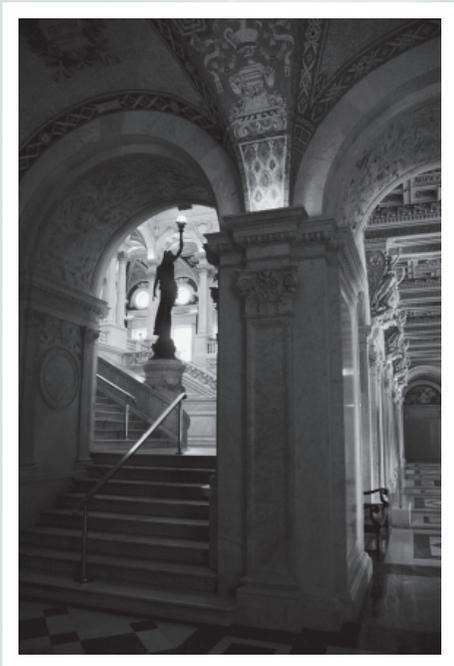


Regulatory activities, policy assistance, and litigation



Sculpture of a torch-bearing female figure graces one of the grand staircases in the Great Hall of the Thomas Jefferson Building.

COPYRIGHT OFFICE REGULATIONS

The Register of Copyrights is authorized under §702 of the copyright law to establish regulations for the administration of the copyright law. In addition to regulatory activities discussed elsewhere in this report, regulations issued during fiscal 2006 included the following:

Preregistration of Certain Unpublished Copyright Claims

On July 22, 2005, pursuant to the Artists' Rights and Theft Prevention Act of 2005 (the ART Act), Title I of the Family Entertainment and Copyright Act of 2005, the Copyright Office proposed regulations for the preregistration of certain classes of unpublished works that are being prepared for commercial distribution. As part of this rulemaking process, the Register evaluated and proposed the classes of works to be eligible for preregistration based on prior history of pre-release infringement and other statutory requirements. The initial proposed rule and a Supplemental Notice of Proposed Rulemaking elicited ten comments regarding the proposed classes and preregistration procedures, and 230 comments regarding the utility of employing the particular web browser that had been tested for filing preregistration forms with the Copyright Office, an issue that had been raised in the supplemental notice. On October 27, 2005, the Office issued an interim regulation in which it identified motion pictures, sound recordings, musical compositions, literary works being prepared for publication in book form, computer programs, and advertising or marketing photographs as the six classes of works eligible for preregistration, and announced that preregistration would be available as of November 15, 2005.

Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies

Pursuant to 17 USC §1201(a)(1), the Office initiated a triennial rulemaking proceeding to determine what, if any, exceptions to title 17's prohibition on circumvention of access controls are currently warranted. The Office received seventy-four written comments and thirty-five reply comments pursuant to its Notice of Inquiry, conducted four days of public hearings in Washington, DC, and Palo Alto, California, pursuant to its Notice of Public Hearings, and consulted with the National Telecommunications and Information Administration. The Office will make its recommendation to the Librarian of Congress early in fiscal 2007.

Fees

The Copyright Office adjusted its fees to account for an increase in its costs. Under §708 of the copyright law, the Office completed a cost study, and for services specifically enumerated in §708(a)(1)–(9) (statutory fees), the Office submitted the cost study and proposed fee schedule to Congress on March 1, 2006. The copyright law provides that the statutory fees may take effect 120 days after submission, unless Congress enacts a law disapproving the new fees. In addition, on March 28, 2006, the Copyright Office published a notice of proposed rulemaking which informed the public about the proposed new statutory fees, and about the new discretionary fees, which are fees not subject to congressional review. The most significant change was the increase of the basic registration fee to \$45. The notice of proposed rulemaking indicated that new fees would be implemented on July 1, 2006, assuming no legislative action was undertaken before that date. On June 1, 2006, the Office published a final rule in the *Federal Register* adopting the new fees with two exceptions. A proposed fee increase for preregistration was eliminated, and a proposed increase for group registration of photographs was reduced to the fee for basic registration. The new fees went into effect on July 1, 2006.

