GS&C/OLS Form (Rev. 10/86)

CONGRESSIONAL RECORD

PROCEEDINGS AND DEBATES OF THE 100TH CONGRESS

HOUSE

| BILL | DATE | PAGE(S) |
|---|---|---|
| S.1883 | Oct 19, 1988<br>149 | H10411-29 |

ACTION: AMENDED AND PASSED UNDER SUSPENSION OF THE RULES

## TRADEMARK LAW REVISION ACT OF 1988

Mr. KASTENMEIER. Mr. Speaker, I move to suspend the rules and pass the Senate bill (S. 1883) to amend the Trademark Act of 1946 to make certain revisions relating to the registration of trademarks, and for other purposes, as amended.

The Clerk read as follows:

S. 1883

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

TITLE I—TRADEMARK LAW REVISION

SEC. 101. SHORT TITLE.

This title may be cited as the "Trademark Law Revision Act of 1988".

SEC. 102. REFERENCE TO THE TRADEMARK ACT OF 1946.

Except as otherwise expressly provided, whenever in this title an amendment is expressed in terms of an amendment to a section or other provision, the reference shall be considered to be made to a section or other provision of the Act entitled "An Act to provide for the registration and protection of trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes", approved July 5, 1946 (15 U.S.C. 1051 and following) (commonly referred to as the "Trademark Act of 1946").

SEC. 103. APPLICATION TO REGISTER TRADEMARKS.

Section 1 (15 U.S.C. 1051) is amended—

(1) in the matter before subsection (a), by striking out "may register his" and inserting in lieu thereof "may apply to register his or her";

(2) by redesignating paragrphs (1), (2), and (3) of subsection (a) as subparagraphs (A), (B), and (C), respectively;

(3) by redesignating subsections (a), (b), and (c) as paragraphs (1), (2), and (3), respectively;

(4) by inserting "(a)" after "SECTION 1.";

(5) in subsection (a)(1)(A), as redesignated by this section—

(A) by striking out "applied to" and inserting in lieu thereof "used on or in connection with"; and

(B) by striking out "goods in connection" and inserting in lieu thereof "goods on or in connection";

(6) in subsection (a)(1)(C), as redesignated by this section, by striking out "actually";

(7) in subsection (a)(2), as redesignated by this section, by striking out "filing" and inserting in lieu thereof "prescribed";

(8) by redesignating subsection (d) as subsection (e); and

(9) by inserting before subsection (e), as redesignated by paragraph (8) of this section, the following:

"(b) A person who has a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce may apply to register the trademark under this Act on the principal register hereby established:

"(1) By filing in the Patent and Trademark Office—

"(A) a written application, in such form as may be prescribed by the Commissioner, verified by the applicant, or by a member of the firm or an officer of the corporation or association applying, specifying applicant's domicile and citizenship, applicant's bona fide intention to use the mark in commerce, the goods on or in connection with which the applicant has a bona fide intention to use the mark and the mode or manner in which the mark is intended to be used on or in connection with such goods, including a statement to the effect that the person making the verification believes himself or herself, or the firm, corporation, or association in whose behalf he or she makes the verification, to be entitled to use the mark in commerce, and that no other person, firm, corporation, or association, to the best of his or her knowledge and belief, has the right to use such mark in commerce either in the identical form of the mark or in such near resemblance to the mark as to be likely, when used on or in connection with the goods of such other person, to cause confusion, or to cause mistake, or to deceive, however, except for applications filed pursuant to section 44, no mark shall be registered until the applicant has met the requirements of subsection (d) of this section; and

"(B) a drawing of the mark.

"(2) By paying in the Patent and Trademark Office the prescribed fee.

"(3) By complying with such rules or regulations, not inconsistent with law, as may be prescribed by the Commissioner.

"(c) At any time during examination of an application filed under subsection (b), an applicant who has made use of the mark in commerce may claim the benefits of such use for purposes of this Act, by amending his or her application to bring it into conformity with the requirements of subsection (a).

"(d)(1) Within six months after the date on which the notice of allowance with respect to a mark is issued under section 13(b)(2) to an applicant under subsection (b) of this section, the applicant shall file in the Patent and Trademark Office, together with such number of specimens or facsimiles of the mark as used in commerce as may be required by the Commissioner and payment of the prescribed fee, a verified statement that the mark is in use in commerce and specifying the date of the applicant's first use of the mark in commerce, those goods or services specified in the notice of allowance on or in connection with which the mark is used in commerce, and the mode or manner in which the mark is used on or in connection with such goods or services. Subject to examination and acceptance of the statement of use, the mark shall be registered in the Patent and Trademark Office, a certificate of registration shall be issued for those goods or services recited in the statement of use for which the mark is entitled to registration, and notice of registration shall be published in the Official Gazette of the Patent and Trademark Office. Such examination may include an examination of the factors set forth in subsections (a) through (e) of section 2. The notice of registration shall specify the goods or services for which the mark is registered.

"(2) The Commission shall extend, for one additional 6-mohth period, the time for filing the statement of use under paragraph (1), upon written request of the applicant before the expiration of the 6-month period provided in paragraph (1). In addition to an extension under the preceding sentence, the Commissioner may, upon a showing of good cause by the applicant, further extend the time for filing the statement of use under paragraph (1) for periods aggregating not more than 24 months, pursuant to written request of the applicant made before the expiration of the last extension granted under this paragraph. Any request for an extension under this paragraph shall be accompanied by a verified statement that the applicant has a continued bona fide intention to use the mark in commerce and specifying those goods or services identified in the notice of allowance on or in connection with which the applicant has a continued bona fide intention to use the mark in commerce. Any request for an extension under this paragraph shall be accompanied by payment of the prescribed fee. The Commissioner shall issue regulations setting forth guidelines for determining what constitutes good cause for purposes of this paragraph.

"(3) The Commissioner shall notify any applicant who files a statement of use of the acceptance or refusal thereof and, if the statement of use is refused, the reasons for the refusal. An applicant may amend the statement of use.

"(4) The failure to timely file a verified statement of use under this subsection shall result in abandonment of the application.".

SEC. 104. TRADEMARKS REGISTRABLE ON PRINCIPAL REGISTER.

Section 2 (15 U.S.C. 1052) is amended—

(1) by amending subsection (d) to read as follows:

"(d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive: *Provided*, That if the Commissioner determines that confusion, mistake, or deception is not likely to result form the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods on or in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to (1) the earliest of the filing dates of the applications pending or of any registration issued under this Act; (2) July 5, 1947, in the case of registrations previously issued under the Act of March 3, 1881, or February 20, 1905, and continuing in full force and effect on that date; or (3) July 5, 1947, in the case of applications filed under the Act of February 20, 1905, and registered after July 5, 1947. Use prior to the filing date of any pending application or a registration shall not be required when the owner of such application or registration consents to the grant of a concurrent registration to the applicant. Concurrent registrations may also be issued by the Commissioner when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce. In issuing concurrent registrations, the Commissioner shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods on or in connection with which such mark is registered to the respective persons.";

(2) in subsection (e) by striking out "applied to" each place it appears and inserting in lieu thereof "used on or in connection with"; and

(3) in subsection (f)—

(A) by striking out "applied to" and inserting in lieu thereof "used on or in connection with"; and

(B) by striking out "five years" and all that follows through the end of the subsection and inserting in lieu thereof "five years before the date on which the claim of distinctiveness is made.".

SEC. 105. SERVICE MARKS REGISTRABLE.

Section 3 (15 U.S.C. 1053) is amended—

(1) in the first sentence—

(A) by striking out "used in commerce"; and

(B) by striking out ", except when" and all that follows through "mark is used"; and

(2) by striking out the second sentence.

SEC. 106. COLLECTIVE AND CERTIFICATION MARKS REGISTRABLE.

Section 4 (15 U.S.C. 1054) is amended—

(1) in the first sentence—

(A) by striking out "origin used in commerce," and inserting in lieu thereof "origin,"; and

(B) by striking out "except when" and inserting in lieu thereof "except in the case of certification marks when"; and

(2) by striking out the second sentence.

SEC. 107. USE BE RELATED COMPANIES.

Section 5 (15 U.S.C. 1055) is amended by adding at the end thereof the following: "If first use of a mark by a person is controlled by the registrant or applicant for registration of the mark with respect to the nature and quality of the goods or services, such first use shall inure to the benefit of the registrant or applicant, as the case may be.".

SEC. 103. DISCLAIMER OF UNREGISTRABLE MATTER.

Section 6(b) (15 U.S.C. 1056(b)) is amended by striking out "paragraph (d)" and inserting in lieu thereof "subsection (e)".

SEC. 109. CERTIFICATE OF REGISTRATION ON THE PRINCIPLE REGISTER.

Section 7 (15 U.S.C. 1057) is amended—

(1) by amending subsection (b) to read as follows:

"(b) A certificate of registration of a mark upon the principal register provided by this Act shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate, subject to any conditions or limitations stated in the certificate.";

(2) by redesignating subsections (c), (d), (e), (f), and (g) as subsections (d), (e), (f), (g), and (h), respectively;

(3) by inserting after subsection (b) the following:

"(c) Contingent on the registration of a mark on the principal register provided by this Act, the filing of the application to register such mark shall constitute constructive use of the mark, conferring a right of priority, nationwide in effect, on or in connection with the goods or services specified in the registration against any other person except for a person whose mark has not been abandoned and who, prior to such filing—

"(1) has used the mark;

"(2) has filed an application to register the mark which is pending or has resulted in registration of the mark; or

"(3) has filed a foreign application to register the mark on the basis of which he or she has acquired a right of priority, and timely files an application under section 44(d) to register the mark which is pending or has resulted in registration of the mark.";

(4) in subsection (d), as redesignated by paragraph (2) of this section, by striking out "fee herein provided" and inserting in lieu thereof "prescribed fee";

(5) in subsection (f), as redesignated by paragraph (2) of this section, by striking out "fee required by law" and inserting in lieu thereof "prescribed fee"; and

(6) in subsection (h), as redesignated by paragraph (2) of this section, by striking out "required fee" and inserting in lieu thereof "prescribed fee".

SEC. 110. DURATION OF REGISTRATION.

Section 8(a) (15 U.S.C. 1058(a)) is amended—

(1) by striking out "twenty" and inserting in lieu thereof "ten"; and

(2) by striking out "showing that said mark is in use in commerce or showing that its" and inserting in lieu thereof "setting forth those goods or services recited in the registration on or in connection with which the mark is in use in commerce and attaching to the affidavit a specimen or facsimile showing current use of the mark, or showing that any".

SEC. 111. RENEWAL OF REGISTRATION.

Section 9 (15 U.S.C. 1059) is amended—

(1) in subsection (a) by striking out "twenty" and inserting in lieu thereof "ten"; and

(2) in subsection (c) by striking out "1(d) hereof" and inserting in lieu thereof "1(e) of this Act".

SEC. 112. ASSIGNMENT.

Section 10 (15 U.S.C. 1060) is amended—

(1) in the first sentence by striking out "and in any such assignment" and inserting in lieu thereof the following: ". However, no application to register a mark under section 1(b) shall be assignable prior to the filing of the verified statement of use under section 1(d), except to a successor to the business of the applicant, or portion thereof, to which the mark pertains, if that business is ongoing and existing. In any assignment authorized by this section"; and

(2) in the last paragraph by striking out "1(d) hereof" and inserting in lieu thereof "1(e) of this Act".

SEC. 113. EXAMINATION OF APPLICATION.

Section 12(a) (15 U.S.C. 1062(a)) is amended—

(1) by striking out "fee herein provided" and inserting in lieu thereof "prescribed fee"; and

(2) by striking out "to registration, the" and inserting in lieu thereof "to registration, or would be entitled to registration upon the acceptance of the statement of use required by section 1(d) of this Act, the".

SEC. 114. OPPOSITION TO MARKS.

Section 13 (15 U.S.C. 1063) is amended—

(1) by inserting "(a)" before "Any person";

(2) by striking out "required fee" and inserting in lieu thereof "prescribed fee"; and

(3) by adding at the end thereof the following:

"(b) Unless registration is successfully opposed—

"(1) a mark entitled to registration on the principal register based on an application filed under section 1(a) or pursuant to section 44 shall be registered in the Patent and Trademark Office, a certificate of registration shall be issued, and notice of the registration shall be published in the Official Gazette of the Patent and Trademark Office; or

"(2) a notice of allowance shall be issued to the applicant if the applicant applied for registration under section 1(b).".

SEC. 115. CANCELLATION OF REGISTRATIONS.

Section 14 (15 U.S.C. 1064) is amended—

(1) in the matter preceding subsection (a)—

(A) by inserting "as follows" after "be filed"; and

(B) by striking out "1905-" and inserting in lieu thereof "1905:";

(2) in subsection (a)—

(A) by striking out "(a) within" and inserting in lieu thereof "(1) Within"; and

(B) by striking out "; or" and inserting in lieu thereof a period;

(3) in subsection (b)—

(A) by striking out "(b) within" and inserting in lieu thereof "(2) Within"; and

(B) by striking out "; or" and inserting in lieu thereof a period;

(4) by amending subsection (c) to read as follows:

"(3) At any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 4 or of subsection (a), (b), or (c) of section 2 for a registration under this Act, or contrary to similar prohibitory provisions of such prior Acts for a registration under such Acts, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used.";

(5) in subsection (d)—

(A) by striking out "(d) at" and inserting in lieu thereof "(4) At"; and

(B) by striking out "; or" and inserting in lieu thereof a period;

(6) in subsection (e)—

(A) by striking out "(e) at" and inserting in lieu thereof "(5) At"; and

(B) by striking out "(1)", "(2)", "(3)", and "(4)" and inserting in lieu thereof "(A)", "(B)", "(C)", and "(D)", respectively; and

(7) in the proviso at the end of the section by striking out "subsections (c) and (e)" and inserting in lieu thereof "paragraphs (3) and (5)".

SEC. 116. INCONTESTABILITY OF RIGHT TO USE MARK.

Section 15 (15 U.S.C. 1065) is amended—

(1) by striking out "subsections (c) and (e)" and inserting in lieu thereof "paragraphs (3) and (5)";

(2) in paragraph (3) by striking out "subsections (1) and (2) hereof" and inserting in lieu thereof "paragraphs (1) and (2) of this section"; and

(3) in paragraph (4) by striking out "the common descriptive name of any article or substance, patented or otherwise" and inserting in lieu thereof "the generic name for the goods or services or a portion thereof, for which it is registered".

SEC. 117. INTERFERENCE.

Section 16 (15 U.S.C. 1066) is amended by striking out "applied to the goods or when used in connection with the services" and inserting in lieu thereof "used on or in connection with the goods or services".

SEC. 118. ACTION OF COMMISSIONER IN PROCEEDINGS.

Section 18 (15 U.S.C. 1068) is amended—

(1) by striking out "or restrict" and inserting in lieu thereof "the registration, in whole or in part, may modify the application or registration by limiting the goods or services specified therein, may otherwise restrict or rectify with respect to the register";

(2) by striking out "or may refuse" and inserting in lieu thereof "may refuse"; and

(3) adding at the end thereof the following: "However, no final judgment shall be entered in favor of an applicant under section 1(b) before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 7(c).".

SEC. 119. APPLICATION OF EQUITABLE PRINCIPLES.

Section 19 (15 U.S.C. 1069) is amended by striking out the second sentence.

SEC. 120. APPEALS.

Section 21 (15 U.S.C. 1071) is amended—

(1) in subsection (a)(1)—

(A) by striking out "section 21(b) hereof" each place it appears and inserting in lieu thereof "subsection (b) of this section";

(B) by striking out "section 21(a)(2) hereof" and inserting in lieu thereof "paragraph (2) of this subsection"; and

(C) by striking out "said section 21(b)" and inserting in lieu thereof "subsection (b) of this section";

(2) in subsection (a)(4), by adding at the end thereof the following: "However, no final judgment shall be entered in favor of an applicant under section 1(b) before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 7(c).";

(3) in subsection (b)(1)—

(A) by striking out "section 21(a) hereof" and inserting in lieu thereof "subsection (a) of this section";

(B) by striking out "section 21(a)" and inserting in lieu thereof "subsection (a) of this section"; and

(C) by adding at the end thereof the following: "However, no final judgment shall be entered in favor of an applicant under section 1(b) before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 7(c)."; and

(4) in subsection (b)(3), by striking out "(3)" and all that follows through the end of the first sentence and inserting in lieu thereof the following:

"(3) In any case where there is no adverse party, a copy of the complaint shall be served on the Commissioner, and, unless the court finds the expense to be unreasonable, all the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not.".

SEC. 121. SUPPLEMENTAL REGISTER.

Section 23 (15 U.S.C. 1091) is amended—

(1) by inserting "(a)" before "In addition" in the first paragraph;

(2) by inserting "(b)" before "Upon the " in the second paragraph;

(3) by inserting "(c)" before "For the purposes" in the third paragraph;

(4) in subsection (a), as designated by paragraph (1) of this section—

(A) by striking out "paragraphs (a)," and inserting in lieu thereof "subsections (a),";

(B) by striking out "have been in lawful use in commerce by the proprietor thereof, upon" and inserting in lieu thereof "are in lawful use in commerce by the owner thereof, on";

(C) by striking out "for the year preceding the filing of the application"; and

(D) by inserting before "section 1" the following: "subsections (a) and (e) of";

(5) in subsection (b), as designated by paragraph (2) of this section, by striking out "fee herein provided" and inserting in lieu thereof "prescribed fee"; and

(6) by striking out the last paragraph.

