIER. The purpose of today's hearing is to further the subcommittee's understanding about the current status of eleventh amendment jurisdiction, especially with respect to copyright law in the United States. I do not think that when we passed the Copyright Act revision of 1976 any of us anticipated that the Supreme Court would interpret the eleventh amendment the way it did in the *Atascadero* case, which requires an unmistakable and explicit expression of congressional intention to abrogate the eleventh amendment.

In recent years, however, a series of Federal courts have found, pursuant to that decision, that States are immune from copyright liability. According to some observers, these copyright damages have had and will continue to have a detrimental effect on the rights of copyright owners, most particularly with reference to textbooks, movies and computer software.

I expect that today's hearing will provide us with a neutral and detached view of these developments from the Copyright Office. In addition, I hope we will hear the Register's view on the fundamental policy questions posed by this issue, such as whether as a matter of public policy States and State instrumentalities should be immune from damage remedies under the copyright laws, whether there is a need to legislate in this area, and, if so, what the parameters of congressional power to abrogate eleventh amendment immunity are.

We await, ultimately, guidance from the Supreme Court in the *Union Gas* case about the nature and extent of congressional power in this area. Only then, I think, will we be able to determine precisely how to move legislatively or whether that is necessary.

Does the gentleman from California have any opening statement?

Mr. MOORHEAD. I have a short statement, Mr. Chairman.

Mr. KASTENMEIER. The gentleman from California.

Mr. MOORHEAD. I want to thank you, and I would like to commend you for scheduling hearings on this important issue.

It was back on August 3, 1987, that you and I wrote to Mr. Oman requesting that the Copyright Office conduct a study of the copyright liability of the States and the eleventh amendment. The Copyright Office report, which was submitted on June 27, 1988, and is before us today, concluded that: "Congress intended to hold States responsible under the Federal copyright law and that copyright owners have demonstrated that they will suffer immediate harm if they are unable to sue infringing States in Federal court for money damages." Based on this report, I was pleased to join you as an original cosponsor of H.R. 1131, the Copyright Clarification Act.

I was not a member of the subcommittee when it considered the 1976 revision of the Copyright Act. However, it is clear to me that Congress, in fact, intended to cover States under the 1976 Copyright Act and that H.R. 1131 is merely a reaffirmation of that intent. I agree with my chairman and Senator DeConcini, who both asserted when they introduced this legislation that it in no way would change the substantive rights of copyright owners.

I would like to commend Mr. Oman and his staff for an excellent report. And I look forward to working with you, Mr. Chairman, on this important legislation.

Mr. KASTENMEIER. I thank my colleague for his statement.

Mr. Ralph Oman is Register of Copyrights, and he is a frequent witness before this subcommittee. We are pleased to have him here and to welcome him today.

Mr. Oman, we have, of course, received a copy of your statement, which, without objection, will be made in full a part of the record. You may proceed as you see fit.

I should note for the record the contributions made to the Copyright Office study by the General Counsel, Ms. Dorothy Schrader; Ms. Andrea Zizzi, and many others with the Library of Congress.

Mr. Oman.

STATEMENT OF RALPH OMAN, REGISTER OF COPYRIGHTS, LIBRARY OF CONGRESS; ACCOMPANIED BY DOROTHY SCHRADER, GENERAL COUNSEL

Mr. OMAN. Thank you very much, Mr. Chairman. I appreciate this opportunity to appear before you in support of H.R. 1131, the Copyright Remedy Clarification Act, which you introduced, Mr. Chairman, along with Congressman Moorhead. As you mentioned, a companion bill, S. 497, was introduced in the Senate by Senator DeConcini, Senator Simon and Senator Hatch. This bill would amend the Copyright Act of 1976 to clarify Congress' intent that States and their instrumentalities should be subjected to suit in Federal court for infringements of both copyrights and mask works.

I would like to start, Mr. Chairman, by giving you some of the background. As you know, the eleventh amendment generally prohibits Federal courts from entertaining damage suits brought against a State by citizens of another State or citizens of a country. The Supreme Court has extended State immunity to prohibit suits against the State by its own citizens. In recent years, several courts have held that the eleventh amendment immunizes States from suit for copyright infringement in Federal court, so this poses a great dilemma.

While the Copyright Act grants to copyright owners certain exclusive rights in their work, the law dictates that all copyright suits be litigated exclusively in Federal court. So application of the eleventh amendment leaves copyright owners without an effective remedy against allegedly infringing States. This result is illogical and contrary to the intention of Congress.

Even so, Federal district courts in five States, in applying the rationale of the Supreme Court in their decisions on other eleventh amendment cases—cases that did not involve copyright law—these cases have uniformly held that State governments are immune to suit for infringement.

In 1987, Mr. Chairman, your subcommittee asked the Copyright Office to assess the nature and extent of the clash between the eleventh amendment and the Federal copyright law. Specifically, you asked us to look into the practical problems of enforcement of copyrights against State governments and the presence, if any, of

unfair copyright practices by State governments. In response to this request, the Copyright Office, with the assistance of the Congressional Research Service of the Library of Congress, conducted a legal and factual study of the eleventh amendment/copyright relationships.

We divided the study into three parts: First, a factual inquiry concerning the practical enforcement problems and the State practices; second, a legal and historical analysis of the eleventh amendment and its application in copyright infringement suits against States; and, third, a 50 State survey of State laws seeking to identify laws that indicate whether or not a State waives its common law sovereign immunity or its eleventh amendment immunity in copyright infringement cases.

The Copyright Office published a request for information in the Federal Register to elicit public comments for the legal analysis and factual inquiry that would comprise the first two parts of the study. Additionally, the Congressional Research Service conducted the 50 State survey that comprised the third part of the study.

I have submitted the study, which you have copies of, Mr. Chairman, and I would offer to make additional copies available to you if you have need for them, or if anyone in the audience has a need for them. We have a limited supply remaining and we would be happy to share them with you. We did submit the final version of the study to the subcommittee in June of last year.

Let me discuss the report just briefly. In response to the Office's request for information, we received 44 comments. Unfortunately, we received only a few responses from States or their entities. Most of the comments came from copyright proprietors. They chronicled dire financial consequences if the States were given immunity from monetary damages in copyright infringement suits. We heard no complaints of unfair copyright activity or business practices by copyright proprietors. Indeed, one company declared that in the highly competitive industry of educational publishing it is definitely a buyer's market and the State agencies exact substantial concessions from publishers. Another organization stated that they had no knowledge of any unfair practices, and it even allowed concessionary modifications to its own standard contracts with certain State schools in order to get their business.

Losses in educational publishing are significant because the percentage of book revenues from State agencies has increased over the past several years as State governments have assumed a larger part of the Federal Government's responsibility for educational services. And education is a lucrative business. In 1986 alone, the publishers' trade association estimated that U.S. publishers received $1.4 billion from the sale of college and university textbooks, of which approximately $1.1 billion are received from entities with potential eleventh amendment immunity.

Educational publishers are also concerned that States can structure the ways in which subordinate units of government are created, funded, or do business to cloak them with State authority and immunize them from liability for copyright damages.

A major concern of copyright owners, as indicated by the comments, is the widespread, uncontrollable copying of their works without payment. A quarter of the responses indicated that injunc-

tive relief is neither an adequate remedy nor a deterrent. The small companies especially voice this fear and said they lacked the resources to battle States. One comment warned that if foreign publishers, as well as domestic publishers, couldn't sue the States, it would provoke retaliation by U.S. trading partners and impede efforts to acquire better protection abroad.

Finally, Mr. Chairman, several comments admonished that companies will not market or will closely monitor their sales to States if this decision holds; that prices of products to users other than States will likely increase; that the rights of third parties will be violated, particularly with regard to databases and permission fees paid to the authors; and that the economic incentive and ability to create will be diminished.

After analysis of the comments, the Copyright Office concluded, Mr. Chairman, that copyright proprietors demonstrated at least the potential for harm unless States are held accountable in damages for the infringement of copyrighted works. Certainly, Congress can make its own judgment on this score. In any case, the Office concludes that Congress intended to expose the States to this liability.

Mr. Chairman, your bill, the Copyright Remedy Clarification Act, H.R. 1131, would clarify that State and State instrumentalities are fully subject to suit in Federal court if they infringe copyrights or mask works. In other words, it would cure the doubt that was raised by the Supreme Court in its 1985 decision in *Atascadero State Hospital* v. *Scanlon,* which requires that Congress' intent to abrogate the eleventh amendment immunity be clearly expressed in the language of the statute. The Copyright Office supports enactment of H.R. 1131.

Owners of copyright and mask works would have available to them the full panoply of civil remedies: Injunctive relief, actual and statutory damages, and seizure of infringing articles. Of course, no criminal penalties apply. In the case of copyrights, criminal penalties apply only to commercial activities. In the semiconductor area, as you know as the author of the bill, Mr. Chairman, the Semiconductor Chip Protection Act contains no criminal penalties.

The bill, if enacted, would not apply to cases filed before the date of enactment. The Copyright Office supports this limited qualification on retroactivity. As I understand the provision, the intent is to avoid interference with any pending cases. This provision does not mean that States cannot be sued for past infringements, subject, of course, to the statute of limitations found in section 507 of the Copyright Act. It is entirely appropriate that the Copyright Remedy Clarification Act have limited retroactive effect since it only clarifies the intent of the Congress in 1976.

In conclusion, Mr. Chairman, let me make a few general comments. As I have said, authors and copyright proprietors have demonstrated at least the potential for harm from the uncompensated use by States and State entities of works protected under the Federal Copyright Act. Arguably, the public might lose out as well if this case law is followed. Other groups of consumers could wind up bearing the brunt of increased costs and, without compensation,

the incentive to create could be diminished and fewer works published.

The language and history of the Copyright Act of 1976 demonstrate that Congress intended to hold States, like other users, liable for copyright infringement. Section 110 exempts certain acts of governmental bodies. The former manufacturing clause in sections 601 and 602 exempted from copyright liability certain importations by States. If Congress had not intended States to be subject to damage suits in Federal court, Congress need not have expressly exempted the State activity from copyright liability. The legislative history of the Copyright Act demonstrates that the debate focused on the extent to which Congress should exempt the States from full liability. No one suggested that the States were already immune from liability as to damages under the eleventh amendment. No State official requested total exemption from copyright liability then or now.

I see no policy justification for full State immunity to copyright damage suits. Injunctive relief is alone inadequate. Nor would it be fair to leave the States damage-proof and require copyright owners to seek out some compensation through suits against State officials as individuals. During the information-gathering phase of preparing the Copyright Office report, no State official made any policy argument that the States should be exempt from copyright liability.

The current legal dilemma arises from application of the new constitutional doctrine enunciated by the Supreme Court in *Atascadero,* the application of this new constitutional doctrine to the copyright law. Good copyright policy requires that the States be subject to copyright liability, except to the extent Congress legislates specific, narrow exemptions for nonprofit uses.

State representatives have not disputed this legislative policy. They recognize that respect for copyright law and the property rights conferred by the law is good public policy. As a practical matter, States continue to buy books, computer programs, and other copyrighted works. They acquire licenses for the performance of music at non-exempt school events.

I doubt very much, Mr. Chairman, if you fail to enact this bill, that the States would all launch a massive conspiracy to rip off the publishers across-the-board. They are all respectful of the copyright law, and what State or State official wants to get a reputation as a copyright pirate?

No, Mr. Chairman, I think they will continue to respect the law. If some might argue for immunity—which, I repeat, no one has—they would want it only as a shield for the State treasury from the occasional error or misunderstanding or innocent infringement. Everybody makes mistakes, they may say, but let's not raid the State coffers because of one human error. An injunction is all you need.

The answer to that line of reasoning, Mr. Chairman, I think is simple. Without the threat of a fat fine, the States might become lax in their copyright educational program. With no exposure, the training will slack off, the copyright awareness will decrease, and the honest mistakes will become more and more frequent.

So your bill will reintroduce some anxiety back into the equation and have an important deterrent effect on the States' copyright

practices. It will guard against sloppiness. So I urge Congress to pass the Copyright Remedy Clarification Act as quickly as possible. It would reaffirm Congress' intent regarding the liability of States under the Copyright Act while meeting the clear language requirement in *Atascadero*. It would not in any way change the substantive rights of the copyright owners or the States, since it merely restores the careful balance that you struck, Mr. Chairman, between authors and the public when you drafted the 1976 Act. The Copyright Office knows of no opposition to this legislation.

Thank you very much, Mr. Chairman. I would be pleased to answer questions.

Mr. KASTENMEIER. Thank you, Mr. Oman.

[The prepared statement of Mr. Oman follows:]

STATEMENT OF RALPH OMAN
REGISTER OF COPYRIGHTS

APRIL 12, 1989

The Copyright Office supports enactment of H.R. 1131, the Copyright Remedy Clarification Act, which would amend the Copyright Act of 1976 to clarify Congress' intent that states and their instrumentalities should be subjected to suit in federal court for infringements of both copyrights and mask works.

The Eleventh Amendment has recently been interpreted as conferring immunity on the states against suit for copyright infringement in federal courts.

At the request of this Subcommittee, the Copyright Office filed a report in June 1988, in which the Office recommended remedial legislation to clarify what it perceived to be the original intent of the Congress in passing the Copyright Act of 1976.

Under H.R. 1131, owners of copyright and mask works would have available to them the full panoply of civil remedies: injunctive relief, actual and statutory damages, and seizure of infringing articles. Of course, no criminal penalties apply. In the case of copyrights, criminal penalties apply only to commercial activities. The Semiconductor Chip Protection Act contains no criminal penalties.

The bill, if enacted, would not apply to cases filed before the date of enactment. The Copyright Office supports this limited qualification on retroactivity. As we understand the qualification, the intent is to avoid interference with any pending cases.

Authors and copyright proprietors have demonstrated the potential for immediate harm from the uncompensated use by states and state entities of works protected under the federal Copyright Act. The public would lose as well--other groups of consumers would bear the brunt of increased costs; without compensation, the incentive to create would be significantly diminished and fewer works published.

There is no policy justification for full state immunity to copyright damage suits. Injunctive relief alone is inadequate. Nor would it be fair to leave the state damage-proof and require copyright owners to seek out some compensation through suits against state officials as individuals. During the information-gathering phase of preparing the Copyright Office Report, no state official made any policy argument that the states should be exempt from copyright liability. The Copyright Office knows of no opposition to this legislation.

STATEMENT OF RALPH OMAN
REGISTER OF COPYRIGHTS

BEFORE THE SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY,
AND THE ADMINISTRATION OF JUSTICE

HOUSE COMMITTEE ON THE JUDICIARY

101st CONGRESS, FIRST SESSION

APRIL 12, 1989

Mr. Chairman and members of the Subcommittee, I am Ralph Oman, the Register of Copyrights. I appreciate this opportunity to appear before you to testify in support of H.R. 1131, the Copyright Remedy Clarification Act, which was introduced by you, Mr. Chairman, and by Representative Moorhead. A companion bill, S. 497, was introduced in the Senate by Senator DeConcini, Senator Simon and Senator Hatch. This bill would amend the Copyright Act of 1976 to clarify Congress' intent that states and their instrumentalities should be subject to suit in federal court for infringements of both copyrights and mask works.

I. Background

An important conflict in federalism infuses the interplay between the Copyright Act of 1976 and the Eleventh Amendment to the Constitution. While the former grants to copyright owners certain exclusive rights in their works--which under section 1338(a) of title 28 of the United States Code must be litigated exclusively in the federal courts--the latter generally prohibits federal courts from entertaining damage suits brought against a state by citizens of another state or country. And, importantly,

the Supreme Court has extended the principle of sovereign immunity to prohibit suits against a state by its own citizens.

The tension between the Copyright Act and the Eleventh Amendment crystallized recently with several suits pitting copyright owners against allegedly infringing states. These suits presented an important legal issue: to wit, whether Congress, in enacting the Copyright Act under the copyright clause of the Constitution, intended states to be subject to copyright liability notwithstanding the Eleventh Amendment.

The body of Eleventh Amendment jurisprudence has evolved in a way that has made the enforcement of claims against states very difficult for copyright owners.[1] In a recent line of cases, federal district courts in five states, applying current Supreme Court decisions in other Eleventh Amendment cases (not involving copyright law), have uniformly held that state governments are immune from suits for money damages for copyright infringement.[2]

By an August 3, 1987 letter, this Subcommittee requested that the Copyright Office assess the nature and extent of the clash between the

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1 Compare Mills Music, Inc. v. Arizona, 591 F.2d 1278 (9th Cir.1979) (states not immune to copyright damage suits under the Eleventh Amendment) with BV Engineering v. UCLA, 858 F.2d 1394 (9th Cir. 1988), cert. denied, 57 USLW 3614 (1989) (states immune under the Eleventh Amendment).

2 BV Engineering v. University of California, Los Angeles, 657 F. Supp. 1246 (C.D. Cal. 1987), aff'd, 858 F.2d 1394 (9th Cir. 1988), cert. denied, 57 USLW 3614 (1989); Mihalek Corp. v. Michigan, 595 F. Supp. 903 (E.D. Mich. 1984), aff'd on other grounds, 814 F.2d 290 (6th Cir 1987); Cardinal Industries v. Anderson Parrish Ass'n, No. 83-1038-Civ-T-13 (M.D. Fla. Sept. 6,1985), aff'd 811 F.2d 609 (11th Cir. 1987); Richard Anderson Photography v. Radford University, 633 F. Supp. 1154 (W.D. Va. 1986), aff'd, 852 F.2d 114 (4th Cir. 1988), cert. denied, 57 USLW 3536 (1989); Woelffer v. Happy States of America, Inc., 626 F. Supp. 499 (N.D. Ill. 1985).

Eleventh Amendment and the federal copyright law. Specifically, you instructed the Office to conduct inquiries into the practical problems of enforcement of copyrights against state governments, and the presence, if any, of unfair copyright or business practices vis-a-vis state governments with respect to copyright issues.

In response to this request, the Copyright Office, with assistance from the Congressional Research Service of the Library of Congress, conducted a legal and factual study of Eleventh Amendment and its interplay with copyright. The study was divided into three parts: a factual inquiry concerning the two issues raised by the Subcommittee, a legal and historical analysis of the Eleventh Amendment and its application in copyright infringement suits against states, and a fifty state survey of state law seeking to identify laws that indicate whether or not a state waives its common law sovereign immunity or Eleventh Amendment immunity in copyright infringement cases. The Copyright Office published a Request for Information in the Federal Register to elicit public comments for the legal analysis and factual inquiry that would comprise the first two parts of the study.[3] Additionally, the Congressional Research Service of the Library of Congress conducted the fifty-state survey that comprised the third part of the study. The study, titled Copyright Liability of States And The Eleventh Amendment ["Register's Report"], was submitted to the Subcommittee in June, 1988.

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3 52 Fed. Reg. 42045 (Nov. 2, 1987).

II. The Register's Report

In response to its Request for Information, the Copyright Office received 44 comments. Except for several responses from states and their entities, the comments uniformly chronicled dire financial and other repercussions flowing from state immunity from damages in copyright infringement suits. Moreover, complaints of unfair copyright and business practices by copyright proprietors were conspicuously lacking. Indeed, one company declared that in the highly competitive industry of educational publishing, for example, state agencies are able to exact substantial concessions of basic intellectual property rights. Another organization stated that it had no knowledge of any unfair practices, and had even allowed modifications to its own standard contracts for certain state schools.

Losses in educational publishing are significant because the percentage of book revenues from state agencies has increased over the past several years as state governments have assumed a larger part of the federal government's responsibility for educational services. In 1986 alone, the publishers' trade association estimated that U.S. publishers received $1.4 billion from the sale of college and university textbooks. A 1977 Department of Education Bulletin estimated that 77.4 percent of university and graduate students in the U.S. attend state run institutions. Thus, assuming book usage is the same at public and private schools, there are approximately $1.1 billion of book sales to entities with potential Eleventh Amendment immunity who can copy and seriously erode the market.

Educational publishers are also concerned that states can structure the ways in which subordinate units of government are created,

funded, or do business to cloak them with state authority and immunize them from liability for copyright damages.

Basically, the copyright owners fear the widespread, uncontrollable copying of their works without remuneration. A quarter of the responses indicated that injunctive relief is neither an adequate remedy nor a deterrent. This is particularly true for small companies that lack the resources to battle states. Additionally, one comment warned that if immunity were applied to foreign works, it would provoke retaliation by U.S. trading partners and impede efforts to acquire better protection abroad.

Finally, several comments admonished that companies will not market or will closely monitor their sales to states; that prices of products to users other than states will likely increase; that the rights of third parties will be violated, particularly with databases and permission fees paid to authors; and that the economic incentive and ability to create will be diminished.

After analysis of the comments, the Copyright Office concluded that copyright proprietors demonstrated the potential for immediate harm to them unless states were held accountable in damages for the infringement of copyrighted works. And although courts have uniformly held states immune from such responsibility in their recent decisions, the Office believes that this was not the intent of Congress, but instead the result of the 1985 Atascadero[4] decision, which requires that Congress' intent to abrogate Eleventh Amendment immunity be clearly expressed in the language of a statute. To that end, the Office supports passage of the Copyright Remedy

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4 Atascadero State Hospital v. Scanlon, 473 U.S. 234 (1985).

Clarification Act, which will reaffirm Congress' intent to hold states and their instrumentalities liable for infringements of copyrights and mask works.

III. Legal Interpretations of the Eleventh Amendment.

To shed some light on its present meaning, it is important to examine the Eleventh Amendment in its historical context, tracing the turns of often tortuous interpretations.

Although members of state constitutional conventions debated the extent to which Article III--which provides federal court jurisdiction based upon both subject matter[5] and diversity of citizenship[6]--displaced the common law sovereign immunity existing under each state's own laws, there was no firm consensus regarding the breadth of the judicial power of the United States granted by Article III in citizen suits against states.

In 1793, the Supreme Court decided in the landmark case of Chisholm v. Georgia, 2 U.S. (2 Dall.) 419 (1793), that a citizen of one state could sue another state in federal court for the latter's repudiation

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5 The constitution and statutes under which a court operates confer upon it power to decide particular types of cases. For federal courts, section 2 of Article III of the Constitution identifies nine categories of cases and controversies which may be heard, one of which is federal questions. In turn, 28 U.S.C. sec. 1338(a) provides for exclusive federal jurisdiction in copyright cases.

6 Another basis for jurisdiction in the federal courts, for those cases not involving questions of federal law, is through diversity of citizenship. For citizenship to be diverse, the parties must be citizens of different states or one of them must be a citizen of a foreign country. The diversity case must also meet an amount in controversy requirement of $10,000. However, the Judicial Improvements and Access to Justice Act, Pub. L. No. 100-702 (1988), increases the amount to $50,000, effective May 19, 1989.

of its Revolutionary War debts. Chisholm caused an immediate hue and cry from the public which threatened the stability of the new nation, and resulted in the hurried enactment of the Eleventh Amendment.

However, an important question remained after Chisholm: did the Eleventh Amendment alter the Constitution or merely restate its original meaning? Resolution of this question would be crucial for later interpretations. If the Amendment merely withdrew the power to sue a state based on diversity jurisdiction--which was permitted in Chisholm--then it would not bar federal question jurisdiction. On the other hand, if the Amendment restated some original common law sovereign immunity found in the Constitution, then suits against a state even by its own citizens, though not falling within the literal language of the Amendment, would also be barred.

For almost a hundred years, until Hans v. Louisiana, 134 U.S. 1 (1890), the Amendment was construed narrowly. In Hans, the Court extended the literal language of the Eleventh Amendment to prevent a citizen from suing his own state in federal court without its consent, even though jurisdiction was based this time on a federal question (a suit under the contracts clause of the Constitution) and not on diversity. The Court adopted the theory that the Amendment incorporates the principle of common law sovereign immunity, so its proscriptions are not limited to the literal language of the Amendment.

To some, Hans was based on a revisionist reading of the Framers' "original intent," which to this day muddies the boundary between federal and state sovereignty. Indeed, it is argued, it is even questionable whether Hans is an interpretation of the Eleventh Amendment at all. One view is that the decision is actually an interpretation of Article III since the

Amendment, literally read, does not address suits against a state by its own citizens, and accordingly cannot prohibit them.[7]

To limit the Hans expansion of the reach of Eleventh Amendment immunity, the Court adopted the legal theory in Ex Parte Young, 209 U.S. 123 (1908), that a suit against a state official for injunctive relief is not a suit against the state. The Court reasoned that if a state cannot constitutionally authorize an act, then its agent cannot derive authority from the state's grant and thus acts on his own.[8]

For a brief period in the middle of the twentieth century, the Supreme Court also used the theory of a state's express or implied waiver of the Eleventh Amendment to avoid a finding of state immunity.[9] The emergence of this view demonstrated that the Court viewed the Amendment not as a jurisdictional bar, since such bars generally may not be waived, but as a means for avoiding enforcement of state or federal law against the states when the tools of enforcement are not within the access of the Court.

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7 J. Orth, The Judicial Power of the United States, The Eleventh Amendment in American History, 75 (1987).

8 Currently, based on this precedent, a copyright owner can sue a state to enjoin violations of his exclusive rights. However, a significant number of owners stated that for numerous reasons injunctive relief was inadequate. Register's Report at 13-15.

9 The other traditional common law means of avoiding a finding of state immunity is the Ex Parte Young exception permitting suits against an officer of the state.

Initially, waiver cases involved express consent, although statutes allegedly demonstrating consent were construed strictly,[10] but later the Court found in several instances that a state had waived its immunity by implication.[11] In Parden v. Terminal Railway of Alabama, 377 U.S. 184 (1964), the Court concluded that "when a State leaves the sphere that is exclusively its own and enters into activities subject to congressional regulation, it subjects itself to that regulation as fully as if it were a private person or corporation." Id. at 196.

In Employees of the Department of Public Health & Welfare v. Department of Public Health & Welfare, 411 U.S. 279 (1973), the Court began constricting the implied waiver doctrine, and virtually eliminated it in Edelman v. Jordan, 415 U.S. 651 (1974), holding that a court may find waiver by a state "only where stated 'by the most express language or by such overwhelming implications from the text as [will] leave no room for any other reasonable construction.'" Id. at 673 (citation omitted).

A. Congressional Abrogation under the Reconstruction Amendments.

After abandoning its role as champion of property rights during the 1930's, the Supreme Court donned the mantle of defender of civil rights during the 1950's. The Court's bold stance in Brown v. Board of Education, 347 U.S. 483 (1954), marked the end of the judiciary's long adherence to the

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10 See, e.g., Ford Motor Co. v. Dept. of Treasury, 323 U.S. 459 (1945); Great Northern Life Insurance Co. v. Read, 322 U.S. 47, 54 (1944).

11 See, e.g., Parden v. Terminal Railway of Alabama, 377 U.S. 184 (1964); Petty v. Tennessee-Missouri Bridge Commission, 359 U.S. 275 (1959).

Compromise of 1877, which had left states free to violate the civil rights won in the Civil War.

To support congressional power in this field, the Court created an exception to the Eleventh Amendment: state sovereignty was limited by the enforcement provisions of section five of the Fourteenth Amendment. Fitzpatrick v. Bitzer, 427 U.S. 445 (1976). Although as early as 1964, in the Parden decision, the Court seemed to state as an alternative holding that the power of Congress to regulate interstate commerce included the authority to subject states to suit notwithstanding the Eleventh Amendment, Fitzpatrick held for the first time that state waiver was not always required to abrogate[12] Eleventh Amendment immunity. The Court did require, however, clear evidence of congressional authorization to sue a class of defendants which clearly included states. The Fitzpatrick Court emphasized that the Fourteenth Amendment was ratified after the Eleventh became part of the Constitution, and implied that earlier grants of legislative power to Congress in the main body of the Constitution might not contain a similar power to authorize suits against states. Id. at 456.

The holding in Fitzpatrick was expanded in Hutto v. Finney, 437 U.S. 678 (1978), where the Court permitted an individual to recover an award of attorney's fees against a state under the Civil Rights Attorney's Fees Awards Act of 1976 based on the infliction of constitutionally impermissible cruel and unusual punishment by the state's prison system. Because there was clear evidence of congressional intent to abrogate Eleventh Amendment

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[12] Abrogation refers to the ability of Congress to create a cause of action for money damages enforceable by a citizen suit against a state in federal court. See, e.g., United States v. Union Gas Co., 832 F.2d 1343-1345, n. 1 (3d Cir. 1987), cert. granted, 108 S. Ct. 1219 (1988).

immunity in the statute's legislative history, the Court allowed the award even though the statute did not expressly include states in the defendant class.

Four years later, in City of Rome v. United States, 446 U.S. 156 (1980), the Court suggested that section two of the Fifteenth Amendment can also serve as a basis for congressional power to abrogate the Eleventh Amendment, although the Court decided the case based on general principles of federalism.

More recently, Congress' power to abrogate Eleventh Amendment immunity was sharply limited in Atascadero State Hospital v. Scanlon, 473 U.S. 234 (1985). Atascadero involved a suit by a disabled person against a state hospital for alleged employment discrimination. The suit was brought under the Rehabilitation Act of 1973, which the Court presumed was passed pursuant to section five of the Fourteenth Amendment. The statute provided for remedies against "any recipient of Federal assistance," a class that arguably included states. The Court did not address Congress' Article 1 powers, and held that even under the Fourteenth Amendment abrogation required "unequivocal statutory language." Id. at 242.

Atascadero is a retreat from the Court's position in Hutto, without specifically overruling that decision. After Atascadero, a statute must specifically include states in the defendant class, and, significantly, a state's mere participation in a federally-funded program under a federal statute does not demonstrate implicit consent to federal jurisdiction. For purposes of implied waiver, a court must find an "unequivocal indication that the State intends to consent to federal jurisdiction that would otherwise be barred by the Eleventh Amendment." Id. at 238, n.1.

In 1987, the Court reaffirmed its Atascadero holding in Welch v. State Dept. of Highways and Public Transp., 107 S.Ct. 2941 (1987). Welch involved a suit under the Jones Act, which covers seamen injured in the course of employment. Although the issue of waiver was not raised in the petition for certiorari, the Court considered the question of abrogation under the Jones Act.

The plurality assumed that Congress' authority to subject unconsenting states to suit in federal court is not confined to its Fourteenth Amendment powers. But it concluded that Congress did not abrogate state immunity in passing the Jones Act because, there, it did not express in unmistakable statutory language its intention to allow states to be sued in federal court. The Court also held that despite the factual similarities of Parden and Welch, the former was overruled to the extent that it was inconsistent with the requirement that an abrogation by Congress must be expressed in unmistakably clear language. Id. at 2948.

B. **Congressional Abrogation under Article I.**

To date, the Supreme Court has assiduously avoided addressing the issue of whether Congress, pursuant to its Article I powers, has the authority to abrogate Eleventh Amendment immunity. The Welch decision demonstrates that the Court will not reach the issue of Congress' Article I authority unless the statute before the Court meets the threshold "clear language" requirement established in Atascadero. This poses a problem with respect to many statutes, including the Copyright Act of 1976, passed by Congress pursuant to Article I prior to Atascadero. The issue of whether those statutes create a private cause of action that can be invoked against

a state can only be tested if Congress amends the language of the statutes to clarify its intent to include states in the defendant class.

In spite of the Supreme Court's reluctance to do so, several lower federal courts have permitted abrogation of immunity under Congress' Article I powers.[13] Notably, in Mills Music, Inc. v. Arizona, 591 F. 2d 1278 (9th Cir. 1979), the U.S. Court of Appeals for the Ninth Circuit held that Congress abrogated state immunity when it passed the Copyright Act of 1909 under its Article I copyright and patent clause power.

During the period between Fitzpatrick and the later Atascadero decision, lower courts interpreted Fitzpatrick as the "sub silentio merging of the separate state consent requirement into the single inquiry of whether Congress has statutorily waived the state's immunity." Peel v. Florida Department of Transportation, 600 F.2d at 1080. There was some question of the continued validity of these decisions after Atascadero, but several lower courts have found congressional abrogation evidenced in an Article I statute even under the "clear language" standard.

In Matter of McVey Trucking v. Illinois, 812 F.2d 311 (7th Cir. 1987), cert. denied sub nom. Edgar v. McVey Trucking Company, 108 S. Ct. 227 (1987), the Seventh Circuit held that Congress, in enacting the Bankruptcy Code pursuant to its Article I powers to establish bankruptcy law, had made clear in the language of the code its intent to subject creditor states to federal causes of action. The court further found that Congress has the same

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[13] County of Monroe v. Florida, 678 F.2d 1124, 1128-35 (2d Cir. 1982), cert. denied, 459 U.S. 1104 (1983); Peel v. Florida Department of Transportation, 600 F.2d 1070 (5th Cir. 1979); Jennings v. Illinois Office of Education, 589 F.2d 935 (7th Cir. 1979), cert. denied, 441 U.S. 967 (1979).

authority under Article I, as under the Fourteenth Amendment, to abrogate Eleventh Amendment immunity; in fact, under any of its plenary powers Congress may create a cause of action for money damages enforceable against an unconsenting state in federal court.

The Third Circuit reached the same conclusion-- that Congress has the power to abrogate pursuant to Article I-- in United States v. Union Gas Company.[14] In Union Gas, a suit was filed in federal court against the Commonwealth of Pennsylvania under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA, or "Superfund"), a statute passed pursuant to Congress' Article I power to regulate interstate commerce.

The statute had been amended after Atascadero, and the Third Circuit found that the amendment met the "clear language" requirement. The appellate court also agreed with the McVey reasoning that no constitutional distinction existed between the Fourteenth Amendment and Article I for purposes of Eleventh Amendment abrogation, and that restraints upon Congress' plenary powers lie in the legislative and not judicial process. The requirement that Congress must clearly state its intention to abrogate, the court said, assures that congressional intent will be followed and judicial interpretation of statutes will be checked. Id. at 1355.

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[14] 832 F.2d 1343 (3d Cir. 1987), cert. granted, 56 USLW 2268, 108 S.Ct. 1219 (1988).

C. Prevailing Interpretations of the Eleventh Amendment.

There are three main interpretations of the effect of the Eleventh Amendment: (1) it is a federal court jurisdictional bar in both diversity and federal question cases; (2) it merely incorporates common law immunity; or (3) it applies only in diversity jurisdiction cases brought against state governments.

The first theory asserts that the Eleventh Amendment creates a constitutional restriction that precludes federal courts from hearing any suits against state governments, with the possible exception of suits brought under certain constitutional amendments passed after the Eleventh Amendment. This theory is premised on the assumption that Hans v. Louisiana stands for the proposition that the Eleventh Amendment is a constitutional bar to suits against a state by its own citizens as well as by citizens of other states. This theory assumes that the Amendment did not alter the Constitution, but merely reinstated the original understanding of its framers that Article III incorporated into the Constitution principles of common law sovereign immunity.

The analytical problem in perceiving the Amendment as a jurisdictional bar, however, is in reconciling this perception with the theory of consent and waiver. Because a true jurisdictional bar cannot be waived, a state's consent to suit or waiver of its Eleventh Amendment rights could not vest a federal court with judicial power. See, e.g., Sonsa v. Iowa, 419 U.S. 393, 398 (1975).

But it is also settled under current law that the bar on suits against states in federal court posed by the Eleventh Amendment is not wholly jurisdictional. Patsy v. Florida Board of Regents, 457 U.S. 496, 515-

16, n. 19 (1982). To the extent that it is not, federal courts may subject states to suit if Congress, pursuant to its granted powers, explicitly legislates against state immunity.[15]

The second main theory is that the Eleventh Amendment incorporates the common law immunity that states had, implicit in the Constitution, prior to Chisholm. In this perspective, the Eleventh Amendment clarifies that the provision in Article III concerning controversies between a state and citizens of another state does not provide a mechanism for making states unwilling defendants in federal court, and common law sovereign immunity survived to provide the same protection for states in any controversy with their own citizens. Employees of the Department of Public Health & Welfare, 411 U.S. at 292. Under this theory, a state can waive its immunity and consent to be sued by its citizens, either impliedly or expressly, because at common law the sovereign could waive his immunity. Moreover, because common law rules can be overridden by statute, a valid congressional statute can authorize suits against state governments by their own citizens (but not citizens of other states or countries) or authorize suits against state governments in their own courts.

However, the transition of the common law doctrine from monarchy to democracy was awkward. Traditionally, sovereign immunity arose in a unitary system, where there was one sovereign and many lesser citizens, and prohibited unconsented suit against a sovereign in his own courts or the courts of another sovereign. By contrast, the American states, on entering the Union, gave up a certain undefined degree of sovereignty to the national

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15 See Quern v. Jordan, 440 U.S. 332, 343-45 (1979); Hutto v. Finney, 437 U.S. 673 (1978).

government--a power more than their coequal.[16] Thus, it would seem that in those areas where the states gave up part of their sovereignty to allow Congress to legislate for the welfare of the nation as a whole, the states likewise gave up their immunity from suit in federal court.

One legal scholar has extended the above theory to adapt the traditional concept of sovereign immunity to a federalist government. While agreeing that the Eleventh Amendment merely reinstated common law sovereign immunity, she argues that a state's consent or waiver of its Eleventh Amendment and/or common law sovereign immunity is unnecessary to bring a state defendant into federal court if Congress, acting pursuant to its constitutional authority, creates a statutory cause of action against states.[17]

The third view of the Eleventh Amendment, promoted by a number of legal scholars today, holds that the Amendment merely restricts the diversity jurisdiction of the federal courts. This theory compares the structures of the Eleventh Amendment and Article III.

Section 2 of Article III identifies nine categories of cases and controversies which might be heard in federal courts. One of these categories--federal question jurisdiction--is defined in a separate clause, while diversity jurisdiction-- encompassing two of these categories (suits

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16 Brown, State Sovereignty Under the Burger Court - How the Eleventh Amendment Survived the Death of the Tenth: Some Broader Implications of Atascadero State Hospital v. Scanlon, 74 Geo. L. J. 363, 369 (1985).

17 Field, The Eleventh Amendment and Other Sovereign Immunity Doctrines: Part One, 126 U. Pa. L. Rev. 515 (1978); Field, The Eleventh Amendment and Other Sovereign Immunity Doctrines: Congressional Imposition of Suit Upon the States, 126 U. Pa. L. Rev. 1203 (1978).

between a state and citizens of another state, and suits between a state and citizens or subjects of a foreign state)--is defined in two other clauses. Thus, because the language of the Eleventh Amendment parallels the language of those two clauses of Section 2 of Article III dealing with diversity jurisdiction, and because Chisholm only involved those clauses and did not implicate federal question jurisdiction in any way, it makes sense to view the Eleventh Amendment as restricting only diversity jurisdiction.[18]

Justice Brennan, a strong advocate of this theory, has argued repeatedly that in suits outside the literal scope of the Amendment, state sovereign immunity exists only by virtue of the common law.[19] In any cases arising under federal law, therefore, Congress has the power to eliminate state immunity. Brennan emphasizes the fact that Justice Iredell's dissent in Chisholm rested on the absence of a statutory remedy and not on Congress' lack of constitutional power. He justifies the dismissal of the suit in Hans on the basis that "no federal cause of action supported the plaintiff's suit and that state-law causes of action would of course be subject to the

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[18] See W. Fletcher, A Historical Interpretation of the Eleventh Amendment: A Narrow Construction of an Affirmative Grant of Jurisdiction Rather than a Prohibition Against Jurisdiction, 35 Stan. L. Rev. 1033, 1057-58 (1983); Gibbons, The Eleventh Amendment and State Sovereign Immunity: A Reinterpretation , 83 Colum. L. Rev. 1889, 1902 (1983); C. Jacobs, The Eleventh Amendment and Sovereign Immunity 162-63 (1972).

[19] Welch v. Texas Dep't Highways and Public Transp., 107 S. Ct. 2941, 2958 (1987) (Brennan, J., dissenting); Green v. Mansour, 474 U.S. 64, 106 S. Ct. 423, 429 (1985); Atascadero State Hospital v. Scanlon, 473 U.S. 234, 105 S Ct. 3142, 3150 (1985) (Brennan, J., dissenting); Pennhurst State School & Hosp. v. Halderman, 465 U.S. 89, 125 (1984) (Brennan, J., dissenting); Employees of the Dep't of Public Health & Welfare v. Department of Public Health & Welfare, 411 U.S. 279, 313-14 (1973) (Brennan, J., dissenting).

ancient common-law doctrine of sovereign immunity." Atascadero, 105 S. Ct. at 3177 (Brennan, J., dissenting).

D. Application of the Eleventh Amendment in Copyright Infringement Suits Against States.

The first case in this century addressing the question of whether a state agency could be sued in federal court for copyright infringement was Wihtol v. Crow, 309 F.2d 777 (8th Cir. 1962). This was two years before the Supreme Court conceived the Parden doctrine of implied waiver of immunity. In Wihtol, the Eighth Circuit held that although a state school's choir director infringed a composer's copyright in a musical composition, the school was entitled to dismissal because it was a state agency that was immune from suit for money damages in federal court. The choir director, however, was held individually liable for his infringement.

Seventeen years later, the Ninth Circuit, in Mills Music, Inc. v. Arizona, 591 F.2d 1278 (9th Cir. 1979), considered the issue of Eleventh Amendment immunity in copyright suits, and held the State of Arizona amenable to suit in federal court for the alleged unlawful use of a copyrighted musical composition for a state fair promotion.

Initially, the Mills court concluded that Arizona had impliedly waived its immunity under the Parden line of cases: Congress, in passing the Copyright Act of 1909, had authorized suit against a class of defendants that included states, and Arizona had entered into the federally regulated activity of copyright use.

The Mills court also found that Congress had abrogated state immunity in passing the Copyright Act of 1909. Citing Fitzpatrick, the court concluded that the copyright and patent clause of the Constitution empowered

Congress to subject infringing states to suit in federal court despite the Eleventh Amendment: when "Congress grants an exclusive right or monopoly, its effects are pervasive; no citizen or State may escape its reach." Id. at 1285 (emphasis supplied), quoting Goldstein v. California, 412 U.S. 546 (1973).

Finally, the court noted that the state voluntarily engaged in a federally regulated commercial activity, and that the award granted by the lower court was not so large as to interfere with the state's budget. Id. at 1286. Arizona was held liable for copyright damages and attorney's fees.

The first Eleventh Amendment suit under the Copyright Act of 1976 was Mihalek Corp. v. Michigan, 595 F. Supp. 903 (E.D. Mich. 1984), aff'd on other grounds, 814 F.2d 290 (6th Cir. 1987). This suit alleged state infringement of an advertising campaign promoting tourism, business and agricultural enterprise. Significantly, the lower court judge rejected the Mills Music rationale.

The district court reasoned that under Edelman v. Jordan, the 1909 Act should not be read to abrogate Eleventh Amendment immunity, because a right against infringement "is deserving of no more protection than is the right to benefits for the aged, blind, and disabled," for which the Supreme Court had denied "retroactive" monetary relief in Edelman. Id at 906; see Edelman, 415 U.S. at 669. The Mihalek court held that despite the protection granted copyright owners by Congress under the federal copyright scheme, the Eleventh Amendment barred federal jurisdiction for suits for money damages that would be paid out of state funds. The court acknowledged, however, that under Ex Parte Young, the copyright owner could sue in federal court for an injunction against future infringement by Michigan. 595 F. Supp. at 906.

The last copyright/Eleventh Amendment case to address the immunity issue prior to the Supreme Court's holding in Atascadero was Johnson v. University of Virginia, 606 F. Supp. 321 (W.D.Va. (1985), which held that both the 1909 and 1976 Copyright Acts reflect Congress' intent to abrogate Eleventh Amendment immunity in copyright infringement suits. Id. at 324. However, every court addressing the issue since Johnson has decided in favor of state immunity.

In Woelffer v. Happy States of America, Inc., 626 F. Supp. 499 (N.D. Ill. (1985), an agency and official of the state of Illinois brought a declaratory judgment action seeking to establish that they did not infringe the defendant's work, and that the Eleventh Amendment barred any counterclaim of infringement asserted by the defendant. The defendant counterclaimed seeking declaratory relief, prospective injunctive relief, and attorney's fees and costs.

The court addressed the issues of state waiver and congressional abrogation of immunity, holding that while the state partially waived its immunity by bringing the action in federal court, the court had jurisdiction only over the declaratory portion of the defendant's counterclaim (the portion raised by the state's complaint), and not the portion seeking injunctive relief, attorney's fees, or costs. Although both declaratory and injunctive relief are typically considered prospective, the court found that in this particular case injunctive relief was more intrusive than damages. The court further noted that Atascadero requires a state's waiver of immunity to be unequivocally expressed. Id. at 503.

The court also held, under the Atascadero standard, that Congress did not express clearly in the language of the Copyright Act of 1976 its

intention to abrogate the Eleventh Amendment. Thus, the defendant's claims for injunctive relief and attorney's fees and costs against the state agency were barred. The court would have permitted the state official to be sued for prospective injunctive relief.

Similarly, in Cardinal Industries, Inc. v. Anderson Parrish Assoc., Inc., No. 83-1038-Civ-T-13 (M.D. Fla. Sept. 6, 1985) (unpublished), involving the use of copyrighted architectural plans for a student housing project by a Florida state university, the court concluded that the Eleventh Amendment was neither waived nor abrogated. The court did not discuss either copyright cases or the Atascadero decision, and the Eighth Circuit affirmed the district court's opinion without discussion. 811 F.2d 609 (8th Cir. (1987).

A year later, the U.S. District Court for the Western District of Virginia reversed its position taken in the Johnson decision, and held in Richard Anderson Photography v. Radford University, 633 F. Supp. 1154 (W.D. Va. 1986), that Congress does not have the authority to abrogate Eleventh Amendment immunity except under section 5 of the Fourteenth Amendment unless a state has waived its immunity.

Finding no evidence of express waiver of immunity, the court examined whether the Commonwealth of Virginia, by operating a university, had impliedly consented to suit in federal court for copyright infringement. The court determined that the Commonwealth had not so consented, requiring that the showing of consent for waiver meet the "unequivocal indication" standard of Atascadero. Id. at 1157.

The court distinguished Parden, reasoning that because the state was compelled to use copyrighted works in carrying out the traditional

governmental function of operating a university, its activities were analogous to the state activities in Edelman and Atascadero, in which waiver was not implied. Id. at 1160. Thus, Virginia did not waive its immunity, and was immune from a damage suit in federal court.

On appeal, the Fourth Circuit affirmed the district court's opinion, 852 F.2d 114 (4th Cir. 1988).[20] Using the stringent Atascadero standard for both direct abrogation and implied waiver of Eleventh Amendment immunity, the appellate court held that the Copyright Act as a whole does not clearly and unequivocally indicate that states can be sued, and that Congress has not exacted the consent of states as a condition of participation in the Copyright Act. Id. at 120-22.

Circuit Judge Boyle filed a strong dissent from the majority on the issue of Copyright Act abrogation of Eleventh Amendment immunity. Although he agreed with them that the "anyone" language in section 501(a) of the Act, 17 U.S.C. sec. 501 (a) (1976), does not in itself sufficiently indicate an intent to abrogate, 852 F.2d at 126 (emphasis in original), he believed that the Act taken as a whole does declare such an intent, Id., and that Union Gas and McVey Trucking provide sufficient authority for Congress

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[20] The Supreme Court recently denied certiorari in Radford, 57 USLW 3536 (1989), leaving intact the three main points decided by the Fourth Circuit: that the Atascadero standard will be applied for issues of both direct abrogation and implied waiver; that the Copyright Act of 1976, as a whole, does not clearly and unequivocally indicate that states can be sued; and, finally, that Congress has not exacted the consent of states as a condition of participation in that Act. However, the Fourth Circuit's opinion does not, except in the dissent, address the issue of Congress' authority to abrogate under Article I, and the Supreme Court is expected to deliver an opinion on that question in Union Gas later this year. Thus, assuming that Congress does have such power, the Copyright Remedy Clarification Act would amend the Copyright Act to meet the Atascadero standard and reflect its intention to hold states liable for copyright and mask work infringement.

to abrogate the Eleventh Amendment under any of its plenary powers. Id. at 123.