Notices of Termination

The Copyright Office issued a technical amendment clarifying the determination of the date on which a notice of termination is deemed served. Copyright Office regulations (37 *CFR* §201.10) establish procedures governing the form, content and manner of service of notices of termination of transfers and licenses under sections 203 and 304 of the copyright law. Regarding service of a notice of termination, the regulation authorizes the use of first class mail. In order to record a notice of termination, the regulation further requires that the copy submitted for recordation set forth the date the notice was served. While the proper reading of the regulation was that the date of service with respect to first-class mail is the day the notice of termination was deposited with the United States Postal Service, there was confusion on this matter which led to ambiguous statements regarding date of service. The technical amendment added a clarification that the proper date of service was the day the notice was deposited with the U.S. Postal Service.

Electronic Payment of Royalties

The copyright law assigns the Copyright Office various responsibilities associated with the administration of the statutory licenses. These responsibilities include collecting copyright royalty fees for ultimate distribution to copyright owners from cable operators, satellite carriers, and manufacturers and distributors of digital audio recording technology and media. Under a proposed amendment of its regulations, the Copyright Office proposed eliminating the option of submitting payments by certified or cashier's check, and instead requiring that all payments be made by electronic funds transfer. The *Federal Register* notice stated that over 95% of payments were being made by electronic funds transfer, and that remitters secured several advantages through this process. The Office received no comments on the proposed change, and published a final rule implementing the amended regulation.

Retransmission of Digital Broadcast Signals Pursuant to §111

The Office published a Notice of Inquiry to address matters regarding the simultaneous retransmission of digital and analog broadcast signals as well as the secondary retransmission of multiple streams of digital broadcast content and to

determine whether it is necessary to amend its regulations and the cable Statement of Account forms. The Office is seeking comment on several issues associated with the secondary transmission of digital television broadcast signals by cable operators under §111 of the copyright law and the appropriate methodology for reporting carriage of these types of signals. Among the issues that need to be addressed are the identification of a digital signal's local television market and the correct calculation of royalty fees for the simultaneous carriage of a station broadcast signal in both analog and digital formats. The Notice also seeks comment on cable operators' marketing and sales practices and equipment issues associated with the retransmission of digital broadcast signals to determine whether fees for these ancillary items should be included in a cable system's calculation of its gross receipts.

Adjustment of Cable Statutory License Royalty Rates

Cable operators may retransmit to their subscribers over-the-air broadcast signals under the statutory license in §111 of the copyright law. Royalty fees for this license may be readjusted every five years. Rate adjustment proceedings are initiated upon receipt of a petition from a party with a significant interest in the royalty rates. In 2005, a window year for adjusting the rates for the cable license, the Office received two such petitions and prepared to initiate a Copyright Arbitration Royalty Panel proceeding to adjust the rates. The parties to the proceeding, however, reached a settlement and submitted the rate changes to the Librarian for publication in the *Federal Register*. Having received no opposition to the proposed rate adjustments, the rates paid by cable operators for the retransmission of over-the-air broadcast signals were increased, as were the gross receipts limitations determining the calculation of the royalty fees. No adjustment was made to the 3.75 percent rate for carriage of non-permitted signals.

Cable Compulsory License Reporting Practices

The Copyright Office has sought comment on several possible amendments to the rules governing the reporting practices of cable operators under §111 of the copyright law. The Office initiated a Notice of Inquiry to address reporting practice matters raised by the program suppliers in their 2005 Petition for Rulemaking. The Notice sought comment on how cable operators report certain information relating to gross

receipts, service tiers, subscribers, headend locations and cable communities on the statements of account they file with the Office. The Notice also sought comment on possible revisions to the statement of account forms that would be necessary if the Office adopted new cable reporting practice requirements.

Correction of Certain Errors in Certificates of Registration of Vessel Hull Designs

The Copyright Office issued an interim rule establishing procedures for correcting certain errors in certificates of registration for vessel hull designs. Pursuant to the new rule, if the Office discovers that it made a clerical or typographical error on a certificate of registration, it will issue a corrected certificate. If a similar error in a certificate is discovered by an owner of a registered design, the owner may submit an application for correction of the certificate of registration.

[Docket numbers and dates of Federal Register documents issued during fiscal 2006 are listed in an appendix of this Report.]