SEC. 122. CANCELLATION ON SUPPLEMENTAL REGISTER.

Section 24 (15 U.S.C. 1092) is amended—

(1) by striking out "verified" in the second sentence;

(2) by striking out "was not entitled to register the mark at the time of his application for registration thereof," and inserting in lieu thereof "is not entitled to registration,";

(3) by striking out "is not used by the registrant or"; and

(4) by adding at the end thereof the following: "However, no final judgment shall be entered in favor of an applicant under section 1(b) before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 7(c).".

SEC. 123. PROVISIONS OF ACT APPLICABLE TO SUPPLEMENTAL REGISTER.

Section 26 (15 U.S.C. 1094) is amended—

(1) by inserting "1(b)," after "sections"; and

(2) by inserting "7(c)," after "7(b)".

SEC. 124. REGISTRATION ON PRINCIPAL REGISTER NOT PRECLUDED.

Section 27 (15 U.S.C. 1095) is amended by adding at the end thereof the following: "Registration of a mark on the supplemental register shall not constitute an admission that the mark has not acquired distinctiveness.".

SEC. 125. NOTICE OF REGISTRATION.

Section 29 (15 U.S.C. 1111) is amended by striking out "as used".

SEC. 126. CLASSIFICATION OF GOODS AND SERVICES.

Section 30 (15 U.S.C. 1112) is amended—

(1) by inserting "or registrant's" after "applicant's";

(2) by striking out "may file an application" and inserting in lieu thereof "may apply";

(3) by striking out "goods and services upon or in connection with which he is actually using the mark:" and inserting in lieu thereof "goods or services on or in connection with which he or she is using or has a bona fide intention to use the mark in commerce:"; and

(4) by amending the proviso to read as follows: "*Provided*, That if the Commissioner by regulation permits the filing of an application for the registration of a mark for goods or services which fall within a plurality of classes, a fee equaling the sum of the fees for filing an application in each class shall be paid, and the Commissioner may issue a single certificate of registration for such mark.".

SEC. 127. INNOCENT INFRINGEMENT AND VIOLATIONS OF SECTION 43(a).

Section 32(2) (15 U.S.C. 1114(2)) is amended to read as follows:

"(2) Notwithstanding any other provision of this Act, the remedies given to the owner of a right infringed under this Act or to a person bringing an action under section 43(a) shall be limited as follows:

"(A) Where an infringer or violator is engaged solely in the business of printing the mark or violating matter for others and establishes that he or she was an innocent infringer or innocent violator, the owner of the right infringed or person bringing the action under section 43(a) shall be entitled as against such infringer or violator only to an injunction against future printing.

"(B) Where the infringement or violation complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical or in an electronic communication as defined in section 2510(12) of title 18, United States Code, the remedies of the owner of the right infringed or person bringing the action under section 43(a) as against the publisher or distributor of such newspaper, magazine, or other similar periodical or electronic communication shall be limited to an injunction against the presentation of such advertising matter in future issues of such newspapers, magazines, or other similar periodicals or in future transmissions of such electronic communications. The limitations of this subparagraph shall apply only to innocent infringers and innocent violators.

"(C) Injunctive relief shall not be available to the owner of the right infringed or person bringing the acton under section 43(a) with respect to an issue of a newspaper, magazine, or other similar periodical or an electronic communication containing infringing matter or violation matter where restraining the dissemination of such infringing matter or violating matter in any particular issue of such periodical or in an electronic communication would delay the delivery of such issue of transmission of such electronic communication after the regular time for such delivery or transmission, and such delay would be due to the method by which publication and distribution of such periodical or transmission of such electronic communication is customarily conducted in accordance with sound business practice, and not due to any method or device adopted to evade this section or to prevent or delay the issuance of an injunction or restraining order with respect to such infringing matter or violating matter.

"(D) As used in this paragraph—

"(i) the term 'violator' means a person who violates section 43(a); and

"(ii) the term 'violating matter' means matter that is the subject of a violation under section 43(a).".

SEC. 128. REMEDIES.

(a) PRIMA FACIE EVIDENCE OF EXCLUSIVE RIGHT TO USE MARK.—Section 33(a) (15 U.S.C. 1115(a)) is amended—

(1) by inserting "the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the" after "prima facie evidence of";

(2) by inserting "or in connection with" after "in commerce on";

(3) by striking out "an opposing party" and inserting in lieu thereof "another person"; and

(4) by inserting ", including those set forth in subsecton (b)," after "or defect".

(b) CONCLUSIVE EVIDENCE OF EXCLUSIVE RIGHT TO USE MARK.—Section 33(b) (15 U.S.C. 1115(b)) is amended—

(1) in subsection (b) by amending the matter before paragraph (1) to read as follows:

"(b) To the extent that the right to use the registered mark has become incontestable under section 15, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 15, or in the renewal application filed under the provisions of section 9 if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such affidavit or renewal application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 32, and shall be subject to the following defenses or defects:";

(2) in paragraph (3) by inserting "on or" after "goods or services";

(3) in paragraph (4)—

(A) by striking out "trade or service"; and

(B) by striking out "to users";

(4) in paragraph (5) by striking out "registration of the mark under this Act or" and inserting in lieu thereof "(A) the date of the constructive use of the mark established pursuant to section 7(c), (B) the registration of the mark under this Act if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or (C)";

(5) in paragraph (7) by striking out the period and inserting in lieu thereof "; or"; and

(6) by adding at the end of the subsection the following:

"(8) That equitable principles, including laches, estoppel, and acquiescence, are applicable.".

(c) INJUNCTIONS.—Section 34(a) (15 U.S.C. 1116(a)) is amended in the first sentence by inserting "or to prevent a violation under section 43(a)" after "Office".

(d) NOTICE OF SUIT TO COMMISSIONER.—Section 34(c) (15 U.S.C. 116(c)) is amended—

(1) by striking out "proceeding arising" and inserting in lieu thereof "proceeding involving a mark registered"; and

(2) by striking out "decision is rendered, appeal taken or a decree issued" and inserting in lieu thereof "judgment is entered or an appeal is taken".

(e) CIVIL ACTIONS ARISING FROM USE OF COUNTERFEIT MARKS.—Section 34(d)(1)(B) (15 U.S.C. 1116(d)(1)(B)) is amended by inserting "on or" after "designation used".

SEC. 129. RECOVERY FOR VIOLATION OF RIGHTS.

Section 35(a) (15 U.S.C. 1117(a)) is amended in the first sentence by inserting ", or a violation under section 43(a)," after "Office".

SEC. 130. DESTRUCTION OF INFRINGING ARTICLES.

Section 36 (15 U.S.C. 1118) is amended in the first sentence—

(1) by inserting ", or a violation under section 43(a)," after "Office"; and

(2) by inserting after "registered mark" the following: "or, in the case of a violation of section 43(a), the word, term, name,

symbol, device, combination thereof, designation, description, or representation that is the subject of the violation,".

SEC. 131. JURISDICTION

(a) JURISDICTION OF COURTS.—Section 39 (15 U.S.C. 1121) is amended by inserting "(a)" after SEC. 39.".

(b) CERTAIN ACTIONS BY STATES PRECLUDED.—Section 39a (15 U.S.C. 1121a) is amended—

(1) by striking out "SEC. 39a." and inserting in lieu thereof "(b)"; and

(2) by striking out "servicemarks" each place it appears and inserting in lieu thereof "service marks".

SEC. 132. UNREGISTERED MARKS, DESCRIPTIONS, AND REPRESENTATIONS.

Section 43(a) (15 U.S.C. 1125(a)) is amended to read as follows:

"(a) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

"(1) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

"(2) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.".

SEC. 133. INTERNATIONAL MATTERS.

Section 44 (15 U.S.C. 1126) is amended—

(1) in subsections (c), (d), (f), (g), and (h) by striking out "paragraph (b)" each place it appears and inserting in lieu thereof "subsection (b)";

(2) in subsection (a) by striking out "herein prescribed" and inserting in lieu thereof "required in this Act";

(3) in subsection (d) by striking out "sections 1, 2, 3, 4, or 23" and inserting in lieu thereof "section 1, 3, 4, 23, or 44(e)";

(4) in subsection (d)(2) by striking out "but use in commerce need not be alleged" and inserting in lieu thereof "including a statement that the applicant has a bona fide intention to use the mark in commerce";

(5) in subsection (d)(3) by striking out "foreing" and inserting in lieu thereof "foreign";

(6) in subsection (e) by adding at the end thereof the following: "The application must state the applicant's bona fide intention to use the mark in commerce, but use in commerce shall not be required prior to registration.";

(7) in subsection (f) by striking out "paragraphs (c), (d)," and inserting in lieu thereof "subsections (c), (d),"; and

(8) in subsection (i) by striking out "paragraph (b) hereof" and inserting in lieu thereof "subsection (b) of this section".

SEC. 134. CONSTRUCTION AND DEFINITIONS.

Section 45 (15 U.S.C. 1127) is amended—

(1) by amending the paragraph defining "related company" to read as follows:

"The term 'related company' means any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used.";

(2) by amending the paragraph defining "trade name" and "commercial name" to read as follows:

"The terms 'trade name' and 'commercial name' mean any name used by a person to identify his or her business or vocation.";

(3) by amending the paragraph defining "trademark" to read as follows:

"The term 'trademark' includes any word, name, symbol, or device, or any combination thereof—

"(1) used by a person, or

"(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act,

to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source or the goods, even if that source is unknown.";

(4) by amending the paragraph defining "service mark" to read as follows:

"The term 'service mark' means any word, name, symbol, or device, or any combination thereof—

"(1) used by a person, or

"(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act,

to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown. Titles, character names, and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.";

(5) by amending the paragraph defining "certification mark" to read as follows:

"The term 'certification mark' means any word, name, symbol, or device, or any combination thereof—

"(1) used by a person other than its owner, or

"(2) which its owner has a bona fide intention to permit a person other than the owner to use in commerce and files an application to register on the principal register established by this Act,

to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.";

(6) by amending the paragraph defining "collective mark" to read as follows:

"The term 'collective mark' means a trademark or service mark—

"(1) used by the members or a cooperative, an association, or other collective group or organization, or

"(2) which such cooperative, association, or other collective group or organization has a bona fide intention to use in commerce and applies to register on the principal register established by this Act,

and includes marks indicating membership in a union, an association, or other organization.";

(7) by amending the paragraph defining "mark" to read as follows:

"The term 'mark' includes any trademark, service mark, collective mark, or certification mark.";

(8) by amending the matter which appears between the paragraph defining "mark", and the paragraph defining "colorable imitation" to read as follows:

"The term 'use in commerce' means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this Act, a mark shall be deemed to be in use in commerce—

"(1) on goods when—

"(A) it is placed in any maner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

"(B) the goods are sold or transported in commerce, and

"(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

"A mark shall be deemed to be 'abandoned' when either of the following occurs:

"(1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for two consecutive years shall be prima facie evidence of abandonment. 'Use' of a mark means the bona fide use of that mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

"(2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.".

SEC. 135. PENDING APPLICATIONS.

The Trademark Act of 1946 is amended by adding at the end thereof the following:

"SEC. 51. All certificates of registration based upon applications for registration pending in the Patent and Trademark Office on the effection date of the Trademark Law Revision Act of 1988 shall remain in force for a period of 10 years.".

SEC. 136. EFFECTIVE DATE.

This title and the amendments made by this title shall become effective on the date which is one year after the date of enactment of this Act.

## TITLE II—SATELLITE HOME VIEWER ACT

SEC. 201. SHORT TITLE.

This title may be cited as the "Satellite Home Viewer Act of 1988".

SEC. 202. AMENDMENTS TO TITLE 17, UNITED STATES CODE.

Title 17, United States Code, is amended as follows:

(1) Section 111 of title 17, United States Code, is amended—

(A) in subsection (a)—

(i) in paragraph (3) by striking "or" at the end;

(ii) by redesignating paragraph (4) as paragraph (5); and

(iii) by inserting the following after paragraph (3):

"(4) the secondary transmission is made by a satellite carrier for private home viewing pursuant to a statutory license under section 119; or"; and

(B) in subsection (d)(1)(A) by inserting before "Such statement" the following:

"In determining the total number of subscribers and the gross amounts paid to the cable system for the basic service of providing secondary transmissions of primary broadcast transmitters, the system shall not include subscribers and amounts collected from subscribers receiving transmissions for private home viewing pursuant to section 119.".

(2) Chapter 1 of title 17, United States Code, is amended by adding at the end the following new section:

"§ 119. Limitations on exclusive rights: Secondary transmissions of superstations and network stations for private home viewing

"(a) SECONDARY TRANSMISSIONS BY SATELLITE CARRIERS.—

"(1) SUPERSTATIONS.—Subject to provisions of paragraphs (3), (4), and (6) of this subsection, transmissions of a primary transmission made by a superstation and embodying a performance or display of a work shall be subject to statutory licensing under this section if the secondary transmission is made by a satellite carrier to the public for private home viewing, and the carrier makes a direct or indirect charge for each retransmission service to each household receiving the secondary transmission or to a distributor that has contracted with the carrier for direct or indirect delivery of the secondary transmission to the public for private home viewing.

"(2) NETWORK STATIONS.—

"(A) IN GENERAL.—Subject to the provisions of subparagraphs (B) and (C) of this paragraph and paragraphs (3), (4), (5), and (6) of this subsection, secondary transmissions of programming contained in a primary transmission made by a network station and embodying a performance or display of a work shall be subject to statutory licensing under this section if the secondary transmission is made by a satellite carrier to the public for private home viewing, and the carrier makes a direct or indirect charge for such retransmission service to each subscriber receiving the secondary transmission.

"(B) SECONDARY TRANSMISSIONS TO UNSERVED HOUSEHOLDS.—The statutory license provided for in subparagraph (A) shall be limited to secondary transmissions to person who reside in unserved households.

"(C) SUBMISSION OF SUBSCRIBER LISTS TO NETWORKS.—A satellite carrier that makes secondary transmissions of a primary transmission made by a network station pursuant to subparagraph (A) shall, 90 days after the effective date of the Satellite Home Viewer Act of 1988, or 90 days after commencing such secondary transmissions, whichever is later, submit to the network that owns or is affiliated with the network station a list identifying (by street address, including county and zip code) all subscribers to which the satellite carrier currently makes secondary transmissions of that primary transmission. Thereafter, on the 15th of each month, the satellite carrier shall submit to the network a list identifying (by street address, including county and zip code) any persons who have been added or dropped as such subscribers since the last submission under this subparagraph. Such subscriber information submitted by a satellite carrier may be used only for purposes of monitoring compliance by the satellite carrier with this subsection. The submission requirements of this subparagraph shall apply to a satellite carrier only if the network to whom the submissions are to be made places on file with the Register of Copyrights, on or after the effective date of the Satellite Home Viewer Act of 1988, a document identifying the name and address of the person to whom such submissions are to be made. The Register shall maintain for public inspection a file of all such documents.

"(3) NONCOMPLIANCE WITH REPORTING AND PAYMENT REQUIREMENTS.—Notwithstanding the provisions of paragraphs (1) and (2), the willful or repeated secondary transmission to the public by a satellite carrier of a primary transmission made by a superstation or a network station and embodying a performance or display of a work is actionable as an act of infringement under section 501, and is fully subject to the remedies provided by sections 502 through 506 and 509, where the satellite carrier has not deposited the statement of account and royalty fee required by subsection (b), or has failed to make the submissions to networks required by paragraph (2)(C).

"(4) WILLFUL ALTERATIONS.—Notwithstanding the provisions of paragraphs (1) and (2), the secondary transmission to the public by a satellite carrier of a primary transmission made by a superstation or a network station and embodying a performance or display of a work is actionable as an act of infringement under section 501, and is fully subject to the remedies provided by sections 502 thorugh 506 and sections 509 and 510, if the content of the particular program in which the performance or display is embodied, or any commercial advertising or station announcement transmitted by the primary transmitter during, or immediately before or after, the transmission of such program, is in any way willfully altered by the satellite carrier through changes, deletions, or additions, or is combined with programming from any other broadcast signal.

"(5) VIOLATION OF TERRITORIAL RESTRICTIONS ON STATUTORY LICENSE FOR NETWORK STATIONS.—

"(A) INDIVIDUAL VIOLATIONS.—The willful or repeated secondary transmission by a satellite carrier of a primary transmission made by a network station and embodying a performance or display of a work to a subscriber who does not reside in an unserved household is actionable as an act of infringment under section 501 and is fully subject to the remedies provided by sections 502 through 506 and 509, except that—

"(i) no damages shall be awarded for such act of infringement if the satellite carrier took corrective action by promptly withdrawing service from the ineligible subscriber, and

"(ii) any statutory damages shall not exceed $5 for such subscriber for each month during which the violation occurred.

"(B) PATTERN OF VIOLATIONS.—If a satellite carrier engages in a willful or repeated pattern or practice of delivering a primary transmission made by a network station and embodying a performance or display of a work to subscribers who do not reside in unserved households, then in addition to the remedies set forth in subparagraph (A)—

"(i) If the pattern or practice has been carried out on a substantially nationwide basis, the court shall order a permanent injunction barring the secondary transmission by the satellite carrier, for private home viewing, of the primary transmissions of any primary network station affiliated with the same network, and the court may order statutory damages of not to exceed $250,000 for each 6-month period during which the pattern or practice was carried out; and

"(ii) if the pattern or practice has been carried out on a local or regional basis, the court shall order a permanent injunction barring the secondary transmission, for private home viewing in that locality or region, by the satellite carrier of the primary transmissions of any primary network station affiliated with the same network, and the court may order statutory damages of not to exceed $250,000 for each 6-month period during which the pattern or practice was carried out.