Finally, in BV Engineering v. UCLA, 657 F. Supp. 1246 (C.D. Cal. 1987), the U.S. District Court for the Central District of California, in light of the Atascadero holding, overruled the Ninth Circuit's precedent in Mills Music. In BV Engineering, the plaintiff alleged infringement of seven copyrighted computer programs by the university, and sought damages.

Initially, the district court addressed the issue of abrogation under Article I. Id. at 1248. It assumed that the state did not impliedly waive its immunity, but agreed with the McVey Trucking court that Congress can abrogate immunity under any of its plenary powers. Id. However, after analysis of the statutory language of the Copyright Act of 1976, the court concluded that the Act does not clearly express congressional intent to abrogate state immunity. Id.

On appeal, the Ninth Circuit affirmed the lower court's grant of summary judgment for the university. The appellate court used a three-pronged test to establish that there was no waiver of Eleventh Amendment immunity: California has not expressly consented to suit in federal court, there is no consent provided in either a state statute or the constitution, and there is no indication in the Copyright Act of 1976 that Congress intended to condition states' participation in the national copyright scheme on waiver of immunity. Id. at 1397.

The Ninth Circuit assumed, without deciding, that Congress has the power under Article I to abrogate state Eleventh Amendment immunity, but concluded that it had failed to do so in the Copyright Act. Id. As only a general authorization for suit, the "anyone" language in section 501(a) of

the remedies chapter was not considered adequate to establish congressional intent to abrogate state immunity under Atascadero or Welch; nor were other provisions of the Act a sufficient basis to establish intent since they susceptible to more than one reasonable interpretation. Id. at 1398-99. Significantly, the Ninth Circuit required copyright plaintiffs to meet the Atascadero standard, even though without a federal forum they would be left remediless. Id. at 1400. The Supreme Court denied certiorari.[21]

IV. Copyright Remedy Clarification Act.

Mr. Chairman, as you know the Copyright Office in its report recommended remedial legislation to clarify what we perceived to be the original intent of the Congress in passing the Copyright Act of 1976. Your bill, H.R. 1131, would clarify that states and state instrumentalities are fully subject to suit in federal court if they infringe copyrights or mask works. The Copyright Office supports enactment of H.R. 1131.

Owners of copyright and mask works would have available to them the full panoply of civil remedies: injunctive relief, actual and statutory damages, and seizure of infringing articles. Of course, no criminal penalties apply. In the case of copyrights, criminal penalties apply only to commercial activities. The Semiconductor Chip Protection Act contains no criminal penalties.

The bill, if enacted, would not apply to cases filed before the date of enactment. The Copyright Office supports this limited qualification on retroactivity. As we understand the qualification, the intent is to avoid interference with any pending cases. This provision does not mean

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21 57 USLW 3614 (1989).

that states cannot be sued for past infringements, subject of course to the statute of limitations found in section 507 of the Copyright Act (civil actions must be commenced within three years after the claim accrues). It is entirely appropriate that the Copyright Remedy Clarification Act have limited retroactive effect since it merely clarifies the intent of the Congress in 1976.

V. Conclusion.

Authors and copyright proprietors have demonstrated the potential for immediate harm from the uncompensated use by states and state entities of works protected under the federal Copyright Act. The public would lose as well--other groups of consumers would bear the brunt of increased costs; without compensation, the incentive to create would be significantly diminished and fewer works published.

The language and history of the Copyright Act of 1976 demonstrate that Congress intended to hold states, like other users, liable for copyright infringement. Section 110 exempts certain acts of governmental bodies. The former manufacturing clause (sections 601 and 602) exempted from copyright liability certain importations by states. If Congress had not intended states to be subject to damage suits in federal court, Congress need not necessarily have included express exemptions from copyright liability for certain state activity. The legislative history of the Copyright Act demonstrates that the debate focused on the extent to which Congress should exempt the states from full liability. No one suggested that the states were already immune from liability as to damages under the

Eleventh Amendment. No state official requested total exemption from copyright liability.

There is no policy justification for full state immunity to copyright damage suits. Injunctive relief alone is inadequate. Nor would it be fair to leave the state damage-proof and require copyright owners to seek out some compensation through suits against state officials as individuals. During the information-gathering phase of preparing the Copyright Office Report, no state official made any policy argument that the states should be exempt from copyright liability.

The current legal predicament arises from broad application of new constitutional doctrine in contexts not fully considered by the Supreme Court. Good copyright policy requires that the states be subject to copyright liability, except to the extent Congress legislates specific, narrow exemptions for nonprofit uses. State representatives have not disputed this legislative policy. They recognize that respect for copyright law and the property rights conferred by the law is good public policy. As a practical matter, states continue to buy books, computer programs, and other copyrighted works. They acquire licenses for the performance of music at non-exempt school events.

I urge Congress to pass the Copyright Remedy Clarification Act expeditiously. It would reaffirm Congress' intent regarding the liability of states under the Copyright Act, while meeting the "clear language" requirement of Atascadero. It would not in any way change the substantive rights of copyright owners or states, since it merely restores the careful balance that you struck, Mr. Chairman, between authors and the public when

you drafted the 1976 Act. The Copyright Office knows of no opposition to this legislation.

ADDITIONAL VIEWS OF RALPH OMAN
REGISTER OF COPYRIGHTS

ON H.R. 1131

SUBCOMMITTEE ON COURTS, INTELLECTUAL
PROPERTY AND THE ADMINISTRATION OF JUSTICE

HOUSE COMMITTEE ON THE JUDICIARY
101ST CONGRESS, FIRST SESSION

I appreciate this opportunity to supplement my testimony of April 12, 1989 in support of H.R. 1131, the Copyright Remedy Clarification Act, which was introduced by Chairman Kastenmeier and by Representative Moorhead. This bill would amend the Copyright Act of 1976 to clarify Congress' intent that states and their instrumentalities should be subject to suits for money damages in federal courts for infringements of both copyrights and mask works.

Analysis of Four Recent Decisions

In the interim between the April 12, 1989 hearing of this Subcommittee on H.R. 1131, at which I testified, and the present one, the Supreme Court has decided four significant Eleventh Amendment cases that have a direct bearing on the continued efficacy of H.R. 1131 and the Senate companion bill, S. 497. Pennsylvania v. Union Gas Co., __ U.S. __ , 57 U.S.L.W. 1193 (1989); Dellmuth v. Muth, __ U.S. __ , 57 U.S.L.W. 4720 (1989) and Will v. Michigan Department of State Police, __ U.S. __ , 57 U.S.L.W. 4677 (1989); Hoffman v. Connecticut Department of Income Maintenance, __ U.S. __ , 57 U.S.L.W. 4915 (1989).

The Court decided in Union Gas Company that, with a clear statement of intent, Congress has the authority under the Commerce Clause[1] to abrogate state Eleventh Amendment immunity.

In holding that the statutory language of the Comprehensive Environmental Response, Compensation and Liability Act ["CERCLA"], as amended by the 1986 Superfund Amendments and Reauthorization Act ["SARA"], clearly showed congressional intent to hold states liable for damages, Justice Brennan noted for a plurality that the statute expressly included states within the definition of "persons," and that states -- except in narrow circumstances -- were considered to be "owners and operators" for purposes of sharing environmental cleanup costs.

After concluding that it was Congress' intent to hold states liable for cleanup costs, Justice Brennan then considered whether Congress possesses the constitutional power to do so. Prior cases have held that Congress has the power when legislating pursuant to the Fourteenth Amendment to abrogate state Eleventh Amendment immunity. Here, five justices concluded that Congress has the same power under the plenary authority of the Commerce Clause.

Justice Scalia joined with Justices Brennan, Marshall, Blackmun and Stevens in holding that Congress intended for states to be held liable for money damages, but Justice Scalia did not agree that Congress has the constitutional authority to do so. He concluded that Hans v. Louisiana[2] is

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[1] Like the Copyright Clause, the Commerce Clause, U.S. Const., Art. 1, sec. 8, cl. 3, is an Article 1 power.

[2] 134 U.S. 1 (1890).

still good law, and that since the Constitution does not require that private individuals be able to bring claims against the Federal Government for violations of the Constitution or laws, the Eleventh Amendment bar should also apply to private parties bringing suits against the states. In his view, to preserve Hans v. Louisiana, yet permit Congress to overrule it by statute with a clear statement, is the worst of both worlds. Justices Rehnquist, O'Connor and Kennedy agreed with Justice Scalia that Congress does not have authority under Article I to abrogate state immunity.

Justice White, joined by Justices Rehnquist, O'Connor and Kennedy, disagreed that the statute clearly indicated an intent to hold states liable. By concurring in the plurality's conclusion that Congress can abrogate state immunity under its Article I powers, Justice White provided the swing note on the issue of congressional authority. He disagreed, however, with the plurality's reasoning on the Article I power issue without providing his own rationale.

Will v. Michigan Department of State Police, __ U.S. __, 57 U.S.L.W. 4677 (1989), was an appeal from the Michigan Supreme Court involving a title 42 U.S.C., section 1983 action for the failure to promote petitioner to a data systems analyst position for an allegedly improper reason. Section 1983 establishes a federal right to sue for deprivation of civil liberties.

Writing for a majority including Justices Rehnquist, O'Connor, Scalia and Kennedy, Justice White concluded that a state, or an official of a state acting in his official capacity, is not a "person" within the meaning of 42 U.S.C. section 1983.

Even though the suit was in state court, and the Eleventh Amendment was not implicated, the majority used the Atascadero standard to analyze the language of section 1983, concluding that a similar standard would be applied in other contexts. Slip op. at 6. The majority found that Congress, in enacting section 1983, did not intend to override common law immunities or defenses, slip op. at 8.

The majority also concluded that a suit against an official's office is no different than a suit against the state itself: state officials acting in their official capacity are likewise not "persons" under section 1983. Slip op. at 12. Nevertheless, a state official acting in his official capacity would be considered to be a "person" under section 1983 for purposes of prospective injunctive relief because such actions are not considered to be against the state. Id. at n. 10.

In a strong dissent, Justice Brennan, joined by Justices Marshall, Blackmun and Stevens, argued that because the suit was brought in state court, and the Eleventh Amendment was inapplicable, ordinary methods of statutory construction should have been used instead of the far stricter Atascadero standard. Id. at 1. Under this view, a close analysis of the language and legislative history of section 1983 supported the conclusion that states are "persons." Id. at 6.

In a separate dissent, Justice Stevens maintained that because there is a history of holding states liable under section 1983 for constitutional violations through the artifice of naming a public officer as a nominal party, when a suit is brought in state court, where the

Eleventh Amendment does not apply, it follows that a state can be named directly as a party. Id. at 2-3.

In Dellmuth v. Muth, __ U.S. __, 57 U.S.L.W. 4720 (1989), Justice Kennedy, joined by Justices Rehnquist, White, O'Connor and Scalia, held that the Education of the Handicapped Act does not abrogate state Eleventh Amendment immunity to require tuition reimbursement and the payment of attorney's fees. "The EHA makes no reference whatsoever to either the Eleventh Amendment or the States' sovereign immunity. Nor does any provision cited by the Court of Appeals address abrogation in even oblique terms, much less with the clarity Atascadero requires." Slip op. at 7. Significantly, the Court also declared that legislative history generally will be irrelevant in the Eleventh Amendment abrogation context. Id. at 6.

Justice Scalia apparently had some reservations about the breadth of the language in the opinion of the Court. He concurred, nevertheless, on the understanding that the Court's reasoning "does not preclude congressional elimination of sovereign immunity in statutory text that clearly subjects States to suit for monetary damages, though without explicit reference to state sovereign immunity or the Eleventh Amendment." Slip op. at 10. A comparison of Justice Scalia's opinions suggests that he is willing to find congressional power to abrogate Eleventh Amendment immunity based on the Fourteenth Amendment but not based on Article I.

Justice Brennan, in a dissent joined by Justices Marshall, Blackmun and Stevens, declared that he would overrule Hans v. Louisiana, but, in any event, found that in the EHA Congress had abrogated state immunity. Unlike the plurality, which the dissent maintained required more

than an unequivocal text, Brennan concluded that "immunity is 'unequivocally' textually abrogated when state amenability to suit is the logical inference from the language and structure of the text." Id. at 6.

In a separate dissent, Justice Blackmun noted that the plurality was resorting to an even stricter standard than Atascadero.

In a third dissent, Justice Stevens declared that the case involved the judicially created doctrine of sovereign immunity rather than the Eleventh Amendment's limitation on federal judicial power, and that the decision of Congress to confer jurisdiction on the federal courts must prevail.

Finally, in Hoffman v. Connecticut Department of Income Maintenance, __ U.S. __, 57 U.S.L.W. 4915 (1989), the Court held that section 106(c) of the Bankruptcy Code [3] does not authorize a bankruptcy court to issue a money judgment against a state that has not filed a proof of claim in a proceeding.

A plurality of Justices White, Rehnquist, O'Connor and Kennedy never reached the question of whether Congress has the authority to abrogate under the Bankruptcy Clause. They found instead that the language of section 106 does not clearly and unmistakably indicate an intent to abrogate state immunity.

Section 106 refers to the trigger words "governmental units" and "sovereign immunity", and not specifically to states or the Eleventh Amendment. The narrow scope of waiver in other portions of section 106, the Court reasoned, made it unlikely that Congress adopted broader abrogation

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3 Bankruptcy, like copyright, is an Article I power.

in section 106(c). Finally, other subsections include the term "claim" which is defined in the Bankruptcy Code to include a right to payment, while 106(c) uses the word "issue" which does not provide a similar express authorization for monetary recovery from the states. The language of 106(c)(2), the plurality decided, was more indicative of declaratory and injunctive relief than monetary recovery. Id. at 4-5.

In a separate concurrence, Justice O'Connor agreed with Justice Scalia that Congress may not abrogate Eleventh Amendment immunity under the Bankruptcy Clause, and joined with the plurality in concluding that Congress did not clearly indicate such an intent.

Justice Scalia agreed with the plurality's conclusion, in another concurrence, but he reasons that Congress has no power to abrogate the Eleventh Amendment under an Article I power. He would have affirmed the Second Circuit's opinion without the necessity of considering whether Congress intended to exercise a power it did not possess.

Justice Marshall maintained in a dissent, joined by Justices Brennan, Blackmun and Stevens, that section 106(c) does meet the Atascadero standard, and that Congress has the authority under the Bankruptcy Clause to abrogate state immunity. In Marshall's view, Congress carefully abrogated state immunity using a three step process: it eliminated any assertion of sovereign immunity; it included states within the trigger words used elsewhere in the code; and it provided that states would be bound by orders of the bankruptcy court. Id. at 2. Additionally, section 106(c) does not distinguish between code provisions containing trigger words permitting only injunctive and declaratory relief and those allowing

money judgments. Id. Looking to the purpose and policy goals of the Bankruptcy Code, Marshall concluded that "[b]y expressly including States within the terms 'creditor' and 'entity,' Congress intended States generally to be treated the same as ordinary 'creditors' and 'entities,' who are subject to money judgments in a relatively small number of Code provisions." Id. at 5.

Justice Stevens wrote in a separate dissent, joined by Justice Blackmun, that the legislative history of section 106 adds support to the Marshall dissent, and that the drafters of the Bankruptcy Code were well aware of the value to the bankruptcy administration process of a waiver of federal and state sovereign immunity.

Conclusion

H.R. 1131 appears to meet the Atascadero-Union Gas standard for clear congressional intent. Nevertheless, because the majority holding in Union Gas is so fragile and in light of the other Eleventh Amendment cases decided during the last term, the Subcommittee should amend H.R. 1131 to specify that any provisions of the Copyright Act relating to the award of damages or attorney's fees are intended to apply to states and state instrumentalities in the same manner and to the same extent as any nongovernmental entity, irrespective of the Eleventh Amendment or any other sovereign immunity defense.

Without questioning the good faith or judgment of state officials, the Copyright Office continues to believe that copyright owners should have a meaningful remedy against state infringement of their copyrights. Money damages constitute a meaningful remedy; injunctive

relief does not represent a meaningful remedy. How will private litigants without deep pockets get attorneys to represent them, if only injunctive relief is available? State officials, while conscientious, are also human. Will they not stretch the "fair use" doctrine beyond its reasonable limits and say to complaining copyright owners: sue me. Monetary relief should ensure more respect for the copyright law. In any case, it is a matter of simple justice.

Mr. KASTENMEIER. As I understand your oral report, thus far there have not been any significant number of wholesale takings of copyright rights by States or State entities, although there may have been some instances. But there is an enormous potential that exists here; that is to say, the potential for doing so is obvious and, at the very least, reading between the lines, I would gather that the copying generally complained about by State entities, libraries, perhaps educational institutions, et cetera, seems to be on the increase with respect to fair use. And, if we do not do anything here, the very least we will see is sort of an expansive fair use doctrine in terms of reproduction of materials which may or may not exist outside of relying on the eleventh amendment

But that, I suspect, would serve at least to create an atmosphere, an environment in which we would see unwarranted reproductions of materials in a much more liberalized way than is contemplated by the law so long as one can use the eleventh amendment as an out. Would you not agree?

Mr. OMAN. I would agree. And I think it is important to make it clear that it was your intention, and that the States should be very conscious of their responsibilities under the law. There are those who argue that the opportunity for monetary damages to be assessed against the officials themselves is a sufficient deterrent. But I think unless there is the larger possibility of liability of the States the States won't take their responsibility as seriously as they should.

Let me ask Ms. Schrader to comment further on that point, as the author of the report.

Mr. KASTENMEIER. Ms. Schrader.

Ms. SCHRADER. Well, thank you very much. Of course, the author of the report is Mr. Oman; then several people on the staff assisted very ably. Ms. Andrea Zizzi is certainly one of those, and she isn't with us because she is on maternity leave.

I would really have nothing further to add to the excellent statement that the chairman has made and that Mr. Oman has agreed with. I think that the chairman's point is excellent. If one can escape into the eleventh amendment as a last resort, the chances are that there might be a tendency for the States, at least some individual State officials to engage in extremely broad interpretations of fair use.

Mr. KASTENMEIER. We sort of have a paradox here. You indicate that there is really no opposition to the legislation, as you have noted, by States or State entities, and yet at the same time, at least generally with respect to the eleventh amendment, we have seen a number of suits pursued in which States or State entities presumably have been parties, and they have been pursued rather successfully. So there seems to be, without close analysis, a difference in terms of what the States are interested in, in terms of the eleventh amendment immunity, and then whether or not they have any objection to this type of legislation.

Can you reconcile the two apparent differences?

Mr. OMAN. Based on my experience as a litigator in the Justice Department, lawyers clearly like to win and they will do whatever they can to win. You would take advantage of every opportunity in the law to win, and if this is an opportunity for them to win their

cases brought in Federal court on copyright matters. They will use it. It doesn't reflect their approach to copyright so much as their approach to protecting the States from liability. That is their institutional responsibility and they do whatever they can to carry it out.

Mr. KASTENMEIER. Why wouldn't they, then, oppose this legislation?

Mr. OMAN. Well, it is hard to take silence as concurrence, but they had the opportunity to voice their opinions and they chose not to do so for whatever reason. I would assume that they would be embarrassed to suggest that somehow they should be allowed to violate the law without having the liability of others. Perhaps these arguments would be politically unpopular within their own States—and no Governor would want to maintain that position in a legislative arena or policy environment. And I think that they are in the process of thinking more fully about the issues and recognizing that though this was something that they could take advantage of on a case-by-case basis while the opportunity was there that basically they are supporters of across-the-board copyright liability for the State government.

Mr. KASTENMEIER. What happens in other countries, France or certain other foreign countries, with respect to the liability of the State with respect to copyrighted works?

Mr. OMAN. In my limited experience—we did not address this issue directly in the report, but in my limited experience foreign governments are fully responsible for copyright infringement, just the way the U.S. Government is responsible for copyright infringements. The United States, of course, has a unique Federal system, where there is autonomy of State court systems and State governments, which is unusual and, to my knowledge, is not duplicated anywhere else in the world. So we are talking about a technical idiosyncracy of the U.S. Federal-State relationship, and, as far as I know, there is no analogous relationship in the rest of the world.

Let me ask Ms. Schrader if she has any thoughts on the subject.

Ms. SCHRADER. It certainly is the case that in many other countries what would be regarded as State entities in the United States are subject to copyright liability; for example, many of the broadcasting authorities are State authorities under our terminology and they clearly do obtain licenses. They are subject to copyright law. I am sure there are areas of sovereign immunity that may apply, but I would believe that they would be limited to State purposes such as national security. But the case of a State, in effect, running a broadcasting organization, they are subject to copyright.

Mr. KASTENMEIER. Thank you. One last question. I have a number of questions, but I am going to yield to my colleagues after this one. It goes to the scope of eleventh amendment immunity, and it has to do with whether some more comprehensive legislation might be indicated, rather than this piecemeal legislation going to the copyright laws, and whether there is a potential for a Supreme Court ruling that would limit our ability to impose liability; that is to say, whether there is any possibility of a ruling in the future which would say "Well, you are going to have to amend the eleventh amendment if you want to impose that particular liability on the States."

I don't know whether that is possible or not, but I need to raise the larger questions to understand what we are doing here. In other words, I am asking is there any possibility in dealing with this bill, H.R. 1131, that we are dealing with just one part—the blind man examining the elephant—and oblivious to what other litigation is pending with respect to the eleventh amendment which might indicate a broader approach with respect to being explicit in Federal laws imposing this liability?

Mr. OMAN. We do have a relatively narrow focus in the Copyright Office and I would not be able to comment on how broad a problem this is. I would suspect that if this is a problem in other areas, where Congress has not given the clear language necessary under the *Atascadero* standard to impose liability on the States, that we would have heard about it by now in the course of litigation. It has been 4 years since the Supreme Court enunciated that rationale.

I would not think that this is a major problem looming on the horizon that is going to bring in within its ambit hundreds of other statutes and that copyright should wait for the general consensus to form. But I would think that we know pretty much already what those flawed statutes are, and Congress can work on a piecemeal basis to correct them.

I hear more about the copyright shortcomings than any others, and I would think that this is of such immediate and direct importance that I would urge you to move forward regardless of what might come out of the woodwork down the road, if anything.

Mr. KASTENMEIER. Ms. Schrader, would you like to further comment?

Ms. SCHRADER. Of course, we are awaiting a decision by the Supreme Court in an extremely important case not involving copyright. It is referred to as the *Union Gas* case. We discuss this in our report. The Third Circuit Court of Appeals has held that Congress has the authority under Article I of the Constitution to abrogate State immunity under the eleventh amendment, but we are waiting for the decision of the Supreme Court on that precise point.

If the Supreme Court affirms the third circuit in *Union Gas,* then we have a clear decision and Congress would certainly have the authority under article I—copyright is one of those powers—to abrogate State immunity. Should the Court rule that Congress lacks power to abrogate State immunity, then the other recommendation that we made in our report is that Congress might want to change the jurisdictional provision with respect to suit for copyright infringement and allow suit in State court to enforce the Federal copyright law.

Like Mr. Oman, I fully agree that it would seem appropriate for the Congress to go ahead and clarify what was the original intent in the 1976 Act, that the States are subject to copyright liability. That will at least satisfy the *Atascadero* decision, and if the Court affirms the third circuit in *Union Gas,* then everything is in place and the constitutional issues have been resolved.

Mr. KASTENMEIER. To be clear about this, is it your counsel to us that we ought to proceed on this bill, rather than await the outcome of the *Union Gas* case, or should we await the outcome of the *Union Gas* case?

Ms. SCHRADER. At this point, of course, the two things are coming together very closely. The Supreme Court has heard oral argument. We assume that the Court will announce its decision before the end of the term, which is coming up at the end of June. So, it is really a question of whether you want to go ahead with the bill now in this time period or possibly wait until after the end of the Supreme Court term when we should have the decision in *Union Gas.*

Mr. KASTENMEIER. Do I understand that response to mean we ought to wait until after the decision?

Ms. SCHRADER. My own answer is I would go ahead and pass the legislation, because it is simply a clarification of what you intended in 1976. Let's hope, frankly, that the Court reaches the decision in *Union Gas* that you have the power to abrogate State immunity.

Mr. KASTENMEIER. Thank you. The gentleman from North Carolina.

Mr. COBLE. Thank you, Mr. Chairman.

Mr. Oman and Ms. Schrader, I arrived belatedly because of a vote on the floor, and someone may have mentioned this. If they did, I will be repetitive.

I want to commend you all for the report that you submitted last summer, Mr. Oman, under your signature. I am sure Ms. Schrader and your colleagues had a significant hand in it. But I think it was a very well written document, and it was very helpful and I thank you for having done it.

The chairman has pretty well covered the field here, I think, but let me ask a question or two.

Essentially, this bill is a reaffirmation of Congress' intent in the 1976 Copyright Act. And having said that, Mr. Oman and/or Ms. Schrader, am I correct in concluding that it in no way proposes to change or alter the substantive rights of copyright owners?

Mr. OMAN. That is a correct assumption. What you are doing is, really, clarifying your intent, which everybody understood to be the intent of Congress back in 1976. This bill really should come as no surprise to anyone, the State governments, State officials or the copyright proprietors.

Mr. COBLE. One final question, Mr. Chairman. This will extend the question that the chairman put to you regarding the States' attitude about this.

During the time that you all solicited public comments on the issue, some States submitted copies of briefs that had been filed in the defense of copyright infringement actions. Were these States advocating the position that they should in fact be immune from liability under the Copyright Act for whatever reasons?

Mr. OMAN. Yes, sir. They were defending against a suit for copyright infringement on the basis that they were immune under the eleventh amendment. This was their legal position in court. They had to be consistent with that position. They submitted copies of the briefs they had submitted to the court, and that was their position.

Mr. COBLE. Well, let me take that one step further, then. If I recall your response to the chairman's question, you don't anticipate any problems from the States. Or do you?

Mr. OMAN. As long as the bill is prospective, as it is, and it won't mean that they lose cases that are now before the courts because the rule would be changed after they have made their legal arguments, I don't think that they will come in and urge that the States be immune from suit.

Mr. COBLE. OK. That is what I am driving at. Thank you, sir. Thank you, Ms. Schrader. Thank you, Mr. Chairman.

Mr. KASTENMEIER. The gentleman from Illinois, Mr. Sangmeister.

Mr. SANGMEISTER. Thank you, Mr. Chairman. First, I would like to ask you a question because I am unfamiliar with the procedure here. When a piece of legislation like this is introduced, in addition to the regular notices that go out to everyone who wants to attend this hearing, and seeing that there is no opposition here from the States, do the respective attorneys general or whatever may be the designated office for that State, receive a particular notice that this type of legislation is pending before this committee?

Mr. KASTENMEIER. Not generally. It is assumed that parties in interest who follow this issue are aware of it.

Mr. SANGMEISTER. We don't send a direct notice to each of the States when they are affected by something like this?

Mr. KASTENMEIER. No.

Mr. SANGMEISTER. I am not saying we should. I am just trying to find out what the procedure is.

Then to the witnesses, I apologize for getting here late.

You know, when I see a piece of legislation like this, I am sure that we are not involved in this because we want some academic matter to be put before the Supreme Court again to litigate to see where the States and the Congress are going to stand on this kind of legislation. So, if you have already told the committee this, then don't repeat it just for my benefit. But my reaction here is, why do we need this? I mean, where are the abuses throughout the United States that we need this kind of legislation?

Mr. OMAN. For one thing, the legal theory is relatively recent and I suspect that, as Chairman Kastenmeier mentioned in his statement, they might start taking further advantage of the lack of liability by having broader and broader rationales or interpretations of the fair use concept. They will walk closer to the precipice since the fear of—or the consequences of, or the dangers of—falling over the edge into illegal activity won't be quite as bad as they would be if they were exposed to monetary damages. They will pull back from the precipice——

Mr. SANGMEISTER. If I may interrupt, what you are saying then is there is nothing on the scene where the States have abused or have been taking advantage of what we ought to be stopping here. This is all on the theory that the States may or could do this; is that correct?

Mr. OMAN. No. There are several suits pending in court that relate to copyright infringement by the States.

Mr. SANGMEISTER. By the States?

Mr. OMAN. Yes.

Mr. SANGMEISTER. Are those cases cited in your statement?

Mr. OMAN. They are mentioned in the statement.

Mr. SANGMEISTER. They are? I am sorry.

Mr. OMAN. Yes, sir. But it is not widespread, and I think you are absolutely right that the States are not going to get involved in wholesale violation of the copyright laws. Mistakes are made from time to time, and it is felt that this change of the law is important to give a deterrent to the States so that they are more careful about what they do.

Mr. SANGMEISTER. All right. That answers my question. Thank you, Mr. Chairman.

Mr. KASTENMEIER. The gentleman from California, Mr. Berman.

Mr. BERMAN. Thank you, Mr. Chairman. I missed your opening statement, Mr. Oman, and haven't had a chance to finish reading it. But I am trying to understand what this new Supreme Court decision does.

As I understand, the *Atascadero State Hospital* case said that, to overcome the immunity given to the States by the eleventh amendment, Congress has to clearly state its intent to abrogate the eleventh amendment, and that if it does, then there is no immunity.

It would then follow that if we made it clear that the 1976 Act applied to the States, and that the liability was our intent and it is our intent now that it apply to the States, that they can be held liable. That would be what would be necessary to overcome the effect of that decision.

What is there about the Supreme Court case now pending that would help chart a course for us here?

Mr. OMAN. The pending Supreme Court case, the one we are waiting for the opinion on, is the *Union Gas* case, which gets to the power of Congress to abrogate the eleventh amendment.

Mr. BERMAN. Atascadero State Hospital didn't make that clear?

Mr. OMAN. There is a fourteenth amendment consideration involved in the case.

Ms. Schrader, I sense, has the answer you are looking for. Let me ask her to comment.

Ms. SCHRADER. I understand that *Atascadero* was basically decided under the power of Congress with respect to the fourteenth amendment.

Mr. BERMAN. The power of Congress with respect to the fourteenth amendment.

Ms. SCHRADER. Yes, it is an issue under the fourteenth amendment. So, if the Congress acted pursuant to the fourteenth amendment, *Atascadero* would seem to hold that the State entity can be abrogated by very clear express statutory language.

Mr. BERMAN. Atascadero dealt with a denial by a State of an individual's constitutional rights——

Ms. SCHRADER. Yes.

Mr. BERMAN [continuing]. And the question of whether that person could collect damages from the State?

Ms. SCHRADER. Yes, I believe so.

Mr. BERMAN. And in the course of that it said that if in its exercise of its constitutional authority to implement fourteenth amendment rights Congress clearly indicated an intent to allow——

Ms. SCHRADER. Yes.

Mr. BERMAN [continuing]. The individual to recover from the State, then that would supersede the eleventh amendment.

Ms. SCHRADER. And now pending before the Court in *Union Gas* is the issue of whether Congress has the power under Article I of the Constitution, which, of course, is the basic enumeration of powers, to abrogate State immunity.

Mr. BERMAN. The thought being that they might—for the effort to enforce one's constitutional rights, they might allow a lesser standard to pierce the immunity of the States than they would for the general plenary powers of Congress or something.

Ms. SCHRADER. I think the issue is more that since the eleventh amendment was enacted after the basic Constitution was adopted, does the eleventh amendment in some way supersede the article I powers, whereas the fourteenth amendment was adopted after the 11th amendment and may supersede it. All of this is still a matter of theory, except for the fact that the third circuit in the case below in *Union Gas* did hold that Congress has the power under article I to abrogate State immunity. So there is some basis for believing that the Court may go in this direction, but we still have to have a decision of the Supreme Court.

Mr. BERMAN. I see. And then all those laws that extended the Civil Rights Act, for instance, to coverage of States and which provide for some form of monetary damages if there is an unfair employment practice that would be affected more by *Atascadero*——

Ms. SCHRADER. Yes.

Mr. BERMAN. Because those would be laws pursuant to the fourteenth amendment.

Ms. SCHRADER. The fourteenth amendment or the fifteenth.

Mr. BERMAN. OK. So you are suggesting we assume that we have the power to clearly—where we state our intent to abrogate the eleventh amendment until told otherwise?

Ms. SCHRADER. Yes.

Mr. BERMAN. Then the question is on this issue of prospective nature. The bill that the chairman has introduced, as you said, is prospective in its approach. Does that mean infringements occurring after the effective date of the law or actions brought after the effective date of the law?

Mr. OMAN. Actions brought after the effective date of the law.

Mr. BERMAN. No further questions.

Mr. KASTENMEIER. In that respect, do you think H.R. 1131 should be made retroactive?

Mr. OMAN. It is to a limited degree retroactive. It does get to causes of action that arose prior to the date of enactment.

Mr. KASTENMEIER. I yield to the gentleman from Maryland.

Mr. CARDIN. If I could follow-up with Mr. Berman's question for one moment as to whether there is distinction here today on whether enforcement against States on copyright infringements could be done through injunctive relief rather than seeking monetary damages in any event. It seems to me the eleventh amendment speaks to damages but not necessarily injunctive relief. Is there a distinction here?

Mr. OMAN. There is a distinction, and certainly the *Atascadero* case does not have any bearing on the continued power to get injunctive relief from State officials and possibly from the States themselves.

Mr. CARDIN. But that right is currently available?

Mr. OMAN. That is currently available; yes, sir. But it is felt that this deterrent is not sufficient to ensure that the States will be as careful as they should in not violating the contract laws.

Mr. CARDIN. I understand that. So the clarification here is whether there is an additional way of enforcement through damages?

Mr. OMAN. Right. Restoring the full exposure that Congress thought it was putting in place back in 1976.

Mr. CARDIN. I have no further questions, Mr. Chairman.

Mr. KASTENMEIER. Following up on that, since the eleventh amendment bars suits in law or equity, how is it that injunctive relief is made possible and damage suits not?

Mr. OMAN. Let me ask Ms. Schrader to comment on that. I am not sure there was any great amount of discussion in the Supreme Court case on *Atascadero* whether injunctive relief was at issue.

Ms. SCHRADER. None of the cases that we looked at in preparing our report, as I recall, dealt expressly with the question of whether there could be injunctive relief against the States. Clearly, the Supreme Court has held, I think it was Ex Parte Young, that there is the possibility of injunctive relief against State officials, and so, of course, if you enjoin enough State officials you effectively enjoin the State from going forward.

So perhaps it is just mainly a theoretical difference, but I don't believe that any of the cases that we have analyzed has definitively indicated whether in fact you could enjoin the State per se.

Mr. KASTENMEIER. The point has already been made that injunctive relief in this type of case is usually ineffectual in any event.

When we requested the report, the study, we asked you to examine whether there were any abusive practices vis-a-vis the States by copyright owners. Not to necessarily justify what has happened, but nonetheless to see what the environment might be in which this issue is raised. Did you find any abusive cases of copyright owners versus users?

Mr. OMAN. We didn't. But, as I mentioned, Mr. Chairman, in my oral statement, we did not hear from the States. They did not report any abusive practices or anything other than the few briefs that were submitted for our information. And certainly the copyright proprietors did not put themselves on report by reporting any abusive practices. What they maintain is that it is a buyer's market, and the States have every advantage. It is so competitive in the industry that the States can dictate terms, and the publishers are, in fact, not in a position to engage in sharp practices or impose harsh terms on the States.

Mr. KASTENMEIER. To follow up on what Mr. Sangmeister asked, with respect to your study, did you solicit any views from States or State officials?

Mr. OMAN. We published the "Request for Information" in the Federal Register and I would assume that had been picked up by the State offices in Washington, the office of the National Association for Attorneys General, or NAAG. But, for whatever reason, they chose not to respond.

Ms. Schrader suggests that we did more, and let me ask her to comment.

Mr. KASTENMEIER. Ms. Schrader.

Ms. SCHRADER. Yes, we were certainly conscious of this part of the charge that you made to us. We went out of our way. We did more than we would ordinarily do, which is publishing notice in the Federal Register. We attempted to develop a list of State organizations, especially those active in Washington. We contacted them personally by telephone, and we also mailed the Federal Register notice to these persons directly. So it wasn't just a matter of their having to find it in the Federal Register. We made an attempt to have direct contact with individuals, certainly. I don't recall the names on the list and, I am sorry, I don't have the list before me of all of the organizations. We could supply that to you. But I know that we contacted at least 10 to 12 different State associations in Washington including the Attorneys General Association, legislative lobbying associations, and so on.

Mr. KASTENMEIER. Thank you. I just have two brief questions remaining. That is, is there inherently any problem we might have here with our adherence to the Berne Convention with respect to what might happen in the *Union Gas* case? In, let's say, the worst of all possible worlds, could it cause us any difficulty?

Mr. OMAN. That issue was raised in some of the comments, although it is not directly related to the Berne Convention. We were not members of the Berne Convention when we did the study. Some comments did raise the specter of the United States not fulfilling its obligations under the Berne Convention or the international copyright regime that requires certain rights to be provided for copyright owners. If, in fact, the copyright owners do not have this right for indemnification against the States, this could be seen as inadequate protection under our treaty obligations, and I suspect the argument could be made.

Ms. Schrader, would you like to elaborate?

Ms. SCHRADER. There likely would be a practical problem, for example, in the area of licensing of music. If we don't pay royalties for certain State uses of works, then perhaps the foreign performing rights societies might, in effect, retaliate against us and say that they would not then pay for the performance of U.S. works in a similar context in a foreign situation. I think it would be primarily that kind of practical retaliation that might take place.

The Convention itself doesn't expressly deal with this kind of issue—the liability of State entities.

Mr. OMAN. Generally speaking, the Berne Convention does not permit reciprocity. It insists on national treatment. So, if there were retaliation, it would have to be in another context; for instance, under the GATT.

Mr. KASTENMEIER. One last question, and this is not in your field. But, if your inquiry went to copyright rights and mask works, I understand there would be a corollary with respect to patents. I don't know whether there are any current suits, but, parenthetically, do you have any information or feel for whether the same problem is essentially true for patents as for copyrighted and mask works?

Mr. OMAN. As a general rule, Mr. Chairman, I am always reluctant to comment on the affairs of the Patent and Trademark Office. I also would observe that my sensitivity on that score is not reciprocated in a large degree.

But, in my view, the States have fully recognized their liability under the patent laws to respect patents. They are, in fact, holders of many patents themselves. And, as far as I know, the patent law is very clear on that point and there is no *Atascadero* problem.

Ms. Schrader, did we look at that question in the study?

Ms. SCHRADER. I think there have been discussions with congressional staff about the matter of whether to add a provision with respect to patent suits, and I believe, as Mr. Oman said, we would defer to the Patent and Trademark Office on this point. I believe there was an indication that it would be better to deal with the problem separately, if legislation is needed. I think also it was observed that, as a practical matter, it is extremely difficult for States to really infringe most patents because you would often have the need for some kind of manufacturing capability. It is just less likely that it would be a serious practical problem.

Mr. KASTENMEIER. Thank you. Are there further questions? If not, we are indebted to you for your appearance this morning. It is very helpful on a matter which is extremely important.

This concludes our hearing this morning, and the committee stands adjourned.

[Whereupon, at 11:16 a.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

COPYRIGHT REMEDY CLARIFICATION ACT AND COPYRIGHT OFFICE REPORT ON COPYRIGHT LIABILITY OF STATES

TUESDAY, JULY 11, 1989

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY,
AND THE ADMINISTRATION OF JUSTICE,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2226, Rayburn House Office Building, Hon. Robert W. Kastenmeier (chairman of the subcommittee) presiding.

Present: Representatives Robert W. Kastenmeier, Geo. W. Crockett, Jr., Howard L. Berman, George E. Sangmeister, William J. Hughes, Carlos J. Moorhead, and Howard Coble.

Also present: Michael J. Remington, chief counsel; Virginia E. Sloan, counsel; Stephanie A. Ward and Judith W. Krivit, clerks; and Joseph V. Wolfe, minority counsel.

Mr. KASTENMEIER. The committee will come to order.

Mr. HUGHES. Mr. Chairman, I ask unanimous consent the subcommittee permit the meeting to be covered in whole or in part by television broadcast, radio broadcast, and/or still photography pursuant to rule V of the committee rules.

Mr. KASTENMEIER. Without objection.

Today is the second day of the subcommittee's hearings on H.R. 1131, the Copyright Remedy Clarification Act, and on the Copyright Office's report on sovereign immunity in copyright cases.

At our first hearing, we heard from the Register of Copyrights, Ralph Oman, who told us of his support for H.R. 1131 because that bill simply clarifies what Congress intended in the 1976 Copyright Revision Act: That if States infringe copyrights, they should be held fully liable, for money damages as well as other relief.

Since our last hearing, the Supreme Court has decided the *Union Gas* case, and four other sovereign immunity cases. The Court held that Congress is constitutionally empowered to abrogate the eleventh amendment pursuant to Article I of the Constitution.

Since the copyright laws were enacted pursuant to Congress' article I powers, I see no constitutional obstacle to our proceeding with this legislation.

Our witnesses today will help us to decide whether, from a policy standpoint, we should, in fact, proceed with H.R. 1131. There are many issues still to be decided. We may be asked to revisit the

overarching issue of whether abrogation of sovereign immunity is appropriate in the circumstances before us.

Even if we determine that abrogation is appropriate, we must still review suggestions that certain remedies that the copyright laws impose on private parties may not be appropriate for State institutions.

Before any consideration of these issues, however, we must be sure that the language of H.R. 1131 is sufficient to indicate a clear and explicit congressional intent to abrogate sovereign immunity.

The Supreme Court's requirements on this issue are stringent, and we must adhere to them as precisely as possible.

It is for this reason that we have added to our witness list an expert on the issue of sovereign immunity. She has provided critical advice on a redraft of H.R. 1131, which I believe now meets the Supreme Court's standards, and which has been circulated to our witnesses today.

In any event, I look forward to discussion today of these and other important issues relating to the bill.

The gentleman from California, Mr. Moorhead, do you have an opening statement?

Mr. MOORHEAD. Mr. Chairman, since this is the second hearing on this subject, I don't have a prepared statement, but this is a very important subject. I note that with people here representing some of our universities, from California and elsewhere, the introductory remarks of Senator DeConcini on S. 497 that: "The result of these decisions is that public universities can infringe without liability upon copyrighted materials and essentially steal information from private universities, but private universities cannot similarly infringe with immunity on public institutions."

In other words, UCLA can sue USC for copyright infringement, but USC cannot sue UCLA.

As a graduate of both schools, I am kind of interested in this kind of an outcome.

I hope that our witnesses today can clear up the point for us and that we can go forward with this legislation.

Mr. KASTENMEIER. If there are no other comments, we will introduce our first witness.

In fact, our first witness today, as I mentioned, is an expert on the issue of sovereign immunity.

Carol Lee is a partner at the law firm of Wilmer, Cutler & Pickering and has studied and written extensively about sovereign immunity.

We are grateful to her for extensive advice about redrafting the bill before us and for her testimony.

Welcome.

STATEMENT OF CAROL F. LEE, ESQ., WILMER, CUTLER & PICKERING

Ms. LEE. Mr. Chairman and members of the subcommittee, I appear today in my individual capacity and not on behalf of any client, to discuss the sovereign immunity issues raised by H.R. 1131.

I will summarize my remarks and would like to submit a fuller statement for the record.

Mr. KASTENMEIER. Without objection, your statement will be received and you may proceed.

Ms. LEE. The purpose of H.R. 1131 is to permit copyright owners to collect damages and other monetary remedies when States or State instrumentalities infringe their statutory rights.

Under the Supreme Court's precedents, the doctrine of sovereign immunity generally prevents private parties from suing States for money damages.

Until last month, it was an open question whether Congress has the constitutional authority to override State sovereign immunity when it legislates under any of its article I powers.

By a five-to-four vote, the Court has now decided that Congress has this power under the commerce clause. I believe that the same reasoning applies to the copyright clause.

The Supreme Court has also held, however, that only an extraordinary exercise in statutory drafting will be sufficient to override State sovereign immunity.

Even in 1985, the Court held that Congress must "make its intention unmistakably clear in the language of the statute."

This is a very demanding standard, but last month's Supreme Court decisions made it even more demanding.

In cases involving the Superfund statute, the Bankruptcy Code, and the Education of the Handicapped Act, the voting alignments were somewhat complex, but the results can be summarized simply.

If there is any possible way that the language of a statute can be construed not to authorize money damages against States, plaintiffs are likely to be limited to injunctive or declaratory relief.

They could fail to obtain money damages even if the statute applies to "any person," or to any "entity," or to "anyone," defines this term to include States, and provides that violators shall pay money damages.

Plaintiffs could fail to obtain money damages even if the legislative history indicates that Congress intended to make States pay money damages to winning plaintiffs.

For the majority, legislative history is irrelevant.

"If congressional intent is unmistakably clear in the language of the statute," the majority insists, "reliance on committee reports and floor statements will be unnecessary, and if it is not, the clear statement rule will not be satisfied."

These decisions make it necessary to change the original version of H.R. 1131 in order to achieve its purpose. The draft that is now before you is designed to make Congress' intent so clear and unequivocal that no court will deny successful copyright plaintiffs the right to collect monetary relief from State defendants.

The starting point used in the revised version is the language of the Rehabilitation Act Amendments of 1986, the so-called Atascadero amendments, which were passed to override the Supreme Court's 1985 decision that section 504 of the Rehabilitation Act did not provide for money damages against States.

These amendments were quoted in two of last month's Supreme Court cases to support the contention that Congress knows how to

use explicit language to abrogate State sovereign immunity and were contrasted with the language of the statutes at issue in those cases.

Several additional elements have been added to the 1986 language to make sure that the new version of H.R. 1131 serves its purpose.

The proposed language refers not only to States, but also to instrumentalities of a State. The reason is that some separate entities created and financially supported by States, including State universities, have been given the same sovereign immunity as States themselves. These instrumentalities have frequently been defendants in copyright lawsuits.

In addition, the draft would expressly allow money damages in suits against officers or employees of a State or of an instrumentality of a State, acting in their official capacity.

The reason is that, otherwise, sovereign immunity would preclude damage awards in suits of this kind.

The proposed language refers not only to the eleventh amendment, but to "any other doctrine of sovereign immunity," because there are other sources of immunity.

The draft also expressly provides that States are subject to each section of the Copyright Act that permits the recovery of money or property from defendants—including statutory and actual damages.

The references to these sections are designed to foreclose any contention that Congress intended to allow only declaratory or injunctive relief against States.

Finally, section 3 of the discussion draft makes the amendments prospective only.

If the legislation is enacted as drafted, States will be liable for money damages only for violations that occur on or after the date of enactment.

Again, this provision uses the Rehabilitation Act Amendments of 1986 as a model. In order to gain the support of the administration, it was necessary to make the 1986 bill prospective only.

The Justice Department took the position that it would be unconstitutional to authorize money damages for violations that occurred before the effective date of the statute.

The underlying theory is that, given States' fundamental role in the Federal system, it is unfair to require them to pay damages for conduct that took place when there was no Federal statute overriding sovereign immunity.

The Supreme Court has never decided whether Congress may abrogate sovereign immunity retroactively, and it is difficult to predict the outcome.

In short, the proposed amendment to the Copyright Act has been drafted in order to satisfy the Supreme Court's "unmistakably clear statement" rule for abrogating State sovereign immunity.

The draft is also designed to minimize disputes about its meaning and applicability.

I believe that the language of the discussion draft is unequivocal enough to serve the purpose.

Mr. Chairman, I would be happy to answer any questions you may have.