REPORTS AND LEGISLATION

The Copyright Office provides advice and testimony to Congress on copyright matters and proposed copyright legislation, and undertakes studies and provides authoritative reports on current issues affecting copyright.

Hearings

The Register of Copyrights or her designee presented testimony in seven congressional hearings during fiscal 2006, two of which dealt with the Copyright Office budget. The subjects of the other five hearings were:

Before the Subcommittee on Courts, the Internet, and Intellectual Property of the House Committee on the Judiciary —

- Orphan works on March 8, 2006

- Remedies for small copyright claims on March 29, 2006
- Music licensing reform on May 16, 2006
- Fashion design protection on July 27, 2006

Before the Subcommittee on Intellectual Property of the Senate Committee on the Judiciary —

- Orphan works on April 6, 2006

Orphan Works

Orphan works are copyright-protected works whose owner cannot be identified or located. The Associate Register for Policy and International Affairs testified in two hearings regarding the Copyright Office's *Report on Orphan Works*, published in January 2006. The Office prepared the report at the request of Senators Orrin Hatch, then Chairman, and Patrick Leahy, ranking member of the Senate Committee on the Judiciary. In 2005, the Office had received more than 850 written comments from the public and held two roundtable discussions and dozens of informal meetings with interested parties. The Office then submitted its report and recommendations on orphan works to Congress in January 2006.

The Report indicated that when the user is unable to find the owner of an orphan work, even after a reasonably diligent effort to identify or locate the owner, the user faces uncertainty about whether or under what conditions the owner would permit use. The user cannot reduce the risk of copyright liability because there is always a possibility that a copyright owner could bring an infringement action after that use has begun.

Such a situation forestalls a possibly productive and beneficial use of the work merely because the user cannot locate the owner. This outcome is not in the public interest, particularly where the copyright owner no longer exists or otherwise does not care to restrain the use of his work.

The numerous comments on the orphan works problem proposed solutions that fell into four categories: solutions that already exist under current law and practice; non-legislative solutions (e.g., improved databases for locating owners of works); legislative solutions that involve a limitation on remedies when a user uses an orphan work; and other legislative solutions (e.g., deeming all orphaned works to be in the public domain). Most of the comments focused on various aspects of the third category, legislative proposals involving a limitation on remedies.

The Office concluded that the orphan works problem is real, but is elusive to quantify and describe comprehensively; many orphan works situations are not addressed by existing copyright law; and legislation is necessary to provide a meaningful solution to the problem. The Report recommended that the orphan works issue be addressed by amending the copyright law's remedies section to cover two main components: the threshold requirements of a reasonably diligent search for the copyright owner and attribution to the author and copyright owner; and the limitation of remedies that would be available if the user proves that he conducted a reasonably diligent search but could not find the copyright owner. In the report, the Office supplied suggested legislative language. A slightly modified version of the Office's proposal was introduced as the Orphan Works Act of 2006 (H.R. 5439) with additional modifications. The Orphan Works Act was subsequently incorporated into the proposed Copyright Modernization Act of 2006 (H.R. 6052) (see "Other Legislation and Studies" below).

Remedies for Small Copyright Claims

The Office contributed to a March 29, 2006, hearing on "remedies for small copyright claims" by preparing written testimony for the House Subcommittee on Courts, the Internet, and Intellectual Property. The testimony outlined many of the challenges to enforcing small-dollar amount copyright infringement claims in federal court, such as expensive attorney's fees, lengthy and costly discovery processes, and the uncertainty of prevailing and recovering these costs. These burdens are greatest on those authors who have modest finances to support the litigation. The Office offered to conduct a study of this matter. Congress placed the authorization for the proposed study in the pending legislation related to orphan works (see the Copyright Modernization Act of 2006 under "Other Legislation and Studies" below).