"(C) PREVIOUS SUBSCRIBERS EXCLUDED.—Subparagraphs (A) and (B) do not apply to secondary transmissions by a satellite carrier to persons who subscribed to receive such secondary transmissions from the satellite carrier or a distributor before the date of the enactment of the Satellite Home Viewer Act of 1988.

"(6) DISCRIMINATION BY A SATELLITE CARRIER.—Notwithstanding the provisions of paragraph (1), the willful or repeated secondary transmission to the public by a satellite carrier of a primary transmission made by a superstation or a network station and embodying a performance or display of a work is actionable as an act of infringement under section 501, and is fully subject to the remedies provided by sections 502 through 506 and 509, if the satellite carrier unlawfully discriminates against distributor.

"(7) GEOGRAPHIC LIMITATION ON SECONDARY TRANSMISSIONS.—The statutory license created by this section shall apply only to secondary transmissions to households located in the United States.

"(b) STATUTORY LICENSE FOR SECONDARY TRANSMISSIONS FOR PRIVATE HOME VIEWING.—

"(1) DEPOSITS WITH THE REGISTER OF COPYRIGHTS.—A satellite carrier whose secondary transmissions are subject to statutory licensing under subsection (a) shall, on a semiannual basis, deposit with the Register of Copyrights, in accordance with requirements that the Register shall, after consultation with the Copyright Royalty Tribunal, prescribe by regulation—

"(A) a statement of account, covering the preceding 6-month period, specifying the names and locations of all superstations and network stations whose signals were transmitted, at any time during that period, to subscribers for private home viewing as described in subsections (a)(1) and (a)(2), the total number of subscribers that received such transmissions, and such other data as the Register of Copyrights may, after consultation with the Copyright Royalty Tribunal, from time to time prescribe by regulation; and

"(B) a royalty fee for that 6-month period, computed by—

"(i) multiplying the total number of subscribers receiving each secondary transmission of a superstation during each calendar month by 12 cents;

"(ii) multiplying the number of subscribers receiving each secondary transmission of a network station during each calendar month by 3 cents; and

"(iii) adding together the totals computed under clauses (i) and (ii).

"(2) INVESTMENT OF FEES.—The Register of Copyrights shall receive all fees deposited under this section and, after deducting the reasonable costs incurred by the Copyright Office under this section (other than the costs deducted under paragraph (4)), shall deposit the balance in the Treasury of the United States, in such manner as the Secretary of the Treasury directs. All funds held by the Secretary of the Treasury shall be invested in interest-bearing securities of the United States for later distribution with interest by the Copyright Royalty Tribunal as provided by this title.

"(3) PERSONS TO WHOM FEES ARE DISTRIBUTED.—The royalty fees deposited under paragraph (2) shall, in accordance with the procedures provided by paragraph (4), be distributed to those copyright owners whose works were included in a secondary transmission for private home viewing made by a satellite carrier during the applicable 6-month accounting period and who file a claim with the Copyright Royalty Tribunal under paragraph (4).

"(4) PROCEDURES FOR DISTRIBUTION.—The royalty fees deposited under paragraph (2) shall be distributed in accordance with the following procedures:

"(A) FILING OF CLAIMS FOR FEES.—During the month of July in each year, each person claiming to be entitled to statutory license fees for secondary transmissions for private home viewing shall file a claim with the Copyright Royalty Tribunal, in accordance with requirements that the Tribunal shall prescribe by regulation. For purposes of this paragraph, any claimants may agree among themselves as to the proportionate division of statutory license fees among them, may lump their claims together and file them jointly or as a single claim, or may designate a common agent to receive payment on their behalf.

"(B) DETERMINATION OF CONTROVERSY; DISTRIBUTIONS.—After the first day of August of each year, the Copyright Royalty Tribunal shall determine whether there exists a controversy concerning the distribution of royalty fees. If the Tribunal determines that no such controversy exists, the Tribunal shall, after deducting reasonable administrative costs under this paragraph, distribute such fees to the copyright owners entitled to receive them, or to their designated agents. If the Tribunal finds the existence of a controversy, the Tribunal shall, pursuant to chapter 8 of this title, conduct a proceeding to determine the distribution of royalty fees.

"(C) WITHHOLDING OF FEES DURING CONTROVERSY.—During the pendency of any proceeding under this subsection, the Copyright Royalty Tribunal shall withhold from distribution an amount sufficient to satisfy all claims with respect to which a controversy exists, but shall have discretion to proceed to distribute any amounts that are not in controversy.

"(c) DETERMINATION OF ROYALTY FEES.—

"(1) APPLICABILITY AND DETERMINATION OF ROYALTY FEES.—The rate of the royalty fee payable under subsection (b)(1)(B) shall be effective until December 31, 1992, unless a royalty fee is established under paragraph (2), (3), or (4) of this subsection. After that date, the fee shall be determined either in accordance with the voluntary negotiation procedure specified in paragraph (2) or in accordance with the compulsory arbitration procedure specified in paragraphs (3) and (4).

"(2) FEE SET BY VOLUNTARY NEGOTIATION.—

"(A) NOTICE OF INITIATION OF PROCEEDINGS.—On or before July 1, 1991, the Copyright Royalty Tribunal shall cause notice to be published in the Federal Register of the initiation of voluntary negotiation proceedings for the purpose of determining the royalty fee to be paid by satellite carriers under subsection (b)(1)(B).

"(B) NEGOTIATIONS.—Satellite carriers, distributors, and copyright owners entitled to royalty fees under this section shall negotiate in good faith in an effort to reach a voluntary agreement or voluntary agreements for the payment of royalty fees. Any such satellite carriers, distributors, and copyright owners may at any time negotiate and agree to the royalty fee, and may designate common agents to negotiate, agree to, or pay such fees. If the parties fail to identify common agents, the Copyright Royalty Tribunal shall do so, after requesting recommendations from the parties to the negotiation proceeding. The parties to each negotiation proceeding shall bear the entire cost thereof.

"(C) AGREEMENTS BINDING ON PARTIES; FILING OF AGREEMENTS.—Voluntary agreements negotiated at any time in accordance with this paragraph shall be binding upon all satellite carriers, distributors, and copyright owners that are parties thereto. Copies of such agreements shall be filed with the Copyright Office within 30 days after execution in accordance with regulations that the Register of Copyrights shall prescribe.

"(D) PERIOD AGREEMENT IS IN EFFECT.—The obligation to pay the royalty fees established under a voluntary agreement which has been filed with the Copyright Office in accordance with this paragraph shall become effective on the date specified in the agreement, and shall remain in effect until December 31, 1994.

"(3) FEE SET BY COMPULSORY ARBITRATION.—

"(A) NOTICE OF INITIATION OF PROCEEDINGS.—On or before December 31, 1991, the Copyright Royalty Tribunal shall cause notice to be published in the Federal Register of the initiation of arbitration proceedings for the purpose of determining a reasonable royalty fee to be paid under subsection (b)(1)(B) by satellite carriers who are not parties to a voluntary agreement filed with the Copyright Office in accordance with paragraph (2). Such notice shall include the names and qualifications of potential arbitrators chosen by the Tribunal from a list of available arbitrators obtained from the American Arbitration Association or such similar organization as the Tribunal shall select.

"(B) SELECTION OF ARBITRATION PANEL.—Not later than 10 days after publication of the notice initiating an arbitration proceeding, and in accordance with procedures to be specified by the Copyright Royalty Tribunal, one arbitrator shall be selected from the published list by copyright owners who claim to be entitled to royalty fees under subsection (b)(4) and who are not party to a voluntary agreement filed with the Copyright Office in accordance with paragraph (2), and one arbitrator shall be selected from the published list by satellite carriers and distributors who are not parties to such a voluntary agreement. The two arbitrators so selected shall, within 10 days after their selection, choose a third arbitrator from the same list, who shall serve as chairperson of the arbitrators. If either group fail to agree upon the selection of an arbitrator, or if the arbitrators selected by such groups fail to agree upon the selection of a chairperson, the Copyright Royalty Tribunal shall promptly select the arbitrator or chairperson, respectively. The arbitrators selected under this subparagraph shall constitute an Arbitration Panel.

"(C) ARBITRATION PROCEEDING.—The Arbitration Panel shall conduct an arbitration proceeding in accordance with such procedures as it may adopt. The Panel shall act on the basis of a fully documented written record. Any copyright owner who claims to be entitled to royalty fees under subsection (b)(4), any satellite carrier, and any distributor, who is not party to a voluntary agreement filed with the Copyright Office in accordance with paragraph (2), may submit relevant information and proposals to the Panel. The parties to the proceeding shall bear the entire cost thereof in such manner and proportion as the Panel shall direct.

"(D) FACTORS FOR DETERMINING ROYALTY FEES.—In determining royalty fees under this paragraph, the Arbitration Panel shall consider the approximate average cost to a cable system for the right to secondarily transmit to the public a primary transmission made by a broadcast station, the fee established under any voluntary agreement filed with the Copyright Office in accordance with paragraph (2), and the last fee proposed by the parties, before proceedings under this paragraph, for the secondary transmission of superstations or network stations for private home viewing. The fee shall also be calculated to achieve the following objectives:

"(i) To maximize the availability of creative works to the public.

"(ii) To afford the copyright owner a fair return for his or her creative work and the copyright user a fair income under existing economic conditions.

"(iii) to reflect the relative roles of the copyright owner and the copyright user in the product made available to the public with respect to relative creative contribution, technological contribution, capital investment, cost, risk, and contribution to the opening of new markets for creative expression and media for their communication.

"(iv) to minimize any disruptive impact on the structure of the industries involved and on generally prevailing industry practices.

"(E) REPORT TO COPYRIGHT ROYALTY TRIBUNAL.—Not later than 60 days after publication of the notice initiating an arbitration proceeding, the Arbitration Panel shall report to the Copyright Royalty Tribunal its determination concerning the royalty fee. Such report shall be accompanied by the written record, and shall set forth the facts that the Panel found relevant to its determination and the reasons why its determination is consistent with the criteria set forth in subparagraph (D).

"(F) ACTION BY COPYRIGHT ROYALTY TRIBUNAL.—Within 60 days after receiving the report of the Arbitration Panel under subparagraph (E), the Copyright Royalty Tribunal shall adopt or reject the determination of the Panel. The Tribunal shall adopt the determination of the Panel unless the Tribunal finds that the determination is clearly inconsistent with the criteria set forth in subparagraph (D). If the Tribunal rejects the determination of the Panel, the Tribunal shall, before the end of that 60-day period, and after full examination of the record created in the arbitration proceeding, issue an order, consistent with the criteria set forth in subparagraph (D), setting the royalty fee under this paragraph. The Tribunal shall cause to be published in the Federal Register the determination of the Panel, and the decision of the Tribunal with respect to the determination (including any order issued under the preceding sentence). The Tribunal shall also publicize such determination and decision in such other manner as the Tribunal considers appropriate. The Tribunal shall also make the report of the Arbitration Panel and the accompanying record available for public inspection and copying.

"(G) PERIOD DURING WHICH DECISION OF PANEL OR ORDER OF THE TRIBUNAL EFFECTIVE.—The obligation to pay the royalty fee established under a determination of the Arbitration Panel which is confirmed by the Copyright Royalty Tribunal in accordance with this paragraph, or established by any order issued under subparagraph (F), shall become effective on the date when the decision of the Tribunal is published in the Federal Register under subparagraph (F), and shall remain in effect until modified in accordance with paragraph (4), or until December 31, 1994.

"(H) PERSONS SUBJECT TO ROYALTY FEE.—The royalty fee adopted or ordered under subparagraph (F) shall be binding of all satellite carriers, distributors, and copyright owners, who are not party to a voluntary agreement filed with the Copyright Office under paragraph (2).

"(4) JUDICIAL REVIEW.—Any decision of the Copyright Royalty Tribunal under paragraph (3) with respect to a determination of the Arbitration Panel may be appealed, by any aggrieved party who would be bound by the determination, to the United States Court of Appeals for the District of Columbia Circuit, within 30 days after the publication of the decision in the Federal Register. The pendency of an appeal under this paragraph shall not relieve satellite carriers of the obligation under subsection (b)(1) to deposit the statement of account and royalty fees specified in that subsection. The court shall have jurisdiction to modify or vacate a decision of the Tribunal only if it finds, on the basis of the record before the Tribunal and the statutory criteria set forth in paragraph (3)(D), that the Arbitration Panel or the Tribunal acted in an arbitrary manner. If the court modifies the decision of the Tribunal, the court shall have jurisdiction to enter its own determination with respect to royalty fees, to order the repayment of any excess fees deposited under subsection (b)(1)(B), and to order the payment of any unpaid fees, and the interest pertaining respectively thereto, in accordance with its final judgment. The court may further vacate the decision of the Tribunal and remand the case for arbitration proceedings in accordance with paragraph (3).

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

"(1) DISTRIBUTOR.—The term 'distributor' means an entity which contracts to distribute secondary transmissions from a satellite carrier and, either as a single channel or in a package with other programming, provides the secondary transmission either directly to individual subscribers for private home viewing or indirectly through other program distribution entities.

"(2) NETWORK STATION.—The term 'network station' has the meaning given that term in section 111(f) of this title, and includes any translator station or terrestrial satellite station that rebroadcasts all or substantially all of the programming broadcast by a network station.

"(3) PRIMARY NETWORK STATION.—The term 'primary network station' means a network station that broadcasts or rebroadcasts the basic programming service of a particular national network.

"(4) PRIMARY TRANSMISSION.—The term 'primary transmission' has the meaning given that term in section 111(f) of this title.

"(5) PRIVATE HOME VIEWING.—The term 'private home viewing' means the viewing, for private use in a household by means of satellite reception equipment which is operated by an individual in that household and which serves only such household, of a secondary transmission delivered by a satellite carrier of a primary transmission of a television station licensed by the Federal Communications Commission.

"(6) SATELLITE CARRIER.—The term 'satellite carrier' means an entity that uses the facilities of a satellite or satellite service licensed by the Federal Communications Commission, to establish and operate a channel of communications for point-to-multipoint distribution of television station signals, and that owns or leases a capacity or service on a satellite in order to provide such point-to-multipoint distribution, except to the extent that such entity provides such distribution pursuant to tariff under the Communications Act of 1934, other than for private home viewing.

"(7) SECONDARY TRANSMISSION.—The term 'secondary transmission' has the meaning given that term in section 111(f) of this title.

"(8) SUBSCRIBER.—The term 'subscriber' means an individual who receives a secondary transmission service for private home viewing by means of a secondary transmission from a satellite carrier and pays a fee for the service, directly or indirectly, to the satellite carrier or to a distributor.

"(9) SUPERSTATION.—The term 'superstation' means a television broadcast station, other than a network station, licensed by the Federal Communications Commission that is secondarily transmitted by a satellite carrier.

"(10) UNSERVED HOUSEHOLD.—The term 'unserved household', with respect to a particular television network, means a household that—

"(A) cannot receive, through the use of a conventional outdoor rooftop receiving antenna, an over-the-air signal of grade B intensity (as defined by the Federal Communications Commission) of a primary network station affiliated with that network, and

"(B) has not, within 90 days before the date on which that household subscribes, either initially or on renewal, to receive secondary transmissions by a satellite carrier of a network station affiliated with that network subscribed to a cable system that provides the signal of a primary network station affiliated with that network.

"(e) EXCLUSIVITY OF THIS SECTION WITH RESPECT TO SECONDARY TRANSMISSIONS OF BROADCAST STATIONS BY SATELLITE TO MEMBERS OF THE PUBLIC.—No provision of section 111 of this title or any other law (other than this section) shall be construed to contain any authorization, exemption, or license through which secondary transmissions by satellite carrier for private home viewing of programming contained in a primary transmission made by a superstation or a network station may be made without obtaining the consent of the copyright owner.".

(3) Section 501 of title 17, United States Code, is amended by adding at the end the following:

"(e) With respect to any secondary transmission that is made by a satellite carrier of a primary transmission embodying the performance or display of a work and is actionable as an act of infringement under section 119(a)(5), a network 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 station.".

(4) Section 801(b)(3) of title 17, United States Code, is amended by striking "and 116" and inserting ", 116, and 119(b)".

(5) Section 804(d) of title 17, United States Code, is amended by striking "sections 111 or 116" and inserting "section 111, 116, or 119".

(6) The table of sections at the beginning of chapter 1 of title 17, United States Code, is amended by adding at the end the following new item:

"119. Limitations on exclusive rights: Secondary transmissions of superstations and network stations for private home viewing.".

SEC. 203. SYNDICATED EXCLUSIVITY; REPORT ON DISCRIMINATION.