Mr. KASTENMEIER. Thank you, Ms. Lee, for that brief, concise statement.

[The prepared statement of Ms. Lee follows:]

STATEMENT OF CAROL F. LEE

BEFORE THE SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY AND THE ADMINISTRATION OF JUSTICE, HOUSE JUDICIARY COMMITTEE

JULY 11, 1989

The purpose of H.R. 1131 is to permit copyright owners to collect damages and other monetary remedies when states or state instrumentalities infringe their statutory rights. The current draft of H.R. 1131 takes account of recent Supreme Court decisions that require explicit statutory language in order to subject states to monetary relief in suits brought by private parties in federal court.

Under the Supreme Court's precedents, the constitutional doctrine of sovereign immunity generally prevents private parties from suing states for money damages. The Court has held, however, that Congress has the power to abrogate the sovereign immunity of states when it legislates under its Article I powers.

The Court requires that Congress must make this intention "unmistakably clear in the language of the statute." If there is any possible way that the language of a statute can be construed not to authorize money damages against states, then successful plaintiffs will not obtain monetary remedies but will be limited to injunctive and declaratory relief. Last month's Supreme Court decisions indicated that legislative history is irrelevant. If it is necessary to look to committee reports and floor debate to determine whether Congress intended to override sovereign immunity, then the statutory language is insufficiently clear.

These decisions make it necessary to revise the original version of H.R. 1131 in order to achieve its purpose. The discussion draft builds upon the language of the Rehabilitation Act Amendments of 1986, which were passed to make clear that private parties may obtain money damages against states under Section 504 of the Rehabilitation Act.

Several elements have been added to the 1986 language. The proposed draft abrogates sovereign immunity in suits against instrumentalities of a state, such as state universities, which have been given the same sovereign immunity as states themselves. These entities have frequently been defendants in copyright lawsuits. In addition, the substitute would expressly allow money damages in suits against officers or employees of a state or of a state instrumentality, acting in their official capacity. The Court has held that sovereign immunity bars these suits when the plaintiff seeks monetary relief.

The proposed language also refers specifically to the remedies provided in each of the sections of the Copyright Act that permit plaintiffs to recover money or property from defendants. These references are designed to foreclose any claim that Congress intended to allow only declaratory or injunctive relief against states and state instrumentalities.

Finally, the proposed amendments are prospective only. They provide for money damages against states only for copyright violations occurring on or after the effective date. Attempting to abrogate sovereign immunity retroactively would probably be controversial. When the 1986 Rehabilitation Act Amendments were proposed, the Administration asserted that retroactive application would be unconstitutional. The Supreme Court has not yet ruled on the issue.

STATEMENT OF CAROL F. LEE

BEFORE THE SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY AND THE ADMINISTRATION OF JUSTICE

HOUSE COMMITTEE ON THE JUDICIARY
101ST CONGRESS, FIRST SESSION

JULY 11, 1989

Mr. Chairman and members of the Subcommittee, I am Carol Lee, a member of the law firm of Wilmer, Cutler & Pickering in Washington, D.C. I have written law review articles on the Eleventh Amendment and on Congressional legislation relating to state government liability, and I have closely followed the Supreme Court's sovereign immunity cases. Today I appear before you in my individual capacity and not on behalf of any client. I appreciate the opportunity to testify.

My remarks are addressed to the discussion draft of H.R. 1131 which has been circulated to the Subcommittee. The purpose of this legislation is to permit copyright owners to collect damages and other monetary remedies when states or instrumentalities of states infringe their rights under the Copyright Act or the Semiconductor Chip Protection Act. Last month, the Supreme Court handed down several decisions on state sovereign immunity that make it necessary to change the original version of H.R. 1131 if it is to achieve its purpose.

In order to allow copyright holders to sue states in federal court for money damages, Congress must abrogate the sovereign immunity which states would otherwise enjoy. According to a majority of the Supreme Court, sovereign immunity is a constitutional doctrine, rooted in principles of federalism, which restricts the power of the federal courts under Article III and is partially embodied in the Eleventh Amendment. The Court's decisions indicate that Congress has to be very, very explicit about its intent to abrogate state sovereign immunity, or the federal courts will not award money damages against state defendants. The draft that is now before you is designed to satisfy the Supreme Court's requirement that Congress's intent must be "unmistakably clear" and "unequivocally" expressed.

As some of you will remember, when Congress amended the Copyright Act in 1976, it assumed that money damages would be awarded against all infringers, including states. The Copyright Act, after all, provides that "[a]nyone" who violates any of the exclusive rights of the copyright owner is an infringer, and that infringers are subject to actions for damages and injunctions.1/ The statute also provides several carefully defined exceptions from liability for state institutions. But Supreme Court decisions since 1976 have changed the rules of the game.2/ Applying these recent Supreme Court precedents, the lower federal courts have, almost without exception, refused to allow private parties to collect money damages for copyright violations by states or state instrumentalities.3/ Under the Copyright Act, the jurisdiction of the federal courts is exclusive; copyright owners cannot turn to state courts to seek monetary relief against states and state instrumentalities.

1/ 17 U.S.C. §§ 501(a), 502, 504 (1982).

2/ In cases decided before 1976, the Court looked not only to the language of a statute but also to its legislative history and necessary inferences from its text and structure. See Employees v. Missouri Dep't of Public Health and Welfare, 411 U.S. 279, 285 (1973); Edelman v. Jordan, 415 U.S. 651, 673 (1973). Since then, the Court has rejected both sources of legislative intent; it now looks only to the express language of the statute itself. See Atascadero State Hospital v. Scanlon, 473 U.S. 234, 242-46 (1985); Hoffman v. Connecticut Dep't of Income Maintenance, No. 88-412, slip op. (White, J., plurality opinion) at 6-7 (U.S. June 23, 1989).

3/ See, e.g., BV Engineering v. UCLA, 657 F. Supp. 1246 (C.D. Cal. 1987), aff'd, 858 F.2d 1394 (9th Cir. 1988), cert. denied, 109 S. Ct. 1557 (1989); Cardinal Industries v. Anderson Parrish, No. 83-1038-Civ-T-13 (M.D. Fla. Sept. 6, 1985), aff'd mem., 811 F.2d 609 (11th Cir.), cert. denied, 108 S. Ct. 88 (1987); Richard Anderson Photography v. Radford University, 633 F. Supp. 1154 (W.D. Va. 1986), aff'd, 852 F.2d 114 (4th Cir. 1988), cert. denied, 109 S. Ct. 1171 (1989); Lane v. First Nat'l Bank of Boston, 687 F. Supp. 11 (D. Mass. 1988); Mihalek Corp. v. Michigan, 595 F. Supp. 903 (E.D. Mich. 1984), aff'd on other grounds, 814 F.2d 290 (6th Cir.), cert. denied, 108 S. Ct. 503 (1987); Woelffer v. Happy States of America, Inc., 626 F. Supp. 499 (N.D. Ill. 1985). Contra, Johnson v. University of Virginia, 606 F. Supp. 321 (W.D. Va. 1985).

Until last month it was an open question whether the Constitution gives Congress the authority to abrogate state sovereign immunity from suit in federal court when Congress legislates under its Article I powers. These powers include the Commerce Clause, the Bankruptcy Clause, and the Copyright Clause. States have contended that only one part of the Constitution -- the Fourteenth Amendment -- gives Congress the power to subject states to private suits for money damages. Last month, however, a narrow 5-to-4 majority of the Supreme Court rejected this position and held that Congress does have the power to abrogate when it legislates under the Commerce Clause.4/ The same reasoning would apply to the Copyright Clause, which also gives Congress the plenary power to enact uniform nationwide legislation.5/

4/ Pennsylvania v. Union Gas, No. 87-1241 (U.S. June 15, 1989). The majority on this issue consists of the four Justices who joined Part III of Justice Brennan's opinion, Brennan slip op. at 9-19, and Justice White, who stated in a separate opinion that he agrees with Justice Brennan's conclusion but not with much of his reasoning. White slip op. at 12-13.

5/ In Union Gas, Justice Brennan and three other Justices wrote that the Commerce Clause "withholds power from the States at the same time as it confers it on Congress." Brennan slip op. at 15. The same is true of the Copyright Clause. Indeed, Justice Brennan cited a copyright case, Mills Music, Inc. v. Arizona, 591 F.2d 1278 (9th Cir. 1979), to support his assertion that "every Court of Appeals to have reached this issue has concluded that Congress has the authority to abrogate States' immunity from suit when legislating pursuant to the plenary powers granted it by the Constitution." Brennan slip op. at 11. In his concurring opinion, Justice White did not limit his conclusions to the Commerce Clause; he wrote that "Congress has the authority under Article I to abrogate the Eleventh Amendment immunity of the States." White slip op. at 13.

The various opinions in Hoffman v. Connecticut, a Bankruptcy Code case decided a week after Union Gas, also suggest that a majority of the Court will treat the other Article I powers in the same manner as the Commerce Clause. Justice White's plurality opinion, joined by three other Justices, did not address the question whether Congress has the authority to abrogate state sovereign immunity under the

(continued...)

To exercise this power effectively, however, Congress must "mak[e] its intention unmistakably clear in the language of the statute."6/ This is a very demanding standard, and last month the Supreme Court made it even more demanding. The Court decided cases involving the Superfund statute, the Bankruptcy Code, and the Education of the Handicapped Act.7/ The voting alignments were complex, but the results can be summarized simply: if there is any possible way that the language of a statute can be construed not to authorize money damages against states, plaintiffs are likely to lose.8/ They will lose even if the statute applies to "any person,"

5/ (...continued)
Bankruptcy Clause. White slip op. at 7. However, the other five Justices -- Justice Scalia, concurring, slip op. at 1, and Justices Brennan, Marshall, Blackmun, and Stevens, dissenting, slip op. at 6 -- wrote that there was no basis for treating Congress' powers under the Bankruptcy Clause of Article I any differently from its powers under the Commerce Clause.

6/ Atascadero, 473 U.S. at 241.

7/ In addition to Union Gas (the Superfund statute) and Hoffman v. Connecticut (the Bankruptcy Code), the Court decided Dellmuth v. Muth, No. 87-1855 (U.S. June 15, 1989) (Education of the Handicapped Act). Although Dellmuth involved a statute enacted under the Fourteenth Amendment, the Court made clear in Hoffman that the same rules of statutory clarity apply to statutes adopted pursuant to Congress' Article I powers.

8/ To obtain a holding that a particular federal statute abrogates state sovereign immunity, it will most likely be necessary to win the vote of Justice White, who agrees with Justice Brennan on the constitutional issue but applies an extremely rigorous standard of statutory interpretation. See Union Gas, White slip op. at 1-12; Hoffman v. Connecticut, White slip op. at 1-7.

Although Justice Scalia joined Justice Brennan's opinion on the statutory issue in Union Gas, it is likely that in future cases, he will decline to express any views on Congress' intent in enacting a particular statute. In Hoffman v. Connecticut, he stated that it is unnecessary to "consider[] whether Congress intended to exercise a power it did not possess." Scalia slip op. at 1-2.

or to any "entity," or to "anyone," and defines this term to include states. They will lose even if the legislative history indicates that Congress intended to make states pay money damages to winning plaintiffs. For the majority, legislative history is irrelevant. "If congressional intent is unmistakably clear in the language of the statute, reliance on committee reports and floor statements will be unnecessary, and if it is not, [the clear statement rule] will not be satisfied."9/

The result of the Supreme Court's recent holdings is that ordinary rules of statutory construction do not apply to statutes which are designed to abrogate state sovereign immunity. The language of the statute must leave absolutely no room for doubt, first, that states are subject to the substantive requirements of the statute, and second, that states which violate these requirements may be sued for money relief, including damages. The discussion draft is designed to make Congress' intent so clear that no court will deny successful copyright plaintiffs the right to collect monetary relief from state defendants.

The draft builds on the language of the Rehabilitation Act Amendments of 1986,10/ which were passed to override the Supreme Court's 1985 decision that Section 504 of the Rehabilitation Act did not provide for money damages against states.11/ The 1986 amendments specify that a "State shall not be immune under the Eleventh Amendment." They also provide that "remedies (including remedies both at law and in equity) are available" for a violation "to the same extent as such remedies are available for such a violation in [a] suit against any public or private entity other than a State." The Rehabilitation Act amendments were quoted in two of last month's Supreme Court cases to support the contention that Congress knows how to use explicit language to abrogate state sovereign immunity.12/ Although the sufficiency of the

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9/ Hoffman v. Connecticut, White slip op. at 6-7. A copy of the opinion by Justice White is attached to this statement.

10/ 42 U.S.C. § 2000d-7.

11/ Atascadero, 473 U.S. 234 (1985).

12/ Dellmuth v. Muth, No. 87-1855, majority op. at 5-6 (U.S. June 15, 1989); Pennsylvania v. Union Gas, White concurring op. at 12 n.7.

Rehabilitation Act's language was not before the Court, it provides a useful starting point for the Copyright Act amendments the Subcommittee is now considering.

Several additional elements have been added in the language of the draft. The proposed language refers not only to states but also to instrumentalities of a state. The reason is that some separate entities created and financially supported by states, including state universities, have been given the same Eleventh Amendment immunity as states themselves. They have frequently been defendants in copyright lawsuits.13/

In addition, the draft would allow money damages in suits against officers or employees of a state or of an instrumentality of a state, acting in their official capacity. The reason is that the Supreme Court has permitted plaintiffs to obtain injunctive relief, which in essence runs against the state, if they name a state official rather than the state itself as a defendant. However, when money damages are sought, the Court has held that sovereign immunity bars suits against state officers or employees in their official capacities.14/ It is therefore necessary to abrogate sovereign immunity in these suits as well.

The language of the discussion draft refers not only to the Eleventh Amendment but also to "any other doctrine of sovereign immunity." The Supreme Court has held that the sovereign immunity of states restricts the powers of the federal courts under Article III of the Constitution,15/ and some Justices have suggested that sovereign immunity is based on the common law or on prudential considerations.16/

13/ See, e.g., BV Engineering v. UCLA, 657 F. Supp. 1246 (C.D. Cal. 1987), aff'd, 858 F.2d 1394 (9th Cir. 1988), cert. denied, 109 S. Ct. 1557 (1989).

14/ See Kentucky v. Graham, 473 U.S. 159, 167 n.14 (1985); Alabama v. Pugh, 438 U.S. 781 (1978).

15/ See Atascadero, 473 U.S. at 238; Pennhurst State School and Hospital v. Halderman, 465 U.S. 89, 98 (1984).

16/ See Atascadero, 473 U.S. at 262-79 (Brennan, J., dissenting) (joined by Marshall, Blackmun, Stevens, JJ.); Union Gas (Stevens, J., concurring), slip op. at 1-6.

The draft also refers expressly to the remedies provided in sections 503, 504, 505, and 510 of the Copyright Act. These sections provide for the recovery of money or property from defendants -- including statutory and actual damages and impoundment of infringing materials. The references to these sections are designed to foreclose any contention that Congress intended to allow only declaratory or injunctive relief against states.

Finally, section 3 of the draft makes the amendments prospective only. If the legislation is enacted, states will be liable for money damages only for violations that occur on or after the date of enactment. Again, this provision uses the Rehabilitation Act Amendments of 1986 as a model. Senator Cranston, the sponsor of that legislation, originally made it retroactive to the original Rehabilitation Act, which had been passed in 1973. However, in order to gain the support of the Administration, he agreed to make the bill prospective only. The Justice Department took the position that it would be unconstitutional to authorize money damages for violations that occurred before the effective date of the statute.17/ The underlying theory is that it would be unfair to require states to pay damages for conduct that took place when there was no federal statute abrogating sovereign immunity, because they were entitled to rely on the absence of monetary liability. The Supreme Court has never decided whether Congress may retroactively abrogate sovereign immunity. Given the lack of consensus on the Court about why Congress has the power to abrogate state sovereign immunity, it is difficult to predict how the retroactivity question would be resolved.

In short, the proposed amendment has been drafted in order to satisfy the Supreme Court's clear statement rule for abrogating state sovereign immunity. The draft is also designed to minimize disputes about its meaning and applicability. I believe that the language before you is unequivocal enough to serve the purpose.

17/ 132 Cong. Rec. S15,105-06 (daily ed. Oct. 3, 1986).

SUPREME COURT OF THE UNITED STATES

No. 88–412

MARTIN W. HOFFMAN, TRUSTEE, PETITIONER *v.* CONNECTICUT DEPARTMENT OF INCOME MAINTENANCE ET AL.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

[June 23, 1989]

JUSTICE WHITE announced the judgment of the Court and delivered an opinion in which THE CHIEF JUSTICE, JUSTICE O'CONNOR, and JUSTICE KENNEDY join.

The issue presented by this case is whether § 106(c) of the Bankruptcy Code, 11 U. S. C. § 106(c), authorizes a bankruptcy court to issue a money judgment against a State that has not filed a proof of claim in the bankruptcy proceeding.

Petitioner Martin W. Hoffman is the bankruptcy trustee for Willington Convalescent Home, Inc. (Willington) and Edward Zera in two unrelated Chapter 7 proceedings. On behalf of Willington, he filed an adversarial proceeding in United States Bankruptcy Court—a "turnover" proceeding under 11 U. S. C. § 542(b)—against respondent Connecticut Department of Income Maintenance. Petitioner sought to recover $64,010.24 in payments owed to Willington for services it had rendered during March 1983 under its Medicaid contract with Connecticut. Willington closed in April 1983. At that time, it owed respondent $121,408.00 for past Medicaid overpayments that Willington had received, but respondent filed no proof of claim in the Chapter 7 proceeding.

Petitioner likewise filed an adversarial proceeding in United States Bankruptcy Court on behalf of Edward Zera against respondent Connecticut Department of Revenue Services. Zera owed the State of Connecticut unpaid taxes,

penalties, and interest, and in the month prior to Zera's filing for bankruptcy the Revenue Department had issued a tax warrant resulting in a payment of $2,100.62. Petitioner sought to avoid the payment as a preference and recover the amount paid. See 11 U. S. C. § 547(b).

Respondents moved to dismiss both actions as barred by the Eleventh Amendment. In each case the Bankruptcy Court denied the motions to dismiss, reasoning that Congress in § 106(c) had abrogated the States' Eleventh Amendment immunity from actions under §§ 542(b) and 547(b) of the Bankruptcy Code and that Congress had authority to do so under the Bankruptcy Clause of the United States Constitution, Art. I, § 8, cl. 4. Respondents appealed to the United States District Court, and the United States intervened because of the challenge to the constitutionality of § 106. The District Court reversed without reaching the issue of congressional authority. 72 B. R. 1002 (Conn. 1987). The Court held that § 106(c), when read with the other provisions of § 106, did not unequivocally abrogate Eleventh Amendment immunity.

The United States Court of Appeals for the Second Circuit affirmed the District Court. 850 F. 2d 50 (1988). The Court of Appeals concluded that the plain language of § 106(c) abrogates sovereign immunity "only to the extent necessary for the bankruptcy court to determine a state's rights in the debtor's estate." *Id.*, at 55. The section does not, according to the Court of Appeals, abrogate a State's Eleventh Amendment immunity from recovery of an avoided preferential transfer of money or from a turnover proceeding. The Court of Appeals specifically rejected petitioner's reliance on the legislative history of § 106(c) because that expression of congressional intent was not contained in the language of the statute as required by *Atascadero State Hospital* v. *Scanlon*, 473 U. S. 234, 242 (1985). Because the actions brought by petitioner were not within the scope of § 106(c), the Court held that they were barred by the Eleventh Amendment.

The Second Circuit's decision conflicts with the decisions of the Third Circuit in *Vazquez* v. *Pennsylvania Dept. of Public Welfare*, 788 F. 2d 130, 133, cert. denied, 479 U. S. 936 (1986), and the Seventh Circuit in *McVey Trucking, Inc.* v. *Secretary of State of Illinois*, 812 F. 2d 311, 326–327, cert. denied, 484 U. S. 895 (1987). We granted certiorari to resolve the conflict, 488 U. S. —— (1989), and we now affirm.

Section 106 provides as follows:

> "(a) A governmental unit is deemed to have waived sovereign immunity with respect to any claim against such governmental unit that is property of the estate and that arose out of the same transaction or occurrence out of which such governmental unit's claim arose.
>
> "(b) There shall be offset against an allowed claim or interest of a governmental unit any claim against such governmental unit that is property of the estate.
>
> "(c) Except as provided in subsections (a) and (b) of this section and notwithstanding any assertion of sovereign immunity—
>
> "(1) a provision of this title that contains 'creditor,' 'entity,' or 'governmental unit' applies to governmental units; and
>
> "(2) a determination by the court of an issue arising under such a provision binds governmental units." 11 U. S. C. § 106.

Neither § 106(a) nor § 106(b) provides a basis for petitioner's actions here, since respondents did not file a claim in either Chapter 7 proceeding. Instead, petitioner relies on § 106(c), which he asserts subjects "governmental units," which includes States, 11 U. S. C. § 101(26), to all provisions of the Bankruptcy Code containing any of the "trigger" words in § 106(c)(1). Both the turnover provision, § 542(b), and the preference provision, § 547(b), contain trigger words—"an entity" is required to pay to the trustee a debt that is the property of the estate, and a trustee can under appropriate circumstances avoid the transfer of property

to "a creditor." Therefore, petitioner reasons, those provisions apply to respondents "notwithstanding any assertion of sovereign immunity," including Eleventh Amendment immunity.

We disagree. As we have repeatedly stated, to abrogate the States' Eleventh Amendment immunity from suit in federal court, which the parties do not dispute would otherwise bar these actions, Congress must make its intention "unmistakably clear in the language of the statute." *Atascadero State Hospital* v. *Scanlon*, *supra*, at 242; see also *Dellmuth* v. *Muth*, 491 U. S. ——, —— (1989); *Welch* v. *Texas Dept. of Highways and Public Transp.*, 483 U. S. 468, 474 (1987) (plurality opinion). In our view, § 106(c) does not satisfy this standard.

Initially, the narrow scope of the waivers of sovereign immunity in §§ 106(a) and (b) makes it unlikely that Congress adopted in § 106(c) the broad abrogation of Eleventh Amendment immunity for which petitioner argues. The language of § 106(a) carefully limits the waiver of sovereign immunity under that provision, requiring that the claim against the governmental unit arise out of the same transaction or occurrence as the governmental unit's claim. Subsection (b) likewise provides for a narrow waiver of sovereign immunity, with the amount of the offset limited to the value of the governmental unit's allowed claim. Under petitioner's interpretation of § 106(c), however, the only limit is the number of provisions of the Bankruptcy Code containing one of the trigger words. With this "limit," § 106(c) would apply in a scattershot fashion to over 100 Code provisions.

We believe that § 106(c)(2) operates as a further limitation on the applicability of § 106(c), narrowing the type of relief to which the section applies. Section 106(c)(2) is joined with subsection (c)(1) by the conjunction "and." It provides that a "determination" by the bankruptcy court of an "issue" "binds governmental units." This language differs significantly from the wording of §§ 106(a) and (b), both of which

use the word "claim," defined in the Bankruptcy Code as including a "right to payment." See 11 U. S. C. § 101(4)(A). Nothing in § 106(c) provides a similar express authorization for monetary recovery from the States.

The language of § 106(c)(2) is more indicative of declaratory and injunctive relief than of monetary recovery. The clause echoes the wording of sections of the Code such as § 505, which provides that "the court may determine the amount or legality of any tax," 11 U. S. C. § 505(a)(1), a determination of an issue that obviously should bind the governmental unit but that does not require a monetary recovery from a State. We therefore construe § 106(c) as not authorizing monetary recovery from the States. Under this construction of § 106(c), a State that files no proof of claim would be bound, like other creditors, by discharge of debts in bankruptcy, including unpaid taxes, see *Neavear* v. *Schweiker*, 674 F. 2d 1201, 1204 (CA7 1982); cf. *Gwilliam* v. *United States*, 519 F. 2d 407, 410 (CA9 1975), but would not be subjected to monetary recovery.

We are not persuaded by the suggestion of petitioner's *amicus* that the use of the word "determine" in the jurisdictional provision of the Code, 28 U. S. C. § 157(b)(1), is to the contrary. Brief for INSLAW, Inc., as *Amicus Curiae* 10–11. That provision authorizes bankruptcy judges to determine "cases" and "proceedings," not issues, and provides that the judge may "enter appropriate orders and judgments," not merely bind the governmental unit by its determinations. Moreover, the construction we give to § 106(c) does not render irrelevant the language of the section that it applies "notwithstanding any assertion of sovereign immunity." The section applies to the Federal Government as well, see 11 U. S. C. § 101(26) (defining "governmental unit" as including the "United States"), and the language in § 106(c) waives the sovereign immunity of the Federal Government so that the Federal Government is bound by determinations of issues by the bankruptcy courts even when it did not appear and sub-

ject itself to the jurisdiction of such courts. See, *e. g.*, *Neavear*, *supra*, at 1204.

Petitioner contends that the language of the sections containing the trigger words supplies the necessary authorization for monetary recovery from the States. This interpretation, however, ignores entirely the limiting language of § 106(c)(2). Indeed, § 106(c), as interpreted by petitioner, would have exactly the same effect if subsection (c)(2) had been totally omitted. "It is our duty 'to give effect, if possible, to every clause and word of a statute,'" *United States* v. *Menasche*, 348 U. S. 528, 538–539 (1955) (quoting *Montclair* v. *Ramsdell*, 107 U. S. 147, 152 (1883)), and neither petitioner nor its *amicus* suggests any effect that their interpretation gives to subsection (c)(2).

Finally, petitioner's reliance on the legislative history of § 106(c) is also misplaced. He points in particular to floor statements to the effect that "section 106(c) permits a trustee or debtor in possession to assert avoiding powers under title 11 against a governmental unit." See 124 Cong. Rec. 32394 (1978) (statement of Rep. Edwards); *id.*, at 33993 (statement of Sen. DeConcini). The Solicitor General suggests that these statements should be construed as referring only to cases in which the debtor retains a possessory or ownership interest in the property that the trustee seeks to recover, Brief for United States 20, and cites as an example this Court's decision in *United States* v. *Whiting Pools, Inc.*, 462 U. S. 198 (1983) (holding that IRS could be required to turn over to bankrupt estate tangible property to which debtor retained ownership).

The weakness in petitioner's argument is more fundamental, however, as the Second Circuit properly recognized. As we observed in *Dellmuth* v. *Muth*, *supra*, at, ——, "[l]egislative history generally will be irrelevant to a judicial inquiry into whether Congress intended to abrogate the Eleventh Amendment." If congressional intent is unmistakably clear in the language of the statute, reliance on commit-

tee reports and floor statements will be unnecessary, and if it is not, *Atascadero* will not be satisfied. 491 U. S., at ——. Similarly, the attempts of petitioner and its *amicus* to construe § 106(c) in light of the policies underlying the Bankruptcy Code are unavailing. These arguments are not based in the text of the statute and so, too, are not helpful in determining whether the command of *Atascadero* is satisfied. See 491 U. S., at ——.

We hold that in enacting § 106(c) Congress did not abrogate the Eleventh Amendment immunity of the States. Therefore, petitioner's actions in United States Bankruptcy Court under §§ 542(b) and 547(b) of the Code are barred by the Eleventh Amendment. Since we hold that Congress did not abrogate Eleventh Amendment immunity by enacting § 106(c), we need not address whether it had the authority to do so under its bankruptcy power. Compare *Pennsylvania* v. *Union Gas Co.*, 491 U. S. —— (1989). The judgment of the Second Circuit is affirmed.

It is so ordered.

Mr. KASTENMEIER. In your view, does the new draft make States liable for all copyright infringement remedies to the same extent as all other parties are liable?

Ms. LEE. Yes, Mr. Chairman. The draft expressly so provides.

Mr. KASTENMEIER. And I think you have indicated that even though specifically the Supreme Court cases finding that Congress has constitutional authority to override State sovereign immunity under its article I powers, and even though those cases dealt specifically with certain areas such as bankruptcy, education of the handicapped, superfund, by analogy, the Court would find the same way with respect to the copyright clause; is that correct?

Ms. LEE. Yes, and that requires some adding together of different votes on the Court.

There is a solid block of four led by Justice Brennan with Justice Marshall, Justice Blackmun and Justice Stevens, which has a fairly aggressive view of the ability of Congress to subject States to monetary liability, and they formed the core of the majority in *Union Gas* on superfund and were a solid four-vote dissent on the Bankruptcy Code.

Their view is clearly that article I powers, whatever the source, whether it is the commerce clause or the bankruptcy clause, or by analogy other powers as well, give rise to the power to abrogate.

Then there is Justice White. Justice White is much harder to read because he did not explain his reasoning in *Union Gas.*

He wrote in a one-sentence statement that he agreed with Justice Brennan's conclusion that Congress has article I power to abrogate, but that he did not agree with much of Justice Brennan's reasoning. Then he ended his opinion without explaining what reasoning he would adhere to.

However, he did refer broadly to article I powers, not merely to the commerce clause, and I believe that it is a good assumption that as the Court stands now, the copyright clause gives the power to abrogate as long as the language is clear enough on the face of the statute.

Mr. KASTENMEIER. On the question of retroactivity, as I understand what you have said, you have said that that is an area that is not clear because there appears to be a lack of consensus in the Court as to why Congress has the power to abrogate State sovereign immunity. Therefore, we really don't know whether—if the law were retroactive, whether that would survive.

Ms. LEE. I think that is right.

As I indicated before, Justice White didn't explain at all what his reasoning was for abrogation, but in prior cases, he has been very reluctant to find that sovereign immunity has been abrogated and has joined in or written opinions stressing the importance of States in the Federal system and the fundamental balance of the Constitution.

It may very well be, based on his concept that States can only be subjected to liability under fairly strict circumstances, that he would decide that the legislation could be prospective only. But there is no Supreme Court holding on that issue.

In fact, in *Union Gas* itself, the Court did not address the retroactivity question, but it could certainly be argued that there is one

since the harm which took place occurred before the passage of the 1986 statute.

Mr. KASTENMEIER. One of our witnesses will testify that State sovereign immunity in the copyright area should be analogous to sovereign immunity for the Federal Government, that State and Federal doctrines ought to be precisely the same.

What is your response to that?

Ms. LEE. It is difficult to draw a precise analogy because in the case of Federal sovereign immunity, it is the same sovereign which passes the law and which consents to be sued in its own special court, the court of claims.

In the case of States being sued under the Copyright Act, it is not State law, it is Federal law.

Under the Copyright Act of 1976, a Federal forum is exclusively the place in which copyright lawsuits may be brought.

As long as one adheres to the exclusive Federal forum, it is not possible to create a direct analogy.

In addition, as was pointed out in the UCLA statement, the type of remedy that is allowed in the Federal waiver of sovereign immunity is damages and not injunctive relief, whereas the current state of the law regarding State's is that injunctive relief is allowed in suits against State officers and employees in their official capacity, but there is not yet any damages relief.

So it is almost a mirror image, the exact opposite, rather than the same.

I certainly think that from a copyright point of view, it would be undesirable to try to make them the same by abolishing injunctive relief at the same time as allowing damages, because although injunctive relief is not sufficient, it certainly is an important and useful supplement and a way of preventing future violations.

Mr. KASTENMEIER. We have talked about copyright here. Should the redraft and should the bill reach all other forms of intellectual property as well as copyright even though the incidence of a problem might be less; that is, of course, I am talking about patents, trademarks, et cetera?

Do you think that it ought to equally apply to those other areas as well as copyright?

Ms. LEE. I think that from the point of view of sovereign immunity, each abrogation is a choice for Congress to make in light of its understanding of the problems and the policies served by the Federal statute.

I am not an expert on patent or trademark. It may well be that the same policies are involved, but I do not believe these areas have had the extensive study that has already taken place on the copyright issue.

The Copyright Office report is quite extensive and was based on questionnaires and surveys and comments from the public, and it may be that without that type of background yet on the other forms of intellectual property, it is premature to legislate.

Mr. KASTENMEIER. Thank you, Ms. Lee.

The gentleman from California, Mr. Moorhead.

Mr. MOORHEAD. Thank you, Mr. Chairman.

Ms. Lee, you indicated that the discussion draft builds upon the language of the Rehabilitation Act of 1986 which was passed to

make clear that private parties may obtain money damages against States under section 504 of the Rehabilitation Act.

To your knowledge, have the relevant provisions of this act ever been subject to a court challenge?

Ms. LEE. I know that they have been applied in a couple of lower court cases. It has certainly not reached the Supreme Court and I am not aware of any challenge to the clarity of this language.

Mr. MOORHEAD. You seem to be pretty clear that you feel the Court has taken the position—I would agree with you—that Congress can abrogate the fourteenth amendment.

I think it comes down to—weighing the social needs of the State against property rights, and I wonder how you come down on that issue?

Ms. LEE. I think that the basic place for the weighing of the social needs of the State against property rights in the copyright area is probably in the substantive definition of what constitutes a copyright violation, what constitutes fair use, what are the defenses. As I understand it, in the 1976 Act, there are a number of exemptions that were included because of the view that States acting in nonprofit capacities ought not to be liable for copyright violations.

Once you come to the remedy, Congress has already made a deliberate policy choice that States should not be engaging in this sort of behavior and that when States do engage in this form of copying, then it is a violation of someone's intellectual property right. At that point I think it is appropriate to allow an effective remedy to be provided by suits for money damages against States by private parties.

Mr. MOORHEAD. It gets people upset if they think the State is taking money or property or property rights from individuals without compensation.

Ms. LEE. Yes.

Mr. MOORHEAD. Thank you.

Thank you, Mr. Chairman.

Mr. KASTENMEIER. The gentleman from New Jersey.

Mr. HUGHES. Thank you, Mr. Chairman.

I take it that you would not agree with one of the witnesses that will follow you that we should give the States concurrent jurisdiction over copyright enforcement?

Ms. LEE. It seems to me that again that is a question of copyright policy rather than of sovereign immunity, because if Congress makes its intent clear enough, and it has to be clear in this context as well, there is nothing in the eleventh amendment or in broader doctrines of sovereign immunity that would prevent Congress from forcing State courts to hear copyright cases, including money damage suits against States.

The question is whether or not there is a strong reason not to disturb the principle of exclusivity of Federal jurisdiction over copyright cases which was established in the 1976 Act.

I think that is a question which perhaps other witnesses appearing before you today, including Barbara Ringer, would be more qualified to testify about.

Mr. HUGHES. Thank you.

Thank you, Mr. Chairman.

Mr. KASTENMEIER. The gentleman from North Carolina, Mr. Coble.

Mr. COBLE. No questions, Mr. Chairman.

I join you in welcoming Ms. Lee to our hearing this morning.

Mr. KASTENMEIER. The gentleman from Michigan, Mr. Crockett.

Mr. CROCKETT. No questions.

Thank you.

Mr. KASTENMEIER. The gentleman from Illinois.

Mr. SANGMEISTER. No questions.

Thank you, Mr. Chairman.

Mr. KASTENMEIER. Thank you for your appearance and your important help outside this arena in terms of the redraft we have before us.

Thank you.

Mr. KASTENMEIER. Now we are pleased to call forward and to introduce Barbara Ringer, who was the Register of Copyrights during the effort to revise the copyright laws which culminated in the 1976 Act.

In fact, more than any other single person, I think Barbara Ringer was responsible for that act.

It is true she had the aid of a number of her colleagues who also made enormous contributions personally, but none, I think, played the significant role that Barbara Ringer did in bringing about the 1976 Act.

She has certainly worked closely with the subcommittee for many years and obviously her advice has always been invaluable.

We look forward to your testimony this morning.

STATEMENT OF BARBARA RINGER, ESQ., FORMER REGISTER OF COPYRIGHTS, LIBRARY OF CONGRESS

Ms. RINGER. Thank you very much, Mr. Chairman.

I have a prepared statement, but I will summarize it briefly and rather informally. I hope that it will be included in the record.

Mr. KASTENMEIER. Without objection, your statement in its entirety will be placed in the record.

Ms. RINGER. I am Barbara Ringer, the former Register of Copyrights.

At this moment, I am writing a history of U.S. copyright law from 1790 to 1990 for publication in connection with the bicentennial of the original copyright law, and as a result, I have been reading some old cases recently, and in a way they have prepared me for this issue.

I appear today in a purely personal capacity. My views are my own and I represent no one but myself.

I am grateful, however, for the opportunity to address this important problem.

As I see it—and, in fact, your opening statement, Mr. Chairman, more or less anticipates me—there are three questions to be considered here.

First, can you do it at all? Does the Constitution permit the legislature of the United States to abrogate the immunity from copyright liability of the States?

Second, assuming that it can, what do you have to do in order to accomplish this? What do you have to do in order to get constitutional legislation past the Supreme Court under the very extremely onerous requirements that the Court has laid down?

Finally—and your statement indicated that this may be uppermost in your mind, Mr. Chairman—should you do it? Should you abrogate the sovereign immunity of the States? I think we have to assume that State immunity from copyright liability exists now, I don't think there is any argument about that.

To the first question, which I find fascinating and very difficult, I will say unequivocally that my answer is yes, you can do it.

I should say that I disagree with statements I have seen, declaring that the Supreme Court in *Union Gas* held that you can do it under article I—that the sovereign immunity of the States with respect to any article I power that you have can be abrogated. That is not what the Supreme Court held in *Union Gas*. They held that an article I power can be abrogated, but there has been no solid holding—no holding at all—with respect to the copyright clause.

You have to say that.

However, as Ms. Lee said—and I certainly agree with her—there is strong extrinsic evidence that the power exists with respect to patents and copyrights. And this is an important point to make, Mr. Chairman: Unless you do it, unless you abrogate, you will never get an answer from the Supreme Court. If your language is not clear, they will always decide the cases on that ground, without reaching the fundamental question of whether Congress can abrogate State immunity from copyright liability.

So, if you want to do it, you are going to have to do it in unmistakably clear language. Even then I suspect this will be litigated, but I think that is the only way to go. That is my answer on the first point, and if you want to ask why I believe the Supreme Court has impliedly held that State sovereign immunity with respect to all article I rights can be abrogated, I will be glad to elaborate that point.

Second, it is perfectly obvious, I think, to everyone now that the text of H.R. 1131 wasn't sufficient as drafted originally to meet the Supreme Court's new and very exacting test with respect to unmistakable clarity.

I believe that the redraft is completely acceptable in that regard.

I just can't conceive of how the Court could find that this didn't express a clear-cut intention of Congress to abrogate. I think it is prudent to have a full record showing that Congress carefully considered this question.

Admittedly, legislative history is no longer supposed to be of any importance, but I think underlying the recent Supreme Court decisions is the view of at least part of the Court that Congress has to consider each case on its merits and then produce the unmistakably clear language. I would also urge you to do that in the case of patents, Mr. Chairman.

Finally, should Congress enact H.R. 1131 as revised, my answer is that, yes, you should, and you should do it as soon as possible.

The Copyright Office report on State sovereign immunity is really a model of what such a report should be, Mr. Chairman. It recounts the results of its factual inquiry, and it shows that there

were problems a year ago and that they were likely to get worse. I have read the statements submitted to the Senate and to you in connection with these hearings, and I think they will convince you that that is the case.

I rarely have basic disagreements with the educational community and I admire them very much, Mr. Chairman. I do differ with them on this question.

Their statement takes the view that there are no problems now. I think the record probably refutes that. They also say there aren't going to be any problems in the future, because they are honest people; they say they tell their people not to infringe, and that that should take care of it.

History tells us that it doesn't work that way.

Educators and librarians are honest people and people of the utmost goodwill. They are not greedy pirates or racketeers. These are people that want to help the community. But there have been plenty of instances—and unfortunately they are going on right now even under the 1976 law—where there is a crunch between budgetary considerations and copyright, and in these cases copyright gives way.

Here there wouldn't be any budgetary considerations. States instrumentalities are given a free ride under the Supreme Court decisions, and there is no question that they would take advantage of it.

States are major users of copyrighted materials of all sorts. I don't think people realize how far this goes. I believe that there would be a drastic effect on certain segments of the copyright community—the rights and interests of major segments of copyright property owners—if this situation were allowed to continue indefinitely.

There is nothing premature about the issue that is facing you, Mr. Chairman. Congress has been considering this problem since the *Atascadero* decision, which made it apparent that there is a kind of emergency here.

I will be happy to answer questions with respect to the points made in the educators' statements about making State liability for copyright infringement equivalent to Federal liability, and whether or not to give State courts concurrent jurisdiction in suits against the State.

The former is addressed briefly in my statement, Mr. Chairman.

I would like to make a final point. If this freedom from liability for State copyright infringement is allowed to continue, there is no question that the problem will grow.

I have seen this happen time after time after time: Where there is a loophole that exists originally or is discovered later, as it would be in this case, people are certain to take advantage of it.

Once the loophole gets to be known, the cat is among the pigeons, and there is nothing you can do except to go on and legislate.

If you wait, an atmosphere of lawlessness develops. Admittedly, this is not like jukebox or record piracy where you actually had the mob moving in. This is quite a different situation, yet some of the same thinking will begin to permeate.

You start small and you say, "Well, I can get away with this so I am going to do it." Then it grows and grows.

This is really very serious, Mr. Chairman. I think that if you have an opportunity, as you do, to cut this off immediately, you should do it. This is the main reason why I support H.R. 1131.

Thank you, Mr. Chairman.

Mr. KASTENMEIER. Thank you, Ms. Ringer.

[The prepared statement of Ms. Ringer follows:]

SUMMARY
STATEMENT OF BARBARA RINGER
ON H.R. 1131, THE COPYRIGHT REMEDY CLARIFICATION ACT

The difficult and fundamentally important issue reflected in H.R. 1131--the relation between the federal copyright law and state sovereign immunity--presents the legislator with three questions:

First: Does Congress have power to abrogate state sovereign immunity for monetary liability for infringement under the federal copyright statute? The answer is yes. Under the recent majority decision in the Union Gas case, as amplified by the opinions in that case and in the even more recent Hoffman case, Congress has the constitutional authority to abrogate state immunity in cases arising under Article I of the Constitution, including copyright cases, and to make the States and their officers fully subject to monetary recovery.

Second: How should the statute be framed to accomplish abrogation? The Supreme Court has established an exceptionally stringent rule for drafting an abrogation provision, but the proposed revision of H.R. 1131 meets that standard.

Third: Should Congress abrogate? My answer is yes, and as soon as possible. States and their instrumentalities are major users of the whole range of copyrighted materials, and if immunity is allowed to continue there is sure to be massive infringement since injunctions are neither a deterrent to "piracy" nor an incentive to sue.

STATEMENT OF BARBARA RINGER

FORMER REGISTER OF COPYRIGHTS

BEFORE THE

HOUSE JUDICIARY SUBCOMMITTEE ON

COURTS, INTELLECTUAL PROPERTY AND THE

ADMINISTRATION OF JUSTICE

ON

H.R. 1131, THE COPYRIGHT REMEDY CLARIFICATION ACT

JUNE 21, 1989

Thank you, Mr. Chairman. I am Barbara Ringer, the former Register of Copyrights. I am currently writing a history of the copyright law of the United States, which will be published next year by the Library of Congress as part of the celebration of the bicentennial of the first federal patent and copyright statutes. I appear here today in a purely personal capacity; my views are my own and I represent no one but myself. I am grateful for the opportunity to testify on H.R. 1131 and on the difficult and fundamentally important issue it reflects: the relationship between the federal copyright law and state sovereign immunity.

As I see it, there are three basic questions facing you today:

First: Can the Congress of the United States, under its constitutional powers, abrogate state sovereign immunity from monetary liability for infringement under the federal copyright statute?

Second: Assuming that it can, how should the legislation be framed so that it satisfies the stringent criteria established under recent Supreme Court decisions?

Third, and finally: As a matter of policy, should Congress abrogate state sovereign immunity for copyright infringement? Is there justification for continuing to give the States and their instrumentalities a free copyright ride?

Or, to put the three questions very simply: Can you do it? How can you do it so that it will stick? And should you do it?

To the first question, my answer is yes, you can do it. Assuming, as we must, that the States are now immune from liability for monetary damages when they infringe a federal

statutory copyright, Congress has the constitutional authority to abrogate that immunity and to make the States and their officers fully subject to monetary recovery.

Before last month the Supreme Court had made clear that Congress has power to override State immunity in cases arising under the Fourteenth Amendment, but had left unanswered the question of whether immunity could be abrogated in Article I cases--that is, cases involving federal statutes, such as the Copyright Code, enacted under Congress's plenary constitutional powers. On June 15th the Court handed down its decision in Pennsylvania v. Union Gas in which, by a bare majority, it held that the Constitution gives Congress the power to override state immunity in cases arising under the commerce clause of Article I.

Justice Brennan's plurality opinion on this point in Union Gas, which was joined by Justices Marshall, Blackmun, and Stevens, dealt only with the commerce clause, and did not mention or discuss Congress's powers with respect to other Article I cases, including those arising under the bankruptcy clause or the copyright/patent clause. However, the reasoning adduced to support abrogation in commerce clause cases applies equally to the other plenary powers under Article I. Justice White, whose vote on this point provided the five-vote

majority, agreed "that Congress has the authority under Article I to abrogate the Eleventh Amendment immunity of the States." (emphasis supplied)

Justice Scalia's dissent on this point in Union Gas, which was joined by Chief Justice Rehnquist and Justices O'Connor and Kennedy, took a very different view. The Court's 1890 decision in Hans v. Louisiana had held that immunity of the States from monetary liability arises not only in the diversity-of-citizenship cases specified by the literal language of the Eleventh Amendment, but also in non-diversity cases by virtue of an underlying "doctrine of sovereign immunity." Justice Scalia recognized that, because the Fourteenth Amendment was adopted later and was "avowedly directed against the powers of the States, and permits abrogation of their sovereign immunity only for a limited purpose," Congressional abrogation of state immunity in Fourteenth Amendment cases is authorized. However, in Article I cases, the four-justice minority represented by Justice Scalia's dissent would reinforce the Hans decision by holding that this "doctrine of sovereign immunity" (as reflected or subsumed in the Eleventh Amendment) cannot be overridden by Congress no matter what language is used in the statute.

Although the minority in Union Gas would thus foreclose any possibility of Congressional abrogation of State monetary liability for copyright infringement, Justice Scalia's opinion

expressly declares that, "if the Article I commerce power enables abrogation of state sovereign immunity, so do all the other Article I powers."

In Hoffman v. Connecticut Department of Income Maintenance, a decision handed down eight days after Union Gas, the Court considered another Article I case, this one involving the bankruptcy clause. Justice White's majority opinion, which was joined by Chief Justice Rehnquist and Justices O'Connor and Kennedy, held that the statute in question was insufficiently explicit to effect an abrogation of immunity; it added that, "since we hold that Congress did not abrogate Eleventh Amendment immunity by enacting [the section in question], we need not address whether it had the authority to do so under its bankruptcy power." Justice Scalia's concurrance followed the line of his dissent in Union Gas: the State should be held immune regardless of the language of the statute. The dissent by Justice Marshall, joined by Justices Brennan, Blackmun, and Stevens, took up the question of Congressional power to abrogate sovereign immunity under the bankruptcy clause of Article I, and offered the view that there was "no reason to treat Congress's power under the bankruptcy clause any differently [from treatment of the commerce clause in Union Gas], for both give Congress plenary power over national economic activity." The same, of course, can be said for the copyright clause.

Thus, although the Supreme Court has not ruled directly on Congress's power under the copyright/patent clause of Article I, the majority decision in Union Gas, and the various opinions in both Union Gas and Hoffman, strongly support the constitutional authority of Congress to enact legislation such as H.R.1131.