Music Licensing Reform

Discussions and negotiations continued during 2006 about how to modernize §115 of the copyright law to provide an efficient and reliable mechanism whereby legitimate music services would be able to clear all of the rights necessary to make large numbers of musical works quickly available by electronic means while ensuring that the copyright holders are fairly compensated. The discussions this year were primarily among interested parties and congressional staff, culminating in the drafting of the

proposed Section 115 Reform Act of 2006 (SIRA), H.R. 5553. The Copyright Office periodically participated in these continuing negotiations when requested, and provided its comments on SIRA to the House Subcommittee on Courts, the Internet, and Intellectual Property as part of an oversight hearing on May 16, 2006. The Office's comments focused on supporting SIRA's blanket licensing approach, the designation of agents to administer the licensing process, and the rate setting process. However, the Office also expressed serious reservations about several aspects of the proposed legislation. In late summer, the Subcommittee postponed further action on SIRA, but subsequently incorporated it into the Copyright Modernization Act of 2006 (H.R. 6052), which Congress did not pass. It is likely that discussions regarding SIRA, or some variation thereof, will continue into the next Congress.

Fashion Design Protection

The Office submitted written testimony for a July 27, 2006, hearing before the House Subcommittee on Courts, the Internet, and Intellectual Property regarding protection for fashion designs as proposed in H.R. 5055. Congress has long considered offering sui generis protection for designs of useful articles, and came close to enacting such legislation as part of the Copyright Act of 1976. In 1998, as part of the Digital Millennium Copyright Act, Congress finally enacted such legislation, but limited its scope to the protection of the designs of vessel hulls. During the year, the Copyright Office engaged in many discussions with proponents of fashion design protection. The Office stated that there may be merit to protecting fashion designs, but the Office has not received sufficient information to reach a conclusion on the need for such legislation. However, were Congress to conclude that fashion design protection legislation should be enacted, the Copyright Office believes that H.R. 5055 provides a sound basis for balancing competing interests.

Other Legislation and Studies

Copyright Modernization Act of 2006

This bill, sponsored by Representative Lamar Smith, combined three previously introduced bills into one piece of legislation: the SIRA (discussed above), the Orphan Works Act (discussed above), and the Intellectual Property Enhanced Criminal Enforcement Act of 2006 (H.R. 5921). In addition to providing for the licensing of

musical works and the use of works whose copyright owners cannot be located after a reasonably diligent search, this proposed consolidated legislation addressed the effect of inaccurate information in a copyright registration upon the registrant's ability to bring a copyright infringement action in Federal court, the calculation of statutory damages available for compilations and derivative works, and improved investigative and forensic resources for enforcement of laws relating to intellectual property crimes. Congress did not act on this legislation in fiscal 2006.

PERFORM Act

The Office also provided support and guidance to the staff of Senate Judiciary Members regarding music licensing in the digital age. Specifically, staff members sought information on the lack of parity among certain music providers operating under the §112 and §114 statutory licenses. The latter in part prompted Senators Feinstein, Graham, and Frist to introduce S. 2644, the Platform Equality and Remedies for Rights Holders in Music Act of 2006 (the PERFORM Act). Among other things, the Act would create a single process for setting rates and terms of royalty payments for digital subscription transmissions of sound recordings made under the statutory license, require that the Copyright Royalty Board set rates that represent the fair market value of the rights licensed, and forbid all services operating under the §114 license from taking affirmative steps to enable, cause or induce the making of a copy for a recipient of a transmission.

Copyright Royalty Judges Program Technical Amendments Act of 2006

The Office advised Congress regarding this act, which further amends provisions in chapter 8 of the copyright law, as amended by the Copyright Royalty and Distribution Act of 2004 (Public Law 108-419) and the Satellite Home Viewer Extension and Reauthorization Act of 2004 (title IX of division J of Public Law 108-447). The legislation was expected to go to the President for his signature in early October 2006.

The primary purpose of the act is to clarify procedures for setting rates and terms for the statutory licenses set forth in the copyright law and in making determinations concerning the distribution of royalty fees collected by the Copyright Office. The act also restores noncontroversial language which requires the Copyright Royalty Judges to act in accordance with the Administrative Procedures Act, and it clarifies that prior determinations of the Copyright Arbitration Royalty Panels that are not inconsistent

with a decision of the Librarian of Congress or the Register of Copyrights are among the precedents that the Copyright Royalty Judges must consider. The Office assisted in drafting these amendments.