Title VII of The Communications Act of 1934 (47 U.S.C. 601 et seq.) is amended by adding at the end the following:

"SYNDICATED EXCLUSIVITY

"SEC. 712. (a) The Federal Communications Commission shall, within 120 days after the effective date of the Satellite Home Viewer Act of 1988, initiate a combined inquiry and rulemaking proceeding for the purpose of—

"(1) determining the feasibility of imposing syndicated exclusivity rules with respect to the delivery of syndicated programming (as defined by the Commission) for private home viewing of secondary transmissions by satellite of broadcast station signals similar to the rules issued by the Commission with respect to syndicated exclusivity and cable television; and

"(2) adopting such rules if the Commission considers the imposition of such rules to be feasible.

"(b) In the event that the Commission adopts such rules, any willful and repeated secondary transmission made by a satellite carrier to the public of a primary transmission embodying the performance or display of a work which violates such Commission rules shall be subject to the remedies, sanctions, and penalties provided by title V and section 705 of this Act.

"DISCRIMINATION

"SEC. 713. The Federal Communication shall, within 1 year after the effective date of the Satellite Home Viewer Act of 1988, prepare and submit to the Committee on Commerce, Science, and Transportation of the Senate and the Committee on Energy and Commerce of the House of Representatives a report on whether, and the extent to which, there exists discrimination described in section 119(a)(6) of title 17, United States Code.".

SEC. 204. INQUIRY ON ENCRYPTION STANDARD.

Section 705 of the Communications Act of 1934 (47 U.S.C. 605) is amended by adding at the end thereof the following:

"(f) Within 6 months after the date of enactment of the Satellite Home Viewer ACt of 1988, the Federal Communications Commission shall initiate an inquiry concerning the need for a universal encryption standard that permits decryption of satellite cable programming intended for private viewing. In conducting such inquiry, the Commission shall take into account—

"(1) consumer costs and benefits of any such standard, including consumer investment in equipment in operation;

"(2) incorporation of technological enhancements, including advanced television formats;

"(3) whether any such standard would effectively prevent present and future unauthorized decryption of satellite cable programming;

"(4) the costs and benefits of any such standard on other authorized users of encrypted satellite cable programming, including cable systems and satellite master antenna television systems;

"(5) the effect of any such standard on competition in the manufacture of decryption equipment; and

"(6) the impact of the time delay associated with the Commission procedures necessary for establishment of such standards.

"(g) If the Commission finds, based on the information gathered from the inquiry required by subsection (f), that a universal encryption standard is necessary and in the public interest, the Commission shall initiate a rulemaking to establish such a standard.".

SEC. 205. PIRACY OF SATELLITE CABLE PROGRAMMING.

Section 705 of the Communications Act of 1934 (47 U.S.C. 605) is amended—

(1) in subsection (c)—

(A) by striking "and" at the end of paragraph (4);

(B) by striking the period at the end of paragraph (5) and inserting "; and"; and

(C) by adding at the end the following:

"(6) the term 'any person aggrieved' shall include any person with proprietary rights in the intercepted communication by wire or radio, including wholesale or retail distributors of satellite cable programming, and, in the case of a violation of paragraph (4) of subsection (d), shall also include any person engaged in the lawful manufacture, distribution, or sale of equipment necessary to authorize or receive satellite cable programming.";

(2) in subsection (d)(1), by striking "$1,000" and inserting "$2,000";

(3) in paragraph (2) of subsection (d), by striking "$25,000" and all that follows through the end of that paragraph and inserting "$50,000 or imprisoned for not more than 2 years, or both, for the first such conviction and shall be fined not more than $100,000 or imprisoned for not more than 5 years, or both, for any subsequent conviction.";

(4) in subsection (d)(3)(A), by inserting "or paragraph (4) of subsection (d)" immediately after "subsection (a)";

(5) in subsection (d)(3)(B) by striking "may" the first time it appears;

(6) in subsection (d)(3)(B)(i), by inserting "may" immediately before "grant";

(7) in subsection (d)(3)(B)(ii), by inserting "may" immediately before "award";

(8) in subsection (d)(3)(B)(iii), by inserting "shall" immediately before "direct";

(9) in subsection (d)(3)(C)(i)(II)—

(A) by inserting "of subsection (a)" immediately after "violation";

(B) by striking "$250" and inserting "$1,000"; and

(C) by inserting immediately before the period the following: ", and for each violation of paragraph (4) of this subsection involved in the action an aggrieved party may recover statutory damages in a sum not less than $10,000, or more than $100,000, as the court considers just";

(10) in subsection (d)(3)(C)(ii), by striking "$50,000" and inserting "$100,000 for each violation of subsection (a)";

(11) in subsection (d)(3)(C)(iii), by striking "$100" and inserting "$250"; and

(12) by striking paragraph (4) of subsection (d) and inserting the following:

"(4) Any person who manufactures, assembles, modifies, imports, exports, sells, or distributes any electronic, mechanical, or other device or equipment, knowing or having reason to know that the device or equipment is primarily of assistance in the unauthorized decryption of satellite cable programming, or is intended for any other activity prohibited by subsection (a), shall be fined not more than $500,000 for each violation, or imprisoned for not more than 5 years for each violation, or both. For purposes of all penalties and remedies established for violations of this paragraph, the prohibited activity established herein as it applies to each such device shall be deemed a separate violation.".

SEC. 206. EFFECTIVE DATE.

This title and the amendments made by this title take effect on January 1, 1989, except that the authority of the Register of Copyrights to issue regulations pursuant to section 119(b)(1) of title 17, United States Code, as added by section 202 of this Act, takes effect on the date of the enactment of this Act.

SEC. 207. TERMINATION.

This title and the amendments made by this title (other than the amendments made by section 205) cease to be effective on December 31, 1994.

The SPEAKER pro tempore. Is a second demanded?

Mr. MOORHEAD. Mr. Speaker, I demand a second.

The SPEAKER pro tempore. Without objection, a second will be considered as ordered.

There was no objection.

The SPEAKER pro tempore. The gentleman from Wisconsin [Mr. KASTENMEIER] will be recognized for 20 minutes, and the gentleman from California [Mr. MOORHEAD] will be recognized for 20 minutes.

The Chair recognizes the gentleman from Wisconsin [Mr. KASTENMEIER].

Mr. KASTENMEIER. Mr. Speaker, I yield myself such time as I may consume.

I am pleased today to bring before the House today S. 1883, the Trademark Law Revision Act of 1988. This bill provides a comprehensive revision of the Lanham Act, which is the Federal trademark law. S. 1883 revises the trademark laws so that they will conform with current day market practices. The bill before you today is the product of extensive negotiations and compromises between both Houses of Congress, and has been agreed upon by all interested parties.

I wish to congratulate my colleague and ranking minority member of the Subcommittee on Courts, Civil Liberties, and the Administration of Justice, CARLOS MOORHEAD, for his tireless efforts on behalf of this legislation. I extend congratulations as well to the senior Senator from Arizona, DENNIS DECONCINI, who also provided early and unceasing support for this bill.

Trademarks are important for both consumers and businesses. Trademarks allow consumers to identify and intelligently pick and choose among products. Businesses can and should be assured that their products will not be confused with other products, and that consumers will know that the products they want to buy are in fact the ones that they are buying. For consumers, trademarks provide can provide assurances of quality and services. For businesses, trademarks are a kind of badge of honor, and it is important that their investments in those marks be protected.

Because the trademark laws in essence permit businesses to monopolize their marks, those laws often raise difficult questions about freedom of speech. During the course of our consideration of this legislation, those difficult issues were raised and sometimes hotly contested. I am pleased to say that this bill resolves those issues satisfactorily, and that our important constitutional freedoms have been preserved. The provisions on dilution, material omissions, and tarnishment and disparagement that were originally proposed have been deleted from this legislation. The provision revising section 43(a) to prohibit a kind of commercial defamation has been carefully limited to commercial advertising and promotion. Therefore, consumer reporting, editorial comment, political advertising, and other constitutionally protected material is not covered by this provision. I wish to extend special thanks to all of those who so ardently spoke out about their concerns about these issues.

S. 1883 makes major changes in the Lanham Act. For example, it revises the registration to permit applications based on an applicant's intention to use the mark. This is something the trademark community has advocated for many years. It reduces the registration term from 20 to 10 years, which will free up otherwise unavailable marks. It revises the Lanham Act in the many instances where it is out of date and inconsistent with current market practices.

It is true that S. 1883 does not satisfy all parties in all respects. I believe it is fair to say that the trademark community wanted more protection for trademarks. Some of the provisions they sought have been deleted from the legislation because of the serious first amendment issues those provisions raised. I also believe, however, that the trademark community should and must be satisfied with this legislation, since it provides the comprehensive revision it sought, and that no new trademark laws will be required in the immediate future.

Consumer interests have also been the subject of compromise in this legislation. As reported by the House Committee on the Judiciary, the bill would have explicitly acknowledged that consumers have standing to sue for violations of section 43(a), which provides a cause of action for unfair competitive acts such as false and misleading advertising. The agreement, however, deleted this provision from the bill. While I support the deletion as part of the necessary compromise on this bill, it is unfortunate in the long run. I continue to believe that consumers already have standing to sue under current law, and that the provision that was deleted only clarified that law.

In sum, S. 1883 is not only an important modernization of the trademark laws, but it also protects our important first amendment rights. I believe that it is a bill worthy of your support.

S. 1883, as considered by the House today, makes important changes in the language approved by the Committee on the Judiciary. It also carries forward several critical decisions made by the committee. The following is an explanation of those changes and decisions:

*Section 1*

S. 1883 adds to subsection (b) the language "under circumstances showing the good faith of such person." This addition strengthens the congressional intention that the circumstances surrounding the application show that the applicant's intention to use the mark ultimately, and within the specified time limits, is in fact bona fide. Courts should consider these circumstances, or the lack of them, when issues surrounding the validity of the application are raised.

Pursuant to Section 1(d)(1), the initial period in which to file the statement of use is 6 months. It may be automatically extended for another 6 months. Section 1(d)(2) provides that any further extensions may be granted only if the applicant shows "good cause" for the extension. The extensions for good cause may not exceed periods aggregating a maximum of 24 months. In other words, applicants must show that there was good cause for their failure to use their marks within the initial one year period. This requirement is in addition to, and supplements, the requirement that the applicants must have a continued bona fide intention to use the mark. The Commissioner of Patents and Trademarks should promulgate guidelines for potential registrants so that it is clear what may constitute "good cause."

Section 1(d)(1) makes clear that, in reviewing the statements submitted by the applicant pursuant to this section, the Patent and Trademark Office has the discretion to examine the effect, if any, of those statements on the application with respect to the factors set forth in subsections (a) through (e) of section 2, relating to what trademarks are not registrable. See House Report 100-1028 at 9.

*Section 7(b)*

This section clarifes the evidentiary benefits given to a registration on the principal register. It conforms to the same provision in section 33(a).

*Section 8(a)*

This section provides that a registrant filing the affidavit of use required during the sixth year of registration must supply the same information that is required for renewing a registration.

*Section 10*

S. 1883 prohibits the assignment of "intent to use" applications, except in certain narrowly prescribed circumstances. Although language in proposed section 7(d) regarding restrictions on the issuance of a certificate of registration under circumstances evidencing an intention to evade the law's proscription has been deleted, courts must, when appropriate, examine the circumstances surrounding use of a mark and the issuance of a certificate of registration. If the evidence shows that the relevant parties have improperly evaded the prohibition on assignments, the certificate of registration has been improperly issued and should be voided. Section 10 carries forward the Committee's decision not to include in the bill certain proposals relating to the recording of security interests in a trademark at the Patent and Trademark Office.

*Section 18*

The section currently provides that in proceedings before the Trademark Trial and Appeal Board, certain actions may be taken with regard to pending applications and to registrations. A proposed addition makes clear that certain final judgments involving "intent to use" applicants may not be issued until use is made and the mark is registered. This provision applies only in the context of this administrative proceeding, and not to any lawsuits in the courts.

*Section 21*

Language added in subsection (a)(4) is identical to that added in Section 18. It relates to the suspension of certain final judgments by the United States Court of Appeals for the Federal Circuit when a decision of the Patent and Trademark Office is appealed.

Similar language is also added so subsection (b)(1), relating to appeals from the decision of the Commissioner or Trademark Trial and Appeal Board.

As in section 18, these suspensions of final judgments relate only to administrative proceedings, and not to actions initiated in the courts.

*Section 24*

Language similar to that in sections 18 and 21 is added here, delaying final judgment for an "intent to use" applicant in certain instances. Again, this language relates only to adminsitrative proceedings, and not actions initiated in the courts.

*Section 27*

The added language, relating to registration on the supplemental register, simply carries forward the holding in *California Cooler, Inc.* v. *Loretto Winery, Ltd.*, 774 F.2d 1451 (9th Cir. 1985).

*Section 32(2)*

This section differs from current law in two important respects. First, it is updated to include electronic media, incorporating the definition set forth in the Electronic Communications Privacy Act, codified at 18 U.S.C. 2510 (12).

Second, the revision sets forth critical constitutional protections that underlie changes made in section 43(a). It exempts from liability "innocent" disseminators of offending material, whether that material constitutes a violation of Section 32(1), relating to infringement, or of proposed Section 43(a), relating to false and misleading commercial advertising. Most prominently, the change protects newspapers, magazines, broadcasters, and other media from liability for the innocent dissemination of commercial false advertising, including promotional material. The word "innocent" is intended to encompass the constitutional standards set forth in *New York Times* v. *Sullivan*, 376 U.S. 254 (1964) and its progeny. *See also, Bose* v. *Consumers Union*, 466 U.S. 485 (1984), which assumed the application of the *New York Times* v. *Sullivan* standard to a state product disparagement action. *Cf. Hustler Magazine* v. *Falwell*, —— U.S. ——, 108 S.Ct. 876 (1988) (applying the *New York Times* standard in an invasion of privacy action).

*Section 33(a)*

This provision simply makes the language in Section 33(a) consistent with that in section 7(b). It also provides that defenses available in suits involving an incontestable registration are also available in suits involving a non-incontestable registration.

*Section 33(b)*

This section clarifies the evidentiary benefits given to a registration on the principal register which has become incontestable. It also provides that equitable principles may be applied in suits involving incontestable registrations.

*Section 34*

Subsection (a) provides that injunctions are available to prevent a violation arising under Section 43(a). For a detailed discussion of the remedies now being made applicable to Section 43(a) violations, see the discussion of section 43(a) below.

S. 1883 reflects the House Committee on the Judiciary's decision not to include certain proposed language amending subsection (b) to suspend a final judgment in favor of an "intent to use" applicant. This language would have applied to proceedings in the courts, and has been deleted for the reasons discussed in House Report 100-1028 at page 4.

*Section 35*

This section provides that damages may be available to a party bringing an action under section 43(a). For a detailed discussion of the remedies now being made applicable to section 43(a) violations, *see* the discussion of section 43(a) below.

*Section 36*

This section provides that a court may order the destruction of labels and similar material in cases involving a violation of section 43(a). For a detailed discussion of the remedies now being made applicable to Section 43(a) violations, *see* discussion of section 43(a) below.

*Section 43*

Subsection (a) currently covers false designations of origin and false descriptions or representations with regard to a person's own products. It has been held, however, that Section 43(a) does not cover such statements with regard to the products of another. *Bernard Food Industries* v. *Dietene Co.*, 415 F.2d 1279 (7th Cir. 1969), *cert denied*, 397 U.S. 912 (1970). To rectify this situation, it was proposed to add the words "or another person's" to section 43(a).

The proposal thus raised the issue of commercial defamation in the context of section 43(a) and, as a result, a host of constitutional problems. The proposal was not limited to commercial speech, and appeared to apply to private citizens, the news media, and business competitors alike. No scienter was required. In addition, the subsection appeared to cover false statements of opinion as well as fact.

To avoid legitimate constitutional challenge, it was necessary to carefully limit the reach of the subsection. Because section 43(a) will not provide a kind of commercial defamation action, the reach of the section specifically extends only to false and misleading speech that is encompassed within the "commercial speech" doctrine by the United States Supreme Court. *See, e.g., Central Hudson Gas & Electric Corp.* v. *Public Service Commission of New York*, 447 U.S. 557 (1980); *Virginia State Board of Pharmacy* v. *Virginia Citizens Consumers Council, Inc.*, 425 U.S. 748 (1976). In addition, subsection (a) will extend only to false and misleading statements of *fact. Gertz* v. *Robert Welch, Inc.* 418 U.S. 323, 339-40 (1974). As noted in the discussion of section 32(2), critical constitutional protections modify the changes made in section 43(a), and certain "innocent" disseminators of material that constitutes a violation of subsection (a) are protected from liability. Thus, through section 32(2), innocent dissemination and communication of false and misleading advertising, including promotional material, by the media are excluded from the reach of section 43(a). For a defendant who is a member of the media to be found liable under section 43(a), the plaintiff must show that the defendant was not "innocent" under section 32(2) and, as noted, that state of mind must encompass the *New York Times* v. *Sullivan* standard.

S. 1883 is limited in another important sense. It uses the word "commercial" to describe advertisng or promotion for business purposes, whether conducted by for-profit or non-profit organizations or individuals. Political advertising and promotion is political speech, and therefore not encompassed by the term "commercial." This is true whether what is being promoted is an individual candidacy for public office, or a particular political issue or point of view. It is true regardless of whether the promoter is an individual or a forprofit entity. However, if a political or other similar organization engages in business conduct incidental to its political functions, then the business conduct would be considered "commercial" and would fall within the confines of this section.

Sections 34, 35, and 36 specifically provide that the remedies set forth in those sections will not apply, in appropriate form, to violations of section 43(a). Obviously, these remedies will now apply to those who are protected under section 32(2).