The next question is how to frame the statute so that it will accomplish the desired abrogation under the extraordinarily exacting standards that have now emerged in the Supreme Court's recent decisions. These include not only Union Gas and Hoffman but also Dellmuth v. Muth and Will v. Michigan Department of State Police, both decided on June 15. It now appears that, if Congress decides to abrogate State sovereign immunity under a particular statute, it must express its intention directly and explicitly in the text of the statute and in the clearest possible language. Legislative history and permissible inferences from statutory purpose and suggestive language are no longer of any relevance whatever; it is not enough to include States in definitions or in classes of defendants. Although one might have thought, before the June decisions, that the language of H.R. 1131 was sufficient to accomplish its purpose, that is no longer the case.

For whatever it is worth, let me say that there is no question in my mind that, in enacting the 1976 copyright revision, Congress intended to make States liable for copyright infringement. Representatives of State instrumentalities testified and submitted statements here and in the Senate, and participated in literally hundreds of meetings and negotiations that led to the many compromises embodied in the act. There was a universal assumption that State infringements would result in money damages, and as far as I know the question of sovereign immunity was never raised by anyone. In hindsight I think it was a mistake not to have made an attempt to abrogate State sovereign immunity in the statute; but, as the Supreme Court decisions have evolved, it seems certain that any effort you might have made in 1976 would have failed. If sovereign immunity is to be overridden, the language used must be much more detailed and explicit than anything we could conceivably have envisioned in 1976.

I have seen and studied the revised version of H.R. 1131 that has been circulated in draft form, and I believe it fully satisfies the Supreme Court's stringent new test. It has my unqualified support.

Finally, should Congress enact H.R. 1131 as revised? My answer is that you should, and that you should do it now.

In the Copyright Office's fine report of June 1988, titled Copyright Liability of States and the Eleventh Amendment, Part II recounts the results of the Office's factual inquiry on the subject. It shows that, as of more than one year ago, copyright proprietors were already encountering very real problems as the result of what the representatives of some state instrumentalities perceived as their freedom to use copyrighted material without paying for it. The report also found no evidence of abuses by copyright owners in their dealings with state government officials. In fact, it is well known that in many cases the state is in a far stronger bargaining position than the publisher and, where the terms of licensing agreements are concerned, can call the shots.

A year ago some of the copyright cases dealing with State sovereign immunity were still in the courts, and most state instrumentalities had not yet awakened to the windfall that the Supreme Court has blown their way. The representatives of the educators say that Congressional action now would be premature, and that continuing state immunity causes copyright owners no problems now and would not cause them any problems in the future. These assertions, it seems to me, fly in the face of common sense and reality.

States amd their instrumentalities are major users of copyrighted material of all sorts--not only the familiar forms of printed books and periodicals but the whole range of creative expression in the 1980's: dance and drama, music and sound recordings, photographs and filmstrips, motion pictures and video recordings, computer software and chips, pictorial and graphic material, maps and architectural plans, and so forth, ad infinitum. State exploitation of copyrighted works is by no means limited to uses that can be called educational or nonprofit. They include large publishing enterprises, computer networks, off-air taping, public performance and display, radio and television broadcasting, and cable transmissions, to name only the most obvious.

I believe the representatives of educators and librarians when they say that they support the principle of copyright and will tell their people not to infringe. Throughout the long history of copyright revision and Berne adherence they proved their good faith, their willingness to compromise, and their genuine effots to stick to their bargains and implement them. But they are not the ones who will be calling the tune here. When an administrator with a sharply restricted budget asks her lawyer whether she must take licenses for some massive use--such as cut-and-paste anthologies or systematic off-air taping of copyrighted motion pictures for classroom use, what

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do you think the lawyer is going to say? All the good faith in the world is not going to override the reality that people will not pay for something they can get free.

The Atascadero decision, which effectively started this whole downward slide, was decided in 1985. Chairman Kastenmeier's letter initiating the Copyright Office's study is dated August 3, 1987. The report of the Office summarizing its comprehensive studies and extensive surveys came out in June of 1988. The Supreme Court has now answered the questions that the Office felt still needed to be resolved. Far from being premature, Congressional action on this issue is, in reality, urgent.

There are some paradoxes in the educational groups' positions. For one thing, although the Supreme Court's constitutional decisions leave State institutions free of monetary liability under the copyright law, it is clear that municipal, local, and private educational and eleemosynary institutions are not immune. In a way, the educational representatives seem to be favoring one segment of their membership over another. Another paradox is that, while states may have no liability for damages, they are still theoretically subject to injunctive relief; they are also free to secure copyright in the works of their employees. This is almost the exact reverse of the situation with respect to the

federal government, which is liable for money damages but cannot be enjoined; the statute prohibits copyright protection for works of the United States Government.

When they single out statutory damages and attorney's fees for special attack, it is not clear what the educators are seeking. A reality of copyright life is that, for individual authors and small entrepreneurs, statutory damages and attorney's fees are the difference between protection and loss of rights. Unless there is some reasonable possibility of monetary recovery, a lawyer will not take a copyright case no matter how blatant the infringement. If they have problems with the range or remedies that were the subject of long and detailed bargaining throughout the 1960's and most of the 1970's, or if they believe that technological or other changes have undermined the compromises to which most of them agreed in 1976, it would be reasonable for the educators to come forward with specifics. This seems a much fairer approach than seeking special windfall advantages for one group at the expense of everyone else.

I'd like to make one last point, Mr. Chairman. My career in copyright will pass its 40th anniversay in November, and my current studies of the other four-fifths of the 200-year history of American copyright confirms my concern about the very real danger that a situation like this one presents. It was a situation that existed throughout the 19th century,

especially with respect to the lack of protection for foreign works, and we've seer it throughout the 20th century with respect to things like jukebox, cable television, tape piracy and video games, to name only a few. When one group, whether rightly or wrongly, thinks it has found a loophole that gives its members a free copyright ride, and embarks upon a systematic enterprise that many people will call piracy, the result inevitably is a miasmic atmosphere of disorder and lawlessness that tears the fabric not only of the copyright law but of the disciplines and enterprises involved. And, of course, the longer the situation continues the worse it gets and the harder it is to change.

It does not take an oracle to predict what will happen unless you accept the Supreme Courts invitation to abrogate State sovereign immunity for copyright infringement. My concerns on this point are my main reasons for urging your prompt action on H.R. 1131.

Mr. KASTENMEIER. Does this have any relation at all to the Berne Convention? Does the Berne Convention, in your view, require us to enact 1131 or some variation thereof?

Ms. RINGER. I have thought about this. I guess my answer is probably no. There are countries that still have the same old feudal notions of sovereign immunity, under which representatives of the central government cannot be sued for their illegal acts. The basic idea that the king can do no wrong has carried down over the generations. Many of those countries are not confederations or federations like the United States. This question has some rather interesting aspects when you have a confederation such as this, where you have a single sovereign and then 50 other sovereigns of a different sort.

But I cannot think that anyone would basically question our compliance with the Berne Convention even if State immunity were to continue.

To answer your question, I don't think that it would be something allowing someone to haul us before the International Court of Justice.

Mr. KASTENMEIER. There is, practically speaking, quite apart from the series of sovereign immunity cases, going back to 1976 and the years preceding that, there is no doubt in your mind that the 1976 law not only covered States and State entities, but that they—the States and State entities—understood that they were covered by that law at that time?

I should ask Mr. Steinhilber that later myself, but isn't that your understanding?

Ms. RINGER. Absolutely, Mr. Chairman.

Mr. KASTENMEIER. So it is a question, at least it could be from a policy standpoint, of *Grove City* or something like that, restoring the law, as to what the Congress had intended at the time, notwithstanding a legal doctrine in the meantime adopted by the Court?

Ms. RINGER. That is certainly true and I think we should have included a provision abrogating State sovereign immunity in the draft of the 1976 law. But I don't think that anything you did in 1976 would have satisfied the Supreme Court.

The standards that the Supreme Court has now evolved go beyond anything that we could have possibly contemplated, so that even if we had put language in the 1976 Act it wouldn't have done any good.

Mr. KASTENMEIER. Are you familiar with—and, of course, he can speak for himself—Mr. Wagner will later testify that the Congress can create State court current jurisdiction over copyright cases and also will testify that State sovereign immunity in the copyright area should be analogous to sovereign immunity for the Federal system.

Do you have any comment on either of those positions, Ms. Ringer?

Ms. RINGER. Yes.

On the first, the question of whether or not you should give the States concurrent jurisdiction to decide copyright cases under the Federal law, it wasn't clear to me from Mr. Wagner's statement whether he meant across the board or just in cases against the State.

Assuming the latter, I think this is something you should have considered seriously if Union Gas had gone the other way.

I think there might have been other things you could have done in that event, but concurrent jurisdiction would certainly be the most obvious. I know that the Copyright Office report referred to that as a possibility if Congress chose to try to deal with this problem in light of what might have been an adverse decision in *Union Gas*.

But I think it would be a bad mistake to do this if you don't have to. And it certainly would be a bad mistake to do it across the board.

Copyright had admittedly been bifurcated until 1976, when you preempted State common law for unpublished works.

But the initial impetus behind the the constitutional clause granting Congress the exclusive right to legislate in copyright matters was the need for a single Federal system.

They had tried State laws under the Articles of Confederation and they hadn't worked. That was exactly why they adopted the copyright clause in the Constitution in 1789.

Then the landmark case of *Wheaton* v. *Peters* in 1834 held that copyright was exclusively Federal. That has been established doctrine ever since, except for unpublished works, which weren't important commercially until recent years.

In the fifties, when we in the Copyright Office started considering revision of the copyright law, the Office, in my opinion, got off on the wrong foot. We were proposing retaining State law with respect to unpublished works.

The copyright bar came down on us like a June bug on this issue, because the perceived problems of continuing the laws and jurisdiction of the 50 States.

This was a different context, you must understand. Part of the arguments were, however, that giving State courts jurisdiction over copyright clauses would be mischievous and to continue that would be a mistake.

If you really wanted to consider this, Mr. Chairman, you ought to go back and look at the history in the fifties and see all the arguments that were made against this notion. I think they are cogent.

How would you handle res judicata in a situation like this? I think having it all in the Federal system gives you a certain amount of coherence. There are a number of other reasons why I think it would be a mistake.

Do you want me to go on the question of Federal preemption?

Mr. KASTENMEIER. Yes.

Ms. RINGER. That is one of the paradoxes of this situation.

As a result of the Supreme Court decisions, States are subject to injunctions, at least theoretically, and they would be subject to attorney's fees as part of the expenses of obtaining the injunction.

In other words, under one of the cases that came down in June, you can get attorney's fees that are attached to prospective relief.

In the fifties, the Federal Government, which had been exempt up until then, and which also couldn't secure copyright, waived its immunity for certain purposes.

As Ms. Lee said, it agreed to allow itself to be sued in the Court of Claims only for actual damages—no injunctions, no attorney's fees, no statutory damages.

I think if you were going to do what the educators are asking, you would have to reexamine the question of Federal Government liability.

But leaving that aside, I think that there are many reasons why it would be difficult to fit State immunity into that kind of Federal system. They don't exactly match.

You could do it, but I can't see the reasons. And I would remind you, Mr. Chairman, that States can secure copyright and do. I really think you would have to consider—and I am not just playing games—whether to withhold protection for State works if you were going to equate Federal and State copyright liability.

Mr. KASTENMEIER. Thank you.

I have two other questions, but I am going to withhold them and yield to my colleague.

The gentleman from California.

Mr. MOORHEAD. Thank you, Mr. Chairman.

Welcome, Ms. Ringer.

On page 11 of your written testimony, you indicate that "a reality of copyright life is that, for individual authors and small entrepreneurs, statutory damages and attorney's fees are the difference between protection and loss of rights."

In your opinion, what will be the impact if the only remedy available to a copyright owner against a State were an injunction?

Ms. RINGER. Well, in making that statement, I was talking about statutory damages and attorney's fees, but I was presuming actual damages.

If the only remedy were to be an injunction, I think that it would, in effect, be giving the States a royalty compulsory license. I am not sure what terms a court could devise for an injunction, would it apply only to that particular work or group of works? Only to that particular State? Only to that particular defendant?

It seems to me that injunctions are pretty worthless in this situation.

Coming to my actual statement, which was related to statutory damages, they provide a way for a court to evaluate the overall area of damage without actually pinpointing what the monetary damage is in a particular case. Attorney's fees have emerged in recent years as the difference between rights and no rights.

The big copyright owners, the gigantic corporations, don't care that much about attorney's fees because they are paying attorneys already, but the little guy just cannot get a lawyer unless there is some prospect of recovery.

In terms of small entrepreneurs and individual copyright owners, you might as well forget copyright.

Mr. MOORHEAD. In their testimony, the Educators Ad Hoc Committee on Copyright laws asserts that there has not been sufficient harm demonstrated to justify legislation.

I would be interested in your comments on this point.

Ms. RINGER. Well, Mr. Moorhead, I did address this a little bit earlier and I will elaborate on it.

They accuse the people that cite instances of harm of being anecdotal, but what else can they do? You have had an enormous study by the Copyright Office, which is really a very fine piece of work, that points out harm and concludes that there is harm.

Common sense would tell you that if people don't have to pay, they are not going to.

If you add that to the fact that this is a really very large use of copyrighted material by the States, you are going to find harm.

You could have another expensive study and try to dredge up statistics, although what statistical norms you would use, I don't know, but it seems to me that would be worthless.

I think your common sense is more valuable.

Mr. KASTENMEIER. The gentleman from New Jersey.

Mr. HUGHES. No questions.

Mr. KASTENMEIER. The gentleman from North Carolina, Mr. Coble.

Mr. COBLE. Thank you, Mr. Chairman.

Going back to my colleague from California's statement to Ms. Lee concerning what I regard as an anomaly of a public institution being able to sue a private institution for infringement of a copyright and the reverse not being permitted—do you think there is any justification for this sort of double standard?

Ms. RINGER. Not at all, Mr. Coble.

Not only that, the educators have taken advantage of a kind of an accident of constitutional history to try to get some advantages.

What they are doing is selling out their own people, which is this great mass of educational institutions and individuals that are not State instrumentalities. They are still liable.

If this goes on, the publishers and the other copyright owners are going to have to adjust their marketing strategies, and the local people—the municipal governments and the local governments and the private and religious organizations that control a lot of educational institutions—are going to be paying more.

So it is not just a matter of one suing another, which is an extreme example, but it is a matter of hurting someone else to the benefit of what are really in some ways the fat cats.

Mr. COBLE. In recent testimony on this issue, the current Register of Copyrights testified, and I am going to quote what he said, "The legislative history of the Copyright Act demonstrates that the debate focused on the extent to which Congress should exempt the States from full liability as to damages under the eleventh amendment."

I don't know that anyone has suggested that the States were already immune from liability as to damages under the eleventh amendment, but it appears that no State official requested total exemption from copyright liability.

Now, given your background as having served in that capacity as well, do you concur with Ralph's rendition of events?

Ms. RINGER. Yes, I do, Mr. Coble.

I was around at the time, and there were State representatives—there was a State representative on CONTU—and there were many, many State representatives sitting in these chairs here at one time or another testifying, and none of them, I am quite confident, had ever any thought that they were immune.

They would not have been crying for special treatment if they hadn't said that there was liability in the first place.

Mr. COBLE. Thank you.

Thank you, Mr. Chairman.

Mr. KASTENMEIER. The gentleman from Michigan, Mr. Crockett.

Mr. CROCKETT. Thank you, Mr. Chairman.

I am almost embarrassed to ask this question because I should have read the Supreme Court decision in the Pennsylvania case and the related cases before I came to this hearing. I didn't do it, so I am not overly familiar with it.

The usual rule is that Congress cannot, by a statute, overrule a constitutional provision, but from the testimony I have heard here this morning, evidently the Supreme Court has decided that with respect to the eleventh amendment and State sovereignty, that general rule does not apply.

What was the basis for that?

Ms. RINGER. There is a long history of this, Mr. Crockett. I doubt that you would have learned the answer by reading the many, many opinions in the *Union Gas* case. You have to kind of piece it together.

As Justice Stevens said in one of his opinions, there are really two eleventh amendments.

One is the literal language of the eleventh amendment that says that the States are immune in diversity cases with respect to jurisdiction.

That is all the eleventh amendment says.

Then there is this fundamental 1890 case, *Hans* v. *Louisiana,* which held that there is lurking somewhere behind the eleventh amendment a principle of sovereign immunity that goes beyond anything that the eleventh amendment says, and that actually allows States to be immune as a general rule, unless Congress abrogates. It is only in that area, presumably, where Congress can abrogate.

Now, there is a whole bunch of jurisprudence with respect to State immunity and the fourteenth amendment, which was adopted after the eleventh amendment. It has been held—and I think, everybody on the Supreme Court now concedes—that Congress can abrogate under the fourteenth amendment any kind of State liability.

The question now is whether this applies to other plenary powers that Congress is given under the Constitution. In *Union Gas,* they held that, yes, because the statute in question was unmistakably clear, that Congress intended to abrogate, you can abrogate State immunity from liability under a statute enacted under Article I of the Constitution.

Four of the Justices said you can never abrogate at all in this situation. If you want my own opinion, for whatever it is worth, it is that the swing person here is Justice White. He is saying, yes, *Hans* v. *Louisiana* is correct. There is a principle of sovereign immunity underlying the Constitution regardless of the literal language of the eleventh amendment, but you can abrogate it if you use unmistakably clear language.

That is why I think he has gone so for in making these standards so extremely high—that Congress has to study the problem then spell it out in each statute in unmistakable language.

Mr. CROCKETT. Thank you. Thank you, Mr. Chairman.

Mr. KASTENMEIER. The gentleman from Illinois, Mr. Sangmeister.

Mr. SANGMEISTER. Just one question. In all the testimony we heard before the deciding of the *Union* case and now afterward, I still can't seem to get a handle on what the effects of this law are going to be.

If this becomes law, will States and the agencies involved then be notified that they can no longer do some of the things that I presume they have been doing to promote this law, or are we going to open up a whole bunch of litigation against the States as a result of this kind of an act. Can you answer that question?

Ms. RINGER. I believe the States have assumed they have been liable up until now. I think it is now only beginning to penetrate and they are suddenly saying to each other, "Gee, we are not liable."

They are liable, Mr. Sangmeister. It needs to be underlined that they are infringers under the law, but they are immune from monetary liability.

Mr. SANGMEISTER. How do you think most of the attorneys general for their respective States have been advising State agencies on this question?

Ms. RINGER. Well, again, this is an anecdotal. I have only read what you have read. My impression is that up until a year or so after *Atascadero,*—which was the watershed decision here—they were saying you have got to pay, and they were paying, and there are a lot of contracts out there. You can ask the educational community this very question, and I urge you to. They say they are going to continue to tell them to pay. But I think their lawyers are going to tell them you don't have to pay. And I think that gradually, and maybe not so gradually, this free ride will become quite the rule rather than the exception unless you do something.

I am not saying that if you hear this bill there is not going to be any litigation, but let me say this.

Sitting here is very reminiscent of the 1960's and 1970's when we were considering the 1976 Act, and there was a lot of concern on the part of the educational community that they were going to be sued to their teeth. But that has not happened under the 1976 Act.

The copyright owners know better, I think, than to bring suits against defendants like these unless they have to. They try to work out deals. They don't want to make enemies of the customers. I don't think this would result in a spate of litigation.

What I do think is that ultimately the constitutional question involved here will reach the Supreme Court again, but it will never do so unless you pass this bill.

Mr. SANGMEISTER. Thank you.

Mr. KASTENMEIER. I just have really one question. I think you have expressly said in your remarks that you support the revision of 1131, but I want you on the record in the sense that the language of the redraft, as you have read it, is in fact sufficiently clear to indicate congressional intent to advocate sovereign immunity.

Do you think it is?

Ms. RINGER. Let me put myself on record. I do indeed, Mr. Chairman. It does follow and expand on the Atascadero amendment to the Rehabilitation Act.

I think it was very wise not to make it retroactive. I think that would have weakened it. The retroactive effect would have been only 3 years. That is the statute of limitations. In one of the decisions that came down in June—I am not sure which one it was—the Justice writing for the majority used the Atascadero language as an example showing that Congress knows how to use "unmistakably clear" language to do this. It was Justice Kennedy, in one of the June decisions, who held the language up as a paradigm of what to do.

Mr. KASTENMEIER. So it would meet the standards not only set out by Justice Brennan in the *Union* case, but the other four cases as well?

Ms. RINGER. Yes, I think so.

Mr. KASTENMEIER. Well, thank you. The committee appreciates your contribution not only to this question, but all the other copyright questions we have had in recent history. Look forward to seeing you again, Barbara.

Ms. RINGER. Thank you.

Mr. KASTENMEIER. I would like to introduce our first panel today which consists of Myer Kutz, the vice president of the Scientific and Technical Publishing Division of John Wiley & Sons, and Bert P. van den Berg, the president of BV Engineering Professional Software. Mr. Kutz is testifying on behalf of the Association of American Publishers and the Copyright Remedies Coalition, and Mr. Van Den Berg is here on behalf of the Software Publishers Association and ADAPSO.

Welcome both of you to the subcommittee. I would like—Mr. Kutz, you can go first and then Mr. van den Berg, however you prefer.

STATEMENT OF MYER KUTZ, VICE PRESIDENT, SCIENTIFIC AND TECHNICAL PUBLISHING, JOHN WILEY & SONS, INC., NEW YORK, NY, ON BEHALF OF THE ASSOCIATION OF AMERICAN PUBLISHERS (CHAIRMAN OF THE COPYRIGHT COMMITTEE) AND THE COPYRIGHT REMEDIES COALITION

Mr. KUTZ. Mr. Chairman, I have a statement on behalf of the AAP and the Copyright Remedies Coalition to enter into the record. I would like to direct my remarks to the economics of college textbook publishing to set the discussion into a business person's context.

I am not a lawyer. I am a businessman. I was trained as a mechanical engineer, in fact, at MIT, which is a land grant college and whether MIT would be more like USC or UCLA, Congressman Moorhead, I haven't any idea, but I do know that MIT itself undoubtedly has many copyrights and patents which it zealously guards.

I entered into the publishing business as an editor partially because of my background in mechanical engineering and partially because I was an author of eight books. One of them is a book in mechanical engineering, the co-author of which, who did not par-

ticipate, was to have been a professor at Tufts University of Mechanical Engineering named John Sununu, whom I think you all know now.

One of the things I did as an editor was to travel both to industrial companies and to many universities talking to professors about what kinds of books were needed in the subjects in which I edited and whether they would be interested in writing them or knew other professors or people in industry who would be interested in writing.

At the same time, of course, they were being visited by what are known as college textbook travelers who were trying to sell textbooks or to get the professors to adopt textbooks so that students would buy them. I entered the business in the mid 1970's when college textbook publishing was much stronger than it is today.

The profit margins at that time were considerably higher than they are now. One of the things that has depressed those profit margins, of course, has been the large market in used books. It is estimated that that market takes perhaps a third or as much as 40 percent of the over $1 billion college textbook market away from the publishers and makes it a very expensive and difficult business.

This hasn't meant, of course, that major publishing companies have shied away from competing for the ability to gain the franchise for text books, in particular in subjects where there were many students, but it has meant that it is a more difficult and risky business with less profit potential than used to be the case.

It is such a risky business, in fact, that in the case of an attempt to enter the freshman biology textbook market, it has required the expenditure of three-quarters of a million dollars in simply making the illustrations for a book of that sort, so it is a great economic gamble in many cases with the expectation of lower rewards than had been the case in the past.

In addition, textbook companies have to provide a great many supplements for which they receive no payment, and a great many complimentary copies are sent to professors to induce them to adopt textbooks. At the same time, the books have shorter lives than they used to. A text book used to last at least 5 years and often 7 or 8. Now, it lasts, if you are lucky, 3 years and often 2 before you have to put out a revised edition.

All of this means that the legislation is being considered in an atmosphere where costs of doing business are very high. This is leading to the concentration of the ability to create and market textbooks in fewer and fewer publishing companies. What I am concerned about particularly is, as has been spoken of before here, not only the idea that there is some anthologizing and copying going on at present (the National Association of College Stores has reported declines in sales so that the used book market is attacking not only the publishing companies), but creating an atmosphere where copying will spread even beyond the textbook situation to encompass other publishing properties. For example, librarians in State universities have spoken in public meetings of waiting to see what will happen with the eleventh amendment legislation in order possibly to have more freedom to make copies of journal articles and disseminate them more widely without payment.

We are interested as a publishing community in deterrence, not prosecution. There is a circle of customers, of authors, of publishers who really serve as gatekeepers of the intellectual property, and we don't wish to disturb that circle.

We don't wish to drag universities and professors into court to deal with unauthorized copying or associated problems that could be created, but we do wish to see that an atmosphere continues where we can work together with the intellectual community to maintain the current situation.

There are problems, I can't deny that. We are dealing with them with regard to Kinko's and with regard to bringing the universities into the CCC framework.

We would like to continue our activities in those areas, and we think this legislation will help us do so. Thank you.

Mr. KASTENMEIER. Thank you.

[The prepared statement of Mr. Kutz follows:]

Summary of Statement of Myer Kutz
On H.R. 1131
The Copyright Remedy Clarification Act

Mr. Myer Kutz, Vice President - Scientific and Technical Publishing for John Wiley & Sons, Inc., submits this statement in support of the Copyright Remedy Clarification Act on behalf of the Association of American Publishers for which he is Chairman of the Copyright Committee and on behalf of the Copyright Remedies Coalition.

The interests represented by Mr. Kutz are drawn together by their support for H.R. 1131. These groups market their copyrighted works to states which are, under recent federal court decisions, immune under the Eleventh Amendment from damage lawsuits for violation of the Copyright Act. These court cases are of great concern to companies like John Wiley & Sons that publish college textbooks and related materials because a great deal of that market is concentrated at state institutions.

H.R. 1131 would clarify that Congress intended, when it adopted the Copyright Act of 1976, to hold states liable for damages in the event they unlawfully use the valuable property of copyright owners. If H.R. 1131 is not adopted, there will be no effective deterrent to this type of activities by states.

Without the threat of damage lawsuits, states will have little incentive to pay careful attention to the requirements of the Copyright Act. An example of the type of behavior that could multiply should states remain immune from copyright damage actions involved the Copyright Clearance Center and public and private universities. During discussions among these groups regarding a photocopy license, two public universities withdrew from participation, apparently based on their mistaken belief that, as a result of these recent court decisions, they were not obligated to comply with the copyright law. It was only after introduction of your bill, H.R. 1131, that these universities returned to the negotiating table.

Another example involves pending litigation brought by my company and seven other publishers against Kinko's Graphics for their photocopying activities in violation of the copyright law. In the Kinko's response to our complaint, they offer as an affirmative defense that some of the copying was done for state colleges which are immune from liability under the Copyright Act and that they, as agents of the colleges, are similarly immune.

In addition to preventing further problems like this, enactment of H.R. 1131 will eliminate a basic unfairness under the current law. It will ensure that states, which increasingly own copyrights and which enjoy the full benefits of the Copyright Act, are not insulated from damage lawsuits when they infringe the copyrights of others.

In conclusion, Mr. Kutz urges prompt passage of the Copyright Remedy Clarification Act.

STATEMENT OF MYER KUTZ

ON H.R. 1131

THE COPYRIGHT REMEDY CLARIFICATION ACT

BEFORE THE SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY AND THE ADMINISTRATION OF JUSTICE

JUDICIARY COMMITTEE

HOUSE OF REPRESENTATIVES

101st CONGRESS, FIRST SESSION

JUNE 21, 1989

Mr. Chairman, my name is Myer Kutz. I am Vice President for Scientific and Technical Publishing at John Wiley & Sons, Inc., based in New York City. Wiley publishes college textbooks for the sciences and business, professional and scientific books and journals, and related electronic databases and software.

At the outset, I would like to thank you for the opportunity to testify today on the need for enactment of the Copyright Remedy Clarification Act. And thank you, Mr. Chairman and Congressman Moorhead, for your sponsorship of this much-needed legislation.

I appear today on behalf of two organizations: the Association of American Publishers for which I am Chairman of the Copyright Committee, and the Copyright Remedies Coalition (CRC).

The Association of American Publishers, of which John Wiley & Sons, Inc., is a member, consists of approximately 250 publishing

houses who publish 75% of the books published in this country. AAP's members included large and small companies, profit and not-for-profit publishers, and state university as well as private university presses. AAP, in turn, is a member of the Copyright Remedies Coalition. In addition to book publishers, CRC is made up of a diverse group of copyright owners, including representatives of computer software, music, educational testing, motion picture and educational video industries. Before I continue, I respectfully request that the prepared statement of the Copyright Remedies Coalition be accepted for the record.

All of the groups on whose behalf I am speaking today are drawn together by their support for your bill, H.R. 1131. All of us market our copyrighted works to states. All of us are deeply concerned about a series of recent federal court decisions that prevent us from having an effective deterrent, meaningful access to courts if necessary, and adequate opportunity for compensation in the event of state infringement.

I am not an attorney. I am not hear to talk about the specifics of these troubling court decisions. I am quite concerned about the practical implications of these decisions on those of us who create materials for and deal with the college textbook market on a daily basis, a market which represents such an important part of our business. Let me explain.

State colleges and universities represent the greatest share of the college textbook market. Seventy-nine percent of the students at institutions of higher learning in this country attend state

institutions. Companies like John Wiley & Sons, that focus a large part of their business activities at these instituions, are threatened by the current legal situation, which allows state universities and colleges to copy textbooks and other reference materials without facing meaningful sanctions.

A business environment in which our customers have little or no incentive to pay careful attention to the requirements of the Copyright Act poses a serious problem for us. In the event of infringement, we need to be able to take meaningful steps knowing that they will have a real impact on state colleges and universities. If we must go to court to protect our property, we need to know that, at the very least, we will have the opportunity to recover damages for the harm that has been caused to our markets, and won't be limited to an injunction against future unauthorized copying.

Mr. Chairman, your bill is vitally important to those of us who serve state markets. it will clarify that states and state instrumentalities are subject to the provisions of the Copyright Act, in particular the damage provisions. It will act as a disincentive to those who might become too casual about the property rights of copyright owners. It will be a real deterrent to those who might otherwise intentionally disregard the Copyright Act and copy our materials.

At this time, I would like to submit for the record a letter that provides a current example of the type of behavior that we fear will multiply should states remain immune from copyright damage actions. This letter describes an effort by the Copyright Clearance

Center (CCC) to set up a photocopy license for public and private universities and colleges. Under these licenses, the institutions would receive the right to make a certain number of copies of copyrighted works in exchange for a prescribed fee. Well after substantive negotiations had begun, two public universities withdrew from discussions. They did so apparently on the mistaken belief that, as a result of the recent court decisions, they were not obliged to comply with the copyright law. Mr. Chairman, it was only after introduction of your bill, that these state universities returned to the negotiating table, indicating how important these proceedings are.

Another example occurred two weeks ago when Kinko's Graphics Coproration filed its response to the copyright infringement claim against them brought by my company and seven other publishers. In affirmative defense for the alleged infringing photocopying, Kinko's claimed:

> ... some of the materials were copied by Defendant in its capacity as an agent or instrumentality of a state college or university; that such state college and universities are "arms of the state" for purposes of the Eleventh Amendment to the United States Constitution; that under the Eleventh Amendment, "arms of the state" are immune from liability under the Copyright Act (17 U.S.C. section 101 et. seq.), and that as an official agent of a state, Defendant is subject to such immunity.

In addition to putting the necessary teeth back into the remedy provisions of the Copyright Act, Mr. Chairman, your bill will also eliminate a basic unfairness under the current law. State colleges and universities are copyright owners. For example, they own copyrights in books and journals published by their university presses and in computer software produced in the course of research and

administrative programs. States and other state entities also own copyrights in various materials produced in the course of their activities. If these valuable copyrights are violated, the states have available to them the full range of remedies for pursuing violators. Yet, these very institutions that enjoy the full benefits of the Copyright Act are insulated from damage awards should they infringe the copyrights of others. It is not fair that states receive this type of special treatment. This unfairness should be eliminated. Your bill will do just that.

Mr. Chairman, H.R. 1131 is a fair piece of legislation. It is narrow in focus. It restores Congress' original intention that the copyright law applies to all entities, and that states are liable and subject to the full range of remedies for violations of the copyright law.

H.R. 1131 achieves this purpose without either expanding the substantive rights of copyright owners or changing the rules governing when states are either liable for or immune from copyright violations. Now that the Union Gas decision has been rendered, I urge this Subcommittee to act promptly to pass the Copyright Remedy Clarification Act.

Thank you.

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**Summary of Statement of the
Copyright Remedies Coalition
on H. R. 1131
The Copyright Remedy Clarification Act**

The Copyright Remedies Coalition (CRC) strongly supports enactment of H. R. 1131, the Copyright Remedy Clarification Act.

H. R. 1131 will reiterate the original intent of Congress when it enacted the 1976 Copyright Act -- that states can be sued for damages when they use without permission the valuable property of copyright owners. This legislation responds to recent court decisions holding that the Eleventh Amendment immunizes states from copyright infringement damage suits. The Copyright Office has recommended that Congress pass remedial legislation in response to these court cases to make clear that states are liable for damages under the Copyright Act. The Copyright Office has specifically endorsed the Copyright Remedy Clarification Act.

The current legal situation poses a serious threat to copyright owners who market their works to states and state entities. Copyright owners are currently deprived of access to the most effective deterrent to the unauthorized use of protected property -- damage lawsuits. Large and small businesses as well as individual authors are at risk. Ultimately, the public will be the big loser as the quantity and quality of copyrighted works now available to state universities and other state entities diminishes.

H. R. 1131 will restore copyright owners' ability to go to court to seek effective remedies when their valuable property rights are violated. Enactment of this bill will also ensure that there is in place a strong deterrent to copyright infringements by states by making damages available once again in such cases.

On the other hand, enactment of H. R. 1131 will not change the terms under which States are liable for copyright infringement. Nor will H. R. 1131 expand the substantive rights of copyright owners under the law.

In conclusion, the Copyright Remedies Coalition urges the prompt enactment of H. R. 1131 so that the problems brought about by recent court decisions can be nipped in the bud. Prompt action will help prevent the erosion of currently vulnerable markets, and ultimately help to ensure that the quality of education in our country is not diminished.

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STATEMENT OF THE COPYRIGHT REMEDIES COALITION

ON H.R. 1131
THE COPYRIGHT REMEDY CLARIFICATION ACT

BEFORE THE SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY AND THE ADMINISTRATION OF JUSTICE

HOUSE JUDICIARY COMMITTEE

101st CONGRESS, FIRST SESSION

JUNE 21, 1989

Mr. Chairman, the Copyright Remedies Coalition (CRC) welcomes this opportunity to submit this Statement in support of H. R. 1131, the Copyright Remedy Clarification Act. CRC is extremely grateful to you, Mr. Chairman, and Representatives Moorhead, Berman, Morrison, Hyde, Sangmeister, Clement, and Moakley for taking the lead in sponsoring this important legislation.

CRC is composed of a broad array of copyright interests (see Attachment A), including the producers and creators of computer data bases, software, scholarly books and journals, textbooks, educational testing materials, microfilm, educational video materials, music and motion pictures.

The purpose of this legislation is simple and straightforward: to reiterate the original intent of the 1976

Copyright Act -- that states can be sued for damages for copyright infringements.

This legislation responds to recent federal court decisions holding that states are immune from damage infringement suits in federal courts. More specifically, the courts in these cases determined that the 1976 Copyright Act lacks the specific and unequivocal language needed to overcome the immunity from such suits afforded states under the Eleventh Amendment to the Constitution.

These judicial rulings pose a serious threat to the many copyright intensive businesses that market their works to states and state instrumentalities. Large and small businesses, as well as individual authors, are at risk. Unless these decisions are offset by congressional action, the ultimate loser will be the public, as the quantity and quality of copyrighted works now available to state universities and other state entities will inevitably diminish.

The fact that federal law preempts state jurisdiction over copyright cases means that these decisions deny copyright owners any forum in which to bring copyright infringement damage actions against states. The only relief left to aggrieved copyright owners is an injunctive action, which affords only prospective relief from infringements by the states. Because injunctive actions lack the deterrent effect inherent in damage

suits, these court rulings deprive copyright owners of an effective remedy in such situations.

The Copyright Remedy Clarification Act, H. R. 1131, will correct this situation. It will reiterate Congress' intent to hold state governments to the requirements of the Copyright Act. It will ensure that unlawful, infringing activity by states is not beyond effective judicial relief.

BACKGROUND

The Copyright Act of 1976

After an extensive review process that stretched over 20 years, Congress in 1976 enacted a new copyright law, intending that its provisions would apply, where relevant, to states and their instrumentalities. It is clear that Congress intended that states be liable as copyright infringers, except in those situations where the states' conduct is expressly exempted from copyright liability. This intent is manifest in a number of provisions of the Copyright Act.

First, Section 501(a) broadly defines the copyright defendant class to encompass "[a]nyone who violates any of the exclusive rights of the copyright owner . . . ."1/

1/ 17 U.S.C.A. § 501(a) (1977) (emphasis added).

Second, other provisions of the Copyright Act, by either subjecting states to liability as infringers,[2] or exempting them from liability, confirm that the provisions of the Copyright Act, including Section 501(a), generally apply to states.[3] Taken as a whole, the Copyright Act evinces a clear intent to hold states liable in federal court for copyright infringement. The Register of Copyrights forcefully made this point last month in his testimony before the House Subcommittee

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2/ See, e.g., Section 118(d)(3), which provides that governmental bodies that receive a reproduction of a transmission program and fail to destroy that reproduction "shall be deemed to have infringed." The phrase "governmental bodies" has been defined by Congress as including state entities. See House Comm. on the Judiciary, 87th Cong., 1st Sess. Copyright Law Revision, Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law 129 (Comm. Print 1961), cited in Motion For Leave to File and Brief Amici Curiae of the Association of American Publishers, Inc. and the Association of American University Presses, Inc. In Support of Petition for Certiorari at 11, BV Engineering v. UCLA, 858 F.2d 1394 (9th Cir. 1988), cert. denied, 57 U.S.L.W. 3614 (U.S. March 21, 1989) (No. 88-1099).

3/ For example, Section 110 of the Act provides that the following performances and displays are not infringements of copyright: the performance and display of a work by instructors or pupils in a nonprofit educational institution (Section 110(1)); the performance or display of certain works by a "governmental body" or nonprofit educational institution (Section 110(2)); the performance of certain works by a "governmental body" or a nonprofit agricultural or horticultural organization (Section 110(6)); and the performance of a nondramatic literary work specifically designed for blind, deaf, or other handicapped persons, if the performance is transmitted through the facilities of, e.g., "a governmental body" (Section 110(8)).

on Courts, Intellectual Property, and the Administration of Justice when he stated:

> The language and history of the Copyright Act of 1976 demonstrate that Congress intended to hold states, like other users, liable for copyright infringement. Section 110 exempts certain acts of governmental bodies. The former manufacturing clause (sections 601 and 602) exempted from copyright liability certain importations by states. If Congress had not intended states to be subject to damage suits in federal court, Congress need not necessarily have included express exemptions from copyright liability for certain state activity. The legislative history of the Copyright Act demonstrates that the debate focused on the extent to which Congress should exempt the states from full liability. No one suggested that the states were already immune from liability as to damages under the Eleventh Amendment. No state official requested total exemption from copyright liability.4/

Moreover, Mr. Chairman, it is instructive to note that in 1976 Congress was well aware that states and their instrumentalities routinely sought copyright protection for their own works and that their ability to do so would continue under the new Copyright Act.5/ There is simply no support in

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4/ The Copyright Remedy Clarification Act, 1989: Hearing on S. 497 Before the Subcomm. on Patents, Copyrights and Trademarks of the Senate Comm. on the Judiciary, 101st Cong., 1st Sess. 26-27 (1979) (statement of Ralph Oman, Register of Copyrights) (hereinafter "Oman Statement").

5/ See Senate Comm. on the Judiciary, 86th Cong., 2d Sess. Copyright Law Revision Study No. 33, "Copyright in Government Publications," 10 (Comm. Print 1961), cited in Brief Amici Curiae of the Association of American Publishers, Inc., the Association of American University Presses, Inc., the Information Industry Association, and the Computer Software and Services Industry Association (ADAPSO) at 18 n.12, BV Engineering v. UCLA, 858 F.2d 1394

(Footnote continued on next page)

the Act's text or lengthy legislative history for the proposition that Congress intended to allow states to claim the exclusive rights of copyright holders, but to permit them simultaneously to evade the strictures of the law when acting as users of copyrighted material.

Federal Court Case Law

Why, then, is there a need for H. R. 1131 if Congress so clearly intended that the Copyright Act reach states and include them within the class of copyright defendants? The answer to this question is found in a 1985 Supreme Court case interpreting the reach of the Eleventh Amendment to the Constitution,6/ and in a series of lower court opinions applying this Supreme Court decision to the copyright field.

5/ (Footnote continued from previous page)
(4th Cir. 1988). ("Most of the States have enacted statutes for the securing of copyright in certain of their publications or in their publications generally. And even in the absence of any statute, almost every State has claimed copyright in some of its publications. A survey by the Copyright Office shows that during the 5-year period 1950 through 1954 about 4,700 copyright claims were registered in the name of a State or a State agency or in the name of an official on behalf of a State.") See generally 1 M. Nimmer, Nimmer on Copyright § 5.06[A] n.1 (1988).

6/ The Eleventh Amendment provides that "[t]he Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State." U.S. CONST. amend. XI.

In 1985, by a narrow 5-4 vote, the Supreme Court in a non-copyright case, Atascadero State Hospital v. Scanlon, increased the level of specificity that would be required of Congress to override the Eleventh Amendment.7/ The High Court ruled that the federal law must contain "unequivocal statutory language" evincing Congress' intent, and that the statute must specifically include states within the class of defendants subject to its reach.8/

Atascadero had a direct and immediate impact on the Eleventh Amendment immunity of states under the 1976 Copyright Act.9/ This point is demonstrated by comparing two 1985 cases decided just six months apart, but with very different conclusions as to state liability under the Copyright Act.

7/ 473 U.S. 234 (1985).

8/ 473 U.S. at 246.

9/ Last week the Supreme Court concluded that Congress has authority under Article I to abrogate the Eleventh Amendment immunity of States. Pennsylvania v. Union Gas Company, ____ U.S. ____, No. 87-1241, slip op. (June 15, 1989) This decision confirms the views espoused by a number of lower federal courts. See, e.g., Mills Music, Inc. v. Arizona, 591 F.2d 1278 (9th Cir. 1979); and In re McVey Trucking, Inc., 812 F.2d 311 (7th Cir.), cert. denied sub nom. Edgar v. McVey Trucking Company, 108 S.Ct. 227 (1987).

The first, Johnson v. University of Virginia,[10] was decided only three months before Atascadero, whereas the second, Woelffer v. Happy States of America, Inc.,[11] was decided less than two months after Atascadero. In the former, a federal district court decided that Congress, in passing the Copyright Acts of 1909 and 1976, had intended to abrogate states' immunity, and thereby to hold them liable for damages for copyright infringements. The Johnson court concluded that the language of Section 501(a) of the Act sufficiently defined the defendant class so as to constitute a waiver of the states' Eleventh Amendment immunity.[12]

Just two months after Atascadero, and six months after Johnson, the district court in Woelffer determined that, under the Supreme Court's new standard, states are immune under the Eleventh Amendment from damage suits under the Copyright Act.[13] The Woelffer court concluded that the very language that in Johnson was sufficient to offset the Eleventh Amendment,

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10/ 606 F. Supp. 321 (W.D. Va. 1985).

11/ 626 F. Supp. 499 (N.D. Ill. 1985).

12/ The Court in Johnson specifically endorsed the decision in Mills Music that states are not immune from damage suits for copyright violations under the 1909 Copyright Act. The Court reasoned that the language in Section 501(a) of the 1976 Act was at least as sweeping, and probably more so, as that found in the 1909 Act.

13/ 626 F. Supp. at 505.

was not sufficient to meet the new Atascadero standard: The Court stated that:

> The sweeping language employed by Congress arguably includes states within the class of copyright and trademark infringers. . . . Under Atascadero, however, this is not enough to abrogate sovereign immunity.14/

Relying on Atascadero, every case since Woelffer likewise has been unable to hold states liable for damages for the states' infringing activity.15/

To date, two of these cases, Richard Anderson Photography v. Brown and BV Engineering v. UCLA, have made their way to the Supreme Court, only to have the Court refuse to hear the appeals. Thus, Congress is the only viable avenue for copyright owners seeking prompt relief from the strict application of the Atascadero standard. The need for copyright

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14/ 626 F. Supp. at 504 (emphasis added).

15/ See Cardinal Industries, Inc. v. Anderson Parrish Assoc., Inc., No. 83-1038-Civ-T-13 (M.D. Fla. Sept. 6, 1985) (unpublished), aff'd without discussion, 811 F.2d 609 (11th Cir.), cert. denied, Cardinal Industries, Inc. v. King, 108 S.Ct. 88 (1987), discussed in "Copyright Liability of States and the Eleventh Amendment," A Report of the Register of Copyrights, June 1988, at 95 (hereinafter "Copyright Office Report"). Richard Anderson Photography v. Brown, 852 F.2d 114 (4th Cir. 1988), cert. denied sub nom. Richard Anderson Photography v. Radford University, 57 U.S.L.W. 3537 (U.S. Feb. 21, 1989)(No. 88-651); Lane v. First National Bank of Boston, 687 F. Supp. 11 (D. Mass. 1988), aff'd, ____ F.2d ____ (1st Cir. 1989), 10 U.S.P.Q.2d (BNA) 1268 (1989); and BV Engineering v. UCLA, 858 F.2d 1394 (9th Cir. 1988), cert. denied, 57 U.S.L.W. 3614 (U.S. March 21, 1989) (No. 88-1099).

owners to turn now to Congress for relief was not lost on the Ninth Circuit Court of Appeals in BV Engineering:

> Although we find these arguments compelling, we are constrained by the Supreme Court's mandate that we find an abrogation of eleventh amendment immunity only when Congress has included in the statute unequivocal and specific language indicating an intent to subject states to suit in federal court. Such language is absent from the Copyright Act of 1976. We recognize that our holding will allow states to violate the federal copyright laws with virtual impunity. It is for Congress, however, to remedy this problem.16/

THE COPYRIGHT OFFICE REPORT: COPYRIGHT LIABILITY OF STATES AND THE ELEVENTH AMENDMENT

While Richard Anderson and BV Engineering were making their way through the federal court system, the House Subcommittee on Courts, Civil Liberties and the Administration of Justice asked the Copyright Office to conduct a study on the interplay between copyright infringement and the Eleventh Amendment.

In response, the Copyright Office published a Request for Information in the Federal Register asking for comment on:

> o any practical problems faced by copyright proprietors who attempt to enforce their claims of copyright infringement against states; and
>
> o any problems that states are having with copyright proprietors who may engage in unfair copyright or business practices with respect to states' use of copyrighted material.17/

16/ 858 F.2d at 1400 (emphasis added).

17/ 52 Fed. Reg. 42045, 42046 (Nov. 2, 1987).

The Copyright Office received forty-four comments in response to its request. The overwhelming majority of those responding were copyright owners[18/] chronicling "dire financial and other repercussions that would flow from Eleventh Amendment immunity for damages in copyright infringement suits."[19/]

For example, the American Journal of Nursing Company (AJNC), which publishes a range of nursing and patient-related materials, learned that a state nursing home was operating an information center which was copying AJNC's materials and offering them for sale. When AJNC sought legal advice, it was informed that "the 'information center' was considered a state agency and was immune from suit under the Eleventh Amendment."[20/]

In addition, copyright owners cautioned that if states were immunized from damage suits:

- o the prices charged non-state users will rise;
- o their economic incentive to create new works will diminish, and the quantity and quality of their efforts will decrease; and

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18/ The Copyright Office received comments from a wide array of copyright interests, including the copyright owners of computer software, data bases, books, information products, newsletters, educational testing material, music, and motion pictures.