As Jerome Gilson, the noted trademark commentator, has written about USTA's proposal to limit the proposed change in section 43(a) to commercial speech:

"Under this proposed change *only* false or misleading "advertising or promotion" would be actionable, whether it pertained to the advertiser itself or another party. The change would exclude all other misrepresentations from section 43(a) coverage. These others are the type which raise free speech concerns, such as a Consumer Report which reviews and may disparage the quality of stereo speakers or other products, misrepresentations made by interested groups which may arguably disparage a company and its products because of the company's failure to divest its South African holdings, and disparaging statements made by commentators concrning corporate product liability and injuries to the public (e.g., A.H. Robins and the Dalkon shield cases, or the Manville Corporation asbestos cases). All of these would be judged by first amendment law (including New York Times v. Sullivan) and not section 43(a) law . . . Product disparagement based on false representations would be actionable only if they were made in the context of advertising or promotion, not in connection with Consumer Report publications." [emphasis in original] [1]

As Mr. Gilson correctly notes, the proposed change in section 43(a) should not be read in any way to limit political speech, consumer or editorial comment, parodies, satires, or other constitutionally protected material. Nor should it be read to change the standards in current law with respect to comparative advertising, which assists consumers in choosing among various competing products. The section is narrowly drafted to encompass only clearly false and misleading commercial speech.

The provision in section 43(a) granting consumers standing to sue has been deleted from the bill. This provision would have clarified that consumers have standing to sue under section 43(a). The plain meaning of the statute already includes consumers, since it grants any "person" the right to sue. See discussion in House Report 100-1028 at 13-15.

The committee's decision not to include proposed provisions relating to dilution, material omissions, and tarnishment and disparagement in section 43 is carried forward. By this decision, current law remains in effect.

Sections 34, 35, and 36 of the Lanham Act now apply only to the enforcement of rights relating to a registered mark. Section 43(a), relating to the enforcement of rights by the owner of a unregistered mark or a person otherwise adjudicating rights under that section, does not provide for any remedies.

A majority of Federal courts have already held that Secton 35(a) applies to cases brought under Sectoin 43(a) even though those cases do not involve the enforcement of rights in registered marks.[2] This result is somewhat surprising in light of Section 35's clear limitation to violations of a right in a registered mark.[3]

To clarify the situation, S. 1883 authorizes, but does not require,[4] the application of all of the remedies set forth in sections 34, 35, and 36 to the violation of rights involving unregistered marks. The bill specifically incorporates section 35's language limiting the court's remedial power pursuant to the principles of equity. Courts must, on a case-by-case basis, assess the exact nature of the circumstances presented by the plaintiff.[5]

Historically, courts have rarely assessed damages or awarded lost profits in trademark cases unless the defendant has engaged in counterfeiting.[6] Injunctions have been the usual form of relief. According to the Second Circuit in a recent opinion:

[S]ection 35's phrase "subject to the principles of equity [should be construed] to preclude any monetary relief 'where an injunction will satisfy the equities of the case' and where there has been no showing of fraud or palming off [citations omitted].[7]

Courts have assessed enhanced damages even more rarely.[8]

Section 29 of the Lanham Act currently requires that a plaintiff who has registered a mark is precluded from recovering damages and profits unless he or she has provided either statutory or actual notice of registration to the defendent. S. 1883 does not specifically require a plaintiff proceeding under Section 43(a), and who does not have a registered mark, to provide such notice before recovering damages or profits. However, as part of the equitable balancing process in a Section 43(a) case, the courts should examine the extent of knowledge that the defendant had of the plaintiff's rights. By not requiring notice in a section 43(a) action, it may initially appear that S. 1883 creates an unfair discrepancy between actions involving registered marks and those involving unregistered marks. However, as noted above damages are rarely awarded in the vast majority of section 43(a) actions. Where damages are awarded, it is because the defendent has acted with obvious awareness of the plaintiff's rights, engaging in deliberate, willful conduct such as "passing off." Thus, the discrepancy is more apparent than real.

Section 35 currently, and as now extended to section 43(a), clearly precludes the courts from assessing punitive damages.[9] In addition, Section 35 authorizes the assessment of attorneys' fees only in "exceptinal circumstances." The language, in conjunction with judicial decisions, permits the assessment of attorneys' fees only upon a showing of bad faith or similar intentional conduct.[10] Such fees may be awarded to either the plaintiff or the defendent, depending on the conduct of the parties that gave rise to the litgation.

Section 34 currently authorizes the courts to issue injunctions in Lanham Act cases.[11] Under the proposed revision, Section 34 would be extended to Section 43(a) violations. As in current law, courts must follow the general rules set forth in the Federal Rules of Civil Procedure.[12] The most important prerequisite to the issuance of a final injunction is the absence of an adequate legal remedy.[13] The party seeking a preliminary injunction must also prove the likelihood of irreparable injury viewed in the context of the threat of potential harm, the probability of success on the merits, that the balance of hardships tips in favor of the moving party, and that issuance of an injunction is in the public interest.[14]

Mr. Speaker, I have some brief thoughts about title II of the bill, which is identical to H.R. 2848, passed by the House 2 weeks ago.

H.R. 2848—the Satellite Home Viewer Act of 1988—was made a part of S. 1883 to accommodate several key Members in the other body.

As you know, the Earth station/copyright legislation that you and I started working on several years ago has become a very popular piece of legislation. We improved it in the House Judiciary Committee. The Committee on Energy and Commerce, with its sequential referral, improved it more. The bill has garnered so much support in both the House and the other body, and among interested parties—spanning consumer interests, copyright proprietors and others in the telecommunications industry—that its passage by the Senate, without referral to committee, was made possible. Specifically, several key Senators—including the chairman of the Senate Judiciary Subcommittee on Patents, Trademarks and Copyrights [Mr. DECONCINI] and the chairman of the Senate Judiciary Subcommittee on Law and Technology [Mr. LEAHY] and

---

[1] Letter to Tara McMahon, Majority Counsel, Senate Committee on the Judiciary Subcommittee on Patents, Copyrights and Trademarks, October 10, 1988.

[2] *Centaur Communications Ltd.* v. *A/S/M Communications, Inc.* 830 F. 2d 1217, 1229 (2d Cir. 1987); *WSM, Inc.* v. *Wheeler Media Services, Inc.*, 810 F.2d 113, 116 (6th Cir. 1987); *U-Haul Int'l, Inc.* v. *Jar Tran Inc.*, 793 F.2d 1034, 1041-42 (9th Cir. 1986); *Richard* v. *Auto Publishers, Inc.*, 735 F.2d 450, 453-58 (11th Cir. 1984); *Metric & Multi-Standard Components Corp.* v. *Metric's Inc.*, 635 F.2d 710, 715 (8th Cir. 1980). *Compare Blau Plumbling, Inc.* v. *S.O.S. Fix-it, Inc.*, 781 F.2d 604, 612 (7th Cir. 1986); *Standard Terry Mills, Inc.* v. *Shen Mfg. Co.*, 803 F.2d 778, 782 (3d Cir. 1986).

[3] In construing the Lanham Act, the United States Supreme Court has noted that "[s]tatutory construction must begin with the language employed by Congress and the asumption that language accurately expresses the legislative purpose." *Park 'N Fly, Inc.* v. *Dollar Park and Fly, Inc.*, 469 U.S. 189, 194 (1985).

[4] 2 J.T. McCarthy, Trademarks and Unfair Competition section 30:28 ("[T]he federal courts have held that [section] 35 of the Lanham Act does not mean that a successful plaintiff is entitled in all cases to a monetary award in addition to injunctive relief.") and section 30:25 (2d ed. 1984).

[5] 2 R. Callman, Unfair Competition Trademarks and Monpolies section 9.20 (L. Altman 4th ed. 1982); 1 J. Gilson, Trademark Protection and Practice, section 8.08[1], at 8-173 to 8-174 (1988) ("Generally . . . the more aggravated, willful and fraudulent the defendant's conduct, the greater will be the judicial propensity to grant monetary relief."). The Second Circuit, in *Getty Petrolrum Corp.* v. *Bartco Petroleum Corp.*, No. 87-7668 (2d Cir. Sept. 22, 1988), correctly concluded that the remedies available under section 35 do not include the assessment of punitive damages.

[6] *See, e.g., Polo Fashions, Inc.* v. *Magic Trimmings, Inc.*, 603 F. Supp. 13, 19 (S.D. Fla. 1982) (where the defendant acted willfully to perpetuate a fraud).

[7] *Getty Petroleum Corp.* v. *Bartco Petroleum Corp., supra* note 5. *See also, Reader's Digest* v. *Conservative Digest, Inc.*, 821 F.2d 800, 807 (D.C. Cir. 1987) (profits should be awarded only when a defendant's infringement is "willful" or in "bad faith"); *Nalpac Ltd.* v. *Corning Glass Works*, 784 F.2d 752, 755 (6th Cir. 1986) (to obtain damages the plaintiff must show that the defendant acted deliberately); *Frisch's Restaurant, Inc.* v. *Elby's Big Boy*, 661 F. Supp. 971, 989 (S.D. Ohio 1987) (no damages will be awarded unless there is a showing of fraud or passing off); 2 J.T. McCarthy, Trademarks and Unfair Competition section 30:25 (2d ed. 1984).

[8] *See e.g., Ford Motor Co. v. B&H Supply Inc., 646 F. Supp. 975, 998 (D. Minn. 1986) (where the court denied increased damages despite a finding of willfulness).*

[9] *Getty Petroleum Corp.* v. *Bartco Petroleum Corp., supra* note 5; 1 J. GILSON, TRADEMARK PROTECTION AND PRACTICE section 8.08[2], at 8-178 to 8-179 (1988) (commenting that by including the phrase "not as a penalty," Congress meant to preclude the assessment of punitive damages.)

[10] *Noxell Corp,* v. *Firehouse No. 1 Bar-B-Que Restaurant*, 771 F.2d 521 (D.C. Cir. 1985); 2 J.T. McCarthy, Traddemarks and Unfair Competition section 30:30 (2d ed. 1984).

[11] Kane, Trademark Law: A Practitioner's Guide 251-52 (1987).

[12] Fed. R. Civ. Pro. 65. *See generally* 11 C. Wright and A. Miller, Federal Practice and Procedure section 2941 *et seq.* (1973) (hereinafter cited as Wright and Miller).

[13] Wright and Miller at section 2942.

[14] Wright and Miller at section 2947. *See also, Imperial Chemical, Ltd.* v. *National Distillers and Chemical Corp.* 354 F. 2d 459 (2d Cir. 1965).

Senator HATCH made a proposal to the House. If we could accommodate the Senate on one of its priorities—the Trademark Law Revision Act—we could link the bills and send them to the President in the same package. Senator DECONCINI's subcommittee would forego hearings on the Satellite Home Viewer Act and the Senate would defer to the House entirely on the issue.

Following up on this proposal, my subcommittee and Senator DECONCINI's subcommittee, with valuable input from the minority, engaged in extensive negotiations to achieve a compromise on the trademark law revisions. We achieved such a compromise, that was not only agreeable to the subcommittees but also to the administration and the U.S. Trademark Association as well.

To bring title II to the House floor again has required a bipartisan effort spanning two House committees. I thank the ranking minority member [Mr. MOORHEAD] for his efforts. I would also like to reiterate the efforts of three other subcommittee members who have worked very hard on the legislation. They are Mr. BOUCHER, Mr. SYNAR, and Mr. BRYANT. All of these Members are on the House Committee on Energy and Commerce, and assisted in ensuring forward movement of the Earth station bill. In addition, I very much appreciate the efforts of the chairman of our sister Commerce Committee subcommittee, Mr. MARKEY. The Earth station bill would not have initially passed and would not be before us today if it were not for the close working relationship of our two subcommittees and the respect that we have for each other's work. Last, and certainly not least, I would like to thank the chairman of the Committee on Energy and Commerce, Mr. DINGELL, for his cooperation and support.

Mr. MOORHEAD. Mr. Speaker, I yield myself such time as I may consume.

(Mr. MOORHEAD asked and was given permission to revise and extend his remarks.)

Mr. MOORHEAD. Mr. Speaker, I rise in support of S. 1883 and would like to ask the gentleman from Wisconsin [Mr. KASTENMEIER], a question regarding the amendment to the bill incorporating title II.

I believe that title II—entitled the "Satellite Home Viewer Act of 1988"—is exactly the same as the text of H.R. 2848, previously passed by the House by voice vote on October 5, 1988. Could the gentleman briefly explain the title II amendment and indicate why it is made a part of S. 1883?

Mr. KASTENMEIER. Mr. Speaker, will the gentleman yield?

Mr. MOORHEAD. Mr. Speaker, I yield to the gentleman from Wisconsin.

Mr. KASTENMEIER. Mr. Speaker, the gentleman is completely correct about contents of title II, identical to H.R. 2848, passed by the House 2 weeks ago.

The Satellite Home Viewer Act of 1988 was made a part of this bill essentially as an accommodation to several key Members in the other body. I have been assured after we pass the bill before us, it will be acceptable to the other body and will be passed without amendment and sent directly to the President for his signature.

With the trademark compromise in hand, all we need to do is link the two pieces of the puzzle together and the result is a two-title bill before us today.

One further thought, in order to provide a clear legislative history for Earth station legislation, I must make reference to the House Report, No. 100-887, parts I and II compiled by the House Committee on the Judiciary and the House Committee on Energy and Commerce. I refer back to the debate that occurred on the House floor on October 5, 1988, when we first passed the Satellite Home Viewer Act of 1988. These legislative materials will remain an integral part of the bill's legislative history.

Mr. MOORHEAD. I agree with the explanation of the gentleman from Wisconsin. I would like to add the name of the ranking minority Member of the Subcommittee on Telecommunications and Finance, the gentleman from New Jersey [Mr. RINALDO], to the list of Members we thank.

Last, I would reiterate to the other body that this is a package that we have put together to accommodate the key Senators. Once it arrives in the Senate, the 2-part package cannot be amended with nongermane amendments and then sent back to the House for further consideration. The bill will die if this occurs.

The version of trademark law revision now before us, is dramatically different from the version of the bill considered by the House Judiciary Committee, H.R. 5372. Unlike that bill, this legislation more closely reflects the comprehensive approach to trademark law revision envisioned by S. 1883, which passed the other body last May, and H.R. 4156, the bill I introduced in the House. The legislation before us reflects a compromise and I believe that it enjoys the wide consensus of support that developed around the legislation I introduced. The legislation contains an intent-to-use application system which responds to the needs of American businesses. It balances their need for greater certainty in the marketplace with significant safeguards against abuse. It is consistent with our obligations under the Paris Convention, and at the same time, it eliminates the advantage foreign companies enjoy in applying for U.S. trademark rights. It also replaces the commercial "sham" of token use with a reasonable, workable alternative that preserves the integrity of U.S. trademark law.

A second major element of this legislation is its modernization of section 43(a) of the Lanham Act. Over the past 42 years, section 43(a) has evolved into a Federal law of unfair competition and now serves as a valuable tool for dealing with false advertising. This legislation codifies what the courts are now interpreting section 45(a) to mean and logically extends it to provide that false advertising statements a person makes about another person's goods or services are as actionable as false statements a person makes about his or here own products or services. I would like to make clear that sec. 43(a) should not be construed to preempt State unfair competition laws.

It also assures that appropriate remedies are available under the section by amending the statute to specifically provide that the remedies of injunctive relief, monetary awards and destruction orders are available in actions brought under section 43(a). Here again, this is not an expansion of the law, but merely a codification of what the courts are now doing. For example, seven circuits now hold that monetary relief is available in certain circumstances.

A third element of this legislation is its revisions to the Lanham Act which eliminate "deadwood" trademarks from the register. It reduces the term of registration from 20 to 10 years, it increases the requirements trademark owners must meet in order to maintain their rights and it strengthens the Lanham Act's definition of use in commerce.

The legislation contains many other worthwhile provisions as well and none have sparked any controversy.

There are two major provisions not contained in this legislation which I would like to briefly comment on. Unlike the bill I introduced and the Senate-passed bill, this version of S. 1883 does not include a provision protecting famous distinctive marks from uses by others which will dilute these famous mark's distinctive value and it does not include a provision for a centralized system governing the creation and enforcement of security interests in trademarks.

In conclusion, the version of S. 1883 now before us accomplishes most of what we set our to do when we undertook consideration of trademark law revision earlier this year. Its enactment will represent a major achievement of the 100th Congress, and I urge its adoption.

□ 1630

Mr. KASTENMEIER. Mr. Speaker, I yield 2 minutes to the gentleman from Oklahmla [Mr. SYNAR] who has been both a great help on the trademark bill, and particularly on the Satellite Home Viewer Act of 1988, played a crucial role in the Committee on Energy and Commerce and the Committee on the Judiciary, making sure that that met the test and passed the House.

(Mr. SYNAR asked and was given permission to revise and extend his remarks.)

Mr. SYNAR. Mr. Speaker, let me join in this chorus of approval for this bill which we have before us today. I am particularly interested in title II of S. 1883, because it is also a product of 3 years of negotiation and compromises with a variety of groups, including the cable and movie industries, the backyard dishowners, program distributors, networks and their affiliates, as well as independent stations.

None of these organizations now oppose the bill. As the chairman pointed out, this passed the Committee on Energy and Commerce on which I serve, as well as the Committee on the Judiciary, by voice vote.