19/ Copyright Office Report at iii.

20/ Copyright Office Report at 8.

- o the marketing of copyrighted works to states will be limited or eliminated.

This latter point was aptly made by McGraw-Hill, a major supplier of materials to state educational institutions:

> [I]t is no exaggeration to assert that if state agencies are held to be immune from suit for money damages arising out of copyright infringement lawsuits, publishers such as McGraw-Hill will be forced to reevaluate their presence in the educational market on all levels. The most likely result of such a reevaluation will be sharply decreased competition and a reduction in the number of copyrighted products available to the state educational markets as publishers choose not to assume the unacceptable risks of developing and producing expensive educational materials only to have them infringed by state agencies. Ultimately, there exists the very real possibility that state immunity from liability for copyright infringement could end in an overall decline in the general quality and availability of educational materials.21/

At the same time, the Copyright Office did not receive a single complaint regarding copyright proprietors engaging in unfair copyright or business practices vis-a-vis states. In fact, the Copyright Office was told that the real power in the educational textbook marketplace rests with the states, not with the publishers, and that states are often in a position to extract substantial concessions from the publishers.22/

Based on this record, the Copyright Office concluded that "copyright owners have demonstrated that they will suffer

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21/ Comments of McGraw-Hill at 3.

22/ Copyright Office Report at 9-11.

immediate harm if they are unable to sue infringing states in federal court for money damages."[23/]

Equally important, the Copyright Office affirmed "that [the 94th] Congress intended to hold states responsible under the federal copyright law,"[24/] and that Congress should pass remedial legislation to make clear that states are liable for damages in copyright infringement suits. Subsequently, last month, in testimony before the House Subcommittee on Courts, Intellectual Property and the Administration of Justice, the Register of Copyrights, Ralph Oman, endorsed the Copyright Remedy Clarification Act and "urge[d] Congress to pass . . . [H.R. 1131] expeditiously."[25/]

THE PROPOSED LEGISLATION

What H. R. 1131 Will Do

Passage of H. R. 1131 will achieve important public policy objectives:

First, H. R. 1131 will restore copyright owners' ability to turn to the judicial system to seek effective remedies when their valuable property rights are violated by states.

23/ Copyright Office Report at vii (emphasis added).

24/ Copyright Office Report at vii.

25/ Oman Statement at 27.

Federal courts have exclusive jurisdiction over copyright infringement matters. Thus, if the Eleventh Amendment bars copyright owners from seeking a remedy in federal court, they have no place to turn for adequate relief. As the Court of Appeals for the Ninth Circuit recognized in BV Engineering, "the choice [in copyright cases] is not between the federal forum and the state forum -- it is between the federal forum and no forum."[26/] Enactment of H. R. 1131 will ensure that the federal courthouse door is not closed to copyright owners seeking effective relief. It will give them a meaningful day in court.[27/]

In addition to protecting the only forum available, H. R. 1131 will ensure that copyright owners have effective remedies when states violate the Copyright Act. Although state officials and state employees may be enjoined from future violations of the Copyright Act,[28/] under recent court decisions interpreting Atascadero, the states for which they work cannot be sued for damages. As the comments received by the Copyright

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26/ 858 F.2d at 1400.

27/ Because there is no state court jurisdiction in copyright infringement cases, the public policy question that normally arises in Eleventh Amendment matters -- whether congressional action will expand federal court jurisdiction at the expense of state tribunals -- is not involved here.

28/ Ex Parte Young, 209 U.S. 123 (1908).

Office in its inquiry make clear, injunctions are a poor substitute for damage awards:

- o injunctive actions are prohibitively expensive, especially for small companies, if there is no opportunity to collect damages;
- o injunctions do not compensate for infringements that have already occurred;
- o injunctive relief is bad business because sellers would lose customers if they brought a systematic series of lawsuits against them; and
- o although execution of damages is relatively simple, relief through an injunction requires a motion for contempt and the additional expense of proving performance after the injunction is granted.29/

H. R. 1131 responds to these deficiencies. It permits aggrieved copyright owners to seek both an injunction and damages against unlawful conduct by state governments. It reaffirms the comprehensive scheme of copyright protection embedded in the 1976 Copyright Act which is applicable to anyone who violates it.

Second, H. R. 1131 will ensure that the Copyright Act is a strong deterrent to copyright infringements by state governments. It will thereby prevent diminution in the continued availability of new, creative works for state markets.

States are now fully immune from damage suits under the recent cases applying Atascadero in the copyright context. This

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29/ Copyright Office Report at 13-15.

is true whether a state official unwittingly infringes the exclusive rights of the copyright owner or deliberately engages in systematic and unauthorized copying or public performances of protected works.

The knowledge that their actions are shielded from damages could well lead states to become lax in their adherence to the Copyright Act, and, in some instances, to intentionally disregard the law.

The lack of an effective deterrent places at risk all copyright proprietors who market to state agencies. Both the examples contained in the Copyright Office Report[30/] and those chronicled in the court cases demonstrate the seriousness and variety of the risks that copyright owners face. These cases depict infringements involving the unauthorized state use of: (1) a musical composition for a state fair promotion;[31/] (2) photographs;[32/] (3) architectural plans for a student

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30/ Copyright Office Report at 7-9.

31/ Mills Music, Inc. v. Arizona, 591 F.2d at 1280.

32/ Johnson v. University of Virginia, 606 F. Supp. at 322; Richard Anderson Photography v. Brown, 852 F.2d at 115-116.

housing project;[33] (4) computer programs;[34] and financial data.[35]

In addition, states may well confuse insulation from damages with full immunity from any copyright liability, causing them to believe that their activities are beyond the reach of the Copyright Act. A recent, telling example of this problem is illustrated by the experience of the Copyright Clearance Center, Inc. (CCC). For several years, CCC has been trying to develop a photocopy license for public and private universities to parallel its existing license program for corporations. Under this program, universities would obtain a blanket license for a pre-arranged fee that would allow them to make a certain number of copies of copyrighted materials. To that end, CCC held "substantive high-level discussions with representatives of public and private universities." However, these negotiations took a sudden, dramatic turn:

> Following the original decision in UCLA v. BV Engineering [sic], one public university withdrew from discussions, primarily because they were not persuaded that they had any obligation to comply with the copyright law. After the appellate decision upholding the original finding, a second public university terminated discussions of a possible photocopy license, citing the conviction of their legal staff that the

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33/ Cardinal Industries, Inc. v. Anderson Parrish Assoc., discussed in Copyright Office Report at 95.

34/ BV Engineering v. UCLA, 858 F.2d at 1395.

35/ Lane v. First National Bank of Boston, 687 F.Supp. at 13.

> copyright law did not apply to them. As a result, the pilot phase of this important program will include only private universities, which will significantly limit the scope and comprehensiveness of the data CCC will be collecting on photocopying practices.36/

This potential for unanswered violations of the copyright laws by state entities could have a substantial impact on publishers, software companies, and other copyright owners whose businesses rely, in whole or in part, on public universities or other state agencies. Small companies, in particular non-profit scholarly presses or other small university textbook publishers, could be put out of business if the states engage in wholesale copying of their property with impunity. Even if they survive, this loss of business would ultimately result in higher costs which would have to be passed on to consumers in the form of higher prices.

The absence of damage relief would also have a devastating impact on individual creators, such as textbook authors, poets, anthologists, essayists, and other writers and researchers whose markets center on college campuses and who rely heavily on income generated from their royalties. As the President of the Textbook Authors Association has written:

> Most textbook authors have regular teaching jobs. In fact, it is almost necessary that they do. If they

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36/ Letter from Eamon T. Fennessy, President of the Copyright Clearance Center, Inc., January 3, 1989, to Ambassador Nicholas A. Veliotes, President, Association of American Publishers (see Attachment B).

> were to be deprived of their income from royalties, I can assure you that most of them would not expend the effort required to produce texts, because writing a text is a very laborious and time-consuming process. It is like having a second full-time job.[37/]

Mr. Chairman, unless this situation is remedied, over time investors may become reluctant to invest in companies whose market includes, in some significant part, state universities or other state entities, because of the potential for harm to their markets. Authors and other creators of materials for the educational market could lose their incentive to pursue new projects. Publishers and others responsible for developing and distributing copyrighted materials will have less money to reinvest in new and innovative educational materials which are time-intensive and may have a low profit margin.

Ultimately, the public will be the big losers if measures are not taken to prevent the erosion of copyright-intensive industries. The quality and quantity of new works available, particularly to students and teachers at state-run institutions, will decrease. This, in turn, will impact the quality of education in our Nation's public universities. Any degradation in the quality of education in the United States cannot be allowed, particularly at a time when

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37/ Letter from M. L. Keedy, President and Executive Director, Textbook Authors Association, January 16, 1989, to The Honorable Dennis DeConcini (see Attachment C).

this Country's competitiveness in the global market is deteriorating.

H. R. 1131 will help prevent such an erosion of state markets for copyrighted works. It will help make sure that state entities have no incentive to ignore the requirements of the copyright law and that copyright owners have the incentive to keep producing the cornucopia of creative works now available to state entities.

The enactment of H. R. 1131 will also serve as an incentive for states to give due respect to the copyright laws. The current legal situation acts as a disincentive for states to respect the valuable property rights of copyright owners and also sends the wrong signal to the public -- a public that in the past has shown a troubling insensitivity to the property rights of copyright owners. Especially discomforting is the fact that state universities and colleges are populated by young adults who will be given the clear impression by state officials and their instructors that it is perfectly acceptable to either copy or publicly perform copyrighted works without permission and with impunity.

Third, enactment of H. R. 1131 will eliminate a fundamental unfairness that exists under current interpretations of the Copyright Act. State entities, who make use of copyrighted materials in a manner much like other copyright users, currently enjoy an unfair advantage vis-a-vis their

competitors. For example, whereas a state university can obtain copyright protection for its works and protect these copyrights from infringements by others, private universities cannot protect their copyrights against infringements to the same extent because of the Eleventh Amendment immunity afforded states.

Indeed, Senator DeConcini recognized this fundamental unfairness when he introduced S. 497, the Senate counterpart to H. R. 1131:

> The anomalous result of these decisions is that public universities can infringe without liability upon copyrighted material and essentially steal information from private universities, but private universities cannot similarly infringe with immunity on public institutions. In other words, UCLA can sue USC for copyright infringment, but USC cannot sue UCLA.38/

What H. R. 1131 Will Not Do

These are the basic goals that enactment of H. R. 1131 will accomplish. Also important is what adoption of this legislation will not do.

First, H. R. 1131 is a narrowly crafted response to a technical issue. It does not expand the scope of unlawful conduct under the Copyright Act. As Senator DeConcini stated at the time he introduced S. 497:

38/ 135 Cong. Rec. S2012 (daily ed. March 2, 1989) (statement of Sen. DeConcini).

> The simple fact is that protecting copyright from this particular form of infringement [state violations] does not render any conduct unlawful that is not already unlawful.39/

The 1976 Copyright Act applies to states. The circumstances under which a state will and will not be an infringer is not altered by this legislation. The issue of damages arises only after there has been an infringement of a copyright by a state entity -- only after there has been a violation of the Copyright Act.

Second, H. R. 1131 does not expand the substantive rights of copyright owners. Mr. Chairman, you made this point earlier this year when you declared:

> This amendment does not in any way change the substantive rights of copyright owners.40/

In sum, H. R. 1131 is a narrowly-tailored proposal designed to further important public policy goals. It will do so without upsetting the delicate balance of rights and exemptions embodied in the Copyright Act. It will reiterate the intent of the 94th Congress that copyright owners have a meaningful opportunity to go to court if their rights are infringed by states.

39/ Id.

40/ 135 Cong. Rec. E525 (daily ed. Feb. 27, 1989) (statement of Rep. Kastenmeier) (emphasis added).

Conclusion

The Supreme Court's decision in Union Gas clears the way for prompt enactment of H. R. 1131. The Copyright Remedies Coalition urges Congress to move quickly and to nip this problem in the bud. Prompt action will prevent the erosion of currently vulnerable markets. Individual creators will not lose their incentive to produce new and innovative educational materials. The public will not be deprived of the invaluable copyrighted materials now available. Finally, prompt action will help ensure that the quality of education in our country is not diminished.

Thank you.

ATTACHMENT A

COPYRIGHT REMEDIES COALITION
SUITE 600
2000 K STREET, N W
WASHINGTON, D.C. 20006-1809

MICHAEL R KLIPPER
COUNSEL

TELEPHONE
(202) 429-8970

The members of the Copyright Remedies Coalition include:

ASCAP

Association of American Publishers

Association for Information Media and Equipment

BMI

Dun & Bradstreet Corporation

Encyclopaedia Britannica Educational Corporation

Films, Inc.

Harcourt Brace Jovanovich, Inc.

International Communications Industries Association

Information Industries Association

McGraw-Hill, Inc.

Motion Picture Association of America, Inc.

National Music Publishers' Association

Recording Industry Association of America

Time Inc.

Training Media Association

Warner Communications Inc.

West Publishing Company

ATTACHMENT B

COPYRIGHT CLEARANCE CENTER, INC.
27 Congress Street, Salem, Massachusetts 01970
Telephone. (508) 744-3350 FAX. (508) 741-2318

Janudry 3, 1989

VIA FAX MACHINE

Ambassador Nicholas A. Veliotes
President
Association of American Publishers
2005 Massachusetts Ave., NW
Washington, DC 20036

Dear Nick:

I understand that the Association of American Publishers has joined other organizations in supporting congressional efforts to remove any appearance of an exclusion of state entities from the copyright law. CCC supports these efforts; our recent experience suggests that confusion over the scope of the law has already resulted in violations of the intent and spirit of existing legislation.

Over the last several years, CCC has focused substantial resources on developing a photocopy license for universities, which could parallel our existing successful licensing program for corporations. Substantive, high-level discussions of the program have been conducted with major private and public universities. Following the original decision in UCLA v. BV Engineering, one public university withdrew from discussions, primarily because they were not persuaded that they had any obligation to comply with the copyright law. After the appellate decision upholding the original finding, a second public university terminated discussions of a possible photocopy license, citing the conviction of their legal staff that the copyright law did not apply to them. As a result, the pilot phase of this important program will include only private universities, which will significantly limit the scope and comprehensiveness of the data CCC will be collecting on photocopying practices.

I trust that this information will be of value to the AAP and others who endorse immediate clarifying action in this important domain. Please feel free to share it whenever and wherever it will serve our common goals. CCC stands ready to provide any additional support or information which may be necessary.

Very truly yours,

Eamon

Eamon T. Fennessy
President

ETF/js

ATTACHMENT C

TEXTBOOK AUTHORS ASSOCIATION
For Creators of Academic Intellectual Property at All Levels

President and Executive Director
M.L. (Mike) Keedy
Professor Emeritus of Mathematics
Purdue University

January 16, 1989

The Honorable Dennis DeConcini
Chairman
Subcommittee on Patents, Copyrights and Trademarks
United State Senate
Washington, DC 20510

Dear Senator DeConcini:

This is to express our grave concern about the recent court decisions holding that state institutions are immune from prosecution for infringement of copyrights.

As you probably know, the Register of Copyrights has concluded that copyright owners will suffer "immediate harm" if they cannot sue state institutions for infringement. Also, the Copyright Clearance Center, which is trying to negotiate licensing agreements for photocopying by universities, reports that two universities have withdrawn from the discussions as a result of the court decisions re UCLA vs. BV Engineering.

As textbook authors, we comprise the wellspring of the textbook industry, an industry which is vital to the welfare of education at all levels and in turn to the fundamental welfare of education at all levels and in turn to the fundamental welfare of our nation. Most text authors have regular teaching jobs. In fact, it is almost necessary that they do. If they were to be deprived of their income from royalties, I can assure you that most of them would not expend the effort required to produce texts, because writing a text is a very laborious and time-consuming process. It is like having a second full-time job.

It is essential that your committee and congress at once reaffirm congress' original intent that redress against states for copyright infringement exists. We know that you are aware of this need from your comments in the Congressional Record of October 20. We support your position and applaud your efforts. Correcting the present condition is vital, not only to textbook authors and publishers, but to the welfare of American education.

Sincerely,

Mike Keedy

M. L. Keedy

MLK:nh

P.O. BOX 535 • ORANGE SPRINGS, FL 32682 • (904) 546-1000

Mr. KASTENMEIER. Now Mr. van den Berg.

STATEMENT OF BERT P. van den BERG, PRESIDENT, BV ENGINEERING PROFESSIONAL SOFTWARE, RIVERSIDE, CA, ON BEHALF OF THE SOFTWARE PUBLISHERS ASSOCIATION AND ADAPSO

Mr. VAN DEN BERG. Mr. Chairman, members of the subcommittee, my name is Bert van den Berg, president of BV Engineering Professional Software.

Thank you for giving me this opportunity to testify in support of H.R. 1131, the Copyright Remedy Clarification Act of 1989. I think this legislation is necessary and should be passed as quickly as possible. With your permission, I will summarize my written statement in explaining why.

Mr. KASTENMEIER. Without objection, your written statement will appear in the record as well as that of Mr. Kutz.

Mr. VAN DEN BERG. My company, BV Engineering Professional Software or BVE for short, is a California-based publisher of microcomputer software. For several years BVE was involved in a dispute with UCLA about copyright infringement. The Ninth Circuit Court of Appeals ruled that because of the eleventh amendment, UCLA was immune from liability for monetary damages in copyright infringement suits.

Now, UCLA has its own version of things, and we don't agree on much, but I am not here to re-argue those facts. I am here because I was never given a trial to consider the merits of the case. I wasn't given a trial because the State of California invoked the eleventh amendment. I think this is unfair.

There are many men and women in this country who have invested their time and energy in creating art, music, books and other forms of intellectual property. Our need is the same, effective protection against the theft of our works. Effective protection does not exist if some groups can violate your copyright without being subject to monetary damages.

It is hard enough to find proof of violations even when you know it is happening. Piracy is like, to me, getting your pay check and then being mugged on your way home every payday. Injunctive relief is not enough. Injunctive relief prevents further infringement but does not provide any compensation for past copying.

The framers of our Constitution recognized that creative artists need special protection in order to give them the freedom and the interest to share their works with the public. The framers did not intend to force artists to distribute their works without compensation.

This is what will happen, however, if H.R. 1131 or other equivalent legislation is not enacted. After these recent court decisions, I believe many State agencies have decided that in a sense copyright statutes have been repealed for the States. H.R. 1131 corrects that erroneous perception.

This bill makes it clear that when Congress drafted the 1976 Copyright Act, it intended to include the States, as well as private individuals in every section. Anyone means anyone, including the State governments.

I am convinced that companies may not have any incentive to develop new programs if the question of sovereign immunity is not resolved in favor of the copyright holder. The United States leads the world in the development of innovative productivity enhancing software. The best software is created and maintained through careful research and development.

R&D is expensive. So anything that affects a company's cash flow necessarily affects R&D spending. When our best products can be easily stolen and no effective recourse is available, it is not difficult to see how software companies might lose the incentive and the ability to invest in more R&D.

I also ask about the message that we are sending to our foreign competitors and foreign governments. The problem of software piracy is much more serious beyond this country's borders and the course we set for ourselves is the course that many other governments may follow.

How can we ask foreign governments to strengthen their intellectual property laws if our own laws say it is acceptable for State governments to ignore copyright without fear of monetary damages?

I urge you to vote favorably on H.R. 1131 and solve this problem for the copyright community. Thank you very much.

Mr. KASTENMEIER. Thank you, Mr. van den Berg.

[The prepared statement of Mr. van den Berg follows:]

Jul 92032 2-2 BLAZE jpw4.

Bert P. van den Berg
President, BV Engineering Professional Software
on behalf of
The Software Publishers Association
and
ADAPSO, The Computer Software and Services Industry Association
Summary of Testimony on H.R. 1131

BV Engineering Professional Software (BVE) is a California-based publisher of microcomputer software. For several years, BVE was involved in a dispute with UCLA about copyright infringement. The Ninth Circuit Court of Appeals ruled that, because of the Eleventh Amendment, UCLA was immune from liability for monetary damages in copyright infringement suits. I think this is unfair.

There are many men and women in this country who have invested their time and energy in creating art, music, books, and other forms of intellectual property. Our need is the same - effective protection against the theft of our works. Effective protection does not exist if some groups can violate your copyright without being subject to monetary damages. Injunctive relief is not enough. Injunctive relief prevents further infringement, but does not provide any compensation for past copying. The Framers of our Constitution recognized that creative artists need special protection in order to give them the freedom and interest to share their works with the public. The Framers did not intend to force artists to distribute their works without compensation. That is what will happen, however, if H.R 1131 or other equivalent legislation is not enacted.

After several recent court decisions, I believe many state agencies have decided that in a sense, copyright statutes have been repealed for the states. H.R. 1131 corrects that erroneous perception. This bill makes it clear that when Congress drafted the 1976 Copyright Act, it intended to include the states as well as private individuals in every section. "Anyone" means anyone, including state governments.

Companies may not have any incentive to develop new products if the question of sovereign immunity is not resolved in favor of copyright holders. The United States leads the world in the development of innovative, productivity-enhancing software. The best software is created and maintained through careful research and development. R&D is expensive, so anything that affects a company's cash flow, necessarily affects R&D spending. When our best products can be easily stolen, and no effective recourse is available, it is not difficult to see how software companies might lose the incentive and ability to invest in more R&D.

What kind of message are we sending to our foreign competitors and foreign governments? The problem of software piracy is much more serious beyond this country's borders. The course we set for ourselves is the course many other governments may follow. How can we ask foreign governments to strengthen their intellectual property laws if our own laws say that it is acceptable for state governments to ignore copyright without fear of monetary damages?

Testimony of Bert P. van den Berg
President, BV Engineering Professional Software, Riverside, California
on behalf of
The Software Publishers Association
and
ADAPSO, The Computer Software and Services Industry Association
Hearing on H.R. 1131
"The Copyright Remedy Clarification Act of 1989"
before the
Subcommittee on Courts, Intellectual Property and the Administration of Justice
Committee on the Judiciary
July 11, 1989

Mr. Chairman, other distinguished members of the Subcommittee, my name is Bert van den Berg, President of BV Engineering Professional Software (BVE). Thank you for giving me an opportunity to testify in support of H.R. 1131, the "Copyright Remedy Clarification Act of 1989."

I offer testimony today on behalf of the Software Publishers Association ("SPA") and ADAPSO, the Computer Software and Services Industry Association ("ADAPSO"). These two associations, which together represent over 1300 software companies, have joined in supporting H.R. 1131.

As President of BVE, I have a very real and personal interest in passage of this proposed legislation. By way of explanation, let me tell you something about my company.

I founded BVE in 1982 to design, develop, publish, and market engineering technical software for PC workstation applications. BVE products are developed for both in-house and contract professional computer programmers who operate on a royalty basis by project assignment. The company's sales growth and profit strength stems from our dedication to the development and marketing of high performance engineering software for a vertical niche market.

With only eight employees, BVE has developed 17 IBM and 11 Macintosh products. Each is a standalone program designed to help electrical engineers solve particular types of problems. Our products include analog and digital simulation, filter design, engineering graphics, signal processing, stability analysis, etc.

I am obviously proud of BVE's product line, but what I would like to discuss today is what happened when we licensed those products to a state university. Up until recently, when an end user was interested in one of our products, we offered the option of a site license along with our basic license agreement. This site license option gave the user the right to make up to 50 copies of the program as his or her needs increase. The site license was triggered when a copy of the agreement is signed and returned to BVE with the required site license fee. The site license fee was $500 per product, making each copy cost only $10. As compared with the basic license agreement, this site license arrangement made copies very inexpensive.

In addition to a cost savings, this site license arrangement was very useful, because our basic license agreement states that, without express permission, only two backup copies can be made. In my years in this industry, I have discovered that many users don't actually know how many copies of a program they will need until after they have used it for a while. BVE's site license arrangement gave each user the option of evaluating a product's usefulness and then making the necessary copies as needed. The site license also gave the user protection against a claim of copyright infringement, provided of course that the necessary fees are paid.

This site license arrangement was the basis of a dispute between BVE and the University of California at Los Angeles (UCLA). Our dispute and the Ninth Circuit's interpretation of copyright law show why H.R. 1131 is absolutely necessary.

Several years ago, UCLA bought one copy each of seven different BVE programs. Somebody at UCLA signed and returned a site license agreement for all seven programs, but without the required license fee. BVE immediately sent a letter to UCLA informing the university that the money for the site license had not been received. Now, UCLA has its own version of things, and we don't agree on much, but one fact is clear - UCLA admits to making and distributing a combined total of 91 copies of our programs and instruction manuals without permission and without paying for them. Even though our site license arrangement makes copies very economical, someone at the university just assumed they had the right to make an unlimited number of free copies.

Without going into too much more detail, BVE brought an action for copyright infringement against the University. The suit was filed in federal district court in California, because that is where all matters involving copyright violations are handled. Little did I expect the court to rule that UCLA was immune from suit for monetary damages, even when the case involved what I thought was a blatant

violation of copyright law. The court held that UCLA could not be sued for damages, because it is a state agency and the Eleventh Amendment limits the extent to which states can be sued for monetary damages in federal court. Unfortunately, this decision was upheld on appeal by the Ninth Circuit, and the United States Supreme Court recently declined my application for a writ of certiorari.

I am a representative example of the many men and women across this country who have invested their time and energy in creating art, music, books, and other forms of creative work. We belong to many different trade groups, but our need is the same - effective protection against the theft of our works. Effective protection does not exist, however, if states and state agencies can violate your copyright without being subject to monetary damages. Injunctive relief is not enough. Injunctive relief prevents further infringement, but does not provide any compensation for past copying.

It is my understanding that the Framers of our Constitution recognized that creative artists need special protection in order to give them the freedom and interest to share their works with the public. The Framers did not intend to force artists to distribute their works without compensation. That is what will happen, however, if H.R 1131 or other equivalent legislation is not enacted.

One of the biggest markets for my products is the university community. It makes no sense to me that under current law, I am broadly protected if I license my programs to a private school like the University of Southern California, but I have to accept less if UCLA is the end user. I am obviously interested in making a profit, but not at the expense of my most valuable assets. It seems that I have one of two choices: stop selling to state agencies or accept that they can infringe my works without risk of penalty. Some software developers might not even have the first option. Quite a few programs are sold over-the-counter at retail outlets. There is nothing to prevent an employee from a state agency from purchasing the software and then making any number of copies. Should the software developer discover this infringement, be it months or years after the fact, his or her only recourse is an injunction against **further** infringement. I believe this is unfair.

I am not a constitutional law expert, but I believe that as far as copyright is concerned, both individuals and states should be subject to the same monetary damages for infringement. BVE is a very small business. As I mentioned, we have only eight employees and annual software sales of less than $250,000. Every state agency that might be a potential user of our programs is much, much larger. How can BVE or any small business protect itself if these large bodies are not required to pay for what they take?

Mr. Chairman, there is an old saying, "perception becomes reality." After these recent court decisions, I believe many state agencies have decided that in a sense, copyright statutes have been repealed for the states. H.R. 1131 corrects that erroneous perception. This bill makes it clear that when Congress drafted the 1976 Copyright Act, it intended to include the states as well as private individuals in every section. "Anyone" means anyone, including state governments.

The Software Publishers Association, of which I am a member, and ADAPSO, the Computer Software and Services Industry Association are both concerned that companies may not have any incentive to develop new products if the question of sovereign immunity is not resolved in favor of copyright holders. As I am sure you are aware, the United States leads the world in the development of innovative, productivity-enhancing software. The best software is created and maintained through careful research and development. R&D is expensive, so anything that affects a company's cash flow, necessarily affects R&D spending. My company, like many other software companies, invests almost 15% percent of its revenues in R&D. This is a higher percentage than you will find for other industries. When our best products can be easily stolen, and no effective recourse is available, it is not difficult to see how we might lose the incentive and ability to invest in more R&D.

SPA and ADAPSO are also concerned about the message we are sending to our foreign competitors and foreign governments. The problem of software piracy is much more serious beyond this country's borders. The course we set for ourselves is the course many other governments may follow. How can we ask foreign governments to strengthen their intellectual property laws if our own laws say that it is acceptable for state governments to ignore copyright without fear of monetary damages? I think our trade representatives would find themselves in a very awkward position, especially now when delicate negotiations are underway to add an intellectual property code to the General Agreement on Tariffs and Trade.

In summary Mr. Chairman, I appear before you today as a small businessman who has been directly and negatively affected by a twisted interpretation of the Copyright Act. I am asking you to correct this problem through quick passage of H.R. 1131 before others fall victim to this gap in our laws.

Mr. Chairman, this concludes my prepared statement. I would be happy to answer any questions you may have.

Mr. KASTENMEIER. You have indicated, Mr. van den Berg, in your own case you have already had a negative experience in terms of UCLA. I would like you, either of you, to generalize what you see industry-wide as the financial consequences, let's say, to the copyright industry if sovereign immunity remains a bar to money damages.

Mr. VAN DEN BERG. Mr. Chairman, I wish I could give you a—I can only tell you what my opinion is because our company is very small. We are only five people. I don't have the information that you are requesting. My feeling is, however, that—and it has already happened to me, that the costs of products are going to go up and the incentive to produce products are going to go down.

Did I answer your question?

Mr. KASTENMEIER. Yes.

Mr. Kutz.

Mr. KUTZ. Well, I certainly would agree. As I tried to indicate, we are presently in a highly competitive situation. While it becomes more expensive to be in textbook publishing because unit sales are declining, there are price barriers, and you can't price up infinitely. It will restrict competition. It will make for fewer textbooks in virtually any subject area, and really the Government and its citizens will be the losers.

Mr. KASTENMEIER. Let me ask you whether there are any number of governmental entities with which your companies currently deal, are there State entities or State governments who, in fact, do give contracts with and do recognize and pay you irrespective of whether they might seek refuge in the eleventh amendment?

Do you have a number of contracts with people who—I am talking about State entities—that do, in fact, pay you fully and do not resist even though they theoretically might have a refuge in the eleventh amendment?

Mr. KUTZ. It would be my understanding that there are academic libraries of public universities and State libraries that do pay to the CCC for making copies, so that I would think there are many of those kinds of situations.

Mr. KASTENMEIER. But current contracts are, in fact, fully honored?

Mr. KUTZ. There is an implied contract or there are transactions that are legal transactions.

Mr. KASTENMEIER. Is that also, Mr. van den Berg, true in your industry?

Mr. VAN DEN BERG. In my industry the computer software business, it is not a commodity product that is used up such as other products may be, and we find that we don't often sell multiple copies to State universities, no. We have sold multiple copies to Federal Government agencies but not to State agencies.

Mr. KASTENMEIER. Thank you. I am going to yield to the gentleman from California, Mr. Moorhead.

Mr. MOORHEAD. I would like to ask both of you about what percentage of your business goes to State governments or their subsidiaries?

Mr. VAN DEN BERG. I will answer that first.

I have the data as to what goes to educational institutions because I looked it up. I did not break it down by State.

Mr. MOORHEAD. Since there is a difference between the public and the private institutions as to the enforcement of this law——

Mr. VAN DEN BERG. I honestly don't have that information, but I can get it for you.

Mr. MOORHEAD. I just wondered what you feel you are using as far as your sales to, say, a State university would be. What percent of the sales that you now have would you be able to increase if you got all of the payment that you are entitled to?

Mr. VAN DEN BERG. Thank you for the opportunity to answer that question. I think the question is a good question, but I would like to rephrase it a little bit, if I may.

Mr. MOORHEAD. Sure.

Mr. VAN DEN BERG. What do I lose? It is not just the percentage. BV Engineering produces relatively low cost software. We are working on about a 30-percent gross profit margin, of which half that goes back into R&D for new products, so my net, what I get to take home and spend on my children, my family is about 15 percent of our gross.

I ask you, what happens if only a 10-percent increase in my gross sales? I get to take home almost double, so I am saying a very small increase in our sales would result in a significant increase in my own personal income.

Mr. MOORHEAD. Are your experiences about the same?

Mr. KUTZ. Well, I understand the statistics are that I think it is 79 percent of undergraduate college students are in State universities, which means that for the college textbook business that is a very high percentage.

In addition, of course, many academic and State libraries buy our products, so it is a central part of the market for publishers in general, and at my company in particular I would hazard a guess it is probably around 30 percent of our sales.

Mr. MOORHEAD. Thank you very much.

Mr. KASTENMEIER. The gentleman from Illinois, Mr. Sangmeister.

Mr. SANGMEISTER. I suppose I should understand some of these abuses a little better. Give me the fundamentals. One of you is talking about textbooks, one about software. Literally, what do some of those libraries and schools districts do, just literally photocopy everything?

Is that where your losses directly come from? Give me some of the practical examples that are happening out there. I can understand the percentages that you are talking about. What exactly do those people do? You don't need to hesitate to tell us what in fact is happening.

I would like to have a little bit more of what is going on out there and how they are deliberately trying to get around paying the just fees that I also think you have coming.

Mr. VAN DEN BERG. In 1986 I sold the University of California at Los Angeles one copy each of seven different products, and we discovered later and by the university's own admittance in the deposition process, the university made a combined total of over 91 copies of our programs and documentation.

I consider that pretty blatant.

Mr. SANGMEISTER. So, in other words, you get a computer software program and they just duplicate it? Whoever at the university wants it or needs it, they just automatically get a copy of it?

Mr. VAN DEN BERG. I don't know what the mechanism is, all I know is you take a computer disk, a 50-cent computer disc, and you can take a $100 program and make a perfect copy of it in less than 60 seconds on any personal computer.

It is—in the textbook market at least you have to use a photocopier and stand there for half an hour.

Mr. SANGMEISTER. Going to the textbook, that is basically what is done?

Mr. KUTZ. It is not even necessarily copying the whole book. You can create anthologies by taking a chapter or two from one book and a chapter or two from another book. Where you are going to lose sales, then, is in being deprived of the opportunity to reissue, let's say, even a general trade book as an inexpensive paperback that would be used as supplemental reading or a book that would be bought in multiple copies by a library to be put on reserve by a professor, so you are facing economic loss that is somewhat more complicated.

But it is very clearly there, and these are situations which we encounter and are attempting to deal with now very, very frequently.

Mr. VAN DEN BERG. Congressman Sangmeister, I have been reminded that perhaps you would be interested in hearing about a specific situation about what happened. When we found out that some copies were being made by UCLA in this particular case, I contacted the individual directly. I did not go to an attorney. I didn't contact the university or the university attorneys because in my previous employment with General Dynamics the rule was that if you pirated a copy of a product that you were fired. There were rules there. They did not want to subject themselves to lawsuits.

So I contacted the individual directly because I could at least give him an opportunity to put it right. The individual initially denied having made the copies and, in fact, challenged me to produce the name of one person who had a copy, so I did because I had the information just purely by accident.

One of our authors was going to graduate school and saw it. At that time he became very abusive talking about not only me, but software companies in general as being greedy and so forth, and threatened to return all the products and demand their payment back, so not only were we not going to get paid for the copies they made, but we were going to lose payment for the copies they had already purchased legitimately.

These types of things happen because—we are such a small company. I spend an enormous amount of time on the telephone. These things happen with regularity. They not only will copy the products, but they have the gall to call in for technical assistance because they may not have a manual. When you start asking them about serial numbers and their name, the phone goes click. This is a constant reminder, a constant irritant.

Mr. KUTZ. Congressman Sangmeister, I should amplify on a previous comment. The publishing industry created the Copyright Clearance Center in response to the essential directive in the Copy-

right Act that we balance the rights of copyright holders and users, and give users of intellectual property an opportunity to make copies and pay for them in an orderly way, but in the present—in an atmosphere where there were not a bill such as the one being considered.

We have already said that there are State institutions, libraries, which are paying fees to the Copyright Clearance Center, which were willingly paying for copies that they made primarily of articles from scientific and technical journals. These institutions withdrew, then were coaxed back into a pilot project that we are doing.

It would upset the balance that has been created to enable us to market journals at a reasonable price while at the same time giving users the ability to make copies of articles when they saw the need to do so.

Mr. SANGMEISTER. So you are talking more from the standpoint of articles in magazines and periodicals because when you use the term, "textbook," I think of the standard college textbook by John Doe on physics, OK, the professor on that particular course says this is what we are going to use as our basic text.

When I went to school you either went to the used book store and tried to buy somebody's copy from last year which I guess you cannot really stop that. If you couldn't buy it there, you went to the book store at the college and you bought the text. That really hasn't changed.

Mr. KUTZ. But that is in some danger. Either the entire text could be copied, which is a time-consuming process, but could be done. What happens is you could put one or two copies on reserve in the library and then students could go in and make copies of a few chapters for the next few week's time in the classroom, then come back in and make copies of the next few chapters, et cetera.

There is clearly an economic harm element present in such a scenario.

Mr. SANGMEISTER. Of course one student could buy the book for 10 others and go out and individually copy it. I don't know how you would get a handle on that. That could be very well unlawful, but enforcement of it, is a very difficult thing in your field—but I could see where this bill would help.

Those are all the questions I have.

Mr. KASTENMEIER. Yes, I appreciate your testimony. Actually part of this—part of the testimony, certainly that of Mr. van den Berg, touches on a general software problem quite apart from this immunity problem that we are having, in terms of giving effective protection to software and some other issues which may be the subject indeed of another hearing, but we appreciate the testimony of both Mr. Kutz and Mr. van den Berg.

Thank you both.

Mr. KUTZ. Thank you.

Mr. VAN DEN BERG. Thank you.

Mr. KASTENMEIER. Our last panel this morning consists of an old friend of the subcommittee, Mr. Gus Steinhilber, who is the general counsel of the National School Boards Association and he is here today representing the Educators' Ad Hoc Committee on Copyright Law. He will be joined on the panel by Allen Wagner, the university counsel for the University of California.

Gentlemen, welcome. Mr. Steinhilber, you may proceed.

STATEMENT OF AUGUST W. STEINHILBER, ESQ., GENERAL COUNSEL, NATIONAL SCHOOL BOARDS ASSOCIATION, ON BEHALF OF THE EDUCATOR'S AD HOC COMMITTEE ON COPYRIGHT LAW

Mr. STEINHILBER. Thank you, Mr. Chairman.

I appreciate the opportunity to again appear before this committee. The Educators' Ad Hoc Committee, which I represent today, consists of virtually every nonprofit organization representing schools, colleges, libraries, public and private, religious and nonreligious from kindergarten to graduate school.

We represent teachers, professors, librarians and school boards. As indicated by you earlier, while I was voted on by the other organizations to chair this ad hoc group, I am actually general counsel for the National School Board Association.

I request that our full statement be included. I am going to somewhat paraphrase from notes from this point on.

Mr. KASTENMEIER. Without objection, your full statement will be received.

Mr. STEINHILBER. Just by way of information, we did meet on January 17, 1989, for the purpose of looking at this entire issue and seeing whether or not we should provide testimony. As you can well imagine, it was controversial, even within our own ranks. This particular testimony represents, I would call it, consensus of that meeting, and indeed we held another meeting on June 12, of this year to take a look again both with respect to what was going to happen and has happened since then in the U.S. Supreme Court and whether or not we needed to change our testimony which we gave in the Senate, so we have done just that..

We have made some technical changes in the testimony, but it basically remains the same. I have been asked by the following organizations to make sure that this committee understands that they have specifically asked that their name be mentioned before you.

They are the National Education Association, the American Association of School Administrators, the American Library Association, the American Association of University Professors, and the American Council on Education. Mr. Chairman, we cannot support H.R. 1131 in its current form for three reasons:

One, we believe legislation is premature. Two, there has been no real evidence of substantial harm. And, three, statutory damages and attorneys fees are excessive and not warranted. If States and instrumentalities were to be totally immune from copyright infringement, there would be no question and impact on the industry and intellectual property, and American educators, like representatives of the copyright industry which you have heard, believe that it is important to have a strong copyright system.

However, we do not believe that the limited, and I underscore limited, immunity which exists as a result of the eleventh amendment has any real threat to our system of copyright.

Let me just give you two examples to show our good faith. It wasn't too long ago that I appeared before this very committee urging that the United States join the Berne Convention. During

that debate we discussed the fact that we supported copyright and we look at the rights of users and producers with respect to Berne.

The right was with the producers, not with the users. We are now working with the copyright office to have schools, children compete for prizes in intellectual property for the 200th anniversary of the copyright law.

Moreover, we are working with our own membership to encourage respect for the copyright. I have produced a book which has gone out to virtually every school system in the United States urging that school systems obey the copyright law, and we have said since these cases have come down, your responsibility still is to obey the law.

That remains. The only difference is, the only thing that can be done against you is injunctive relief. Now, I sort of remind everybody that for public officials this is not unusual. Every day public officials in the United States obey the law, and when the only recourse is either injunctive relief or the right of mandamus, and yet they obey the law, and I dare say this is also true with respect to copyright.

I can think of all the election laws, I can think of lots of other things to give you specific examples. I think the next point of being premature is that it has been documented time and time again that there is no immediate injury in terms of massive infringement, not from our membership.

The actual losses which we hear tend to be speculative, isolated, and anecdotal in nature. Indeed, wherever we hear about some of these we spend a good deal of time trying to find out whether they are true and if they are, if there are problems out there, were are asking to correct our own house. We ask our members to make sure that they are obeying the law.

I think this committee also should look at a number of real public policy questions. There is an old phrase which goes, this is a constitution which we are about to discuss. Congress should proceed very cautiously on the constitutional issues. It is not just copyright.

It is our federalistic system of government we are talking about, and any discussion should also discuss what happens with respect to that portion of government.

The second item, injunctive relief, may well be enough to protect copyright owners. Perhaps no change in the law is required at this time. I remind, if I may, that we have section 108–I of the copyright law which calls for a 5-year review on library usage.

If there is no real now demonstrable injury, perhaps we should look at a review and see whether or not the claims that have been made are really true. The next public policy question is whether or not it is appropriate for public funds for taxpayers to be used to pay statutory damages, which may be in excess of actual damages suffered by a copyright owner, and I also ask the question, are attorneys fees appropriate in cases involving State government?

When the issue is purely economic, attorneys fees are very appropriate in civil rights kinds of cases or where you have the concept of private attorney general, but we are having a commercial discussion. Copyright is commercial. I ask the question, then, and I ask you to look at this issue, does copyright infringement fall into

the same classification as civil rights, and I think not. In fact, our group thinks not.

We do have several legislative suggestions for this committee. One, let's relook at the definition of fair use as it applies to States and instrumentalities. Fair use should be judged in terms of adverse impact upon the actual, not potential market.

Second, limit recovery from States and instrumentalities to all damages, not statutory damages. We do believe that we have an obligation to make whole anybody who has been injured, and if we have made somebody jurisdiction, we have that obligation. And last, do not authorize in copyright law the awarding of attorneys fees in copyright infringement cases.

One last comment on legislation and one last comment with respect to my general statement. I think the whole issue of Berne keeps coming up again and again in this discussion, even though it may not come up before this very committee. Please, I ask you, do not legislate on the basis of some discussion of Berne.

We were very much afraid when we testified before you urging the United States to join Berne. We are going to be caught in a vise, the vise being certain individuals who represent industry would lobby Berne opportunities to get some changes in Berne and then turn around and use some of the exact same rationale back in the United States, saying if Berne does it, we have to do it as well.

I think the United States should look at its own public policy questions, and in closing I would like to make reference to the fact that we, too, had questions with respect to the four U.S. Supreme Court decisions. I was able to get three professors of law from three institutions of higher education to sit down and draft or at least put together a statement.

I do this as a matter of, not as a matter of our testimony because it does not necessarily represent the position of the ad hoc committee, it hasn't been reviewed by it, but I was somewhat concerned at the time that we might have a situation where 10 law firms would be coming in and having 10 different versions of what did occur, and I thought I would ask for volunteers from within the higher education community to take a separate look at the issue of abrogation, particularly as it relates to article 1 and develop a paper thereon.

Thank you, Mr. Chairman.

Mr. KASTENMEIER. Thank you, Mr. Steinhilber. We will save our questions for you until Mr. Wagner has concluded.

[The prepared statement with additional material of Mr. Steinhilber follows:]

Educators' Ad Hoc Committee on Copyright Law

SUMMARY OF STATEMENT BY EDUCATORS' AD HOC COMMITTEE ON COPYRIGHT LAW

- Our basic responsibility is to balance the interests of users with the interests of copyright owners. We support copyright and, indeed, recently played an important role in pushing for U.S. adherence to Berne. The issue in this case is far more difficult because it involves the United States' Constitution.

- The issue on sovereign immunity is very narrow as it relates to copyright, because copyright does apply to states and their instrumentalities, and injunctive relief is available. The only question is the availability of statutory damages and attorney's fees.

- We have repeatedly told our membership that their responsibility is to obey copyright law. This is no different for our members than it is when we obey other laws which do not contain statutory damages.

- H.R. 1131 is premature. It is the U.S. Constitution that is being discussed, not copyright. There is no overriding national public policy issue at this time.

  -- There has been no real data produced showing injury.

  -- Title 42 USC 1983-88 probably already applies. The issue has never been litigated.

  -- Even if there were no constitutional issue, statutory damages are inappropriate because the public would have to pay an amount in excess of the real losses.

  -- Attorney's fees are appropriate in private attorney general statutes, such as 14th Amendment civil rights cases. They are not normally considered appropriate for purely economic issues.

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A coalition of non-profit organizations representing education, libraries, and scholars

STATEMENT ON BEHALF OF THE
EDUCATORS' AD HOC COMMITTEE ON COPYRIGHT LAW
BEFORE THE
HOUSE JUDICIARY SUBCOMMITTEE ON
COURTS, INTELLECTUAL PROPERTY AND THE ADMINISTRATION OF JUSTICE
ON
THE U.S. CONSTITUTION, SOVEREIGN IMMUNITY AND COPYRIGHT
H.R. 1131

Thank you, Mr. Chairman. I am August W. Steinhilber, testifying as Chairman of the Educators' Ad Hoc Committee on Copyright Law. I am also General Counsel of the National School Boards Association. The Committee consists of nonprofit organizations representing virtually every school, college and library, public and religious affiliated, and from kindergarten through graduate education, throughout the country. We represent teachers, professors, librarians and school boards. One of the principal concerns of the Educators' Ad Hoc Committee has been the preservation of the limited right of educators and scholars to use material that they need for their teaching and research.

The Educators' Ad Hoc Committee met on January 27, 1989. This testimony reflects a consensus of that particular meeting. Another meeting was held on June 12, 1989, at which time it was agreed that we testify basically using the same rationale as our Senate testimony.

We cannot support H.R. 1131 in its current form:

1. The legislation is premature.
2. There has been no evidence of substantial harm.
3. Statutory damages and attorney's fees are excessive and not warranted.

Background

On March 20, 1989, the U.S. Supreme Court denied certiorari in the case of BV Engineering v. UCLA. Thus, the 9th Circuit decision was left standing (858 F.2d 1392 (1988). That decision along with recent decisions in other federal courts held that states cannot be sued for money damages arising out of copyright infringement although injunctive relief could be obtained. Indeed, there has been uniformity in the circuits upholding the constitutional doctrine found in the Eleventh Amendment. These courts uniformly held that their results were required by the Eleventh Amendment to the United States Constitution. Under the doctrines of constitutional law relating to that amendment, however, it is possible (although not certain) that Congress could legislate an alternative rule.