Title II of this bill will put dishowners on the same footing as the cable subscribers for the receipt of superstation signals.

A recent court decision has suggested it may be in violation of our copyright laws in this country for satellite carriers to retransmit those signals to home dishowners. The bill creates a temporary compulsory license that expires in 6 years. After 4 years the statutory rate expires and the royalty rate is established by binding arbitration.

It insures the network signals will be available to dishowners in so-called "white areas." The Federal Communications Commission is given the authority to impose syndicated exclusivity on independent signals if it is feasible.

Mr. Speaker, I want to thank the chairman of the subcommittee, the gentleman from Wisconsin [Mr. KASTENMEIER], the gentleman from Virginia [Mr. BOUCHER], the gentleman from Massachusetts [Mr. MARKEY], and the gentleman from Louisiana [Mr. TAUZIN] for their outstanding service in this area, particularly my dear friend, the gentleman from California, [Mr. MOORHEAD] who has assisted us as this title has journeyed through both the Committee on Energy and Commerce and the Committee on the Judiciary.

Mr. MOORHEAD. Mr. Speaker, I yield such time as he may consume to the gentleman from New York [Mr. FISH].

(Mr. FISH asked and was given permission to revise and extend his remarks, and include extraneous matter.)

Mr. FISH. Mr. Speaker, as an original cosponsor of the Trademark Law Revision Act, as introduced by the gentleman from California [Mr. MOORHEAD], I am very pleased with the revised version of S. 1883 that the gentleman from Wisconsin [Mr. KASTENMEIER] has brought to the floor. I was very disappointed by the version of this legislation reported by the subcommittee and this revised bill is a substantial improvement. It retains most of the essential elements found in H.R. 4156 as introduced and should therefore be very well-received by the trademark community and by trademark practitioners.

The list of organizations that have gone on record in support of the Trademark Law Revision Act, as introduced and as passed by the Senate is one of the most impressive I have seen in many years and therefore, submit that list for inclusion in the RECORD. In addition, although the administration opposed the reported version of H.R. 5372, I am confident that it will be able to support the revised bill. I believe it will also gain the acceptance of the other body.

I would like to comment on one provision which was taken out of H.R. 5372 which was reported by the Judiciary Committee and which is not found in this compromise. It would have provided consumers with standing to sue under section 43(a) of the Lanham Act. This provision, which had not been studied or evaluated by anyone for its long-term effects on Federal unfair competition law, would have radically altered the nature of the Lanham Act and would have had the likely effect of turning the Federal courts into a small claims court.

I urge a favorable vote for S. 1883.

SUPPORTERS OF THE TRADEMARK LAW REVISION ACT (S. 1883; H.R. 4156)

(This list is based on correspondence received by the United States Trademark Association; it does not purport to be complete)

INDUSTRY, TRADE AND LABOR ORGANIZATIONS

Chamber of Commerce of the United States, Chemical Manufacturers Association, Intellectual Property Owners, Inc., International Ladies' Garment Workers' Union, International Franchise Association, International Union, UAW.

National Association of Manufacturers Association, Union Label & Service Trade Department AFL-CIO, The United States Trademark Association.

BAR ASSOCIATIONS

American Bar Association—PTC Law Section, American Intellectual Property Law Association, Austin Patent Law Association, California Bar Association, Chicago Bar Association, Colorado Bar Association.

Connecticut Patent Law Association, Licensing Executives Society USA/Canada, Association of the Bar of New York City, New York County Lawyers' Association, The New York Patent, Trademark and Copywright Law Association, Philadelphia Patent Law Association, Utah State Bar.

GOVERNMENT

U.S. Department of Commerce, U.S. Patent and Trademark Office.

CORPORATIONS

Air Products and Chemicals, Inc.; Alcon Laboratories, Inc.; American Cyanamid Company; Amoco Corporation; Apple Computer, Inc.; Ashland Petroleum Company; Becton Dickinson and Company; BP America Inc.; Calvin Klein Cosmetics Corporation; Chevron Corporation.

Control Data Corporation; The Walt Disney Company; The Dow Chemical Company; Dr Pepper Company; Eastman Kodak Company; Eaton Corporation; Eli Lilly and Company; Exxon Corporation; Frito-Lay, Inc.; GameTime.

General Electric Company; Hasbro, Inc.; H.J. Heinz Company; Hewlett-Packard Company; Hillenbrand Industries, Inc.; Hilton Hotels Corporation; Jockey International, Inc.; Kenner Products; Kimberly-Clark Corporation; Kentucky Fried Chicken Corporation.

Kraft, Inc.; McDonnell Douglas Corporation; McIlhenny Inc.; Mack Trucks, Inc.; Mars Incorporated; Miles Laboratories, Inc.; Mrs. Fields Inc.; National Gypsum Company; Nestle Foods Corporation; Ocean Spray Cranberries, Inc.

Opryland USA, Inc.; Owens-Corning Fiberglas Corporation; PepsiCo, Inc.; Phillips Petroleum Company; Pioneer Hi-Bred International Inc.; Pitney Bowes; Pizza Hut, Inc.; Playtex, Inc.; PPG Industries, Inc.; A.H. Robins Company.

Scott Paper Company; Selame Design; The ServiceMaster Company; The Seven-Up Company; Schering-Plough Corporation; SmithKline Beckman Corporation; Sterling Drug Inc.; Taco Bell; Thomson and Thomson, Inc.; Weight Watchers International; United Technologies; White Consolidated Industries, Inc.; Xerox Corporation.

INDIVIDUALS AND LAW FIRMS

Miles J. Alexander (Kilpatrick & Cody); Louis Altman (Laff, Whitesel, Conte & Saret); Andrew Belansky (Christie, Parker & Hale); Birch, Stewart, Kolasch & Birch (Law Offices); Donald W. Canady, Esq.; Charles S. Cotropia, Esq. (Richards, Harris, Medlock & Andrews); Foley & Lardner; Alvin Fross, Esq. (Weiss Dawid Fross Zelnick & Lehrman, P.C.)

Michael A. Grow (Ward Lazarus & Grow); Hamilton, Brook, Smith & Reynolds; Thomas M.S. Hemnes (Foley Hoag & Eliot); Donald O. Jackson, Esq.; Jones, Day, Reavis & Pogue; Sheldon H. Klein (Ward Lazarus & Grow); Ladas & Perry; Laff, Whitesel, Conte, Saret.

John T. Lanahan (Ward Lazarus & Grow); George L. Little, Jr. (Petree Stockton & Robinson); Philip Mallinckrodt (Mallinckrodt & Mallinckrodt); Alfred M. Marks, Esq. (Brumbaugh, Graves, Donohue & Raymond); Mason Mason & Associates; Malcolm McCaleb, Jr., Esq.; James A. Mitchell (Price, Heneveld, Cooper, DeWitt & Litton); George B. Newitt, Esq. (Allegretti & Witcoff, Ltd.)

Vincent N. Pallidino, Esq. (Fish & Neave); Matthew H. Patton (Kilpatrick & Cody); Beverly W. Pattishall (Pattishall, McAuliffe, Newbury, Hilliard & Geraldson); Eve W. Paul (Planned Parenthood Federation of America, Inc.); Sydelle Pittas (Gaston & Snow); Albert Robin (Robin Blecker & Daley); Bruce A. Tassan, Esq. (Dickinson, Wright, Moon, Van Dusen & Freeman); Townsend & Townsend; Ross, Howison, Clapp & Korn; Richard Wallen (Harris, Kern, Wallen & Tinsley); H. Ross Workman (Workman, Nydegger & Jensen).

Mr. MOORHEAD. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, originally the administration had some problems with this legislation but nothing that they had problems with still remains in the bill. I know of no opposition to the legislation. I urge a strong "aye" vote.

Mr. KASTENMEIER. Mr. Speaker, I yield 2 minutes to the gentleman from Massachusetts [Mr. MARKEY].

Mr. MARKEY. Mr. Speaker, I rise in strong support of S. 1883, as amended. S. 1883 incorporates provisions contained in H.R. 2848, the Satellite Home Viewer Act and clarifies the legal status of satellite retransmission of broadcast television signals to home satellite dish owners. The legislation would create an interim statutory license under the Copyright Act of 1976 for the secondary retransmission of superstations and television network stations for private home viewing.

S. 1883 also addresses what has been identified as potentially the greatest threat to a viable home satellite dish industry—piracy. By clarifying the definition of and strengthening the proscriptions against piracy in the Communications Act, S. 1883 will give law enforcement authorities greater ability to stem the growing problem of theft of satellite delivered programming.

Many Members worked tirelessly to craft this consensus legislation. In particular, I want to commend Mr. DINGELL, chairman of the Energy and Commerce Committee, and Mr. KASTENMEIER, chairman of the Courts Subcommittee, for their outstanding leadership of this issue. I also want to commend Mr. TAUZIN, Mr. SYNAR, Mr. BOUCHER, Mr. RINALDO and Mr. MOORHEAD for their leadership on this important issue and for their dedication to increasing programming options for rural Americans.

S. 1883 enjoys the strong support of consumers and affected industries alike. I urge my colleagues to vote for this important legislation.

Mr. Speaker, I would like to include in the RECORD at this point portions of the Energy and Commerce Committee report on H.R. 2848.

REPORT ON H.R. 2848

PURPOSE OF THE LEGISLATION

H.R. 2848, "the Satellite Home Viewer Act", as amended and reported by the Committee, amends the Communications Act of 1934 and the Copyright Act of 1976 for the purpose of ensuring availability of satellite-delivered video programming to home satellite antenna owners. This legislation creates an interim statutory license in the Copyright Act for satellite carriers to retransmit television broadcast signals of superstations and network stations to earth station owners for private home viewing.

H.R. 2848 directs the Federal Communications Commission to institute a proceeding to determine the feasibility of imposing syndicated exclusivity rules for satellite carriage of broadcast signals. The legislation clarifies that violations of any such rules, if enacted by the Commission, are violations of the Communications Act and should be subject to such sanctions and penalties as are contained in the Communications Act. The legislation also clarifies and strengthens current law concerning unauthorized descrambling or interception of satellite-delivered cable programming. Finally, this legislation requires the Commission to initiate an inquiry into the need for a universal decryption standard for home satellite antenna users.

BACKGROUND AND NEED FOR LEGISLATION

*History of the Satellite Cable Programming Industry*

Reception of television signals via backyard satellite dishes began in 1976, one year after Home Box Office Inc. (HBO) began delivering its movies to cable television operators by satellite. At that time, however, reception of such signals by owners of backyard satellite dishes was not authorized by law.

The former Section 605 of the Communications Act of 1934 (amended and redesignated as section 705 by the Cable Communications Policy Act of 1984) made it illegal to receive radio communnications without authorization. In a number of cases in the early 1980's, the courts ruled that the unauthorized reception of pay television signals, including signals intended for use by cable systems, constituted a prohibited "use" of the signal under Section 605 of the Communications Act. (See, e.g., *Chartwell Communications Group* v. *Westbrook*, 637 F. 2d 459 (6th Cir., 1980.)) The FCC took the view that home satellite dish owners receiving satellite signals without authorization were involved in an illegal practice.

Congress conferred full legal status on the television receive-only (TVRO) industry in the Cable Communications Policy Act of 1984 (Cable Act) (P.L. 98-549). The Cable Act expressly legalized the sale and use of backyard dishes. It allowed backyard dish owners to receive satellite-relayed cable programming free-of-charge if the programming is not encrypted, or "scrambled," or if a marketing system authorizing private viewing had not been established. The Cable Act substantially increased penalties for unauthorized signal reception—including reception of scrambled signals. Although the legislation did not require scrambled signals to be sold to backyard dish owners, programmers have an incentive to market scrambled signals to backyard dish owners. During the debate on the legislation, Congress noted an expectation that increased penalties for unauthorized reception of cable services would allow cable programmers to obtain payment for their programming more easily.

Since the passage of the Cable Act, the backyard satellite dish industry has experienced explosive growth, particularly in the South and Midwest. The number of backyard satellite earth stations in operation in the United States has increased from an estimated 5,000 in 1980 to over 2 million today. Complete home receiving systems, which once sold for as much as $36,000, now are advertised for as little as $1,000 or less. In addition, technology has reduced the size of the backyard dish significantly—from the 30-foot-wide dishes of several years ago to dishes approximately six to ten feet in diameter today.

*"Scrambling" of Satellite Cable Programming*

The technological development of home earth station equipment enabled home dish owners to intercept satellite delivered signals that originally were intended to be distributed only to cable systems. Cable systems pay satellite carriers a per subscriber fee for delivering to the system a broadcast signal; the systems then send out the signal over the wire to their subscribers. Dish owners, on the other hand, initially paid no fee to the carriers for the signals they received. In order to impede this unauthorized reception of their satellite-delivered signals, most resale satellite carriers and certain copyright holders in satellite delivered signals decided to encode, or scramble, their signals and to provide descrambling capacity only to paying subscribers.

Many home dish owners have stated objections to the scrambling and current marketing practices of satellite delivered video programming because they believe that they have a right to receive satellite programming at a price comparable to that paid by cable system subscribers to the same programming. Some consumers have expressed concern about the cost of descrambling devices; price discrimination for programming services available to dish owners, and access to the programming available to cable subscribers. The satellite dish industry and most dish owners, however, have consistently agreed that copyright holders deserve to be fairly compensated by viewers of their programming.

In recent years the three major television networks have begun to scramble their satellite feeds to their owned and affiliated stations, and several companies have begun to retransmit, scramble and sell network station and superstation signals to home satellite antenna owners. This practice raises several questions under the Copyright Act of 1976 (Copyright Act.)

The Copyright Act provides that the owner of the copyright has the exclusive right to reproduce, distribute copies of, and publicly perform and display the copyrighted work. (17 U.S.C. Section 106.) A copyright holder generally has the exclusive right to decide who shall make use of his or her work and persons desiring to reproduce, distribute or publicly perform or display the copyrighted work must obtain the copyright holder's consent.

The Copyright Act, however, does contain a limited exception from copyright liability. Currently, under Section 111(a)(3) "passive carriers" are provided an exemption from liability for secondary transmissions of copyrighted works where the carrier "has no direct or indirect control over the content or selection of the primary transmission, or over the particular recipients of the secondary transmission. . ." A carrier's activities with regard to a secondary transmission must "consist solely of providing wires, cables or other communications channels for the use of others." Since most satellite carriers of broadcast station signals scramble the signals and market decoding devices and packages of programming to home dish owners, there is continuing uncertainty about whether or not such carriers are liable under the Copyright Act.

Some analysts of the copyright laws assert that by selling, renting, or relicensing descrambling devices to subscribing earth station owners, a carrier exercises direct control over which individual members of the public receive the signals they transmit. Moreover, it has been claimed that the activities of satellite carriers, which almost always include the scrambling of a broadcast signal, represent a far more sophisticated and active involvement in selling signals to the public than does an act of merely providing "wires, cables, or other communications channels.'

In a March 17, 1986 letter to Representative Robert W. Kastenmeier, Chairman of the Judiciary Committee's Courts, Civil Liberties and Administration of Justice Subcommittee, Mr. Ralph Oman, Registrar of Copyrights, set forth his "preliminary judgment" that the sale or licensing of descrambling devices to satellite earth station owners by common carriers falls outside the purview of the copyright exemption granted "passive carriers" for secondary transmission of copyrighted works, particulary when the carrier itself scrambles the signal. "The exemption failing" Mr. Oman concluded, "The resale carrier requires the consent of the copyright owner of the underlying programming."

Similarly, in testimony before the Telecommunications Subcommittee in 1986, once common carrier, Southern Satellite, which delivers WTBS, stated its belief that the section 111(a)(3) exemption was not available to the carriers of satellite delivered broadcasting programming. Southern Satellite stated:

"[I]f Southern Satellite delivered WTBS to the backyard dish user, there is no provision in the law for a copyright royalty payment to the copyright owner. Although it could be argued that since Southern Satellite is a common carrier and since the TVRO dish owner uses the signal for purely private viewing, there is no copyright liability. However, that position runs directly contrary to the philosophy (section 111) of the Copyright Act and as a result we believe that it is a very tenuous position."

*The Cable Compulsory License*

During the early years of the cable industry, there was continuing controversy over the legal status of cable carriage of broadcast signals. In 1968, the Supreme Court ruled in *Fortnightly Corp.* v. *United Artists Television*, 392 U.S. 390, that cable retransmission of broadcast signals did not constitute infringement of the property rights protected by the Copyright Act of 1909. The Court determined that with regard to the "local signal" question presented in the particular case, cable operated more as a viewer than as a broadcaster, and therefore did not incur copyright liability for retransmitting local signals to its subscribers.

In *Teleprompter Corp.* v. *Columbia Broadcasting System*, 415 U.S. 394 (1974), the Supreme Court reaffirmed its 1968 decision. Further, the Court held that the act of retransmitting distant as well as local signals without permission of the program copyright owner or the broadcast operator did not violate the Copyright Act of 1909. The decision clarified the long standing question whether the Copyright Act of 1909 protected programs transmitted on broadcast signals from being retransmitted by cable operators. Critics of the Court's ruling maintained that the two decisions attenuated programming property rights, which rights, they argued, are a necessary precondition for the successful operation of market forces.