The copyright industry has been very upset with these rulings and has undertaken intensive lobbying on the issue both with the American Bar Association and with the U.S. Congress. On August 3, 1987, Congressmen Kastenmeier and Moorhead, representing the Chairman and Minority Leader on the Subcommittee on Courts, Civil Liberties, and the Administration of Justice, in an effort to obtain information on the issue, requested that the Copyright Office conduct a complete study on sovereign immunity and copyrights. That report was issued June 1988. The recommendations were twofold:

1) If the decision in the Union Gas case [1] permits Article I abrogation, then Congress should amend the Copyright Law to clarify the law's intent that states should not be immune under the 11th Amendment for damages under the copyright law.

2) If the Union Gas decision does not permit congressional abrogation, Congress may amend federal law to provide that individuals may sue states in state court for damages for copyright infringement.

PUBLIC POLICY ISSUES

It has already been documented by the testimony given by Ralph Oman, Register of Copyrights, in hearings earlier this

[1] United States v. Union Gas Co., 832 Fed 1343 (3d Cir. 1987) cert. granted, 108 S.Ct. 1219 (1988); affirmed June 15, 1989.

year, that while he had received a number of statements asserting that there could be injury to copyright owners (such statements were supported by statistics which described the size of purchases made by states), there has been no massive violation of copyright laws by states and their instrumentalities. To date, the comments on actual losses are either speculative or isolated and anecdotal in nature. If that is the case, we believe a number of public policy issues must be addressed, some of which are outside the scope of copyright but are well within the scope of the Senate Judiciary Committee.

- The Congress should proceed cautiously on this issue. It is provisions of the Constitution of the United States that are at issue. In our federalistic form of intergovernmental relations, any discussion of changing the law or the Constitution should be based

  On discussion of intergovernmental relations, federalism and the impact or precedent any change in the copyright law might have on other laws.

- The Congress should consider that no change is required at this time. Injunctive relief may well be enough of a protection for copyright owners from infringements by states, given the limited real damage to date. Perhaps no change in the law is warranted at this time and Congress should instead look at a five-year review of the perceived problem similar to the one that is already in copyright law in Section 108(i).

- Through the Copyright Law, Congress grants a limited monopoly or governmental license. Limitations on copyright owners' ability to claim money damages against state instrumentalities may be an appropriate part of the "price" those owners pay for their limited monopoly or governmental license. In fact, public purpose/public benefit limitations are imposed on the "rights" of many government grantees. For example, television stations must provide public service support as a condition of retaining their license, and in another arena, developers of property must set aside land for parks, roads, etc. as a condition for receiving a zoning permit. Perhaps losing the right to money damages is a reasonable price for the copyright industry to pay for the rights which they have received under federal law.

- Is it appropriate that public funds from taxpayers be used to pay statutory damages which may be in excess of the actual damages suffered by a copyright owner?

- Are attorney's fees appropriate in cases involving state governments when the issue is purely economic and will normally affect a single entity? Attorney's fees are very appropriate in civil rights cases or similar circumstances involving the legal concept of the "private attorney general" -- antitrust cases and environmental cases are similar in nature in that the need is the protection of the public at large, not the economics of a single corporate entity. Said in another way, do attorney's fees for copyright infringement fall into the same classification as civil rights? We must point out two aspects of copyright as it applies to governmental immunity and the federal government. First, attorney's fees are not permitted and injunctive relief against the federal government is not permitted under Title 28.

- If attorney's fees are deemed to be necessary, is any new legislation necessary? Federal courts can grant attorney's fees under 42 USC 1983 which provides an individual a right of action if they have been denied "any rights, privileges, or immunities secured by the Constitution and laws" (emphasis added). 42 USC 1988 permits the granting of attorney's fees to the prevailing party in Section 1983 actions. Subjects such as child nutrition and zoning have been made by the courts to be Section 1983-88 issues; copyright may be already covered by that law. Furthermore, copyright would then be litigated the same as all other claims against states. No additional legislation may be necessary.

OUR POSITION ON H.R. 1131

If states and instrumentalities of states were held to be totally immune from copyright infringement, there would be an impact upon the copyright industry and intellectual property produced. American educators, like representatives of the copyright industry, believe in the importance of a strong copyright system; unlike the copyright industries, however, we do not believe that limited immunity for state instrumentalities threatens that system.

As this Committee may recall, the Ad Hoc Committee has supported copyright any number of times, the most recent being supporting the United States in joining the Berne Convention. In fact, it played a very active role in getting the necessary legislation enacted. During that debate we cited the need to balance the rights of both producers and users, and joining Berne would help stop piracy of copyrighted materials.

Our support of copyright continues today.

Moreover, the Committee strives to promote respect for copyright among its member organizations. Long before the current round of Eleventh Amendment rulings, it was our public policy position to forcefully remind the educational institutions and libraries represented by our members that copyright law applies to them. Those rulings make no change whatsoever in their obligations, and we have moved to remind them that they are required to obey the law. Moreover, we have no reason to believe, overall, that they do not do so. It should be noted that most laws with which state officials have to comply contains no provisions for money damages--yet there is general compliance.

We do have several suggestions to be considered should the Union Gas case hold that Congress has the authority to abrogate sovereign immunity and that this committee is convinced that factually there is evidence of actual, not merely potential, injury.[2] In addition to the procedural protections already found in §504(c)(2)(i) and (ii):

- Change the definition of "fair use" as it applies to states and instrumentalities of states. Fair use should be judged in terms of an adverse impact on the actual market, not potential market.

- Second, limit recovery from states and instrumentalities to actual damages, not statutory damages.

- Do not authorize in copyright law the awarding of attorney's fees in copyright infringement cases brought against states and instrumentalities of the states.

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[2] There is some doubt about the Supreme Court holding in the Union Gas case. Abrogation exists under the 14th Amendment and under the commerce clause, but perhaps not beyond.

- Restrictions on the statutory damages and attorney's fees will bring back equity in the further development of fair use. Many school districts, colleges and universities are afraid to use fair use beyond the guidelines, even though the guidelines state that these are minimum uses not maximum uses. If you recall, the guidelines were the creation of this Committee, the purpose of which was to give educators a safe harbor in which to work. Fair use exists beyond that safe harbor. For example, the guidelines do not permit copying of workbooks, tests, test booklets and consumable materials. Does fair use apply to these? The answer is "of course." However, when a school or college is faced with a threatening letter or lawsuit, the tendency is to capitulate. Each copy or use is a separate offense. There are no requirements of intent to harm. The other side need not show damage, etc. Faced with this array of legal advantages, sovereign immunity of even a limited variety will bring more equity and a better balancing of rights.

In closing, Mr. Chairman, I wish to present the concerns expressed to me from several individuals in NSBA who represent minority members. To them, every time amendments are proposed to the Copyright Act, those amendments favor proprietors, not users. Their concern was the issue of equity in its broadest sense. Rich school districts will be willing and able to pay for special licenses even if not necessarily required by copyright law. Poorer districts with at-risk youngsters simply will restrict options even if what they intend to do is technically legal. They cannot afford to protect their rights. The use of technology will be the first poor districts will restrict. Ironically, the poorest youngsters who need technology training the most will be hurt the most. Rich families will be able to provide for their children. (This last point is not necessarily the position of the Ad Hoc Committee because it has not been reviewed by our members.)

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"ARTICLE I ABROGATION" OF ELEVENTH AMENDMENT SOVEREIGN IMMUNITY: A commentary on Pennsylvania v. Union Gas and other recent decisions of the United States Supreme court,

submitted by
Professors Leo J. Raskind, University of Minnesota Law School; David Shipley, University of South Carolina School of Law; and Peter Jaszi, Washington College of Law, The American University.

Legislation has been proposed in both Houses of Congress -- S. 497 and H.R. 1131 (or their redrafted counterparts) -- to strip States and State instrumentalities of the immunity from liablity in damages for copyright infringement which many courts have concluded they now possess by virtue of the Eleventh Amendment. **See generally,** Copyright Liablity of the States and the Eleventh Amendment (A Report of the Register of Copyrights, June 1988) **at 90-97.** Such legislative undertaking presents at least two distinct constitutional issues: first, from what constitutional source may the Congress derive power to abrogate state sovereign immunity in this context; and second, in the event that the Congress is found to possess such authority, what constraints does constitutionalism impose on the manner in which it can effectively be exercised? We will attempt address both issues in what follows, beginning with that of Congressional authority.

Congressional authority to abrogate States' sovereign immunity pursuant to the Commerce Clause and other Article I grants

It is settled that Sec. 5 of the Fourteenth Amendment operates to confer on Congress the power to abrogate state sovereign immunity in connection with remedial legislation enacted thereunder. Fitzpatrick v. Bitzer, 427 U.S. 445 (1971). The copyright laws, however, are enacted pursuant to Art. I, Sec. 8, cl. 8 of the Constitution. For this reason, the threshold constitutional issue bearing on Congressional authority to override state sovereign immunity in copyright infringement litigation sometimes has been cast in the form of an inquiry into whether Congress has the authority to abrogate the Eleventh Amendment pursuant to Article I, as distinct from the Fourteenth Amendment. But the United States Supreme Court's recent decision in Pennsylvania v. Union Gas, 57 U.S.L.W. 4662 (1989), indicates that in asking generally about the possibility of "Article I abrogation" authority, students of the issue may have been posing the wrong question. The Congressional power to abrogate the Eleventh Amendment pursuant to Article I may depend on which particular grant of Article I authority is involved.

Indeed, Union Gas cannot be interpreted to hold that the Congress could constitutionally amend the Copyright Act of 1976 to make States liable in damages for copyright infringement. To begin, Union Gas articulates no clear majority position on the issue of Congressional "Article I abrogation." Beyond that, the logic of plurality view articulated in Part III of Justice Brennan's opinion is limited in its applicability. Although that logic operates with respect to exercises of the Commerce Power, one of which was at stake in Union Gas itself, it may not apply to legislation under the "Patent and Copyright Clause" of Article I.

To begin, it is important to note that four Justices participating in Union Gas declare themselves more or less totally opposed to the notion of "Article I abrogation," even in a Commerce Clause context. As Justice Scalia writes in his dissent, for himself and Justices O'Connor, Rhenquist and Kennedy,

> ... When we have turned to consider whether "a surrender of [state] immunity [is inherent] in the plan of the convention," we have discussed the issue under the rubric of the various grants of jurisdiction in Article III, seeking to determine which of those grants must reasonably be thought to include suits against the States. We have never gone thumbing through the Constitution, to see what other original grants of authority, as opposed to Amendments adopted after the Eleventh Amendment -- might justify elimination of state sovereign immunity. If private suits against States, though not permitted under Article III (by virtue of the understanding represented by the Eleventh Amendment), are nonetheless permitted under the Commerce Clause, or under some other Article I grant of federal power, then there is no reason why the limitations of Article III cannot by similarly exceeded. That Article would be transformed from a comprehensive description of the permissible scope of federal judicial authority to a mere default disposition, applicable unless and until Congress prescribes more expansive authority in the exercise of one of its Article I powers. That is not the regime the Constitution establishes.
>
> ... Nothing in [the] reasoning [of Hans v. Louisiana] justifies limitation of the principle embodied in the Eleventh Amendment through appeal to antecedent provisions of the Constitution.... [I]f the Article I commerce power enables abrogation of state sovereign immunity, so do all the other Article I powers. An interpretation of the original Constitution which permits Congress to eliminate sovereign immunity only if it wants to renders the doctrine a practical nullity and is therefore unreasonable. **57 U.S.L.W. at 4675-76 (citations omitted).**

The categorical opposition of the dissenting Justices to any notion of "Article I abrogation," in turn, shaped the terms of Justice Brennan's plurality opinion, in which he was joined by Justices Marshall, Blackmun, and Stevens. Although that opinion notes that lower federal courts have upheld "Article I abrogation" in cases involving legislation based on several of Congress' plenary constitutional powers, including the powers conferred by Article I, Sec. 8, it does so only to illustrate that abrogation pursuant to the Commerce Clause is relatively non-controversial.*

Justice Brennan himself scrupulously avoids endorsing the far-reaching position on "Article I abrogation" to which the dissenters assert his reasoning inevitable tends. Rather, he bases his conclusion that the federal environmental legislation involved in the Union Gas case effectively curtailed State sovereign immunity on the fact that this particular legislation was enacted pursuant to the Article I Commerce Clause -- and on the characteristics of the commerce power which make it special, if not absolutely unique, among the various powers which Article I grants.

The inclusion of the Article I Commerce Clause in the Constitution amounted, in Justice Brennan's view, to what The Federalist terms a "surrender" of sovereign immunity "in the plan of the convention."** And the ratification of a Constitution including such a provision by the States amounted to a partial relinquishment of their immunity from suit. Justice Brennan illustrates this view by focussing on the special character and history of the Commerce Clause itself.

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* "Since Employees [v. Missouri Dept. of Public Health and Welfare], we have twice assumed that Congress has the authority to abrogate States' immunity when acting pursuant to the Commerce Clause.

"It is no accident, therefore, that every Court of Appeal to have reached this issue has concluded that Congress has the authority to abrogate States' immunity from suit when legislating pursuant to the plenary powers granted it by the Constitution. [citing, among other cases, Mills Music, Inc. v. Arizona, 591 F.2d 1278 (9th Cir. 1979).]

"Even if we never before had discussed the specific connection between Congress' authority under the Commerce Clause and States' immunity from suit, careful regard for precedent still would mandate the conclusion that Congress has the power to abrogate immunity when exercising its plenary authority to regulate interstate commerce. **57 U.S.L.W. at 4665 (citations omitted except as indicated).**

** U.S.L.W. at 4666-67, quoting Monaco v. Mississippi, 292 U.S. 313 (1934).

> It would be difficult to overstate the breadth and depth of the commerce power.... It is not the vastness of this power, however, that is so important here: it is its effect on the power of the states. The Commerce Clause, we long have held, displaces state authority even where Congress has chosen not to act..., and it sometimes precludes state regulation even though existing federal law does not pre-empt it.... **57 U.S.L.W. at 4667.**

Thus, Justice Brennan analogizes the Commerce Clause to the Fourteenth Amendment, in that each "with one hand gives power to Congress while, with the other, it takes power away from the States." **57 U.S.L.W. at 4666.** In fact, another decision of this Term, Hoffman v. Connecticut Dept. of Income Maintenance, 57 U.S.L.W. 4915 (1989), suggests that some additional constitutional grants of legislative authority besides the Commerce Clause may fit this description as well. That case involved the Article I, Sec. 8, cl. 8, "Bankruptcy Clause," which effectively ousts the States from a whole zone of legislative activity by conferring on Congress the power to create "uniform laws."*** **See generally,** Perez v. Campbell, 402 U.S. 658, 654-57 (1971). But Justice Brennan's characterization of those constitutional grants under which the Congress has authority to abrogate state sovereign immunity does not apply to the "Patent and Copyright Clause" of Article I.

In fact, by contrast to the Commerce Clause, the Patent and Copyright Clause has only limited and narrowly defined effects on the States' power to legislate in the field of "intellectual property." Even after the enactment of the first federal Copyright Act in 1790, pursuant to the constitutional clause in question, the States continued to exercise broad judicial and legislative authority in the nature of what is somewhat misleadingly called "common law copyright." It was not until January 1, 1978, that the States were displaced, by the specific terms of Sec. 301 of Copyright Act of 1976 itself, from their role as the primary sources of legal protection for unpublished works, and even today they retain a role in protecting works which fall outside the scheme of federal copyright. Although there is little information concerning the actual intentions of the framers in drafting the constitutional Patent and Copyright Clause, it is reasonable to believe that they must have contemplated what in fact came into being shortly thereafter, and persisted for almost two centuries: a federal/state partnership in the protection of works of the intellect and imagination.

*** "[The Congress shall have power] [t]o establish a uniform rule of naturalization, and uniform laws on the subject of bankruptcies throughout the United States." It is noteworthy that the clause deals with two aspects of federal power which have little in common **except** their exclusivity vis-a-vis the States.

Thus, the effect of the Patent and Copyright Clause on State power could hardly be more different from the effect of the Commerce Clause, as Justice Brennan describes it in his Union Gas opinion. The significance of the distinction is underlined, moreover, by a consideration of the Supreme Court's opinion in Goldstein v. California, 412 U.S. 546 (1973), where a majority of the Justices concluded that the Article I, Sec. 8, cl. 8 grant was not an "exclusive" one, and that the States remained free to legislate protection for the "Writings" of "Authors" so long as they do not "intrude into an area which Congress has...preempted."

It is important to note that this Term the Justice unanimously reaffirmed the proposition which emerges so clearly from Goldstein: that the regulation of the market in intellectual property generally is a cooperative enterprise, in which the States and the federal government have concurrent roles. In Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 109 S.Ct. 971 (1989), while striking down a Florida statute which conflicted directly with the federal patent scheme, they were at pains to point out that

> ... [T]he Patent and Copyright Clauses do not, by their own force or by negative implication, deprive the States of the power to adopt rules to promote intellectual creation within their own jurisdictions. Thus, where "Congress determines that neither federal protection nor freedom from restraint is required by the national interest" the States remain free to promote originality and creativity in their own domains. **109 S.Ct. at 985 (quoting Goldstein).**

This analysis of the relationship between federal and state powers in the field of intellectual property is in marked contrast to the jurisprudence of the Commerce Clause, where (as Justice Brennan noted in the passage from his Union Gas opinion quoted above) the States often have been found powerless to act even in the absence of any Congressional action.

In sum, it is hardly safe to draw any conclusions about the propriety of "Article I abrogation," in general or pursuant to Sec. 8, cl. 8 in particular, from the plurality opinion in Union Gas. In fact, that opinion stand for the proposition that "Congress has the authority [to override States' immunity] when legislating pursuant to the Commerce Clause," **57 U.S.L.W. at 4667**, -- and nothing more.

Again, it is important to note that Justice Brennan's opinion is a **plurality** opinion only. Justice White concurs in the **conclusion** that the particular exercise of Congressional power involved in Union Gas did constitutionally overcome State immunity, but the grounds of his concurrence remain unarticulated:

> I agree...that Congress has the authority under Article I to abrogate the Eleventh Amendment immunity of the States, although I do not agree with much of [Justice Brennan's] reasoning. **57 U.S.L.W. at 4672.**

To take this gnomic comment as an endorsement of a power of "Article I abrogation" extending to exercise of legislative authority under the Patent and Copyright Clause would be an exercise in making bricks without straw. In fact, we believe the opinions of the just-concluded Term lend no clear support to the existence such a power, and that -- at least for the present -- Congress should decline to legislate on such a dubious basis. If there is a constitutional warrant for legislative abrogation of sovereign immunity in the field of intellectual property, it has yet to emerge, and it could emerge only through further Supreme Court decisions clarifying the position of Eleventh Amendment in the scheme of federalism.

Finally, it may be possible to predict the likely direction of future Supreme Court jurisprudence on the issue of Article I abrogation by reference to the divisions among the Justices which emerged in Union Gas. It is not irrelevant that in that case the three most recently appointed Justices, along with the Chief Justice, categorically rejected any legislative interference with Eleventh Amendment sovereign immunity based on constitutional provisions already in place when that amendment was adopted.

Application of the Altascadero "clear statement" rule to the abrogation of State's sovereign immunity in the copyright context

We believe that after this terms Eleventh Amendment decisions there still is substantial ground for doubt as to Congress' constitutional power to strip the States of their immunity from liability in damages for copyright infringement. But there can be no doubt that if Congress were to attempt to abrogate this aspect of the States' sovereign immunity, it would be required to express its intention in the clearest and most unambiguous terms, and to do so in the language of the new statute itself, rather than in terms of legislative history.

This conclusion emerges inevitably from the recent Supreme Court decisions in Will v. Michigan State Police, 57 U.S.L.W. 4677, Hoffman v. Connecticut Dept. of Income Maintenance, 57 U.S.L.W. 4915, and -- in particular -- Dellmuth v. Muth 57 U.S.L.W. 4720 (1989). In these decisions, a majority of the Justices reaffirmed the rule first outlined in Altascadero State Hospital v. Scanlon, 473 US. 234 (1985), which held that because any Congressional abrogation of the Eleventh Amendment places special strains on the principles of federalism, the courts should not find a Congressional intent to abrogate unless it is "unmistakably clear in the language of the statute." **473 U.S. at 242.** This Term's decisions underline how very seriously the Court takes the Altascadero formulation.

Under the special, and highly exacting, rules of statutory interpretation which the Court's opinions in Will, Hoffman and Dellmuth prescribe for use in Eleventh Amendment abrogation analysis, oblique references to an intention to overcome sovereign immunity almost certainly will not be enough. It must be possible to say "with perfect confidence that Congress in fact intended ... to abrogate sovereign immunity,... given the special constitutional concerns in this area." 57 U.S.L.W. at 4722. And absent a "clear statement," argument from legislative history is simply "beside the point," and "irrelevant." 57 U.S.L.W. at 4722.

Neither Altascadero itself, nor this Term's decisions, make clear exactly what form such an expression of intention should take, they show the Court demanding that, in order to enact even arguably effective abrogation legislation, the Congress must confront directly the constitutional implications of its action. What Justice Kennedy refers to in his Dellmuth majority opinion as "coy hints," 57 U.S.L.W. at 4722, won't do.

Mr. KASTENMEIER. Now, I would like to call on Mr. Allen Wagner on behalf of the regents of the University of California.

We are glad to have you here, sir.

STATEMENT OF ALLEN WAGNER, ESQ., UNIVERSITY COUNSEL, UNIVERSITY OF CALIFORNIA, BERKELEY, CA

Mr. WAGNER. Thank you, sir, and good morning.

Mr. Chairman, I have a prepared statement I have already submitted to the committee. I would like to move it into the record, and supplement it with some informal comments.

Mr. KASTENMEIER. Without objection, we will follow that request.

Mr. WAGNER. Thank you. My statement on behalf of the university is submitted principally to demonstrate that the circumstances surrounding the *BV Engineering* case involving the University of California at its Los Angeles campus does not support an inference of State copyright abuse. I think the statement speaks for itself, and I am prepared to answer any questions there are regarding it. Essentially, we suggest those circumstances demonstrate why the case turned out as it did. There was simply no cause for prospective injunctive relief. The university attempted as best it could to accommodate BV Engineering's claims, notwithstanding some confusion regarding their own literature.

Absent a demonstration of State copyright abuse, of a pernicious effect, there appears no cause to enact legislation raising issues of constitutional dimensions.

I would like to respond to a few comments we heard this morning, and specifically to Ms. Ringer's suggestion that what we have before us is an accident of constitutional history. I suggest the U.S. Supreme Court decisions since 1985 point out the considerable dilemma and confusion raised in our Constitution and its history, that continues to evolve in our understanding.

In 1787, after only 5 years of union under the Articles of Confederation, the authors of the U.S. Constitution designed the first Federal republic in the history of the world, not a unitary nation, but a Federal Union of States where each State remains with some measure of sovereignty. I take a quote from Mortimer Adler in his book, "We Hold These Truths," "A Federal republic . . ." is thus seen to involve a plurality of sovereignties, on the one hand, the sovereignty of one national or Federal Government and on the other hand the sovereignty of each of the several federated States, be it thirteen as it was in 1787 or fifty as it is in 1987.

The issue of abrogation, before this committee this morning, questions the nature of that sovereignty, at the interface of our national and State relationship. Since 1985 there were five decisions—well, four up until last month—that specifically addressed this issue. They have become legendary, *Atascadero, Green* v. *Mansour, Pappason,* and *Welch.* In each, the State's sovereign immunity issue was decided in a five-to-four decision. Indeed, just last month the *Union Oil* decision was again five-to-four.

Pointing to the same historical data, the majority and dissent expressed diametrically opposed views exemplified in the *Atascadero* decision where Justice Powell states for the majority, "As we have recognized the significance of this eleventh amendment lies in its

affirmation that the fundamental principle of sovereign immunity limits the grant of judicial authority in Article III of the Constitution." While Justice Brennan speaking for the dissent in *Atascadero* stated, "There simply is no constitutional principle of State sovereign immunity and no constitutionally mandated policy of excluding suits against States from Federal Court." The vigorous dissent would have the *Hans* v. *Louisiana* decision reversed, a case that was a unanimous decision.

We question and now ask what are the principles that are at issue here. As stated in my statement, the university is not looking for any exception, and we know of no educational institution that has proffered or suggested an exception to the copyright law or to their application to those educational institutions or to the States. Indeed, the university even goes so far as to say it accepts any financial responsibility that comes from any occasioned copyright infringement. But the issue you have here is a question of just what does it mean to have a dual sovereignty and what are the principles involved? I suggest there are two principles: One is a mutual commitment to dual sovereignty, and the other is a mutual commitment to Federal supremacy. How those two fit together is the problem you are faced with today and the problem the Supreme Court was faced with repeatedly since the *Chisholm* case.

We suggest one reasonable distinction is between Federal supremacy in substantive law (that is, legislative law), as opposed to Federal supremacy in judicial law (that is, the judiciary itself, how the law is enforced). There is no question but the 1976 Copyright Act did unify and remove from the State the ability to enact substantive law on copyright, but that doesn't mean it has taken away from the State the ability to adjudicate the matter of its own or other copyright infringement. That indeed was the state of the law prior to 1875, before Federal question jurisdiction was awarded to Federal courts. The Constitution expressly contemplates that State courts shall have some adjudicatory authority over Federal question matters by mandating that Federal law must be supreme and be enforced by the State justices.

We suggest two points. First, as an accommodation and recognition of the mutual commitments (that the Supreme Court has been struggling with over these years) of dual sovereignty and Federal supremacy, we suggest Congress take a path of least offense to the Federal republic structure, by establishing concurrent jurisdiction in the State and Federal courts for copyright matters (as in trademark matters). Second, as an alternative we suggest State government immunity be given parity with the Federal Government immunity, to recognize the mutual commitment to dual sovereignty.

I thank you for the opportunity to be here today. I would be pleased to answer any questions on behalf of the university that I may.

Mr. KASTENMEIER. Thank you, Mr. Wagner.

[The prepared statement with attachments of Mr. Wagner follows:]

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THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

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July 11, 1989

SUMMARY OF STATEMENT
BY ALLEN WAGNER ON BEHALF OF
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

The attached statement on behalf of the University of California is submitted to this Subcommittee to demonstrate that the circumstances surrounding the BV Engineering v. UCLA (9th Cir. 1988) 858 F.2d 1392 case does not support an inference of state copyright abuse. To the contrary, those circumstances demonstrate the University's effort to accommodate BV Engineering's claims. That accommodation explains why BV Engineering did not seek any injunctive relief, but rather, sought only a monetary claim against the University. Absent any demonstration of such state copyright abuse, there appears no cause to enact legislation raising issues of a constitutional dimension.

Additionally, the University submits two notions for the Subcommittee's consideration: first, that Congress consider granting state courts concurrent jurisdiction over copyright cases, thereby providing a forum for damage claims against the states without raising constitutional issues; and second, in the alternative, that Congress maintain parity between the federal and state governments, i.e., that abrogation of state immunity be analagous and complementary to the waiver of federal immunity.

590 University Hall • University of California • Berkeley, California 94720 • (415) 642-2822

STATEMENT BY ALLEN WAGNER
UNIVERSITY COUNSEL TO THE REGENTS OF THE
UNIVERSITY OF CALIFORNIA

BEFORE THE HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY AND
THE ADMINISTRATION OF JUSTICE

July 11, 1989

Mr. Chairman and Members of the Subcommittee, I am Allen Wagner, one of the University Counsel to The Regents of the University of California ("University"), and the attorney that represented the University in BV Engineering v. UCLA (9th Cir. 1988) 858 F.2d 1392. I appreciate this opportunity to appear before you to testify on the Copyright Office Report, "Copyright Liability of States," and H.R. 1131, the Copyright Remedy Clarification Act, which was introduced by you, Mr. Chairman, and Representative Moorhead. A companion bill, S. 497, was introduced in the Senate by Senators DeConcini, Simon, and Hatch. This bill would amend the Copyright Act of 1976 to expressly abrogate state sovereign immunity from individual citizen monetary claims in federal court. It would add retrospective damage claims and prospective injunction relief against the State, to the prospective relief against state officials currently available copyright proprietors under federal law.

By this presentation, the University does not seek exemption from federal substantive copyright law, or the monetary liability occasioned by any copyright infringement. As the originator of numerous copyrighted works, the University has a pragmatic and beneficial interest in the copyright law. Additionally, the consistent opinion of the University's General Counsel's office has been that federal copyright law applies to the University and its employees. California's commitment to supremacy of federal law, as provided in the United States Constitution (art. VI, § 2), assures that result. The issue raised in BV Engineering was whether the 1976 Copyright Act expressed a congressional intention to abrogate state sovereign immunity, subjecting states to damage claims by citizens for copyright infringement. That case concluded (as did others) that the 1976 Copyright Act did not adequately express an unequivocal congressional intention to abrogate.

Your current hearings question whether Congress should, now, unequivocally abrogate state sovereign immunity from such damage claims, based upon Pennsylvania v. Union Gas Co. (decided June 15, 1989, U.S. Supreme Court Docket No. 87-1241). The five-to-four majority in Union Gas held, for the first time, that Congress may abrogate state sovereign immunity in the exercise of an Article I constitutional authority. Your precedential

hearings question what criteria or circumstances ought to apply to a congressional act of abrogation.

This statement is offered to demonstrate that the undisputed circumstances of the BV Engineering case do not support an inference of state agency copyright abuse. As the United States District Court noted (BV Engineering v. UCLA (C.D. Cal. 1987) 657 F.Supp. 1246, 1250 fn. 2), BV Engineering did not seek an injunction (or monetary relief) against any University official; rather, it sought only a monetary claim against the University. That limitation in relief sought was compelled by the University's effort to accommodate BV Engineering's claim, as the factual circumstances demonstrate. Absent any record of state copyright abuse, there is no apparent cause to enact legislation raising issues of a constitutional dimension. Additionally, the University submits two notions for your Committee's consideration: first, that Congress grant state courts concurrent jurisdiction over copyright cases, thereby providing a forum for damage claims against the states; and second, in the alternative, that parity between the federal and state governments be maintained, i.e., that state sovereign immunity abrogation be analogous and complementary to the waiver of federal sovereign immunity.

The BV ENGINEERING Case

The following circumstances were developed through discovery proceedings (deposition, interrogatory and document production) and were undisputed in the BV Engineering case.

In 1986, the University's Los Angeles campus, Physics Department, purchased seven software items from BV Engineering, at a total cost of $597.09, for use in the Physics Department's electronic instrument design and repair shop. At that time, BV Engineering's software catalog expressly authorized reproduction of those programs, stating:

> "You may make a reasonable number of backup copies for your personal use and each copy will work just like the original."

And, their "Software Registration" cards sent with each of its products likewise expressly authorized the purchaser's reproduction for "personal use or backup purposes." The Physics Department made three copies of the software for backup and Department use and ten copies of the manuals to be read by the electronic shop personnel. Later, a copy of the software and manuals were loaned to a Physics professor and his student assistant for evaluation in connection with a new laboratory course of instruction they were developing.

In a June 5, 1986 letter, BV Engineering's counsel characterized the University's activity as unauthorized and a copyright infringement. The University's June 27, 1986 response:

expressed a belief its conduct was authorized; apologized for any "innocent error"; offered to destroy or ship all the accused copies to BV Engineering; and gave assurances that no further copies would be made. (Copies of those letters are attached to this statement for your information.) BV Engineering did not reply or further communicate with the University until the August 1, 1986 service of its lawsuit complaint. In an effort to resolve the dispute, the parties discussed settlement terms. BV Engineering demanded a $15,000 settlement payment, notwithstanding the total cost for all accused software items was less than $1800. BV Engineering's attorney based its settlement demand upon a claim for "statutory damages and attorneys' fees." Viewing BV Engineering's demand as punitive, the University refused to pay and the litigation proceeded to cross-motions for summary judgment.

The University's motion for summary judgment asserted four independent grounds: (1) that state sovereign immunity barred the action for monetary damages; (2) that BV Engineering's claims did not arise under the federal copyright laws because the University's copying was expressly authorized by BV Engineering; (3) that BV Engineering's copyrights were not infringed because the University's conduct constituted a fair and permissible use; and (4) that there was no basis for any relief, since BV Engineering had not been damaged and the University had ceased the accused conduct. The opinion of the United States District Court for the Central District of California (reported at 657 F.Supp. 1246) granted the University's motion on the first stated ground, based upon Atascadero State Hospital v. Scanlon (1985) 473 U.S. 234. The Ninth Circuit Court of Appeals' opinion (reported at 858 F.2d 1394) affirmed the district court's order (overturning Mills Music, Inc. v. State of Ariz. (9th Cir. 1979) 591 F.2d 1278). On March 20, 1989, the United States Supreme Court denied BV Engineering's petition for certiorari.

The University remains at a loss to explain why this case was brought or prosecuted through the federal courts, in light of the University's effort to accommodate BV Engineering's claim and the expression of permission contained in their literature. As a public institution, the University sought cooperation and accommodation, but was met only with confrontation and an exorbitant ($15,000) settlement demand (notwithstanding the absence of any actual damages). In my opinion, the case could have proceeded to trial in the district court, had BV Engineering any basis to seek injunctive relief against a University employee's continued conduct.

H.R. 1131 (S. 497) AND THE COPYRIGHT OFFICE REPORT

The record submitted on H.R. 1131 (S. 497) does not demonstrate any pattern, or indeed any specific instances, of copyright abuse by state agencies. The Copyright Office Report, "Copyright Liability of States," does recount concerns for

"potential" damage, expressed by copyright proprietors; however, as tacitly acknowledged in the Statement of Ralph Oman, the Register of Copyrights, there has been no demonstration of actual and existing copyright abuse by state agencies. Absent such a demonstration of state copyright abuse, there appears no cause to enact legislation of a constitutional dimension, raising issues of the state as sovereign versus subject, or of our federal republic versus a unitary nation.

The University submits two additional notions for your Subcommittees' consideration on the abrogation issue:

1. Congress may give state courts concurrent jurisdiction over federal copyright cases, thereby providing a forum for damage claims against the state, without raising issues of constitutional dimension. The Constitution expressly contemplates state court consideration of federal substantive law cases and the state courts are bound to apply federal law notwithstanding any contrary state law (art. VI, § 2). Currently, federal law (28 U.S.C. § 1338(a)) establishes original jurisdiction in federal district courts for federal laws regarding patents, copyrights and trademarks, and provides that such jurisdiction shall be exclusive for patent and copyright cases. Congress could allow copyright case treatment similar to trademark cases.

2. In the alternative, Congress should maintain parity between the federal and state governments, i.e., state sovereign immunity should be abrogated in a manner analogous or complementary to the extent federal sovereign immunity is waived. Absent statutory enactment, the federal government is immune from any copyright infringement suit (Turton v. United States (6th Cir. 1954) 212 F.2d 354). While the state is similarly immune, state officials are subject to prospective injunction, "to vindicate the federal interest in assuring the supremacy of [federal] law" (Green v. Mansour (1985) 474 U.S. 64, 68). Currently, federal statute (28 U.S.C. § 1498(b)) permits only monetary damage claims against the United States, in the Claims Court, for copyright infringement, under limited circumstances, precluding any prospective injunctive relief. Thus, current law limits the relief available against both the federal and state governments. The nature of those limitations complement the federal republic structure between the two governments, i.e., the mutual commitments to federal supremacy and dual sovereignty.

In sum, the University submits that in addition to a reasonable concern for private copyright proprietors, due consideration should also be given the federal-state relationship arising from the first federal republic established by Western man. The final nature of that relationship is obviously still evolving; however, as Daniel J. Boorstin, the Librarian of Congress, notes, regarding the "federal" versus "national" debates of the 1787 Constitutional Convention in Philadelphia:

" . . . Their essential problem was how to form a government of governments. No one seriously considered the possibility of a purely national government which would have abolished the separate state governments.

"The supposed sovereignty and independence of each of the thirteen states now made it possible to bring into the arena of a single national government many notions before found only in the international sphere. We have often been told that the great significance of the Federal Constitutional Convention was that it showed how separate 'sovereign' states could submit themselves to a kind of government formally found only within nations. . . . The working 'Federal' government developed by the new nation imported from the international into the national sphere novel ideas which would prove especially useful if self-government was ever to be extended over a large territory.

* * *

"The few generalizations that can be safely made about these deliberations of the Philadelphia Convention help explain why it is so hard to make others. First, there was a genuine discussion, during which delegates changed their minds and adapted their positions to the demands of fellow members. Second, there was no general agreement on the underlying theory: the doctrines were nearly as numerous as the delegates themselves; individual members slid from one theoretical base to another. Finally, there was no general agreement on the actual character of the new government they had created. Their product significantly omitted both the words 'federal' and 'national,' which had figured prominently and acrimoniously in the theoretical discussions. Instead, the Constitution simply referred at every point to 'the United States.' By the end of their deliberations the delegates seem to have recognized their creation as an important new hybrid among political species."

(Boorstin, The Americans: The National Experience, pp. 414-416.) (Emphasis in the original.)

The University does not seek exception from the application of federal copyright law, nor does it seek circumstantial participation in a shift of our federal republic to a unitary nation. Out of that concern, the University submits the above statement on the circumstances of the BV Engineering case and its proposed considerations on Congressional abrogation.

LAW OFFICES OF
ROBERTS AND ROBERTS
2223 WELLINGTON AVENUE, SUITE 260
SANTA ANA, CALIFORNIA 92701

EDWARD E. ROBERTS
(714) 835-7653

LINDA L. ROBERTS
(714) 541-9685

5 June 1986

Mr. Ronald Zane
Physics Department
U.C.L.A.
Los Angeles, CA 90024

Re: Unauthorized Duplication of Copyrighted Software

Dear Mr. Zane:

I write as counsel for our client BV ENGINEERING. Our attention has been brought to the fact that you may have duplicated, without authorization, approximately seven copyrighted software programs and program manuals bought by U.C.L.A. from BV ENGINEERING. In fact, it is our information that you have admitted such duplication to BV ENGINEERING, and have further distributed copies of one or more of the said programs and manuals to others.

Mr. van den Berg of BV ENGINEERING has offered you the opportunity to cooperate in satisfaction of damages to BV ENGINEERING, yet it is my understanding that you have elected not to do so.

We call upon you to stop and desist immediately from any unauthorized duplication of software programs and manuals of BV ENGINEERING and to immediately advise of your intentions regarding satisfaction of damages to BV ENGINEERING since our client is determined to enforce rights given to it under the intellectual property laws.

In the alternative it is strongly suggested that you seek legal counsel regarding your rights and obligations.

Sincerely,

Edward E. Roberts

cc: Mr. Bert van den Berg

EER/cmr

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R.P.

DEPARTMENT OF PHYSICS
LOS ANGELES, CALIFORNIA 90024

Indexed
C to yt

June 27, 1986

Edward E. Roberts, Attorney
2223 Wellington Ave, Suite 260
Santa Ana, CA 92701

Dear Mr. Roberts:

Re: Unauthorized Duplication of Copyrighted Software

I have received your letter of June 5, 1986 to Mr. Ronald Zane of our department. I have discussed the situation with Mr. Zane and I can report the following: We have already recalled all unauthorized copies of the software program that were made from materials we purchased from B. V. Engineering. These unauthorized copies will no longer be used and will be destroyed or returned to you as you wish. You have our assurance that no further copies will be made.

The fact that these copies were made in the first place was due to an innocent error on our part. We believed that our original purchase of the seven copyrighted software programs and program manuals gave us the right to make a limited number of copies for use by our students. We now understand that we have not purchased a site license as we had originally assumed and that the copies we made were unauthorized under the terms of your software agreement.

You have our sincere apology for our unauthorized duplication. You can rest assured that we have taken steps to prevent this from happening again.

Sincerely,

W. J. De More
Management Services Officer

WJD:gmy

cc: Mr. Bert Van den Berg
Mr. R. Zane
Mr. D. Hutchinson

Mr. KASTENMEIER. Mr. Steinhilber, I know you were here in 1976 as a number of us were. At any rate, do you have any reservation about believing that it was Congress' intent in 1976 to make the States that infringed copyright fully liable?

Mr. STEINHILBER. I don't think there was any doubt. There was only one question that took place at the time, and if I may make reference to it is that there were two cases involving fair use, and one of those cases the court of appeals held that sovereign immunity was a defense and in the other case the court held that a different court of appeals, the *Mills* case, which you have referred to before held that the State could not raise sovereign immunity.

We decided at that particular time this was not an issue, but I do remember having one discussion, ironically with a staff member, indicating that we thought that there might be first and 10th amendment issues which might come up at a later time, but I dare say we did not at that juncture raise an eleventh amendment issue.

Mr. KASTENMEIER. Indeed, had we been far seeing enough to write the language in that act with great clarity with respect to this question, there wouldn't be a question today presumably with respect to copying.

Mr. STEINHILBER. Well, I think Barbara Ringer said it very well, we do not really know what the U.S. Supreme Court is going to do with the rest of article 1. We do know the U.S. Supreme Court has held that with article 1, at least with respect to the commerce clause, and I dare say there is enough legislative history about the commerce clause, it is something very special.

In fact, a State cannot even enter into a commerce clause legislation. There is preemption there even if there is no Federal statute, so we do know the commerce clause. Is there any congressional power beyond the commerce clause?

I don't know the answer to that particular question and I don't think any of us do.

Mr. KASTENMEIER. No, I understand that there can be separate arguments raised about special reference in the Constitution to the commerce clause or indeed the copyright clause.

Mr. STEINHILBER. If I may, just add a footnote to that I think the drafting of this particular bill is indeed marvelous. I am obviously, for policy reasons, asking for amendments, but there is no question or should be in anybody's mind that the drafting has been done with the kind of clarity that is absolutely necessary.

Mr. KASTENMEIER. In other words, while you may not necessarily think we, from your standpoint, ought to go forward, if we indeed do, you are recommending we go forward with the redraft?

Mr. STEINHILBER. I think for clarity sake, yes, but as I said we would hope that the suggested amendments that we have outlined before this committee would be looked at and adopted.

Mr. KASTENMEIER. I understand perhaps that the education community has nothing particular to gain by such a bill other than clarity, other than ending really what has to be considered a rather murky situation, an unresolved situation which nobody, author or user, in a public setting has any notion of what the result will be.

I know that you have said that you feel that the public entities, State public entities will not infringe significantly because they can

avoid suits for damage liability, but you have also relied on the fact that taxpayers, public funds for taxpayers, et cetera, that taxpayers are interested in how their money is used and that some people in the public systems will be asked why are you paying for materials that legally you can absolve yourself from paying by invoking immunity, and what you will, I think, procure is a rather mixed set of circumstances at a local level as to whether that entity should, indeed, follow through and make payments that it might be able to avoid if it invoked immunity and leave a very murky situation for your constituents—for your constituency in that respect—quite apart from whether any of them are authors.

We are just talking about them as users.

Mr. STEINHILBER. The question is a very difficult one, but nevertheless it is one which we have already had to face into when the first cases started coming down with to the eleventh amendment. I can speak for the National School Boards Association with a great deal of clarity on this issue because we have a part of my division is the Council of School Attorneys.

This is roughly 3,280 attorneys nationwide who represent school systems throughout the United States. I dare say there will be one in virtually every community. We did indicate to every single one of them that there is still an obligation to obey the law, and that obligation to obey the law we used the analogy with other education laws which there are no penalty provisions.

For example, there are laws on the books, there is no private right of action really relating to laws on privacies, and we said to schools that you have an obligation to obey the Family Privacies Act laws. Similarly you have an obligation to obey copyright whether or not there is any money damages because there always is injunctive relief.

Mr. KASTENMEIER. Well, of course, you have heard testimony and certainly as far as I am concerned compelling testimony that injunctive relief for authors is often a meaningless remedy. It may cost them a great deal and gain them nothing more than an injunction and therefore would likely be avoided.

In other words, if injunctive relief were available, it would probably not be used, and the result would be without money damages.

Mr. STEINHILBER. Well, that is one of the reasons we have come up in our discussions internally with the concept of actually having damages, but actual damages, not statutory damages. If anybody really has been injured they would have the responsibility to come forth like they would in any other case to actually determine the amount of injury and prove that in court.

Mr. KASTENMEIER. I appreciate your good faith, and I appreciate that offer, but you are also advocating another system—that we really abandon the system of Federal supremacy, of a single uniform system, and you have offered—as a result of these immunity cases—another system to superimpose on the pre-existing system which all of us I think, at least many of us here, yourself, Ms. Ringer and others drew up many years ago after a long history of where we were heading.

Now you would have us have a system where damages are available under some State suits, I gather, and limit the availability of attorneys' fees and ask for certain distinctions here that aren't

commonly available to other users of copyright works in terms of a defense. That gives me concern, I must say, because I think it would be simpler on the surface of it to restore the law even as the Congress did in the civil rights decision, try to restore what was intended.

Occasionally the Supreme Court acts in ways that may, within the circle of issues at the heart of the suit, make sense, but that have a far-reaching effect on other matters, including in this case copyright. Don't you think that we have an obligation to bring clarity to the situation?

One of my problems is that you think it is not time for us to act. How many more decisions do we need to wait for?

Mr. STEINHILBER. Well, obviously I have sort of gone through what we personally believe, but then we came to some what we call political practical suggestions at the very end. We do believe it is premature, but nevertheless we are realists, and in looking at what is happening and what the perceptions are.

We therefore—some of the suggested language has been—not actual language, but suggestions have been placed in the testimony. I dare say we are not looking for a dual system because unlike my colleague, we are not testifying in terms of giving dual jurisdiction in these particular kinds of cases. However, I would like to point out the fact that already we have differences within the copyright law.

For example, attorneys fees are not now permitted in cases involving the Federal Government, so it is nothing new, and there are already, as you and I both know from the length of that particular bill, there are exceptions in any number of other instances which we have been making over the years because of particular problems. We are just asking let's look at this as a separate section mainly because it is a constitutional issue that we are dealing with.

Mr. KASTENMEIER. Mr. Steinhilber, what is your comment about the case raised by my colleague and by the fact that you represent obviously—you listed a number of institutions which were not State institutions or State entities, but were, in fact, private, religious, et cetera, and you have a situation where presumably there is a difference in terms of how they are treated in terms of Southern California or maybe Stanford versus UCLA and vice-versa, with otherwise the same practical equities at issue.

How do you explain to your constituents that anomaly?

Mr. STEINHILBER. That is the meeting that took place January. The biggest issue that took place in the January meeting that I made reference to is pointing in that issue and saying that if the ad hoc committee was to proceed, that issue had to be resolved, and the groups representing other than State institutions had no objections.

Now, that is what came out in that meeting. We then discussed the entire issue again in June just to make sure that—I did not want to misrepresent the rest of my members, and they said they had no objections. That is the answer.

Mr. KASTENMEIER. I should also ask Mr. Wagner since obviously he represents a State institution, but the question of whether Southern California or UCLA should be differentially treated with

respect to immunity and copyright—do you think there is justification?

Mr. WAGNER. There is a similarity in the sense that they are both higher education institutions, both located in California and both competing for the same students, no doubt, and the same football game, but there is a significant dissimilarity. The dissimilarity that I see is in one case we are talking about an instrumentality of the State itself.

The justification is inherent in the structure we have before us of a Federal republic, so I do, sir, see a difference.

Mr. KASTENMEIER. Yes, I would concede that, that for certain purposes there are differences. What about for purposes of respecting copyright and with respect to damages? Do you see a difference there?

Mr. WAGNER. The reason I see a difference is that, for instance, the University of California is, as I say, is a public institution. Its board is comprised of public officials, the Governor sits as the president of the board of regents, and there are other State officials that sit on the board. It is responsive to Sacramento. It is responsive to the State legislature. Stanford is not; USC is not. There is a difference between the root and origin of the institutions. Ours is the fulfillment of the State's obligation for public education. The other is the reasonable private alternative that is available within an open and free society. I don't put them at the same place. I don't make them responsive to the same public authorities either.

Mr. KASTENMEIER. No, I can see there are differences in that respect, but with regard to copyright, as raised by the gentleman from California, Mr. Moorhead, a professor who has authored a work may sue UCLA, and let's say the professor is at Southern California and UCLA for whatever reason, may invoke sovereign immunity. But in the case of a professor at UCLA suing Southern California, Southern California doesn't have any immunity to invoke.

The point is we are dealing, I think, equitably with more or less the same values. Granted one is a public authority, the other is not, and public officials connected with it are different than the private regents of the other, but whether we should foster these irregularities is for this committee a policy question of some moment.

Anyway, I want to yield my colleagues. The gentleman from Southern California, Mr. Berman.

Mr. BERMAN. The gentleman from UCLA. Of course, we were supposed to say that no one in UCLA would want to copy the work of a professor at USC.

Mr. WAGNER. Too bold a statement for the witness, sir.

Mr. BERMAN. Unless it was to show—no. I was a little confused by the comments about Berne and your organization. Does Berne speak to this issue? Does the Berne Convention speak to this issue?

Mr. STEINHILBER. No, it does not, and I think Barbara Ringer specifically said that in her testimony. The only reason I brought it up is that I hear time and time again from individuals saying, well, this is going to have a dramatic impact on Berne, as if there is a milieu out there that Berne has some impact in here, and I want to make sure everybody understands that it does not, and even if it

were a Berne issue, I would hope that the U.S. Congress than makes a decision of whether or not we agree or disagree on a point-by-point basis when a Berne issue comes up. So there is not a Berne issue before us now, no.

Mr. BERMAN. Mr. Wagner, this question of having the Federal Government relinquish its immunity to the extent we are going to cut through the sovereign immunity of the States. I gather just very quickly that there is nothing that specifically prohibits the Federal Government from being sued and from someone collecting Federal damages, money damages from the Federal Government for copyright infringement. What were you driving at here?

Mr. WAGNER. If I may, sir, what I was driving at is dual sovereignty, mutual respect for the sovereignty of the State and equal treatment, parity in treatment, between the Federal and the State governments. I suggest it could be either in an identical fashion or in a complementary fashion, and here is what I mean by that:

How do you fit those sovereignties together within the context of Federal supremacy? It is an interesting dilemma as you approach it. Look how the Supreme Court has handled it. That is to say—it is not a question of complete immunity. I know we use the term State sovereign immunity, but what we are really looking at is the type or nature of relief that is available. Right now there is relief available against the State, prospective injunctive relief. The State's conduct can be prospectively controlled.

The Federal Government, on the other hand, is completely immune from any suit (unlike the State, even from injunctive relief), except for its waiver by enactment of statute. The Federal Government has enacted a statute that permits only monetary damages, no injunctive relief, and only under certain circumstances that are rather circumscribed.

You can't sue the Federal Government and get monetary damages unless you fit within the context contemplated within that statute. But the effect is you cannot enjoin, you cannot stop the Federal Government from infringing. It can just continue to infringe. The only thing a copyright owner can do is get actual damages for the Federal Government infringement. Whereas with the State the owner can enjoin the prospective conduct but, under the current structure, cannot get monetary damages.

In a sense, by protecting the State treasury you maintain the fiscal integrity of sovereignty, and by controlling prospective conduct you are assuring Federal supremacy. While at the same time, the Federal Government is not limited in prospective conduct, but may be made to pay an atonement for its infringement.

I am suggesting that the current mutual limitation on relief already is a complementary way to fit together the Federal republic principles of dual sovereignty and Federal supremacy. But, moreover, I suggest you consider parity (either in such a complementary fashion or in some other analogous fashion), so that when you do take the State's sovereign immunity from the State (which the U.S. Supreme Court has said you can do), that you treat it with the same respect you treat your own sovereign immunity.

Mr. BERMAN. Well, would the answer work out better if the copyright law was amended to prohibit injunctive relief, this remedy that the chairman has indicated it has been shown really isn't

worth too much, and then allowed monetary damage and made it symmetrical with the relief accorded against the Federal Government?

Mr. WAGNER. Well, I would suggest if we took a survey we would find that the Federal Government is probably a larger user of copyright material than any State, and that the concerns about infringement should be just as true there as they would be with the State, yet the proposed legislation is far broader than the current Federal Government waiver of immunity.

Mr. BERMAN. Going back to the question then, is that an acceptable answer from your point of view, holding the States liable for monetary damages for infringement but excluding them from—the State from injunctive relief in those situations?

Mr. WAGNER. You see, I happen to think that the current system fits quite well into the dual commitments that we have of dual sovereignty and Federal supremacy. But I would suggest then, that to the extent the Federal Government is exposed to the monetary damages that the State would be likewise. I question whether the principle of Federal supremacy could accommodate the total elimination of injunctive relief against the State, but parity in monetary damage limitation would at least acknowledge mutuality of sovereignty.

My principal suggestion would be to allow the State courts to award monetary damages. That concurrent jurisdiction of State and Federal judiciary would effectively avoid the entire Federal republic issue. It is my understanding that State courts were the only forum available until the mid-1880's.

Mr. BERMAN. Other than these very abstract concepts of federalism, which contrast to the notion of the supremacy clause—for either one of you—what is the practical problems in this proposal? What are you worried about in terms of if your client's interests go beyond or don't reach the level of these abstract concerns you have been talking about here?

Mr. STEINHILBER. I can answer in partial that particular question. The whole issue of both statutory damages and attorney's fees has been a very good negotiating point all along, and when you say negotiating point, it has been one of the things that has kept fair use alive. And I realize it is going beyond the title of this hearing, but I would like to spend just a moment discussing on how it is beyond.

When we first got into the discussion of fair use, Chairman Kastenmeier caused us to sit down and say negotiate some guidelines. We did, and we spent a great deal of time. Through the leadership of this committee, we came out with guidelines.

These guidelines basically said these are not for lawyers, these are for educators, and these are a safe harbor in which you can operate, and if you operate within the guidelines, you may then operate freely. If you go beyond the guidelines, you may still be fair use, but you better be careful, because you now are into a legal field and you should get legal advice.

That particular phraseology seems to have been lost over the last several years, the fact that the guidelines are only guidelines and they are minimum, not maximum, and so now we are seeing again and again that school districts and State institutions are being told

the guidelines are the law, and so we have been playing a political cat and mouse game, using sovereign immunity as a negotiating point.

Copyright owners then want to discuss licensing, but we are only going to discuss licensing where the activity is beyond the question of fair use, and so we have had a stalemate to the point that there has been no litigation. I think Barbara Ringer, in her testimony, said that there hasn't been, and that is because there has been an uncomfortable kind of an alliance.

Part of our concern right now with this proposed change is that uncomfortable alliance to begin swinging away from us, but at the same time, we said but we still have a responsibility for actual damage. If we hurt somebody, we should be held to pay for the damage. That is why we came back and said we support actual damages, not statutory damages.

Mr. WAGNER. On behalf of the university, I would just respond very briefly this way, sir. Copyright is fundamentally a commercial interest. It regards something that goes on in the marketplace. We go to the marketplace to buy a lot of material, it is true, but we are not vendors in the marketplace as such.

The statutory damages and attorneys fees, my concern is, will stimulate litigation. As we experienced in BV Engineering, a $15,000 settlement demand when there was no actual damages. It became very difficult for us to resolve the dispute. They are punitive in nature, and in California, as in most States I believe, punitive damages are not available against the public sector. It serves no purpose to make an example out of the public or to make the public treasury subject to punitive damages that go beyond actual damages.

Mr. KASTENMEIER. The gentleman from Illinois.

Mr. SANGMEISTER Just a couple of questions. I don't know if you know the answer to this, but what about these other countries that are part of the Berne agreement, how do they handle the situation?

Mr. STEINHILBER. I can get the information, but I do not know the answer to your particular question.

Mr. SANGMEISTER OK.

[The information follows:]

The issue which you raised, succinctly stated, is: "How do Berne countries handle the issue of governmental infringement"?

Most Berne countries do not have a sovereign immunity doctrine as we know it. They handle the question in a more complex fashion. First, they will exempt many educational uses from their copyright laws. Second, they tend to include in their laws the concept of governmental purpose, meaning they cannot be held liable if the use was to serve a specific internal governmental purpose. Since many nations have government-operated press or government-operated radio or television, the exemption from copyright is far greater than one would surmise simply by reading the copyright law.

Australia has an interesting law. The government is generally immune from liability for copyright infringement. However, Australian law states that the governfment will enter into negotiations to determine a fee to compensate the copyright owner for any damages. If the two sides cannot agree to a fee, then a final determination is made by a copyright tribunal.

Mr. SANGMEISTER In looking at the way the act is drafted, it talks about the remedies in section B, subsection (a), for a violation described in that subsection remedies, including remedies both at law and in equity, which is very broad, so I would say it would cover.

If I understand correctly, you are concerned basically about punitive damages, is that right?

Mr. STEINHILBER. You can use the word punitive, but the copyright law says statutory damages, and to us statutory damages are the same as punitive damages if they are in excess of what a person has really been injured.

Mr. SANGMEISTER I happen to agree with you. I think the damages ought to be limited to actual damages. But at the same time, to oppose the idea of attorneys' fees being involved in it, sometimes, as we know, the cause of action for the plaintiff isn't going to be worth bringing in some of the smaller matters if they can't at least recover their attorneys fees.

Mr. STEINHILBER. I guess it is my civil rights background, having observed just a week ago the 25th anniversary of the Civil Rights Act. I was with the Kennedy and Johnson administrations, as some of you may recall, and in the whole discussion of attorneys fees during that period of time it was where you had to have a private attorney general concept, where without protection of attorneys fees the private individual could never fight government.

I daresay that is not the same in these kinds of cases. You are basically talking about a corporation filing suit, and they are in a far better position than civil rights suits, and therefore, that is why we have drawn the distinction, because when one goes down the road of saying in any case somebody might not file suit without attorneys fees, should you say then should attorneys fees attach to contract cases? Should attorneys fees attach to every case?

And we have said no, there are certain fields, particularly civil rights, but then again also in antitrust, where you have the Nation as a whole concept, we will accept attorneys fees, but once you get beyond that, it is not for the private entrepreneur.

Mr. SANGMEISTER OK. That answers my question.

Mr. KASTENMEIER. Mr. Berman, do you have another question?

Mr. BERMAN. I am trying to understand this distinction better.

First of all, I think maybe both of you at one point or another have mentioned that attorneys fees are not available against the Government. The Civil Rights Act I think authorizes attorneys fees against State governments. I don't know about the Federal Government; it's not based on a private attorney general theory but based on a plaintiff trying to prove his case for the discrimination that he or she suffered. Here is an equal access to justice law that says if some individual or company gets into a legal dispute or tiff with the Federal Government, and the Federal Government was wrong, the attorneys fees go to the prevailing party in that kind of dispute.

Mr. STEINHILBER. There are exceptions. I am just explaining our position.

Mr. BERMAN. If I can come up with two off the top of head, I would bet there are more where attorneys fees are awarded against a governmental agency. Then I wonder if maybe there are situa-

tions where punitive damages are awarded. Assuming for a second that statutory damages are punitive damages—I am not sure that he is right, but assuming they are, why can't you deter agents for the State or a public entity from future improper conduct by providing in some form of punitive punishment to his or her examiner and thereby encourage a level of supervision and guidance that ensures that that accident not happen again?

Mr. STEINHILBER. Well, I am not sure that that is what does the job. I do not think that statutory damages or punitive damages makes compliance with the law in a State situation. We have advised every school district in the United States on how to handle a school board, a local school board policy. We have given every school district instruction on how to handle all issues on copyright, everything from how to ask permission to how to handle issues of fair use and those policies came into being regardless of where the law is with respect to statutory damages, and I think our concern there is statutory damages. We do have a concomitant responsibility to the public at large, and the public at large meaning taxpayers.

And sure we should pay for the damage which we do, but I dare say we should not be required to pay beyond that.

Mr. KASTENMEIER. I thank my colleague on this point that he made. This committee actually processed the Equal Access to Justice Act, which provided for attorneys' fees for prevailing parties against the U.S. Government. These are essentially small business individuals. And we also processed attorneys' fees for civil rights cases, and for certain other types of cases.

Mr. STEINHILBER. Which we testified in favor of, by the way.

Mr. KASTENMEIER. So we have had some experience in that, and also, as you know, in terms of civil rights we made the attorney the U.S. attorney for those who needed their rights vindicated. That is in addition.

Well, we thank you for your contribution. Obviously there is some food for thought here, although I must say I do think the committee ought to take up this issue with some urgency. I don't think we can temporize on this issue. I think there is enough evidence before us to come to certain conclusions with respect to the several questions raised before us.

In the event we do, the language and some of the considerations raised by Mr. Wagner obviously, and Mr. Steinhilber, are relevant to that, and we will indeed take that into very serious consideration. We are indebted to both of you for your contributions.

That concludes the hearings on the question of sovereign immunity and copyright, and other intellectual property.

The committee stands adjourned.

[Whereupon, at 12:25 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARINGS RECORD

11 WEST 20TH STREET/8TH FLOOR/NEW YORK, N.Y. 10011/(212) 463-7730

April 19, 1989

The Honorable Robert W. Kastenmeier
Chairman,
Subcommittee on Courts, Intellectual Property
and the Administration of Justice
U.S. Committee on the Judiciary
U.S. House of Representatives
Washington, D.C. 20515-6216

Dear Mr. Chairman:

As the President of the Graphic Artists Guild, I wish to express our strong support for the enactment of H.R.1131, the Copyright Remedy Clarification Act, and my sincere appreciation for this opportunity to express the views of the Guild.

For more than twenty years, the Graphic Artists Guild has been a dedicated advocate representing professional graphic artists. With 3500 hundred members in ten chapters across the country, the Guild has advanced creators' interests, primarily through education. Tbis has a included long-standing commitment to informing our membership about legislative issues that concern them as creators of intellectual property.

Most recently, the Guild took an early and active role in organizing and coordinating "Artists For Tax Equity," a coalition of 75 organizations representing nearly one million members. That grass roots effort convinced Congress that changing the law regarding the Uniform Tax Capitalization Rules for artists was just. The Guild has also diligently encouraged efforts to address the abuses of the 1976 Copyright Act's work-for-hire provisions during the past ten years.

The Copyright Act of 1976, a result of years of debate and compromise, could not anticipate the subsequent court decisions which allowed states to infringe on the copyrights of creators and owners with impunity. The Copyright Remedy Clarification Act is therefore necessary to ensure that states do not evade tbeir responsibilities to copyright holders.

Without this technical correction to existing law, the livelihoods of creators and the industries in which they participate could face serious harm. An artist commissioned to create an illustration or design for a state university, for example, could find that work exploited in an unlimited number of ways without the payments of additional fees that are standard industry practices. An artist thus exploited is as much a victim of crime as a citizen mugged on the street for his or her wallet; but while the citizen could use the law to see justice done, the artist would have no redress against the state.

Congress must ensure that its legislative intent is observed. Clearly, Congress did not intend for the states to infringe upon creative works with immunity, and this proposed legislation is an effective remedy. But Congress should not only examine its relatively recent intentions; it is imperative for it to also examine the original intention to encourage creativity by affording creators specific protections. Congress must take fundamental steps to ensure that creators are protected from overwhelmingly superior economic interests, whether they be agencies of the state or corporate conglomerates.

Mr. Chairman, the Graphic Artists Guild recently republished an article by Sally Prince Davis in our newsletter entitled, "Can the Government Rip Off Your Artwork?" Since it expresses the threat of state copyright immunity to creators so clearly, I respectfully request it be made a part of the hearing record at the conclusion of this statement.

Once again, I thank you for the opportunity to express the views of one of our nation's most important resources, its Graphic Artists.

Sincerely,

Kathie Abrams

Kathie Abrams
President,
The Graphic Artists Guild

CAN THE GOVERNMENT RIP OFF YOUR ARTWORK?

BY SALLY PRINCE DAVIS

A disturbing issue for artists —indeed for all copyright and patent holders—has developed because of recent court decisions involving sovereign immunity of states. It's disturbing because these decisions negate the exclusive rights granted to authors and inventors of original works in the Constitution and under the Copyright Act, diminish an artist's control of and ability to profit from his creative works, and, if you perceive your copyright and work to be private property, strikes out your right under the Fifth Amendment not to have "private property taken for public use without just compensation."

• In Florida, Cardinal Industries sued the University of South Florida for copyright infringement after architectural blueprints for pre-fabricated homes were copied and permanent buildings constructed from these copyrighted plans. The 11th Circuit Court of Appeals ruled that the university was immune from infringement.

• In California, BV Engineering sued the University of California-Los Angeles for copyright infringement after numerous copies of copyrighted computer programs were made. The Federal District Court ruled that UCLA is immune from the infringement charge.

• In Virginia, a photographer took photographs for Radford University, with the school using them as planned in a publication. The photographer holds the copyrights to the photographs. The university reproduced some of the photographs again in a second publication with no payment of royalties. The photographer sued, claiming copyright infringement. The court ruled that Radford University is immune from copyright infringement.

• And in Michigan, public relations businessman L. Patrick Muhalek presented a copyrighted package of 110 works as an advertising program promoting the State of Michigan to state officials. Ten state officials viewed the works over a period of six months; at the same time, however, state officials hired an out-of-state firm, which developed an advertising program in 13 days. The similarity of the two programs plus additional evidence prompted Muhalek to sue the State of Michigan and its officials in Federal District Court for copyright infringement. The State of Michigan took the position that it was absolutely immune from copyright infringement under the 11th Amendment to the Constitution of the United States. The court ruled in favor of the State.

Supported in his efforts by groups cutting across all artistic fields, from the American Copyright Council to Volunteer Lawyers for the Arts, Muhalek has pursued his case through the Sixth Circuit Court of Appeals to the U.S. Supreme Court. The Court of Appeals did not rule on the immunity issue, and the Supreme Court refused to hear Muhalek's petition, hence, the ruling of the lower court stands. Muhalek is able to neither obtain an injunction nor receive any monetary compensation.

This litany of court rulings is not comprehensive, but demonstrates how, across the country, the number of cases being decided in states' favor and granting immunity is growing. But specifically, what do these decisions mean to working artists?

Attorney James Delmen (Ann Arbor, Michigan), the principal attorney for Patrick Muhalek in respect to the 11th Amendment aspects of his case, states, "The implications to the artistic community are that at the present time it apparently leaves state governments, including all public institutions and any creature of the state government, completely free to make any number of copies they wish of any artistic works. This includes not only works of fine art, but also advertising, music, motion pictures, books, television and computer programs. From an economic standpoint, the implications are well into the billions of dollars."

He cites some possible future scenarios: State prisons tape satellite programs and use them for entertainment for the prisoners without paying royalties to the copyright owners; college professors compile course "packages" with copied materials so that students don't have to buy the original books, a private business firm supplies "sophisticated computer programming to township governments with which they do their budgeting, accounting and so on." Additional scenarios might include paintings being reproduced as posters, prints and cards to promote a state/public event or building.

Muhalek, who has been arguing his case since 1983, concurs. "What it comes down to is that anything that's copyrighted—books, music, paintings, pottery, anything at all—can be used by a state because the state can claim sovereign immunity—and the artist or copyright holder has no remedy at all."

And remember that the "state" includes any public, funded institution —public schools, colleges, universities, public libraries, museums, even public television, municipalities, townships, any governable agency structured under a state's constitution. Based on the recent court decisions, it's increasingly likely they can use copyrighted works with no need to ask permission of the copyright owner, nor to financially compensate him.

> "...the state can claim sovereign immunity—and the artist has no recourse at all."

"It affects everybody's creative rights," Muhalek asserts, "and flies in the face of the Constitution and the Copyright Act. The Constitution states that authors and inventors are granted exclusive right to their work for a limited period of time."

The courts are granting states sovereign immunity based on the 11th Amendment to the Constitution, the amendment that reads in part that, "the Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by citizens of another state..." Attorney John Blanchard of Los Angeles, a copyright lawyer specializing in the music field, explains that "the wording of the 11th Amendment doesn't seem as broad as the general doctrine of sovereign immunity would lead you to believe. Historically, the amendment arose because there was concern that citizens of another state would try to sue a state in federal court." Since then, it has "grown like Topsy with a number of interlocking and mutually supporting and supplementing decisions" to where we are today.

The argument that states cannot use copyrighted works without compensating the copyright owner because the Fifth Amendment protects the private property of citizens didn't do well in court either. In the Muhalek case, the court ruled that copyright is not property, and therefore the Fifth Amendment doesn't apply. Muhalek's view obviously is different from that of the court's. "The state can't put a freeway through my house without paying me for it. I've got title to my copyright just like I have deed to my house."

Are artists and copyright holders over-reacting to a relatively few number of court decisions? No, because all indicators point to a rapid escalation in the number of states that will have sovereign immunity when it comes to copyright infringement.

Turn to Ripoff, p. 21 ▶

Ripoff, continued

In December of 1987, the U.S Supreme Court turned down Mihalek's petition for a hearing on the state immunity issue as it involves copyright infringement. The reticence of the Supreme Court to make a decision on this issue has a sobering effect on the future. Our country has as its basis a common law system. Where there is no Supreme Court decision to look to for guidance, attorneys and judges turn to the lower courts—the Circuit Courts of Appeal and the Federal District Courts—for prior decisions on which they can base legal judgment. As more courts are aware that prior decisions favor sovereign immunity, the likely consequence is that further judgments in favor of the states will follow. Also circuit courts have jurisdiction over more than one state, so as more circuit courts rule in favor of sovereign immunity, more states are, at least temporarily, governed by that law. For example, in the 11th Circuit, which includes Florida and four other southern states, the Court of Appeals affirmed the decision of the Federal District Court in favor of the State of Florida. This means that current law for all five states is one of sovereign immunity in regard to copyright infringement.

The direction that rulings are taking is already firmly established enough that at least one Federal District Court has favored sovereign immunity in spite of a prior circuit-court ruling. The Ninth Circuit Court of Appeals, which includes California, had previously ruled that states are *not* immune. The UCLA decision mentioned earlier was made in a Federal District Court and, though contrary to the prior Circuit Court decision, was based on a recent Supreme Court decision regarding sovereign immunity (not involving copyright infringement). This ruling was made because it was the belief of the court that this provided "better law," that is, more accurate guidance since the Circuit Court decision has been rendered more than 10 years ago. These indicators point strongly toward courts ruling in the future in favor of sovereign immunity.

Another sobering consequence is that without a Supreme Court decision and with remedy in lower courts rapidly becoming futile, it's going to fall to Congress to change copyright law and declare that states are not immune from copyright infringement. Congress has passed statutes that apply to the federal government in this regard: the federal government will pay if you can prove an infringement has occurred. It appears now that the time has come for clear definitions of the responsibility of states regarding infringement to also be added. But it could be at least 1989 before any breakthrough might be made.

Mihalek, since his remedy through the courts has been all but thwarted, believes that increased public awareness regarding the seriousness of the situation is one of the answers. He has formed a nonprofit organization, Creative Majority, to raise money to support "a very effective lobbyist and a public awareness campaign for artists to protect their rights. Only by creative people in all media applying pressure to their congressmen will any action occur."

Mihalek's frustration with the court system's response, his fear for where these decisions are leading, and his desire to help other artists come through with a sense of urgency when he says, "How many creative artists have super, dynamic, commercial ideas, pay their $10 [for copyright registration] to grab a hold of the brass ring, and then a state can come and take it away from you and there's nothing you can do about it!"

Until Congress or the Supreme Court acts, or until the direction of court rulings changes, Attorney Deimen offers this advice for a better chance at protection. "When any artist decides he's going to supply or submit work to any government-sponsored organization, local or statewide, he should have a written contract. That written contract should specify exactly what the work is going to be used for and how many copies can be made. Don't, just out of good nature, turn your work over to the local library or public museum for display. Have a short written agreement that states the length of time the work will be displayed and that no copies are to be made, or that only certain copies for certain purposes can be made."

It's imperative that as creative artists, we take some action right now. The most important thing we can do is to write to our Senators and Representatives, and let them know where we stand on this issue, that a dangerous precedent has been set, and that we don't like the fact that our creative rights are seriously threatened.

Sally Prince Davis, an expert in the business of art, is unequivocally opposed to states that steal artists' copyrighted creations. This article first appeared in The Artist's Magazine.

IF

the court decisions referred to in this article are allowed to stand, then what's to stop your state government from...

...using your illustrations—reproduced from published sources—to enhance its college catalogues, tourism brochures, public health literature, or other printed matter—without payment or acknowledgment?

...appropriating a hit song, changing the words and using it as a promotional jingle for tourism?

...reprinting a textbook for tens of thousands of schoolchildren, instead of buying it from the publisher?

...running off thousands of copies of popular PC software for use by bureaucratic employees in their work?

...intercepting movies from satellite transmissions and broadcasting them on public TV stations without payment of royalties?

...or even going into direct commercial competition with artists, musicians, or film makers by marketing pirated versions of their works?

The implications are staggering.

ALABAMA ASSOCIATION OF SCHOOL BOARDS
PO. DRAWER 230488 • MONTGOMERY, AL 36123-0488 • Tel 205/277-9700
OFFICE LOCATION 4250 LOMAC STREET

May 31, 1989

The Honorable Glen Browder
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Browder:

We are concerned with a number of copyright bills currently under consideration in Congress and their impact on education.

The first is S.198 (The Computer Software Rental Amendments Act). To date, there is no similar bill in the House of Representatives. Hearings have been held on S.198, and the bill may soon be headed for a vote. S.198 would forbid schools from lending to students and teachers computer software which schools have already purchased. We currently lend books, records, and other educational materials to students and staff. We do purchase these materials and do not condone misuse of copyright. However, were this bill to pass, we would have to think twice about any further purchases of software. If we are to make progress in technology and computer literacy, we need the same flexibility on computer software.

Please support any amendment which would exempt "nonprofit educational institutions" from this bill.

Our second concern is S.497 in the Senate and H.R.1131 in the House of Representatives. Both would make states and instrumentalities of the states liable for statutory damages and attorney's fees in copyright cases. We have no objection to having to pay for any damage which we do, but it should be limited to the actual damages suffered. We understand the need for attorney's fees in civil rights cases, but they are not warranted when all that is at stake is possible monetary loss -- in short, they are not warranted in copyright cases.

Sincerely,

Jeff Hyche

Jeff Hyche
Director Governmental Relations
and Policy Services

/dh

AMERICAN BAR ASSOCIATION Governmental Affairs Office
1800 M Street, N.W
Washington, DC 20036
(202) 331-2200

March 24, 1989

The Honorable Robert W. Kastenmeier
Chairman
Subcommittee on Courts, Intellectual Property and
the Administration of Justice
Committee on the Judiciary
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

I am writing to express the support of the American Bar Association for H.R. 1131, the "Copyright Remedy Clarification Act."

In February 1988, the House of Delegates of the American Bar Association adopted the following recommendation which had been submitted by the Section of Patent, Trademark, and Copyright Law:

> "RESOLVED, that the American Bar Association opposes in principle State exemption from liability for damages and/or equitable relief in private actions brought under United States patent, trademark and copyright laws."

A copy of the accompanying background report is appended for your references.

H.R. 1131 amends the copyright law, Title 1, United States Code, to provide that the states and instrumentalities of states are among the persons who are subject to the provisions of Title 17. Thus, H.R. 1131 is in keeping with the principle expressed in the ABA recommendation.

Amendments of the patent and trademark laws to include states and instrumentalities of states among the persons who are subject to their provisions would also be in keeping with the principle expressed in the ABA

recommendation, and we urge your consideration of these additional amendments.

Sincerely,

Robert D Evans

Robert D. Evans

RDE:saw
6203A

Enclosure

cc: Members of the Subcommittee on Courts, Intellectual Property and the Administration of Justice

ADOPTED BY THE

HOUSE OF DELEGATES

OF THE

AMERICAN BAR ASSOCIATION

FEBRUARY, 1988

RECOMMENDATION

RESOLVED, that the American Bar Association opposes in principle state exemption from liability for damages and/or equitable relief in private actions brought under United States patent, trademark and copyright laws.

REPORT

Article 1, Section 8, Clause 8 of the United States Constitution states: "The Congress shall have 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." Pursuant to this clause, Congress has enacted Patent Laws (35 U.S.C. Sections 1, et seq.) and Copyright Laws (17 U.S.C. Sections 101, et seq.). Article 1, Section 8, Clause 3 of the Constitution states: "The Congress shall have Power ... To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes." Pursuant to this clause, Congress has enacted Trademark Laws (15 U.S.C. Sections 1051, et seq.)

The Eleventh Amendment of the Constitution bars suits in federal court against a state by citizens of another state. This amendment appears by its language to be limited to suits against states in diversity cases involving state law claims, since it does not refer to suits against a state by citizens of the same state. Nonetheless, it has been interpreted as barring suits based upon certain federal law claims as well. To the extent that the Eleventh Amendment bars suits in

federal court under the Lanham Act, the holder of a trademark or other rights thereunder may be denied access to the court where infringement of those rights is customarily litigated. To the extent that the Amendment bars suits in federal court for patent or copyright infringement, the patent or copyright holder is completely remediless since the federal courts have exclusive jurisdiction over patent and copyright suits under 28 U.S.C. Section 1338(a).

Almost all of the decided cases involving claims against states for patent or copyright infringement have recognized that the Eleventh Amendment does not bar prospective injunctive relief against state officials responsible for the infringement. However, in many patent, trademark and copyright cases injunctive relief alone may be inadequate either as compensation or as a deterrent. Until 1984, most of the decided cases also held that states were liable for damages for past infringement. Since 1984, however, five cases have held state sovereign immunity to bar monetary relief. Mihalek Corp. v. Michigan, 595 F. Supp. 903 (E.D. Mich. 1984), affirmed on other grounds 814 F. 2d 290 (6th Cir. 1987); Woelfer v. Happy States of America, Inc., 626 F. Supp. 499 (N.D. Ill. 1985); Richard Anderson Photography v. Radford University, 633 F. Supp. 1154 (W.D. Va. 1981); Cardinal Industries, Inc. v. King, (M.D. Fla. 1986), affirmed 811 F. 2d 609 (11th Cir. 1987), certiorari denied ___ U.S. ___ (1987); and BV Engineering v. UCLA, 657 F. Supp. 1246 (C.D. Cal. 1987).

Several of these cases have involved claims of infringement against state universities. State universities, like all universities, are substantial users of copyrighted materials. If the state universities are permitted to copy such materials without explicit authority (voluntarily given) by the copyright proprietors and non-discriminatory compensation to them, then these authors will be deprived of the exclusive right to these writings and of a significant source of compensation.

Even if the Eleventh Amendment applies to suits against states arising under federal law, there are a number of reasons why it should not apply to suits under the patent, trademark and copyright laws. For example, by giving Congress the power to legislate with respect to trademarks in Article 1, Section 8, Clause 3, and the exclusive power to legislate with respect to patents and copyrights in Article 1, Section 8, Clause 8, the states can be said to have consented to federal court jurisdiction in suits

arising under that legislation. Also, patents, trademarks and copyrights are property and uncompensated state infringement can be considered to be a taking in violation of the Fourteenth Amendment.

In the Federal Register of November 2, 1987 (52 Fed. Reg. 42045), the Copyright Office, as part of a study requested by Congressmen Kastenmeier and Moorhead to examine the interplay between copyright infringement and the Eleventh Amendment, has requested public comment on, inter alia, copyright problems of enforcement against state governments and practices with respect thereto.

This resolution was approved by the membership of the Section of Patent, Trademark and Copyright Law at its 1985 Annual Meeting in Washington (as to the United States Copyright Laws), at its 1986 Annual Meeting in New York (as to the United States Patent Laws) and at the 1987 San Francisco Annual Meeting (as to the United States Trademark Laws).

Respectfully submitted,

John K. Uilkema
Chairman

February 1988

0731P

Maclean Hunter Market Reports, Inc.
29 North Wacker Drive
Chicago, Illinois 60606-3297
Tel (312) 726-2802 • Fax (312) 726-2574
Telex 3730307 MHP UB

Maclean Hunter

May 1, 1989

The Honorable Robert Kastenmeier
Chairman
Subcommittee on Patents, Copyrights
and Trademarks
326 SHOB
Washington, DC 20510-6275

Dear Congressman Kastenmeier:

I am the publisher of Red Book and the Wisconsin Blue Book which is published by Maclean Hunter Market Reports, Inc., in Chicago. Maclean Hunter is a major publisher of trade professional journals in the United States and Canada. Red Book is one of the leading publications of used car values which are extensively used by federal and state governments, insurance companies, banks and others who have to make administrative and business decisions based on an assessed value of an automobile is involved.

We are pleased to learn of your sponsorship of HR 1131, the Copyright Remedy Clarification Act. This legislation is of value to our publication and other publishers of used car guides, including the National Automobile Dealers Association. Various states, including Illinois, Pennsylvania, Connecticut, New York and New Hersey have through legislation and regulations directed insurance companies to base settlements for total losses on the published values in Red Book, the NADA guide (the so called "Blue Book") and other nationally recognized periodicals. There is nothing wrong with this approach to settling claims. The problem, however, is that states delegate the task of averaging these values to third parties who have not obtained permission to copy the research results compiled at great expense by publishers like ourselves.

States and their agents, including private parties acting under state authority are immune from copyright damage infringement suits. We believe that HR 1131 and its companion bill S. 497, will address and correct the problem. States would be more likely to require persons acting under state authority who publish copyrighted data to obtain permission from the publisher or pay a royalty.

Continued .....

We would very much appreciate it if you could include this letter in the hearing record on HR 1131.

Our Washington counsel is Wyatt and Saltzstein, 1725 DeSales Street, N.W., Washington, DC 20036, telephone 638-4485. They would be pleased to discuss this matter further with you and your staff. We do hope the legislative report accompanying HR 1131 will mention this serious problem.

Thank you for your interest and leadership in this area.

Sincerely,

MACLEAN HUNTER MARKET REPORTS, INC.

John F. Heffinger
VP/Publisher, Red Book

JFH/ek

TESTIMONY ON H.R. 1131 OF
MACLEAN HUNTER REPORTS, INC. BEFORE THE
SUBCOMMITTEE OF THE HOUSE JUDICIARY COMMITTEE

Maclean Hunter Reports, Inc. publisher of the Red Book, a leading used car valuation guide book, supports H.R. 1131, the Copyright Remedy Clarification Act of 1989. Maclean Hunter Reports is a subsidiary of Maclean Hunter Publishing Corp., publisher of nationally circulated trade and professional journals edited in Chicago, Minneapolis, Stamford Connecticut and Clearwater Florida.

Red Book has been in continuous existence since 1911, the oldest used car price guide in the United States. Red Book has a U. S. circulation of 48,000 copies per issue, published eight times per year. Red Book's editors constantly track pricing trends of practically all models of used cars, domestic and foreign, on a region-by-region basis.

Currently, model years back to 1982 are included in Red Book. Another publication, The Older Car Red Book, tracks vehicles manufactured before 1981. Red Book's editors also publish valuation guides for trucks, motorcycles, boats, vans and recreational vehicles. The editorial product in all these publications is not simply a mechanical reproduction or replication of auction data or dealer sales reports but expert opinion applied to market data. Red Book projects price trends for dozens of

models, with adjustments for options and for mileage. Red Book's editors arrive at values by various methods which include analyzing reports from auctions, dealers and trade journals, studying customer demand for various models, regional wholesale transactions as well as retail transactions.

Red Book's largest user is the insurance industry which uses Red Book for calculating values of vehicles in total loss accidents. Red Book is also purchased by banks, credit unions and dealers, who rely on Red Book for its up to date accounts of the financing value of used cars. Government agencies, Federal and state, also rely on Red Book for determination of car values for tax purposes.

In the past several years commercial services acting under color of state law have been plagiarizing the editorial content of Red Book. This information was developed at great expense to Red Book. This copyrighted data is copied and merged into electronic databases by unauthorized copiers who market the data on a for profit basis to the insurance industry.

In Illinois, New Jersey, Pennsylvania, and New York, for example, where laws and regulations call for the use of averages of different used car book values to determine the amount insurers must compensate car owners for claims of theft or total loss, Red Book values are averaged with the National Automobile Dealers Association Guide (i.e. NADA Guide) to determine legal compensation value.

Commercial services which calculate market averages in those

states have not obtained licenses from Red Book or from NADA. These infringers use the authorization of the state as a shield against copyright liability. We have discussed this with state officials, but to no avail.[1]

This disregard of copyright owners can go on because states and their instrumentalities (including private parties acting under state authority) are now immune from damage actions under current court decisions. These cases were discussed at length by the Register of Copyrights when he testified before this Subcommittee earlier this year in support of H.R. 1131.

This immunity contrasts with the copyright liability of the Federal government and its instrumentalities. The Federal government is liable for copyright infringements of its contractors and agents when it can be shown the government authorized the infringement. See Auerbach v. Sverdrup, 829 F.2d 175, 179 (D.C. Cir. 1987). States and their private sector agents should not enjoy any greater copyright immunity than the Federal government and its private sector agents.

Red Book and other used car valuation publishers have suffered actual, not merely speculative, damages as a result of ongoing state-authorized copyright infringement. Subscriptions to used car valuation publications have been cancelled or not renewed because

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[1] A similar immediate problem with private persons' infringing copyright under color of state law was raised by Myer Kutz, who testified before this Subcommittee on July 11, 1989 on behalf of the Association of American Publishers and the Copyright Remedies Coalition. (p.5).

customers do not need to receive two publications to calculate averages when they can acquire average values on demand from copyright infringers.

H.R. 1131 will strip away the defense of state authority from infringers. It reaffirms the principle embodies in Sec. 106(2) of the Copyright Act that only the owner of copyright can prepare or authorize derivative works based upon the copyrighted work. After all, the averaging of copyrighted data is the preparation of a derivative work.

H.R. 1131 will enable publishers to inform state insurance officials and attorneys general that states can no longer authorize commercial businesses to market averages of used car valuation data unless they have received permission from copyright owners like Red Book. If the infringement continues, states and their agents properly would be liable for damages and attorney's fees.

Much of the testimony the Subcommittee heard on July 11, 1989 involved direct state copyright infringement or infringement by state-operated universities. We add to that valuable testimony the no less important dimension of state infringement by proxy - private persons or corporations acting under color of state law.

Maclean Hunter respectfully requests prompt passage by the Congress of H.R. 1131.

ONE HUNDRED FIRST CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON THE JUDICIARY
2137 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6218

July 10, 1989

The Honorable Nicholas Mavroules
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Mavroules:

Thank you for sending me a copy of William Spallina's letter about H.R. 1131, and the opinion in Lane v. First National Bank of Boston. I am very familiar with the Lane case, as it is one of the cases that led to my introduction of H.R. 1131 and the Copyright Office's support of that bill.

As one of the sponsors of the 1976 Copyright Act, I know that the intent of Congress at the time was to make states equally liable for all remedies applicable to copyright infringement. H.R. 1131 would clarify this Congressional intent. Unfortunately, because of the rigid test enunciated by the United States Supreme Court in the Atascadero case and five cases handed down within the last month, I do not believe that it is possible to make the legislation retroactive. Experts in the area of sovereign immunity advise me that to do so would raise significant constitutional issues about the legislation as a whole.

I hope to move H.R. 1131 to markup quickly so that other plaintiffs will not face the jurisdictional obstacles that Ms. Lane did. I will place your letter, that of Mr. Spallina, and the Lane opinion, in the hearing record on H.R. 1131.

With warm regards,

Sincerely,

ROBERT W. KASTENMEIER
Chairman
Subcommittee on Courts,
Intellectual Property and the
Administration of Justice

RWK:vss

NICHOLAS MAVROULES
6TH DISTRICT MASSACHUSETTS

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June 27, 1989

The Honorable Robert Kastenmeier
Chairman of the Subcommittee on Courts
2137 Rayburn HOB, Washington DC 20515

Dear Representative Kastenmeier:

On behalf of Attorney William Spallina, who is representing one of my constituents, Mrs. Joan Lane, I am forwarding to you a copy of his letter regarding H.R. 1131 and a First Circuit U.S. Court of Appeals opinion for your consideration during hearings on the Copyright Remedy Clarification Act.

Sincerely,

Nicholas Mavroules
Member of Congress

NM/cnc

Enclosure

WILLIAM F. SPALLINA
ATTORNEY AT LAW
76 CHESTNUT STREET
NEWTON, MASSACHUSETTS 02165

(617) 244-9053

March 30, 1989

The Honorable Nicholas Mavroules
2432 Rayburn
House Office Building
Washington, D.C. 20515

RE: Joan F. Lane, d/b/a Lane & Co. v.
The First National Bank of Boston, et al
United States District Court
Civil Action No. 85-0520-H
OUR FILE NO. 8941

Dear Congressman Mavroules:

On behalf of Joan Lane, a resident of Marblehead, I am writing to express our support of H.R. Bill No. 1131 to amend the Copyright Act to include the language required by the U.S. Supreme Court in Atascadero so that the federal courts have jurisdiciton over states for infringement actions. As you can see from the enclosed recent First Circuit U.S. Court of Appeals opinion this legislation is absolutely necessary.

In view of this enclosed ruling, Mrs. Lane and I would urge you to make the application of the amendment retrospective and not prospective.

Both Mrs. Lane and I are willing and available to testify at hearing in support of this bill.

Sincerely yours,

William F. Spallina
WFS/jac
cc: Joan F. Lane

United States Court of Appeals
For the First Circuit

No. 88-1815

JOAN F. LANE,
d/b/a LANE & CO.,
Plaintiff, Appellant,

v.

THE FIRST NATIONAL BANK OF BOSTON, ET AL.,
Defendants, Appellees.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS
[Hon. Edward F. Harrington, U.S. District Judge]

Before
Bownes and Selya, Circuit Judges,
and Pettine,* Senior District Judge.

William F. Spallina for appellant.

Steven B. Rosenfeld with whom Peter L. Felcher, Jon D. Kaplon, Paul, Weiss, Rifkind, Wharton & Garrison, Bernard Korman, I. Fred Koenigsberg, Edward W. Chapin, Alan L. Shulman, Silverman & Shulman, P.C., Howard L. Wattenberg, Marshall Morris Glinert Powell Wattenberg & Perlstein, Alvin Deutsch and Linden & Deutsch were on brief for National Music Publishers' Association, Inc., American Society of Composers, Authors and Publishers, Broadcast Music, Inc., Music Publishers' Association of the United States and The Songwriters Guild of America, Amici Curiae.

Lisa A. Levy, Assistant Attorney General, with whom James M. Shannon, Attorney General, was on brief for appellees the Commonwealth of Massachusetts Department of Revenue, Harvey J. Beth, Edward J. Collins, Jr., and Roberta Heinzmann.

MARCH 22, 1989

*Of the District of Rhode Island, sitting by designation.

SELYA, Circuit Judge. This appeal presents, face up and squarely, the vexing question of whether the Eleventh Amendment provides shelter to States in actions brought pursuant to the Copyright Act of 1976, as amended, 17 U.S.C. §§ 101-810 (1982). For the reasons set forth herein, we conclude that it does.

I

Plaintiff-appellant Joan F. Lane brought suit in the federal district court against the Commonwealth of Massachusetts and divers others,[1] charging copyright infringement. The Commonwealth, she said, had infringed on her copyrights in certain compilations of financial data. Plaintiff sought variegated relief, money damages included. After some backing and filling, the district court ruled that the Eleventh Amendment barred Lane's damage action against the Commonwealth. Lane v. First Nat'l Bank of Boston, 687 F. Supp. 11, 14-15, 17-18 (D. Mass. 1988).

Plaintiff then asked that 28 U.S.C. § 1292(b) be invoked and the district judge signed the requested certificate.[2] Lane

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[1]The defendants included the Commonwealth, its Revenue Department, and its Bureau of Accounts. For ease in reference, we will treat the Commonwealth as if it were the only affected appellee, but our reasoning extends to the state agencies as well. Insofar as individual state workers have been sued in their official capacities, they come under the same umbrella. See, e.g., Northeast Federal Credit Union v. Neves, 837 F.2d 531, 533 (1st Cir. 1988) (claim against government official in representative capacity "must be regarded as [suit] against the sovereign"). The liability of state officials sued personally is unaffected by our holding.

[2]The statute permitting interlocutory certification provides in pertinent part:

> When a district judge, in making in a civil action an order not otherwise appealable ...

posed the question which she believed deserving of interlocutory review as follows:

> ...[D]id the district court err by dismissing a copyright claim against a state and its agencies on the basis of 11th Amendment immunity even though the U.S. Supreme Court in Atascadero State Hospital v. Scanlon, held that 11th Amendment immunity is not available if a reading of the statute conferring jurisdiction upon the federal court shows "by such overwhelming implication from the text as will leave no room for any other reasonable construction" that Congress has abrogated such immunity and the result of the application of 11th Amendment Immunity ... is that a copyright infringement action cannot be maintained against a state anywhere, leaving states free to infringe on copyrights?

Appellant's Petition for § 1292(b) Consideration (June 30, 1988) at 2-3 (citations omitted). Because we agreed that the issue was "sufficiently novel and important," In re San Juan Dupont Plaza Hotel Fire Litigation, 859 F.2d 1007, 1010 n.1 (1st Cir. 1988), we allowed the intermediate appeal to proceed.

II

The Eleventh Amendment provides:

> The Judicial power of the United States shall

> shall be of the opinion that such order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation, he shall so state in writing in such order. The Court of Appeals ... may thereupon, in its discretion, permit an appeal to be taken....

28 U.S.C. § 1292(b). "Only rare cases will qualify for the statutory anodyne." In re San Juan Dupont Plaza Hotel Fire Litigation, 859 F.2d 1007, 1010 n.1 (1st Cir. 1988). This, we think, is such a case.

> not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.

U.S. Const. amend. XI. Notwithstanding the seeming purport of the language, the Supreme Court has regularly held that the Amendment applies to suits by a citizen against her own State. See, e.g., Welch v. State Dept. of Highways, 107 S. Ct. 2941, 2945, 2952-53 (1987); Hans v. Louisiana, 134 U.S. 1, 10 (1890). Despite its sweep, the jurisdictional bar which the Eleventh Amendment erects is not absolute; it can be lifted by Congress or it can be waived. The focus in this case is on what Congress purposed: did it mean to abrogate State immunity to damage actions for infringement of the Copyright Act?

The precincts patrolled by abrogation are not commodious. Within their cramped confines, congressional intent is never lightly to be inferred. The jurisdictional bar endures unless and until Congress enacts a law which "express[es] its intention to abrogate the Eleventh Amendment in unmistakable language in the statute itself." Atascadero State Hospital v. Scanlon, 473 U.S. 234, 243 (1985). Lane attempts to negotiate this narrow corridor, asserting that Congress removed the States' Eleventh Amendment immunity by passage of the Copyright Act. There are, however, several obstacles blocking her path.

It is an open question whether Congress possesses the power to blunt the prophylaxis of the Eleventh Amendment when acting pursuant to the Copyright and Patent Clause, U.S. Const.

art. I, § 8, cl. 8. Admittedly, Congress can defeat the States' immunity to suit in federal court when enforcing the substantive provisions of the Fourteenth Amendment. See Welch, 107 S. Ct. at 2946; Fitzpatrick v. Bitzer, 427 U.S. 445, 456 (1976). But it is less settled whether Congress has the power, when legislating under article I, to abolish Eleventh Amendment immunity. The Court has recently granted certiorari and heard oral argument on much the same question, but has yet to resolve it. See United States v. Union Gas Co., 832 F.2d 1343 (3d Cir. 1987), cert. granted, 108 S. Ct. 1219 (1988) (Commerce Clause).