In the 1976 Copyright Act, Congress extended copyright protection to cable retransmissions of broadcast programs. Cable systems were, however, not made fully liable for the use of others' programming, but instead were granted a "compulsory license." The compulsory license gives cable television operators guaranteed access to copyrighted programming carried by television stations in exchange for payment of a specified percentage of the cable system's gross receipts to the Copyright Royalty Tribunal (CRT). This statutory royalty fee is then distributed, based on filings made with the CRT, to the copyright owners whose works are being retransmitted on cable. The net effect of the compulsory license is to allow cable systems, by paying the predetermined fee to the CRT, to retransmit copyrighted programs without purchasing rights in the open marketplace.

Over the past several years, some satellite carriers have contended that the compulsory license covers secondary transmissions of broadcast signals by new technologies such as satellites. At least one court, however, has expressly rejected that contention. In *Pacific & Southern Co., Inc.* v. *Satellite Broadcast Network, Inc.* (D.Ga., 1988, Slip Opinion), the Court held that the cable compulsory copyright license does not cover Satellite Broadcast Network's (SBN) satellite retransmission of broadcast signals to backyard dish owners. In making his ruling, the Judge stated that "The clear statutory definition of 'cable system' contained in the Copyright Act indicates that SBN is not a cable system entitled to a compulsory license to retransmit broadcast signals free from copyright liability."

As a result of the *SBN* decision, it has become increasingly clear that satellite retransmission of broadcast signals for sale to home earth station owners is probably not exempt from copyright liability under present law. The Committee believes that the public interest best will be served by creating an interim statutory solution that will allow carriers of broadcast signals to serve home satellite antenna users until marketplace solutions to this problem can be developed.

*Piracy of Satellite-Delivered Cable Programming*

In general, "piracy" refers to the decoding or decryption of scrambled programming without the authorization of the programmer nor payment for the programming. This theft of service is accomplished by altering legitimate decoders, such as the VideoCipher II, with illicit decoder technology. For example, legitimate chips which decode the services are cloned and placed in decoder boxes to which access is restricted. The Satellite Broadcasting and Communications Association has indicated that there are approximately 350,000-400,000 pirated descramber boxes, compared with about 400,000 untampered boxes.

During the 100th Congress, the Subcommittee on Telecommunications and Finance held two hearings during which the testimony on the problem of piracy was reviewed (July 1, 1987 and June 15, 1988). Testimony at the hearing demonstrated that piracy has become an increasingly distressing problem to the satellite industry and seriously threatens to undermine the industry's survival. According to the testimony submitted to the Subcommittee, piracy most seriously threatens legitimate satellite dealers and satellite programmers, who otherwise would be receiving payment for their programming or descrambling devices.

According to testimony from one satellite dish dealer, "the dealer who sells a chipped [unauthorized] decoder sells it at an average profit of $1000 or more, and usually sells legitimate satellite equipment at his own cost, making all profits on the illegal chips. It is impossible for an honest dealer to compete against this type of price structure."

General Instrument Corp. (GI) the makers of VideoCipher II, has taken several measuers to combat the piracy problem. GI recently announced the introduction of VideoCipher II-Plus System in June 1989, includes, among other things, integrated module, that may be distributed directly to consumers and selected dealers. To descramble signals, consumers will have to insert the cards into their integrated receiver/descramblers. In a further effort to reduce piracy, GI recently announced a plan to monitor more closely the distribution of decoders. Additionally, other industry representatives, including the Satellite Broadcasting and Communications Association, the Motion Picture Association of America, and the National Cable Television Association have increased efforts and resources toward combating the problem.

In response to the piracy problem, the Federal Communications Commission has increased enforcement efforts under Section 705(a) of the Communications Act and Title 18 U.S. Code Section 2511(1), each of which prohibit the unauthorized interception and use of satellite and other radio communications. In a recent report, the Commission recommended that the Congress raise the civil and criminal penalties in Section 705(a) to emphasize the importance of stopping piracy and enhance the ability of law enforcement authorities and aggrieved private parties to deter piracy.

*Need for Legislation*

Despite the explosion in recent years of new technologies and outlets delivering video programming, millions of Americans are not sharing in the programming bounty available from broadcasters or over cable systems. Presently, as many as one to six million households are in areas where the reception of off-air network signals is not possible or is of unacceptable quality. A number of these households are not presently served, and likely never will be served, by cable systems.

The Satellite Broadcasting and Communications Association testified before the Telecommunications Subcommittee that approximately 500,000 of the 2 million households with satellite television antennas subscribe to satellite delivered television networks or independent superstations or both. Each month approximately 10,000 to 15,000 new subscribers are added. Many of these consumers live in rural areas and are dependent upon satellite antenna systems for the delivery of any video programming.

The legality of satellite delivered broadcast signals to home satellite antenna owners is unsettled. For many years, there have been questions about the legality of such carriage under the passive carriage exemption provided under Section 111(a) of the Copyright Act of 1976. In light of the recent *SBN* decision in which a District Court held that the cable compulsory copyright license does not apply to satellite carriers, there is no clearly legal method by which to provide retransmitted broadcast programming to home satellite antenna owners. It is therefore appropriate for the Committee to address this exceedingly important issue. H.R. 2848 resolves the legal issues surrounding provision of broadcast signals to rural America by creating an interim statutory license under the Copyright Act of 1976 for the secondary retransmission of superstations and television network stations for private home viewing.

As a general rule, the Committee does not favor interference with workable marketplace relationships for the transfer of exhibition rights in programming. In the instant case, however, the Committee perceived a need to address an existing problem that may serve to deny millions of American households access to satellite delivered broadcast television signals. This problem has been addressed narrowly, by endorsing a temporary, transitional statutory license to bridge the gap until the marketplace can function effectively.

In establishing a six year sunset on the statutory license, the Committee expects that the marketplace and competition will eventually serve the needs of home satellite dish owners. It is the Committee's expectation that during the pendency of this legislation the home satellite antenna marketplace will grow and develop so that marketplace forces will satisfy the programming needs and demands of home satellite antenna owners in the years to come, eliminating and further need for government intervention.

H.R. 2848 also addresses what has been identified as potentially the greatest threat to a viable home satellite antenna industry, which is the unauthorized decryption or interception of satellite cable programming. Affected industries, consumers, and the Federal Communications Commission all have stated the need for clearer and more stringent penalties for piracy of video signals. The Committee believes that the piracy provision contained in H.R. 2848 provides law enforcement authorities greater ability to stem the growing problem of theft of satellite delivered programming.

HEARINGS

During the 100th Congress, the Committee's Subcommittee on Telecommunications and Finance has held a series of hearings focusing on the public policy implications of the scrambling of satellite-delivered video programming. On July 1, 1987 and June 13, 1988 the Subcommittee held hearings on H.R. 1885, legislation designed, among other purposes, to ensure the continued availability of satellite-delivered video programming. Witnesses at those hearings included: the Honorable Dennis R. Patrick, Chairman, Federal Communications Commission; the Honorable Alfred Sikes, Assistant Secretary for Communications and Information Policy, National Telecommunications and Information Administration; Mr. Larry Carlson, Senior Vice President for Cinemax and New Business Development, Home Box Office; Mr. Ronald Lightstone, Senior Vice President, VIACOM International, Inc.; Mr. James P. Mooney, President and Chief Executive Officer, National Cable Television Association; Mr. B.R. Phillips, II, Chief Executive Officer, National Rural Telecommunications Cooperative; Mr. David G. Wolford, Chief Executive Officer, Home Satellite Services; Mr. Marty Lafferty, Vice President, Direct Broadcast Sales, Turner Broadcasting Systems; Mr. Frederick W. Finn, Esq., Brown and Finn; Mr. Charles C. Hewitt, President, Satellite Broadcasting and Communications Association; Mr. Larry Dunham, VideoCipher Division, General Instruments Corporation; Mr. Donald Berg, Vice President Sales and Marketing, Channel Master; Ms. Millie Fontenot, Owner, Satellite Earth Stations East, Inc.; Mr. George Kocian, Owner Tiverton Dish Farm; Mr. Michael J. Fuchs, Chairman and Chief Executive Officer, Home Box Office, Inc.; Mr. Michael Hobbs, Senior Vice President for Policy and Planning, Public Broadcasting Service; Mr. Winston H. Cox, Chairman and Chief Executive Officer, Showtime/The Movie channel; Mr. Robert L. Schmidt, President, Wireless Cable Association; Mr. Timothy Robertson, President, Christian Broadcasting Network; and Mr. Sid Swartz, President, West, Inc.

The Subcommittee on Telecommunications and Finance held a hearing on H.R. 2848 on Friday, September 23, 1988. Testimony wa received from Mr. Preston R. Padden, President, Association of Independent Television Stations, Inc.; Mr. Mark C. Ellison, Vice President, Government Affairs & General Counsel, Satellite Broadcasting and Communications Association; Mr. Timothy A. Boggs, Vice President Public Affairs, Warner Communications Inc.; and Mr. Steven Effros, President, Community Antenna Television Association.

SECTION-BY-SECTION ANALYSIS

SECTION 1. SHORT TITLE

The short title of the proposed legislation is the "Satellite Home Viewer Act of 1988".

SECTION 2. AMENDMENTS TO TITLE 17, UNITED STATES CODE

Section 2 of the proposed legislation contains amendments to the Copyright Act of 1976: a new section 119 is added to the Act, creating an interim statutory license for the secondary transmission by satellite carriers of superstations and network stations for private home viewing; only necessary technical and cross-referencing amendments are made to section 111 of the Act, regarding the cable television compulsory license.

*Amendments to section 111(a): Cross-references to the cable television compulsory license*

The bill amends section 111(a) by inserting a new clause (4) to clarify that, notwithstanding the carrier exemption to the cable compulsory licensing provisions in section 111(a)(3), a satellite carrier that retransmits superstations and network stations for private home viewing by earth station owners is exempted from copyright liability for such retransmission only if it secures a statutory license under section 119. Section 111(a)(3) remains in effect to exempt from copyright liability passive common carriers that retransmit broadcast signals to cable systems.

*Amendment to section 111(d)(2)(A): Relationship between the cable compulsory license and the statutory license for satellite carriers*

The bill amends section 111(d)(2)(A) to clarify the obligations of both the satellite carrier and the cable system in instances in which a cable system engages in such distributorship activities on behalf of a satellite carrier. In such cases, the satellite carrier has the responsibility for filing statements of account and paying royalties for publicly performing copyrighted programming under the new section 119 statutory license. Under this scheme, a cable system/distributor would segregate the subscription fees collected on behalf of the satellite carrier from those collected from cable subscribers pursuant to the section 111 cable compulsory license. The cable system would only report in its section 111 statements of account the number of cable subscribers served and the amount of gross receipts collected pursuant to section 111, and would pay royalties to section 111.

*New section 119. The interim statutory license for satellite carriers*

Section 119(a). The scope of the license.—Sections 119(a) (1) and (2) establish a statutory license for satellite carriers generally. A license is available where a secondary transmission of the signal of a superstation or a network station is made available by a satellite carrier to the public for private home viewing, and the carrier makes a direct change for such retransmission service from each subscriber receiving the secondary transmission, or from a distributor (such as a cable system) that has contracted with the carrier to deliver the retransmission directly or indirectly to the viewing public.

The bill contains special provisions in sections 119(a) (2) and (5) relating to network stations in recognition of the fact that a small percentage of television households cannot now receive clear signals of the three national television networks. The bill confines the license to the so-called "white areas," that is, households not capable of receiving the signal of a particular network by conventional rooftop antennas, and which have not subscribed, within the 90 days preceding the date on which they subscribe to the satellite carrier's service, to a cable system that provides the signal of a primary network station affiliated with that network.

Utilizing the existing definition in Section 111(f), the new statutory license for retransmission of network stations applies, at the present time, exclusively to those stations owned by or affiliated with the three major commercial networks (ABC, CBS, and NBC) and the stations associated with the Public Broadcasting Service. This distinction is based upon the testimony and written materials supplied by the three commercial networks, which assert that their stations continue to occupy a special role in the television industry.

Under the bill, satellite carriers are provided a limited interim compulsory license for the sole purpose of facilitating the transmission of each network's programming to "white areas" which are unserved by that network. The Committee believes that this approach will satisfy the public interest in making available network programming in these (typically rural) areas, while also respecting the public interest in protecting the network-affiliate distribution system.

This television network-affiliate distribution system involves a unique combination of national and local elements, which has evolved over a period of decades. The network provides the advantages of program acquisition or production and the sale of advertising on a national scale, as well as the special advantages flowing from the fact that its service covers a wide range of programs throughout the broadcast day, which can be scheduled so as to maximize the attractiveness of the overall product. But while the network is typically the largest single supplier of nationally produced programming for its affiliates, the affiliate also decides which network programs are locally broadcast; produces local news and other programs of special interest to its local audience, and creates and overall program schedule containing network, local and syndicated programming.

The Committee believes that historically and currently the network-affiliate partnership serves the broad public interest. It combines the efficiencies of national production, distribution and selling with a significant decentralization of control over the ultimate service to the public. It also provides a highly effective means whereby the special strength of national and local program service support each other. This method of reconciling the values served by both centralization and decentralization in television broadcast service has served the country well.

The networks and their affiliates contend that the exclusivity provided an affiliate as the outlet for its network in its own market is an essential element of the overall system. They assert that by enhancing the economic value of the network service to the affiliate, exclusivity increases the affiliate's resources and incentive to support and promote the network in its competition with the other broadcast networks and the other nationally distributed broadcast and non-broadcast program services.

The Committee intends by this provision to satisfy both aspects of the public interest—bringing network programming to unserved areas while preserving the exclusivity that is an integral part of today's network-affiliate relationship.

Section 119 requires the satellite carrier to notify the network of the retransmission of its signal by submitting to the network a list identifying the names and addresses of all subscribers to that service. In addition, on the 15th of each month the satellite carriers must submit to the network a list identifying the names and addresses of the subscribers added or dropped since the last report. These notifications are only required if the network has filed information with the Copyright Office concerning the name and address of the person who shall receive the notification. Special penalties are provided for violations by service outside the "white areas." Willful or repeated individual violations of the "white area" restrictions are subject to ordinary remedies for copyright infringement, except that no damages may be awarded if the satellite carrier took corrective action by promptly withdrawing service from ineligible subscribers, and statutory damages are limited to a maximum of $5.00 per month for each ineligible subscriber.

If the satellite carrier engages in a willful or repeated pattern or practice of violations, the court shall issue a permanent injunction barring the secondary transmission by the satellite carrier of the primary transmission of any network station affiliated with the same network. The injunction would be applicable within the geographical area within which the violation took place—whether local, regional, or national. If the satellite carrier engages in a pattern of violations, the statutory damages maximum is $250,000 for each six month period, but only with regard to persons who subscribed on or after July 7, 1988.

By amendment of section 501 of title 17, United States Code, a network station holding a license to perform a particular version of a work is treated as a legal or beneficial owner of the work if the secondary transmission by satellite carrier occurs within the local service area of the station, for purposes of infringement under section 119(a)(5).

*Noncompliance with Reporting and Payment Requirements.* Section 119(a)(3) provides that a satellite carrier is also subject to full copyright liability if the carrier does not deposit the statement of account or pay the royalty required by Subsection (b) or has failed to make the submissions to the networks required by paragraph 2(c).

*Discrimination by a satellite carrier.* Section 119(a)(6) provides a cause of action against a satellite carrier's "willful or repeated" retransmission of the signals of superstations and network stations to the public for private home viewing (under sections 502 through 506 and 509 of the Copyright Act) if the satellite carrier unlawfully discriminates against any distributor.

This section is intended primarily to protect against misconduct by a satellite carrier exercising the statutory license granted by the Act. The Committee wishes to stress that this subsection, along with subsections 119(a)(3) and 119(a)(4), establish limitations on the scope of the license granted by this Act. In each case, copyright infringement remedies are provided as recourse against abuse of the license by a satellite carrier.

The Committee agrees with the assessment of the Judiciary Committee, expressed in its report on H.R. 2848, that the regulatory status under the Communications Act of the sale of superstations or network stations for private home viewing by dish owners is largely unresolved.

Some of the superstation signals will be provided under the statutory license granted by this Act by certain resale carriers that were licensed by the FCC under Title II of the Communications Act. The Commission licensed these carriers to provide common carrier transmission service of these stations to cable headends for their retransmission to cable subscribers.

These transmissions are common carrier services to Title II of the Communications Act and the passive carrier exemption of the Copyright Act. The situation changes, however, when these carriers engage in the sale of the programming they transmit. The Commission's current rules do not address the regulatory status of these carriers when they sell the programming directly to the public.

The matter is further complicated by the fact that deregulatory initiatives over the last several years at the Commission have led to a situation in which there in unlicensed, open entry for what amounts to a C-Band direct broadcast satellite service. Some entities, such as Netlink, have entered the market as an unregulated service providers, not as common carriers. They are not licensed under Title II of the Communications Act, but they will qualify for the statutory license under this Act and will provide superstation and network stations in the same home earth station market as their competitors, the Title II carriers.

The resolution of these issues must rest with the Commission. The Committee does not wish to prejudge or direct the FCC's resolution of these questions with the enactment of this legislation. However, the Committee is aware that neither the Communications Act nor the FCC's current rules currently bar discrimination against distributors of superstation or network station signals for private viewing.

Nothing in this Act affects the authority of the Commission to promulgate rules to address such discrimination and, in fact, this legislation amends the Communications Act with a new Section 713 directing the FCC to examine whether and to what extent such discrimination actually occurs. If the Commission finds regulations on discrimination against distributors of superstations and network stations to home stations to be necessary and in the public interest, it mayb establish such rules.