Intriguing though the tangram may be, we need not strain to solve it today. The case at hand is so postured that we can emulate the Court and "assume, without deciding or intimating a view of the question, that the authority of Congress to subject unconsenting States to suit in federal court is not confined to § 5 of the Fourteenth Amendment." Welch, 107 S. Ct. at 2946; see also County of Oneida v. Oneida Indian Nation, 470 U.S. 226, 252 (1985) (similar). In so doing, we adhere to well-considered precedents in this, and other, circuits, deferring decision of the question in cases susceptible to resolution on independently sufficient grounds. See, e.g., BV Engineering v. UCLA, 858 F.2d 1394, 1397 (9th Cir. 1988), petition for cert. filed (Jan. 3, 1989); Richard Anderson Photography v. Brown, 852 F.2d 114, 117 (4th Cir. 1988), petition for cert. filed (Oct. 17, 1988); WJM, Inc. v. Mass. Dep't of Public Welfare, 840 F.2d 996, 1001-02 (1st Cir. 1988).

III

Having sidestepped the first hurdle, we find the second to be insurmountable. Appellant's core contention is that the Copyright Act was meant to strip the States of their Eleventh Amendment immunity from suit in a federal venue. Leaping to such a conclusion, we think, illustrates the sanguine elevation of hope over reason.

In recent years, the Court has crafted an increasingly stringent test to determine whether Congress intended to dismantle the shelter of the Eleventh Amendment in any given instance. The touchstone, of course, is Atascadero. There, the Court remarked the critical importance of sovereign immunity[3] in our system of federalism, 473 U.S. at 242, and cautioned that "it is incumbent upon the federal courts to be certain of Congress' intent" in this regard. Id. at 243 (emphasis supplied). To achieve such a high degree of assurance, it is essential that Congress "unequivocally express th[e] intention [to vitiate Eleventh Amendment immunity] in the statutory language" itself. Id. Because the Rehabilitation Act of 1973, 29 U.S.C. § 701 et seq. (1982), "f[e]ll far short of expressing an unequivocal congressional intent to abrogate the States' Eleventh Amendment immunity," it failed this rigorous test. Id. at 247.

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[3]On occasion, some courts and commentators have attempted to redefine Eleventh Amendment immunity, at least in part, as a sort of structural sovereign immunity. We have said before that "we see nothing as turning on these characterizations.... [and] thus use the terms sovereign immunity and Eleventh Amendment immunity interchangeably." WJM, Inc., 840 F.2d at 1001 n.5.

In Welch, the drumbeat grew louder. The Court reiterated the stringencies of Atascadero in considering the Jones Act, 46 U.S.C. § 688 (1982), sustaining an Eleventh Amendment defense because "Congress has not expressed in unmistakable statutory language its intention to allow States to be sued in federal court under the Jones Act." 107 S. Ct. at 2947. The Welch Court made clear that, to the extent earlier precedent may have suggested a more flexible approach, that precedent should be disregarded. See id. at 2948 (previous methodology, involving "discussion of congressional intent to negate Eleventh Amendment immunity ... [,] no longer good law"). See also Brown, State Sovereignty under the Burger Court – How the Eleventh Amendment Survived the Death of the Tenth, 74 Geo. L.J. 363, 383 (1985) ("it is clear that Atascadero changed the rules for abrogation"). Against this backdrop, the height of the bar which appellant must vault becomes readily apparent.

Let us turn next to the precedent which purports to chart the junction where the Copyright Act and the Eleventh Amendment intersect. While the Supreme Court has never decided whether the Act was meant to abrogate Eleventh Amendment immunity, the straws in the wind are rather distinctive. The two circuits to address this precise issue since 1985 have concluded that the language of the Copyright Act does not measure up to the uncompromising Welch/Atascadero benchmark. See BV Engineering, 858 F.2d at 1399 (overruling Mills Music, Inc. v. State of Arizona, 591 F.2d 1278 (9th Cir. 1979)); Richard Anderson Photography, 852 F.2d at 117.

Although some courts had earlier concluded that Congress, by passing the Copyright Act, intended to remove the States' immunity, see, e.g., Mills Music, 591 F.2d at 1284-86; Johnson v. University of Virginia, 606 F. Supp. 321, 324 (W.D. Va. 1985), the slate seems to have been wiped clean; in the post-Atascadero era, no court to our knowledge has held that the Copyright Act passes the reformulated test for abrogation of Eleventh Amendment protection. In addition to the Fourth and Ninth Circuits, every district court - including those which initially considered the BV Engineering and Richard Anderson Photography cases - has come out the other way. See, e.g., Cardinal Industries, Inc. v. Anderson Parrish Assoc., No. 83-1038-Civ-T-13 (M.D. Fla. Sept. 6, 1985), aff'd mem., 811 F.2d 609 (11th Cir.), cert. denied, 108 S. Ct. 88 (1987); Woelffer v. Happy States of America, Inc., 626 F. Supp. 499, 504 (N.D. Ill. 1985).

IV

We give credit where credit is due. Lane and the amici - the latter, in particular - mount a powerful, carefully-fashioned offensive calculated to convince us that these judges are wrong; that the Court's doctrine is not as inelastic as appears at first blush; that howsoever the standard may be articulated, the Copyright Act passes Welch/Atascadero muster; and that, failing all else, the unique circumstances of this case - especially the exclusivity of the federal courts' jurisdiction in copyright matters, see 28 U.S.C. § 1338(a) - require relaxation of the ground rules. We remain unpersuaded.

A

The first three of these arguments telescope into a unitary theme, hawking the notion that the Copyright Act itself evinces an indisputably clear intent to override the States' Eleventh Amendment immunity. In the main, Lane relies upon the following statutory references to prove her point: 17 U.S.C. § 501 ("Anyone who violates any of the exclusive rights of the copyright owner ... is an infringer...."); 17 U.S.C. § 602 (importation of copyrighted material without copyright owner's permission not infringing if done "under the authority or for the use of ... any State"); and a medley of exceptions built into the Act referable to "governmental bodies," e.g., 17 U.S.C. §§ 110(6), 110(8), 111(a), 112(b), 118(d)(3). We have set out the text of these statutory provisions in the Appendix. Taken individually or in the ensemble, we do not believe them to be adequate to abrogate the States' immunity.

1. Section 501. In 1976, Congress made broadscale amendments to the Copyright Act. These included elimination of the term "any person" (used in § 101 of the Copyright Act of 1909) in the course of rewriting the statutory description of potential infringers, replacing that term with the word "anyone." Lane and the amici, as did the Anderson dissent, 852 F.2d at 126 (Boyle, J., dissenting), see this modification as supremely important. Although we agree that "anyone" has a slightly more encompassing embrace than "any person," we do not believe that the switch can carry the heavy cargo which appellant assigns to it. Demonstrating

that the Act was made more inclusive is a far cry from showing that it was extended to reach States.

In recent times, the Supreme Court has twice rejected pleas that equally broad statutory language evinced a categorical intent to abolish Eleventh Amendment immunity. See Welch, 107 S. Ct. at 2947 (phraseology "any seaman" not the kind of "unmistakable language" sufficient to demonstrate requisite congressional intent); Atascadero, 473 U.S. at 245-46 (phraseology "any recipient" not manifestative of congressional desire to expose States to suit in federal court). We agree with the Ninth Circuit that a change in statutory language is insufficient to overcome the Welch/Atascadero hurdle unless the new wording is "unequivocal" in its purport. BV Engineering, 858 F.2d at 1398. Whatever message hopeful litigants may read into the modest change in section 501, the revision, on its face, is much too cryptic to bottom resolution of the Eleventh Amendment inquiry.

2. Section 602. This is the only section of the Copyright Act which refers explicitly to State authority. The burden of section 602 is that, generally, importation of copyrighted material without permission of the copyright owner will be actionable as infringement; but there is an exception for importations "under the authority or for the use of ... any State." 17 U.S.C. § 602(a)(1). Lane urges that this subsection would be rendered superfluous if States already enjoyed Eleventh Amendment protection in copyright cases, and points to familiar law counseling that courts should prefer constructions which give

effect to each word and phrase employed by the draftsmen.

We do not deny that there is some logic to this discourse, but the Welch/Atascadero strictures constrain us from choosing among reasonable interpretations of a statute and divining from such a choice an implicit congressional recognition that the States' immunity should yield. Where, as here, a statutory provision is "susceptible to more than one reasonable interpretation," BV Engineering, 858 F.2d at 1399, it cannot suffice to penetrate the dense shielding of the Eleventh Amendment. Moreover, the ultimate dilemma is not now upon us; plaintiff's construction of section 602 is not an especially compelling one.

The exemptive phrase "under the authority or for the use of ... any State" does not necessarily imply preexisting State liability. The exception may well have been designed not to protect the States themselves, but to safeguard, say, State employees acting in their individual capacities, cf., e.g., Culebras Enterprises Corp. v. Rivera Rios, 813 F.2d 506, 517-18 (1st Cir. 1987) (sovereign immunity, where applicable, does not bar damage claims against officials personally), or State contractors, cf., e.g., Camacho v. Autoridad de Telefonos de Puerto Rico, No. 88-1583, slip op. at 8 (1st Cir. Feb. 21, 1989) (construing 28 U.S.C. § 1442(a)(1) to benefit "private persons ... who act under the direction of federal officers"), or the like. Because the provision is not inconsistent with States' immunity

from suit under the Copyright Act,[4] reading into it the unequivocal statement of congressional purpose required by the Welch/Atascadero rule would be well beyond our proper province.

3. The Act As A Whole. Notwithstanding our conclusion that neither the shift in the linguistic gears of section 501 nor the enactment of the "authority ... or ... use" exception, 17 U.S.C. § 602(a)(1), prove congressional intent to abrogate the Commonwealth's immunity, our task is unfinished. There is nothing so singular about an Eleventh Amendment examination that impels us to view each piece of a statute in artificial isolation. Whatever change in approach has been wrought by the Welch/Atascadero duarchy, see supra note 4, "[i]n expounding a statute, we must not be guided by a single sentence or member of a sentence, but look to the provisions of the whole law...." Kelly v. Robinson, 479 U.S. 36, 43 (1986) (citations omitted). What is different about Eleventh Amendment perscrutation is not the focus of the look — in determining whether Congress intended to abrogate immunity, we must continue to "focus on the language of the statute as a whole,"

[4]Amici insist that because a definitive interpretation of § 602(a)(1) cannot be confirmed in the legislative history, the statute's "plain" meaning — as a vehicle for exempting the States from importation suits — should prevail. This suggestion, however, puts the shoe on the wrong foot. So long as more than one plausible interpretation can be rendered, neither meaning, without more, can survive Welch/Atascadero scrutiny. Put another way, ordinary principles of statutory construction, which may in other contexts point to a preferred interpretation, do not suffice, in and of themselves, to unlatch the Eleventh Amendment gate. The Court, zealous in its role as the protector of the Eleventh Amendment and of the States' sovereignty, seems to be increasingly insistent upon "special rules of statutory drafting" in this context. Atascadero, 473 U.S. at 254 (Brennan, J., dissenting).

Richard Anderson Photography, 852 F.2d at 118 & n.3; see also BV Engineering, 858 F.2d at 1398 – but the point at which the examination bears fruit. The requirement that Congress "unequivocally express th[e] intention [to vitiate immunity] in the statutory language" itself, Atascadero, 473 U.S. at 243, must still be fulfilled. Accordingly, we turn our attention to whether the Copyright Act as a whole demonstrates Congress' intent to subject unconsenting States to suit in federal court with the necessary degree of clarity and certitude.

In this respect, appellant's thesis builds in four stages: (1) States are "governmental bodies"; (2) Congress would not have written exemptions for States unless it thought that, without such exemptions, States would be liable under the Copyright Act; (3) Congress, therefore, necessarily expressed its intent to remove Eleventh Amendment immunity in fashioning the "governmental bodies" exemptions; and (4) any lingering doubt is resolved by the remaining provisions of the statute, especially sections 501 and 602. We find the words easy on the ear, but the music to which they are set is discordant. The rigors of the Welch/Atascadero score demand a different tune.

The phrase "governmental bodies" is as broad as it is deep. Surely, the term may include States, but it does not inevitably do so, at least in the copyright context. We concur with the Fourth Circuit that the words can sensibly "be read as applicable only to local governments or to actions by government officials so that the states' continued immunity would not render

[these exemptions] superfluous." Richard Anderson Photography, 852 F.2d at 119. Although Congress may have left room for doubt through the phrasing of these exemptions, doubt is not appellant's ally in her current quest.

Lane tells us that In re McVey Trucking, Inc., 812 F.2d 311 (7th Cir.), cert. denied, 108 S. Ct. 227 (1987), compels – or at least suggests – a conclusion that "governmental bodies" and "States" be read synonymously, and that nullification of the States' sovereign immunity be inferred from inclusion of the cited references. The reliance on McVey is mislaid. There, the Seventh Circuit determined that similar statutory language – "governmental units," as used in the Bankruptcy Code – fulfilled the requirement of Atascadero and authorized suit in federal court. Id. at 326. But the operative term was defined within the same statute, viz., § 101(21) of the Bankruptcy Code, to include States. Id.; see also WJM, Inc., 840 F.2d at 1001 ("section 547(b) of the Bankruptcy Code ..., when read with two other Code sections [including § 101(21)] plainly sets forth a cause of action against a state"). Lane is riding a horse of quite a different color; the Copyright Act is silent as to the meaning of the term "governmental bodies," and the legislative history – for what it may be worth, see infra – is ambiguous at best. To employ our own limitary definition, as appellant beseeches, would be to stand the Welch/Atascadero

doctrine on its head.[5]

Amici assert that any ambiguity in the scope of the term "governmental bodies" is resolved by the legislative history. The archival data, they contend, make clear that Congress meant the term to encompass States. There are twin difficulties with this proposition. First, we question whether, in light of Welch and Atascadero, resort can be made to legislative history in determining if Congress has removed Eleventh Amendment immunity. Atascadero requires that Congress "express its intention to abrogate the Eleventh Amendment in unmistakable language in the statute itself." 473 U.S. at 243 (emphasis supplied). The Atascadero Court made no reference in its opinion to the legislative history of the Rehabilitation Act, despite respondent's reliance thereon and the dissent's lengthy analysis thereof. See id. at 248-52 (Brennan, J., dissenting). Although the Seventh Circuit recently rejected the view that Atascadero precludes courts from seeking guidance in legislative history for Eleventh Amendment

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[5]Even if, as appellant urges, we were to define the phrase "governmental bodies" to include States, the exemptions would not necessarily be consistent only with a correlative conclusion that Congress must have meant to abrogate States' immunity. After all, "[c]onsistent with the Eleventh Amendment ... federal courts may, notwithstanding the absence of consent, waiver or evidence of congressional assertion of national hegemony, enjoin state officials to conform future conduct to the requirements of federal law." Ramirez v. Puerto Rico Fire Service, 715 F.2d 694, 697 (1st Cir. 1983) (emphasis supplied); see also Quern v. Jordan, 440 U.S. 332, 337 (1979); Ex Parte Young, 209 U.S. 123, 155-56 (1908). Accordingly, exemptions for "governmental bodies," including States, might reasonably be designed only to exempt States from injunctions or other non-monetary relief in respect to future conduct.

purposes, McVey, 812 F.2d at 324, the conclusion is less than self-evident. Be that as it may, we have the luxury of being able to reserve the point. In this case, even were we to interpret Atascadero as permitting reliance upon legislative history, the data are sufficiently indistinct that the outcome of our search for clear meaning would be unaffected. Contrary to the rodomontade of the amici, nothing of pivotal consequence can be discerned from the most meticulous inspection of the legislative record, fairly read.

We bring this portion of our analysis to a close. It would serve no useful purpose to plod further in this direction. To the extent that appellant and/or amici mention other statutory references, the citations are plainly ineffectual. As a matter of statutory interpretation, the effort to hold the Commonwealth responsible in money damages derives insufficient sustenance from either the language of the Copyright Act or from its legislative history. Whether taken section by section or in its entirety, the statute reveals that Congress at no time and in no satisfactory manner made unmistakably clear its explicit intent to abrogate Eleventh Amendment immunity. Accord BV Engineering, 858 F.2d at 1399; Richard Anderson Photography, 852 F.2d at 120.

B

In urging that we find the States' sovereign immunity to have been erased, appellant mounts yet a further exhortation – and one we do not lightly dismiss. The linchpin of this contention is the federal courts' original and exclusive jurisdiction in matters

arising under the Copyright Act.[6] Given the embargo of copyright matters from state-court jurisdiction, if an infringing State cannot be made to respond in money damages in federal court, Lane theorizes that the offender cannot be sued for damages in any venue. We are told that the Court has never recognized the Eleventh Amendment as a bar to federal court jurisdiction when that jurisdiction is exclusive, and further, that Congress could not have meant to create rights under the Copyright Act without tendering any corresponding remedies. Notwithstanding their superficial appeal, these protestations do not carry the day.

The first point can be dispatched with relative ease. Admiralty libels in rem have long been within the exclusive jurisdiction of the federal courts. See, e.g., Madruga v. Superior Court, 346 U.S. 556, 560 (1954); see also 28 U.S.C. § 1333. That circumstance, however, has not deflected the courts — including both the Supreme Court and this court — from holding, consistently

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[6]The jurisdictional statute provides:

> (a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.
>
> (b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trade-mark laws.

28 U.S.C. § 1338.

to our knowledge, that in rem admiralty actions against unconsenting States are barred by the Eleventh Amendment. See Ex Parte New York No. 2, 256 U.S. 503, 510-11 (1921); Fitzgerald v. Unidentified, Wrecked and Abandoned Vessel, Nos. 88-1742 & 88-1827, slip op. at 4-7 (1st Cir. Feb. 1, 1989); Maritime Underwater Surveys, Inc. v. Unidentified, Wrecked and Abandoned Sailing Vessel, 717 F.2d 6, 7 (1st Cir. 1983).

The plaintiff's second point is more troubling. If the Eleventh Amendment holds sway, suit cannot be brought in federal court against an infringing State, which means that no damage action under the Copyright Act can be brought at all. See 28 U.S.C. § 1338(a). In that important sense, Congress will have crafted a right for which it ceded no corresponding remedy against certain infringers. We are not unmindful of the seeming inequities of this result, nor of its apparent inconsistency with the broad powers granted Congress under the Copyright and Patent Clause: "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. By the same token, we see few countervailing policy considerations. The concerns which undergird the Eleventh Amendment — comity and solicitude for State interest, e.g., Della Grotta v. State of Rhode Island, 781 F.2d 343, 347 (1st Cir. 1986); regard for undue fiscal impact upon State coffers, e.g., Edelman v. Jordan, 415 U.S. 651, 663-68 (1974); containment of federal court jurisdiction, e.g., Atascadero, 473 U.S. at 242-43 — seem

little furthered by hewing strictly to the party line in the copyright context. See BV Engineering, 858 F.2d at 1399-1400; see also Note, Congressional Abrogation of State Sovereign Immunity, 86 Colum. L. Rev. 1436, 1450-51 (1986) (where, as in the case of the Copyright Act, a statute's impact on state sovereignty is less intrusive, the need for a specific showing of congressional intent should logically be diminished).

But these concerns, real though they may be, are more appropriate for congressional, rather than judicial, consideration. The Court has never indicated that there is a variable standard for ascertaining whether Congress meant to dissolve Eleventh Amendment immunity, and it is difficult to develop a plausible jurisprudential basis for one. Notwithstanding changes in context, the "fundamental nature of the interests implicated by the Eleventh Amendment," Atascadero, 473 U.S. at 242, remains the same. To hold that the Welch/Atascadero criterion applies to certain congressional manifestations of nullificatory intent, but not to others, would make a chameleon of the Amendment, turning the question of a State's immunity into too much of a guessing game. The Eleventh Amendment is the Eleventh Amendment – or, as Gertrude Stein once wrote, "a rose is a rose is a rose," G. Stein, Sacred Emily (1913) – and the Amendment is a constant, not some strange, pleochroic phenomenon. Courts have no right to reshape its contours from case to case by rhetorical prestidigitation in order to meet the exigencies of each passing set of circumstances.

In short, we are constrained by the Court's directives,

first in Atascadero and thereafter in Welch, to ignore the policy concerns evoked by exclusivity of jurisdiction, and to unlatch the gates only when "Congress [has] express[ed] its intention to abrogate the Eleventh Amendment in unmistakable language in the statute itself." Atascadero, 473 U.S. at 243; see also Welch, 107 S. Ct. at 2946 (quoting Atascadero). Unless and until Congress amends the Copyright Act to remove the States' immunity, the Commonwealth cannot be sued for infringement damages in federal court – or anywhere, for that matter.

We hasten to add that this outcome is not as intolerably harsh as appellant would have us believe. Lane is not defenseless if the State infringes. She may – as she is doing in this action – sue the responsible officials in their individual capacities for money damages. She may – as she has done here – sue private parties for abetting the allegedly wrongful acts. She may also seek prospective injunctive relief against the Commonwealth. See, e.g., Ramirez, 715 F.2d at 697.

Finally, notwithstanding her inability to mount an infringement suit per se against appellee, damages may nonetheless be available. Massachusetts has enacted a tort claims act, Mass. Gen. L. ch. 258, § 2 (1988), which is to be construed liberally to allow plaintiffs with valid causes of action to recover for governmental wrongdoing. See Alpert v. Commonwealth, 258 N.E.2d 755, 762 (Mass. 1970). If Lane's version of the facts is genuine, she would likely be able to sue Massachusetts in a state court for,

say, deceit, conversion, or unfair competition.[7] Then, too, Mass. Gen. L. ch. 79, § 10 (1969) provides that damages may be recovered from the State whenever private property is confiscated. The statutory scheme manifests a recognition that where private property is taken for public use, a constitutional right to just compensation attaches. See Caleb Pierce, Inc. v. Commonwealth, 237 N.E.2d 63, 66 (Mass. 1968). Since a copyright is property, Roth v. Pritkin, 710 F.2d 934, 939 (2d Cir.), cert. denied, 464 U.S. 961 (1983), Lane may very well be able to sue in state court on a state-law claim for essentially the harm that she contends the Commonwealth has perpetrated. And if she exhausts State remedies and establishes that the Massachusetts legal system affords her no just compensation for the wrongful confiscation of her property, the Takings Clause of the federal Constitution might at that point enable her to pursue a damage remedy in federal court. See Williamson County Regional Planning Comm'n v. Hamilton Bank 473 U.S. 172, 194 (1985); Ochoa Realty Corp. v. Faria, 815 F.2d 812, 815-17 (1st Cir. 1987).

V

As a last resort, amici argue that, whether or not

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[7]Interestingly, plaintiff pled a cause of action against the Commonwealth for misappropriation of trade secrets in this very suit. Though that count is barred by the Eleventh Amendment – the state tort claims act waives the Commonwealth's immunity only with respect to suits in state court, a circumstance which "does not necessarily imply waiver of its eleventh amendment immunity" to suit in federal court, Della Grotta, 781 F.2d at 346; see also Atascadero, 473 U.S. at 241 – there is no reason to believe that the claim, for what it might be worth, could not have been maintained in state court.

Congress abrogated the States' immunity when passing the Copyright Act, Massachusetts has waived constitutional protection and impliedly acquiesced in the maintenance of a federal suit. The leitmotif of this claim is that the Commonwealth doffed the cloak of immunity by "affirmatively entering the copyright sphere – both through its ownership of copyrights and its infringement of appellant's copyright...." Amicus Brief at 24. We agree that a State may waive the benefits of the Eleventh Amendment and consent to be sued in federal court. See Welch, 107 S. Ct. at 2945: WJM, 840 F.2d at 1002; Della Grotta, 781 F.2d at 346. But beyond that, the matter need not be pursued. The waiver argument was not raised by Lane either before the district court or on appeal.

We ordinarily refuse to consider points on appeal which were not advanced below. See Clauson v. Smith, 823 F.2d 660, 666 (1st Cir. 1987) (listing representative cases); United States v. Argentine, 814 F.2d 783, 791 (1st Cir. 1987); United States v. Krynicki, 689 F.2d 289, 291 (1st Cir. 1982); Johnston v. Holiday Inns, Inc., 595 F.2d 890, 894 (1st Cir. 1979). We see no grounds to retreat from the steadfast application of this praxis today. Certainly, the mere fact that the amici, like the cavalry riding belatedly to the rescue, briefed and argued their waiver theory before us does not change the case's fundamental posture. Amici are allowed to participate on appeal in order to assist the court in achieving a just resolution of issues raised by the parties. We know of no authority which allows an amicus to interject into a case issues which the litigants, whatever their reasons might be,

have chosen to ignore. Accord National Comm'n on Egg Nutrition v. FTC, 570 F.2d 157, 160 n.3 (7th Cir. 1977) (argument not made before agency, or by petitioners on appeal, cannot be asserted by amicus), cert. denied, 439 U.S. 821 (1978).

Furthermore, there is another good reason why, on this occasion, we should hold fast. Interlocutory appeals under 28 U.S.C. § 1292(b) are disfavored; they are wholly discretionary, and should be entertained but sparingly. See Dupont Plaza, 859 F.2d at 1010 n.1; McGillicuddy v. Clements, 746 F.2d 76, 76 n.1 (1st Cir. 1984). Accordingly, such appeals should be strictly confined to the scope of the permission granted. In this instance, plaintiff neither requested nor received approval from the district court or from us to bring up the matter of waiver. To the exact contrary, Lane's petition for leave to appeal to this court limned the proposed question exclusively in terms of abrogation. See supra at 3. Respect for orderly procedure demands that we decline the amici's unsolicited invitation to expand the scope of review under section 1292(b) beyond the borders of the question which we originally certified.

VI

We are not without sympathy for appellant's plight. It can persuasively be argued that our holding today, rather than furthering Congress' encouragement of creative endeavor, undermines it — and does so without a correspondingly beneficial tradeoff. If the objectives of the Copyright Act and the purposes of the Eleventh Amendment are weighed with no thumb on the scale, the

societal balance likely tips in favor of abrogation. Yet courts are not free in instances like this to impose their value judgments on the community; policy choices of this kind are for the legislative, not the judicial, branch.

We are mindful, too, that senators and representatives are not omniscient. When the last broadscale revision of the federal copyright law was undertaken in 1976, Congress did not have the benefit of the Court's pronouncements in Welch and Atascadero, and might well have thought that it succeeded in eliminating the States' immunity by logical implication. But speculation of this stripe seems far too problematic a basis upon which to ground a holding that Congress intended to - and did - effectuate removal of the Eleventh Amendment shield. Guesswork would be antithetic to the bedrock Welch/Atascadero principle, which directs us to leave the jurisdictional bar in place unless Congress has enacted a law which "express[es] its intention to abrogate the Eleventh Amendment in unmistakable language in the statute itself." Atascadero, 473 U.S. at 243.[8]

We need go no further. To endorse the position advanced by appellant and amici would compel us to create, at the crossroads where the Eleventh Amendment and the Copyright Act intersect, a

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[8]It is, we think, not without significance that the statutes considered by the Atascadero Court (the Rehabilitation Act of 1973, 29 U.S.C., § 701 et seq.) and by the Welch Court (the Jones Act, 46 U.S.C. § 688), respectively, antedated the Copyright Act of 1976. Nevertheless, no allowance was made for Congress' possible lack of understanding of what the Court would ultimately require in this wise.

jurisprudential Bermuda Triangle into which the Court's "unmistakable language" requirement would disappear without a trace. We have neither the authority nor the inclination to follow so daunting a course. For the reasons discussed herein, the States – pending some future action by the Congress – continue to enjoy sovereign immunity in regard to damage suits charging copyright infringement.

Affirmed.

APPENDIX

17 U.S.C. § 501

§ 501. Infringement of copyright

(a) Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118, or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright.

(b) The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of sections 205 (d) and 411, to institute an action for any infringement of that particular right committed while he or she is the owner of it. The court may require such owner to serve written notice of the action with a copy of the complaint upon any person shown, by the records of the Copyright Office or otherwise, to have or claim an interest in the copyright, and shall require that such notice be served upon any person whose interest is likely to be affected by a decision in the case. The court may require the joinder, and shall permit the intervention, of any person having or claiming an interest in the copyright.

(c) For any secondary transmission by a cable system that embodies a performance or a display of a work which is actionable as an act of infringement under subsection (c) of section 111, a television broadcast station holding a copyright or other license to transmit or perform the same version of that work shall, for purposes of subsection (b) of this section, be treated as a legal or beneficial owner if such secondary transmission occurs within the local service area of that television station.

(d) For any secondary transmission by a cable system that is actionable as an act of infringement pursuant to section 111(c)(3), the following shall also have standing to sue: (i) the primary transmitter whose transmission has been altered by the cable system; and (ii) any broadcast station within whose local service area the secondary transmission occurs.

§ 602. Infringing importation of copies or phonorecords

(a) Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies of phonorecords under section 106, actionable under section 501. This subsection does not apply to—

(1) importation of copies or phonorecords under the authority or for the use of the Government of the United States or of any State or political subdivision of a State, but not including copies or phonorecords for use in schools, or copies of any audiovisual work imported for purposes other than archival use;

(2) importation, for the private use of the importer and not for distribution, by any person with respect to no more than one copy or phonorecord of any one work at any one time, or by any person arriving from outside the United States with respect to copies or phonorecords forming part of such person's personal baggage; or

(3) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain, with respect to no more than one copy of an audiovisual work solely for its archival purposes, and no more than five copies or phonorecords of any other work for its library lending or archival purposes, unless the importation of such copies or phonorecords is part of an activity consisting of systematic reproduction or distribution, engaged in by such organization in violation of the provisions of section 108(g)(2).

(b) In a case where the making of the copies or phonorecords would have constituted an infringement of copyright if this title had been applicable, their importation is prohibited. In a case where the copies or phonorecords were lawfully made, the United States Customs Service has no authority to prevent their importation unless the provisions of section 601 are applicable. In either case, the Secretary of the Treasury is authorized to prescribe, by regulation, a procedure under which any person claiming an interest in the copyright in a particular work may, upon payment of a specified fee, be entitled to notification by the Customs Service of the importation of articles that appear to be copies or phonorecords of the work.

17 U.S.C. §§ 110(6), (8)

§ 110. Limitations on exclusive rights: Exemption of certain performances and displays

Notwithstanding the provisions of section 106, the following are not infringements of copyright:

• • •

(6) performance of a nondramatic musical work by a governmental body or a nonprofit agricultural or horticultural organization, in the course of an annual agricultural or horticultural fair or exhibition conducted by such body or organization; the exemption provided by this clause shall extend to any liability for copyright infringement that would otherwise be imposed on such body or organization, under doctrines of vicarious liability or related infringement, for a performance by a concessionnaire, business establishment, or other person at such fair or exhibition, but shall not excuse any such person from liability for the performance;

• • •

(8) performance of a nondramatic literary work, by or in the course of a transmission specifically designed for and primarily directed to blind or other handicapped persons who are unable to read normal printed material as a result of their handicap, or deaf or other handicapped persons who are unable to hear the aural signals accompanying a transmission of visual signals, if the performance is made without any purpose of direct or indirect commercial advantage and its transmission is made through the facilities of: (i) a governmental body; or (ii) a noncommercial educational broadcast station (as defined in section 397 of title 47); or (iii) a radio subcarrier authorization (as defined in 47 CFR 73.293–73.295 and 73.593–73.595); or (iv) a cable system (as defined in section 111(f)).

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17 U.S.C. § 111(a)

§ 111. Limitations on exclusive rights: Secondary transmissions

(a) Certain Secondary Transmissions Exempted.—The secondary transmission of a primary transmission embodying a performance or display of a work is not an infringement of copyright if—

(1) the secondary transmission is not made by a cable system, and consists entirely of the relaying, by the management of a hotel, apartment house, or similar establishment, of signals transmitted by a broadcast station licensed by the Federal Communications Commission, within the local service area of such station, to the private lodgings of guests or residents of such establishment, and no direct charge is made to see or hear the secondary transmission; or

(2) The secondary transmission is made solely for the purpose and under the conditions specified by clause (2) of section 110; or

(3) The secondary transmission is made by any carrier who has no direct or indirect control over the content or selection of the primary transmission or over the particular recipients of the secondary transmission, and whose activities with respect to the secondary transmission consist solely of providing wires, cables, or other communications channels for the use of others: *Provided*, That the provisions of this clause extend only to the activities of said carrier with respect to secondary transmissions and do not exempt from liability the activities of others with respect to their own primary or secondary transmissions; or

(4) the secondary transmission is not made by a cable system but is made by a governmental body, or other nonprofit organization, without any purpose of direct or indirect commercial advantage, and without charge to the recipients of the secondary transmission other than assessments necessary to defray the actual and reasonable costs of maintaining and operating the secondary transmission service.

17 U.S.C. § 112(b)

§ 112. Limitations on exclusive rights: Ephemeral recordings

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(b) Notwithstanding the provisions of section 106, it is not an infringement of copyright for a governmental body or other nonprofit organization entitled to transmit a performance or display of a work, under section 110(2) or under the limitations on exclusive rights in sound recordings specified by section 114(a), to make no more than thirty copies or phonorecords of a particular transmission program embodying the performance or display, if—

(1) no further copies or phonorecords are reproduced from the copies or phonorecords made under this clause; and

(2) except for one copy or phonorecord that may be preserved exclusively for archival purposes, the copies or phonorecords are destroyed within seven years from the date the transmission program was first transmitted to the public.

17 U.S.C. § 118(d)(3)

§ 118. Scope of exclusive rights: Use of certain works in connection with noncommercial broadcasting

(a) The exclusive rights provided by section 106 shall, with respect to the works specified by subsection (b) and the activities specified by subsection (d), be subject to the conditions and limitations prescribed by this section.

• • •

(d) Subject to the transitional provisions of subsection (b)(4), and to the terms of any voluntary license agreements that have been negotiated as provided by subsection (b)(2), a public broadcasting entity may, upon compliance with the provisions of this section, including the rates and terms established by the Copyright Royalty Tribunal under subsection (b)(3), engage in the following activities with respect to published nondramatic musical works and published pictorial, graphic, and sculptural works:

• • •

(3) the making of reproductions by a governmental body or a nonprofit institution of a transmission program simultaneously with its transmission as specified in clause (1), and the performance or display of the contents of such program under the conditions specified by clause (1) of section 110, but only if the reproductions are used for performances or displays for a period of no more than seven days from the date of the transmission specified in clause (1), and are destroyed before or at the end of such period. No person supplying, in accordance with clause (2), a reproduction of a transmission program to governmental bodies or nonprofit institutions under this clause shall have any liability as a result of failure of such body or institution to destroy such reproduction: *Provided*, That it shall have notified such body or institution of the requirement for such destruction pursuant to this clause: *And provided further*, That if such body or institution itself fails to destroy such reproduction it shall be deemed to have infringed.

Adm. Office, U.S. Courts — Blanchard Press, Inc., Boston, Mass.

STATEMENT OF THE COMPUTER AND BUSINESS EQUIPMENT MANUFACTURERS ASSOCIATION

ON H.R. 1131

THE COPYRIGHT REMEDIES CLARIFICATION ACT OF 1989

BEFORE

THE HOUSE SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY, AND THE ADMINISTRATION OF JUSTICE

JULY 11, 1989

The Computer and Business Equipment Manufacturers Association (CBEMA) appreciates the opportunity to submit a statement in support of H.R. 1131, the Copyright Remedies Clarification Act of 1989. CBEMA represents companies on the leading edge of American high technology in computers, business equipment, and telecommunications. Our members had combined sales of more than $230 billion in 1988, representing nearly five percent of our nation's gross national product. CBEMA members employ more than 1.7 million Americans.

On behalf of our members and their employees, we want to thank Chairman Kastenmeier and Congressman Moorhead for introducing this legislation to clarify that the states are not immune from enforcement of copyright laws in Federal courts.

In 1987, CBEMA members spent $12.1 billion on research and development of new technology. U.S. intellectual property laws, including the Copyright Act and the Semiconductor Chip Protection Act, help make this enormous investment in R&D possible. These laws provide incentives for research and development by ensuring that innovators can recover a fair return on their investments in developing new technologies. There would be little incentive for companies to develop new technology, if others were allowed to reap the benefits of expensive R&D programs by simply duplicating new products, without making similar investments of their own.

Recent federal court decisions opened a substantial loophole in Federal copyright law and diminished the protection it affords innovators by declaring that, under the Eleventh Amendment to the Constitution, the states are immune from enforcement of the Copyright Act in federal courts[1]. If this loophole is left open, state agencies, including state universities, could infringe on copyrights without fear of the money damages to which all other users of copyrighted material are subject. This is more than a theoretical threat. Last June, the Register of Copyrights reported that claims of state immunity from copyright enforcement under the Eleventh Amendment are increasing. The Register concluded that "copyright owners have demonstrated that they will suffer immediate harm if they are unable to sue infringing states in federal court for money damages."[2]

Specifically, CBEMA members are concerned that some state agencies, and especially some state universities, will illegally duplicate computer software and other technologies protected by the Copyright Act and the Semiconductor Chip Protection Act, unless the deterrent of money damages is restored. This concern was heightened by the Ninth Circuit's recent ruling in BV Engineering.[3] In BV Engineering, a small manufacturer provided software to UCLA, a major public university, on a trial basis. After making several copies of a program in violation of the Copyright Act, UCLA returned the software without paying the manufacturer. Under the Ninth Circuit's ruling, UCLA's illegal act went unpunished because the University was able to successfully

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[1] BV Engineering v. University of California, Los Angeles, 657 F. Supp. 1246 (C.D. Cal. 1987), aff'd 858 F.2d 1394 (9th Cir. 1988), cert. denied, 57 USLW 3614 (1989); Mihalek Corp. V. Michigan, 595 F. Supp. 903 (E.D. Mich. 1984), aff'd on other grounds, 814 F.2d 690 (6th Cir. 1987); Cardinal Industries v. Anderson Parish Association, 811 F.2d 609 (11th Cir. 1987); Richard Anderson Photography v. Radford University, 633 F. Supp. 1154 (W.D. Va. 1986), aff'd. 852 F.2d 114 (4th Cir. 1988), cert. denied, 57 USLW 3536 (1989); Woelffer v. Happy States of America, Inc., 626 F. Supp. 499 (N.D. Ill. 1985).

[2] Register of the Copyrights, "Copyright Liability of the States and the Eleventh Amendment," June, 1988.

[3] B.V. Engineering v. University of California, Los Angeles, 657 F. Supp. 1246 (C.D. Cal. 1987), aff'd 858 F.2d 1394 (9th Cir. 1988), cert denied 57 USLW 3614 (1989).

assert state immunity from copyright money damages under the Eleventh Amendment. If BV Engineering and other similar rulings are allowed to stand, state agencies and universities, some of the largest consumers of the products manufactured by CBEMA members, could conceivably infringe on copyrighted material with impunity.

Assertions of state immunity from the Copyright Act create tremendous loss exposures for high technology industries. Each year, CBEMA members sell billions of dollars worth of computer systems to state agencies and state universities, including packages of software which provide the operating programs for the computer hardware. Assertions of state immunity create exposures for operating system software, possibly the most valuable and advanced type of software product.

Computer and business equipment manufacturers would be denied a fair return on their rather considerable investments in developing operating system software. A state government could simply acquire one operating system program and illegally duplicate it, without fear of copyright infringement sanctions, thereby providing all state agencies with programs to make their computer systems run at no charge. The average operating system program is licensed for approximately $25,000. Thus, while a private firm would have to bear this cost, a state purchasing agency could avoid the costs of purchasing numerous operating systems simply by exploiting this loophole in the Copyright Act created by several lower courts.

Operating systems are not the only forms of computer software that are at risk. U.S. computer manufacturers and software firms lead their foreign counterparts in the development of compilers, utility programs, data bases, and application software.

We recognize that most state agencies and universities continue to faithfully adhere to the Copyright Act. But, permitting this loophole to remain open will only encourage an irresponsible minority of state agencies or employees to attempt to exploit this exception created by the courts. Irresponsible agencies will also gain an

unfair advantage over those who obey the law by avoiding the cost all others must pay for computer programs.

Congress can and should overturn these misguided lower court rulings. While the Eleventh Amendment generally prevents suits against the states in federal courts, Congress may, in certain circumstances, abrogate state immunity by including language in statutes which specifically makes states subject to enforcement in federal court.[4] H.R. 1131 would close the substantial loophole created in BV Engineering and other cases by amending the Copyright Act of 1976 to specifically clarify that the States are subject to money damages for copyright infringement.

Until very recently, the question of whether Congress could abrogate state immunity from suits in Federal court in exercising its Article I powers was at issue. The Supreme Court previously had only sanctioned Congressional abrogation of state immunity in enacting civil rights legislation pursuant to the 14th and 15th Amendments. On June 15, however, the Supreme Court handed down its decision in Pennsylvania v. Union Gas Co.[5], which should clear the way for passage of H.R. 1131, to clarify that the States are not immune from enforcement of federal copyright laws in Federal court. The Supreme Court held that Congress may subject the States to suits for money damages in Federal courts by enacting environmental regulations pursuant to its Article I powers under the Commerce Clause.[6]

Under Union Gas, Congress may now abrogate state immunity from enforcement of federal copyright laws by amending the Copyright Act of 1976 with language that "clearly evinces an intent" to make the states subject to money damages under the

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[4] Atascadero State Hospital v. Scanlon, 473 U.S. 234 (1985); Welch v. State Department of Highways, 107 S.Ct. 2941 (1987).

[5] Pennsylvania v. Union Gas Co., No. 87-1241, U.S. Supreme Court (June 15, 1989).

[6] Union Gas Co., 82-1241 at 16.

Act.[7] H.R. 1131 as introduced clearly states that "any State and any instrumentality of a State . . . shall be subject to the provisions of [the Copyright Act] to the same extent as any nongovernmental entity." The proposed draft Committee amendment to H.R. 1131 is even more emphatic in expressing the intent of Congress to eliminate a sovereign immunity defense in copyright infringement actions and to make the states liable for copyright infringement in the federal courts. The proposed amendment should put to rest any doubts about whether H.R. 1131 meets the Court's standard for abrogation of sovereign immunity.

In light of the High Court's ruling, Congress should move quickly to enact H.R. 1131 to ensure that state agencies cannot evade enforcement of our nation's copyright laws.

The Subcommittee might also consider extending the scope of H.R. 1131 to clarify that the states are not immune from the enforcement of U.S. patent laws in Federal court. Intellectual property policy dictates that all innovation receive equal protection, regardless of whether that protection is afforded by the copyright or patent laws.

Finally, we would like to address the argument made by opponents of H.R. 1131 that the availability of injunctive relief is adequate to enforce the copyright laws against state agencies. First, Congress should be wary about creating loopholes in the remedies section of the Copyright Act. Congress should continue to treat all copyright violators uniformly or else it invites endless demands for exceptions.

Second, injunctive relief is of especially limited effectiveness in combatting infringements of copyrighted software and other computer technology. As in the BV Engineering case, once a computer program is illegally copied, it can be copied and

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[7] Union Gas, 87-1241, p. 9, referring to Atascadero State Hospital v. Scanlon, 473 U.S. 234, 242 (1985) in which the Court held that Congress must make its intent to abrogate state immunity pursuant to the 14th Amendment "unmistakably clear."

used over and over again. Enjoining further copying of programs is likely to have very little effect, especially in the state university environment, where thousands of computer users may have access to software and could potentially copy it. Not only might injunctions be issued too late -- after the great majority of copying and injury has already been done -- but the potential for such widespread copying may make it impossible for the courts and even cooperative university officials to enforce injunctions and collect illegal copies.

In addition, unlike illegal copying of textbooks which can be more easily detected and controlled by regulating photocopiers, copying computer programs is often undetectable. Copyrighted software, for example, can be copied on personal computers in private homes or dormitories. This further compounds the problem of enforcing injunctions.

While we realize that most state universities and other state agencies continue to obey federal copyright laws, CBEMA believes that only money damages -- the same damages to which all other users of proprietary materials are subject -- provide an adequate deterrence to copyright infringement by the States.

Again, we commend Chairman Kastenmeier and Congressman Moorhead for their leadership on this issue and express our strong support for H.R. 1131.

Copyright Remedy Clarification Act
Steven L. Mandell

My intention before this committee is to discuss and support a necessary clarification to the copyright laws to require equal treatment of states in the Federal courts. As the author of over seventy-five textbooks with more than one-million copies in print, I represent the position of authors of original works seeking protection from the reprehensibility associated with infringement. As a Professor of Information Systems at Bowling Green State University, I am constantly faced with providing the ethical and legal structure for the students who will become the future leaders of our country. As a lawyer and director of the Technology Law Group in the firm of Marshall and Melhorn, I have an obligation to speak out when I believe that injustice has occurred while providing guidance and direction to my clients. As President of Rawhide Software Inc., a developer of educational software used at over 500 colleges and universities, I must constantly employ all measures designed to protect the asset value of the intellectual property.

After reviewing my position from all these vantage points, I have not found a single juatification to retreat from full scale support of this legislation. Without swift enactment of this bill, I believe that I will suffer damages and irreparable harm as groups protected by the 11th amendment may selectively decide to cloak themselves with immunity. Even without a state agency formally declaring themselves beyond the reach of the courts, I immediately find myself at a disadvantage in the negotiating process because of the recognition of such potential tactics. In this instance the threat alone is sufficient to compel action that is detrimental to the author of original works. Current decisions with respect to pricing and licensing rights are impacted by the uncertainty surrounding this issue.

The recent court decisions permitting states to claim immunity from suit in Federal court for copyright infringement underscores the potential for clear legal reasoning to lead to patently unjust results. In reaching their conclusions regarding the overriding constitutional aspects of the 11th amendment, the opinions in these cases have consistently underscored the power and need for Congress to remedy the inequities of the current situation. The most recent Supreme Court decision in Union Gas further supports the approach currently proposed by this committee. With such a clear understanding of the copyright loophole currently uncovered by our legal system and its ramifications, it is essential that congressional action be taken as quickly as possible. The Copyright Remedy Clarification Act (HR 1131 and S 497) should be enacted without further delay.

The irony should not be lost on this committee of the fact that one of the most prestigious universities in our country was the defendant in the leading infringement case supporting the shield of state immunity. Educators have been demanding from authors and publishers the inclusion of increased material in textbooks on the ethics of copyright, especially in the fields of information systems, journalism, and the arts. At any national conference of educators, there will inevitably be panels and speakers on the topic of a methodology for including ethics considerations into the classroom. It would be interesting to listen to the faculty at UCLA lecture on the nature and

philosophy of ethics with reference to their administrative position on BV Engineering.

Intellectual property rights are one of the most important cornerstones of the academic process. Plagerism is considered a cancer on the essence of research and clearly condemned at every level. Recently in highly publicized actions several respected educators and researchers have lost their positions due to questionable acts of copying. With honesty and integrity as their bywords, the academic world should be defending the copyright interests of authors with vigor. Yet it is this same group of educators that wish to have a constitutional shield available to protect their own transgressions from the court.

The main benefactors from copyright protection are the citizens of our country. Our forefathers had the wisdom to recognize the need for the protection of intellectual property if new ideas and discoveries were to be encouraged. Placing a shield of immunity over state governments with respect to copyright infringement significantly reduces the value of the original works of authors. Because of the size of the group protected by the 11th amendment, ~~it is not a hole~~ in the dyke but rather an opening of the flood gates.

Some educators have advanced the position that it is too early to take drastic measures such as amending copyright law and that further study is necessary. This is not new congressional action but merely a clarification of the current system of intellectual property protection thrown into an abyss by current court decisions. The potential for abuse and irreparable damage to authors and the intellectual process currently existing must be eliminated as quickly as possible.

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