The Committee notes that the term "discrimination" as it is used in section 119(a)(6) of the Copyright Act is expressly limited to discrimination within the jurisdiction of the Commission pursuant to the Communications Act. The purpose of section 119(a)(6) is to make certain discriminatory acts involving particular parties actionable under the Copyright Act. In adopting this language, the Committee does not intend the Commission to address issues and concerns that are outside its jurisdiction and expertise.

*Geographic limitation.* Section 119(a)(7) provides that the statutory license created in section 119 applies only to secondary transmissions to households located in the United States, or any of its territories, trust possessions, or possessions. This section parallels section 111(F) or title 17, United States Code, which applies to cable television.

*Section 119(b) Operation of the statutory license for satellite carriers.*

*Requirements for a license.* The statutory license provided for in section 119(a) is contingent upon fulfillment of the administrative requirements set forth in section 119(b)(1). That provision directs satellite carriers whose retransmissions are subject to licensing under section 119(a) ot deposit with the Register of Copyrights a semiannual statement of account and royalty fee payment. The dates for filing such statements of account and royalty fee payments and the six-month period which they are to cover to be determined by the Register of Copyrights.

The statutory royalty fees set forth in section 119(b)(1)(B) are twelve cents per subscriber per superstation signal retransmitted and three cents for each subscriber for each network station retransmitted. These fees approximate the same royalty fees paid by cable households for receipt of similar copyrignted signals and are modeled on those contained in the 1976 Copyright Act. Royalty fees for retransmission of a network station would be ¼ those of an independent station, since "the viewing of nonnetwork programs on network stations is considered to approximate 25 percent." H. Rept. 94-1476, 94th Congress, 2d Session (1976). The copyright owners of these nonnetwork programs would be entitled to receive compensation for the retransmission of the programs to "white areas". Owners of copyright in network programs would not be entitled to compensations for such retransmissions, since those copyright owners are compensated for national distribution by the networks when the programming is acquired. The statutory fees set forth in this section apply only in the limited circumstances described in section 119(c).

*Collection and distribution of royalty fees.* Section 119(b)(2) provides that royalty fees paid by satellite carriers under the statutory license shall be received by the register of Copyrights and, after the Register deducts the reasonable cost incurred by the Copyright Office in administering the license, deposited in the Treasury of the United States. The fees are distributed subsequently, pursuant to the determination of the Copyright Royalty Tribunal under chapter 8 of the Copyright Act of 1976.

*Persons to whom fees are distributed.* The copyright owners entitled to participate in the distribution of the royalty fees paid by satellite carriers under the license are specified in section 119(b)(3).

*Procedures for distribution.* Section 119(c)(4) sets forth the procedure for the distribution of the royalty fees paid by satellite carriers, which parallels the distribution procedure under the section 111 cable compulsory license. During the month of July of each year, every person claiming to be entitled to license fees must file a claim with the Copyright Royalty Tribunal, in accordance with such provisions as the Tribunal shall establish. The claimants may agree among themselves as to the division and distribution of such fees.

After the first day of August of each year, the Copyright Royalty Tribunal shall determine whether a controversy exists concerning the distribution of royalty fees. If no controversy exists, the Tribunal—after deducting reasonable administrative costs—shall distribute the fees to the copyright owners entitled or their agents. If the Tribunal finds the existence of a controversy, it shall, pursuant to the provisions of chapter 8, conduct a proceeding to determine the distribution of royalty fees.

The bill does not include specific provisions to guide the Copyright Royalty Tribunal in determining the appropriate division among competing copyright owners of the royalty fees collected from satellite carriers under section 119.

*Section 199(c)—Alternative methods for determining royalty fees applicable during two phases of the statutory license for satellite carriers.* The bill establishes a four-year phase and a two-year phase for the statutory license for satellite carriers; in each phase the royalty fee is determined in a different manner. In the first (four year) phase, pursuant to section 119(c)(1), the statutory fees established in section 119(b)(1)(B) (twelve cents per subscriber per superstation signal retransmitted and three cents per subscriber per network signal retransmitted) shall apply. The first phase shall be in effect from January 1, 1989, until December 31, 1992. In the second phase, the fee shall be set by the voluntary negotiation or compulsory arbitration procedures established in sections 119(c)(2) and 119(c)(3).

Section 119(c)(2) requires the Copyright Royalty Tribunal to initiate voluntary negotiation proceedings between satellite carriers, distributors, and copyright owners, eighteen months before the bill's first phase runs out, to encourage the parties to negotiate a fee for the second phase before the statutory fee expires. The parties may designate common agents to negotiate, agree to, or pay the relevant fees; if the parties fail to do so, the Copyright Royalty Tribunal shall do so, after requesting recommendations from the parties. The costs of the negotiation proceeding shall be paid by the parties. If the parties reach a voluntary agreement, copies of the agreement must be filed in a timely manner with the Copyright Office, and the negotiated fee will remain in effect from the date specified in the agreement until December 31, 1994.

If some or all of the parties have not voluntarily negotiated a fee for the second phase by December 31, 1991, twelve months before the expiration of the first phase, section 119(c)(3) provides that the Copyright Royalty Tribunal shall initiate a compulsory arbitration proceeding for the purpose of determining a reasonable royalty fee to be paid under section 119 for the second phase. The Tribunal shall publish notice of the initiation of the proceeding as well as a list of potential arbitrators. Within ten days of the publication of this notice, one arbitrator must be chosen by the copyright owners and one by the satellite carriers and their distributors. The two arbitrators must choose a third arbitrator from the list within ten days.

The three arbitrators (Arbitration Panel) shall have sixty days from the publication of the initial notice to conduct an arbitration proceeding and to determine a royalty fee, using guidelines specified in the bill. All costs involved in this proceeding must be paid for by the parties. The Arbitration Panel shall submit its determination in the form of a report, along with the written record, to the Copyright Royalty Tribunal. The Tribunal shall have sixty days to review the report and either accept or reject the Panel's determination and publish the action in the Federal Register. If the Tribunal rejects the determination, the Tribunal shall, within the same sixty day period, issue an order setting the royalty fee. Thus, within 120 days of the publication of the initial notice, a new royalty fee shall be determined through a compulsory arbitration procedure, to be effective from January 1, 1993, until December 31, 1994, or until modified by the United States Court of Appeals for the District of Columbia Circuit pursuant to section 199(c)(4). The fee shall apply to all copyright owners, satellite carriers, and distributors not party to a voluntary agreement.

Section 119(c)(3)(D) provides guidelines by which the Arbitration Panel shall determine royalty fees. In particular, the Panel must consider the approximate average cost to a cable system for the right to secondarily transmit to the public a primary transmission made by a broadcast station.

Section 119(c)(4) provides that the rate adopted or determined by the Copyright Royalty Tribunal pursuant to the compulsory arbitration proceeding may be appealed to the District of Columbia Circuit Court of Appeals within thirty days of publication. However, while appeal of the rate is pending, satellite carriers would still be required to deposit statements of account and royalties and to pay royalty fees calculated under the rate that is at issue on appeal. The bill gives the court jurisdiction to enter its own determination with respect to the royalty rate, to order the repayment of any excess fees deposited under section 119(b)(1)(B), and to order the payment of any underpaid fees with interest, in accordance with its final judgment. The court may also vacate the Tribunal's decision and remand the case for further arbitration proceedings.

*Section 119(d)—Definitions.* A "distributor" is defined as any entity which contracts with a carrier to distribute secondary transmissions received from the carrier either as a single channel, or in a package with other programming, to individual subscribers for a private home viewing, either directly or indirectly through other program distribution entities.

The terms "primary transmission" and "secondary transmission" are defined so as to have the same meaning under section 119 as they have under section 111.

The term "private home viewing" is defined as viewing, for private use in an individual's household by means of equipment which is operated by such individual and which serves only such individual's household, of a secondary transmission delivered by satellite of a primary transmission of a television broadcast station licensed by the FCC.

A "satellite carrier" is broadly defined as an entity that uses the facilities of a domestic service licensed by the FCC and that owns or leases a capacity or service on a satellite in order to provide the point-to-multipoint relay of television station signals to numerous receive-only earth stations, except to the extent the entity provides such distribution pursuant to tariff that is not restricted to private home viewing.

The term "network station" has the same meaning as that term in section 111(f) and includes a translator station or terrestrial satellite station that rebroadcasts the network station.

A "primary network station" is a network station that broadcasts the basic programming service of one particular national network.

The term "subscriber" is defined as an individual who receives a secondary transmission service for private home viewing by means of a satellite transmission under section 119, and pays a fee for the service, directly or indirectly, to the satellite carrier or to a distributor.

A "superstation" is defined as a television broadcast station, other than a network station, that is licensed by the Federal Communications Commission and that is retransmitted by a satellite carrier.

The term "unserved household" means a household that with respect to a particular television network, (A) cannot receive, through use of a conventional outdoor antenna, a signal of Grade B intensity (as defined by the FCC, currently in 47 C.F.R. section 73.683(a)) of a primary network station affiliated with that network, and (B) has not, within 90 days before the date on which the household subscribes (initially or upon renewal) to receive by satellite a network station affiliated with that network subscribed to a cable system that provides the signal of a primary network station affiliated with that network.

Because the household must be able to receive the signal of a "primary" network station to fall outside the definition of unserved household, a household that is able to receive only the signal of a secondary network station, which would be defined as "unserved" if it is a station affiliated with two or more networks that does not broadcast or rebroadcast the basic programming service of any single national network.

*Section 119(e)—Exclusivity of the statutory license.* The bill explicitly provides that neither the cable compulsory license, nor the exemptions of section 111 (such as the passive carrier exemption) can be construed during the six-year statutory license period to apply to secondary transmissions by satellite carrier for private home viewing of programming contained in a superstation or network station transmission. Unless the statutory license of section 119 is obtained, during the six-year interim period the secondary transmission by satellite carrier for private home viewing can take place only with consent of the copyright owner.

SECTION 3. SYNDICATED EXCLUSIVITY; REPORT ON DISCRIMINATION

Section 3 amends Title VII of the Comunications Act by adding several new sections as follows:

*Section 712(1) Syndicated Exclusivity*

The bill directs the Federal Communications Commission (FCC), within 120 days after the date of enactment, to undertake a combined inquiry and rulemaking proceeding regarding the feasibility of imposing syndicated exclusivity rules for private home viewing. The Committee believes strongly that it is necessary and appropriate that the Commission undertake this Inquiry pursuant to its authority under the Communications Act. The FCC has had sole responsibility for addressing and administering the syndicated exclusivity rules in the past, and will continue to have sole responsibility under this legislation.

Free local over-the-air television stations continue to play an important role in providing the American people information and entertainment. The Committee is concerned that changes in technology, and accompanying changes in law and regulation, do not undermine the base of free local television service upon which the American people continue to rely. The Committee is concerned that retransmissions of broadcast television programming to home earth stations could violate the exclusive program contracts that have been purchased by local television stations. Depriving local stations of the ability to enforce their program contracts could cause an erosion of audiences for such local stations because their programming would no longer be unique and distinctive.

Accordingly, the Committee directs the Federal Communications Commission to consider the feasibility of imposing syndicated exclusivity rules with respect to satellite retransmission of television broadcast programming. In the Committee's view, it is reasonable to premise a grant of a statutory license on the existence of appropriate safeguards to protect the rights of other parties who might be affected by the grant of such statutory licenses.

The Committee also believes that while some adjustments may be necessary or appropriate to reflect the differences between cable and satellite technologies, the cable television syndicated exclusivity rules could serve as a model for rules governing the satellite industry.

The Committee directs the Commission to undertake a comprehensive assessment of the feasibility of imposing syndicated exclusivity. The Inquiry should be broadbased and balanced. The mere fact that imposition of, or compliance with, syndicated exclusivity rules might be incrementally more costly for satellite carriers shall not be deemed to render such rules as not "feasible" as that term is used in this section.

*Section 712(2)*

In the event the Commission adopts rules imposing syndicated exclusivity for private home viewing, the bill provides that violations of such rules shall be subject to the remedies, sanctions and penalties under Title V and Section 705 of the Communications Act.

The Committee amendment clarifies that violations of the syndicated exclusivity rules are to be enforced by the sanctions and penalties provided in the Communications Act.

*Section 713 Discrimination*

The bill directs the FCC within a year of the enactment of this Act, to prepare and submit a report to the Senate Committee on Commerce, Science and Transportation and the House Committee on Energy and Commerce on whether, and the extent to which, there exists unlawful discrimination against distributors of secondary transmissions from satellite carriers.

The Committee notes that the term "discrimination" as it is used in new Section 713 of the Communications Act and new Section 119(a)(6) of the Copyright Act is expressly limited to discrimination within the jurisdiction of the Commission pursuant to the Communications Act. The purpose of Section 119(a)(6) is to make certain discriminatory acts involving particular parties actionable under the Copyright Act. In adopting this language, the Committee does not intend the Commission to address issues and concerns that are outside its jurisdiction and expertise.

SECTION 4. INQUIRY ON ENCRYPTION STANDARD

This section amends section 705 of the Communications Act to require the FCC, within six months after the date of enactment of this legislation, to initiate an inquiry concerning the need for a universal encryption standard that permits the decryption of satellite cable programming intended for private viewing by home satellite antenna users.

The FCC currently has no such standards. To date, this situation has not created a significant problem because, to the Committee's knowledge, all satellite cable programming networks that have scrambled have done so using the VideoCipher II technology developed by General Instrument Corp. Any home satellite earth station owner presently need only purchase a single descrambling unit, either as a stand-alone module or built into their satellite systems, in order to descramble any programming service they might wish to purchase.

Recently, however, technological and market developments raise the possibility that this situation may change. Manufacturers are developing new decryption technologies for the market. General Instrument Corp. and other companies are working on decryption systems that may provide programmers with greater signal security and home earth station owners with greater descrambling capacity.

The Committee believes that more information is needed to determine whether a universal, decryption standard is needed or would be helpful. Accordingly, the Commission is instructed to begin an Inquiry that will take into account consumer costs and benefits; the incorporation of technological enhancements, including advanced television formats; whether such standard would be effective in preventing present and future unauthorized decryption of satellite programming; the costs and benefits of such standard on other authorized users of encrypted satellite cable programming, including cable and Satellite Master Antenna Television (SMATV) systems; the impact of any market disruption that would occur because of the time delays necessary for the establishment of such standard by the Commission; and the effect of such standard on competition in the manufacture of decryption equipment.

If the Commission finds, as a result of the information gathered from the Inquiry and from other information before the Commission, that a universal encryption standard is in the public interest, the Committee intends for the Commission to move immediately to initiate a rulemaking to establish such a standard.

SECTION 5. PIRACY OF SATELLITE CABLE PROGRAMMING

Section 5 of the Act amends Section 705 of the Communications Act pertaining to the piracy of satellite cable programming. The Committee's amendment is intended to deter piracy practices by (1) stiffening applicable civil and criminal penalties, (2) expanding standing to sue, and (3) making the manufacture, sale, modification, importation, exportation, sale or distribution of devices or equipment with knowledge that its primary purpose is to assist in unauthorized decryption of satellite cable programming expressly actionable as a criminal act.

The Committee believes these changes are essential to preserve the long-term viability of the TVRO industry. It has been estimated that more than one-third of the one million VideoCipher II descramblers (the industry's *de facto* standard) sold by manufacturer General Instrument have been compromised by black market decoding chips. Unquestionably, piracy is costing those who hold rights in satellite-delivered cable programming tens of millions of dollars in revenues.

The piracy problem is rampant both among commercial users of the VideoCipher II (hotels, lounges, and other establishments) and among private home users. The depth of the problem is such that there has been a steady increase in the number of new prosecutions and civil suits brought against alleged "pirates."

The Committee wants to give both prosecutors and civil plaintiffs the legal tools they need to bring piracy under control. The Committee commends and encourages inter-industry efforts to deal with piracy, and believes the new remedies and increased penalties adopted through this provision will contribute to these important efforts.

The Committee has noted reports that the Federal Bureau of Investigation has notified FBI field offices, through its Manual of Investigative and Operational Guidelines (MIOG), that investigating satellite signal theft is "not a top priority." The Committee admonishes relevant authorities and government entities, including the FBI, to expend the resources necessary to attack massive and increasing levels of piracy.

Mr. MOORHEAD. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I had been asked by the Gentleman from New Jersey [Mr. RINALDO], the ranking Republican on the Subcommittee on Telecommunications to note that the amendment to this bill is identical to the bill H.R. 2848 which the House passed earlier this month on the suspension calendar, which he understands the amendment is necessary to insure Senate passage of the provisions of H.R. 2848; and the Republican members of the Committee on Energy and Commerce are aware of the amendment and have no objections to it; only their desire to see that the network and superstation programming is made available to dish owners.

Since the amendment will accomplish that goal, they support it wholeheartedly.

Mr. Speaker, I yield back the balance of my time.

Mr. KASTENMEIER. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro temore (Mr. MURTHA). The question is on the motion offered by the gentleman from Wisconsin [Mr. KASTENMEIER] that the House suspend the rules and pass the Senate bill, S. 1883, as amended.

The question was taken; and (two-thirds having voted in favor thereof), the rules were suspended and the Senate bill as amended, was passed.

A motion to reconsider was laid on the table.