Satellite Home Viewer Extension and Reauthorization Act §110 Report

The Satellite Home Viewer Extension and Reauthorization Act of 2004, Pub. L. No. 108-447, in addition to extending for an additional five years the statutory license for satellite carriers retransmitting over-the-air television broadcast stations to their subscribers and making a number of amendments to the existing §119 of the copyright law, requires the Copyright Office to conduct two studies regarding statutory licensing and report its findings to the Committee on the Judiciary of the House of Representatives and the Committee on the Judiciary of the Senate. The first study was completed in February 2006, and it examined: (1) the extent to which the unserved household limitation for network stations contained in §119 of the copyright law has operated efficiently and effectively, and (2) the extent to which secondary transmissions of primary transmissions of network stations and superstations under §119 harm copyright owners of broadcast programming and the effect, if any, of the statutory license under §122 which provides for the retransmission of local network stations into their local TV markets, in reducing such harm.

Based upon written submissions from the interested parties, the Office concluded that while the unserved household provision operates efficiently and effectively, copyright owners are harmed because the current statutory rates are not based upon fair market value and because certain copyright owners bear all the administrative costs associated with the new Copyright Royalty Board. The Office also concluded that the lack of an audit provision contributes to the harm inflicted on copyright owners because copyright owners are unable to evaluate whether satellite carriers have made full and accurate payments in accordance with the law.

The Office, however, did find that the §122 statutory license, which provides for the retransmission of a local broadcast signal into the local TV market for that signal, reduces the harm caused to copyright owners by distant signal retransmissions under §119. Specifically, the Office concluded that the §122 license has reduced over time the satellite carriers' reliance on distant signals based upon an examination of the data that showed a correlation between a decrease in the number of distant signal instances and an increase in the number of local signals offered to satellite subscribers.

Section 108 Study Group

The Library of Congress National Digital Information Infrastructure and Preservation Program (NDIIPP), in cooperation with the Copyright Office, is sponsoring this group, which began its work in mid-2005. The Section 108 Study Group is a select committee of public-sector and private-sector copyright experts charged with making recommendations to update the copyright law for the digital world to balance the rights of creators and copyright owners and the needs of libraries and archives in a manner that best serves the national interest.

Digital technologies are radically transforming how copyrighted works are created and disseminated, and also how libraries and archives preserve and make those works available. Cultural heritage institutions, in carrying forward their missions, have begun to acquire and incorporate large quantities of “born digital” works (those created in digital form) into their holdings to ensure the continuing availability of those works to future generations.

Yet it has been observed that §108 of the Copyright Act, which provides limited exceptions for libraries and archives, does not adequately address many of the issues unique to digital media, either from the perspective of rights owners or libraries and archives.

The Section 108 Study Group is reexamining several areas: the criteria for exceptions and limitations currently applicable to libraries and archives under the copyright law, specifically in light of the changes wrought by digital media; exceptions and limitations for preservation purposes; the making of copies for purposes of providing access, to permit eligible institutions to publicly display digital materials, and to capture and preserve websites and other online content; and how §108 of the copyright law may need to be amended to address the relevant issues and concerns of libraries and archives, as well as creators and other copyright holders.

The study group met six times in fiscal 2006 and held two public meetings in Washington, DC, and Los Angeles. During 2007, the group expects to provide findings and recommendations to the Librarian of Congress and the Copyright Office in 2007.

INTERNATIONAL ACTIVITIES

The Copyright Office's international activities advance the economic health of the United States by promoting adherence to copyright laws and treaties that ensure protection and compensation to American creators and copyright owners, thereby encouraging the creation and dissemination of works to the public throughout the world.

Protection against unauthorized use of a copyrighted work in a country depends primarily on the national laws of that country. Most countries offer protection to foreign works under the aegis of international copyright treaties and conventions.

The Copyright Office continued to work in tandem with executive branch agencies on international matters, particularly with the United States Trade Representative (USTR), the Patent and Trademark Office (USPTO), and the Departments of State and Commerce.

The Copyright Office participated in numerous multilateral, regional, and bilateral negotiations and the U.S. delegations to meetings of international organizations in fiscal 2006. This included serving as the head of the U.S. delegation to the 14th and 15th sessions of the World Intellectual Property Organization's (WIPO) Standing Committee on Copyright and Related Rights, which considered the draft basic proposal for a treaty on the protection of broadcasting organizations. The Office

The Copyright Office undertakes international copyright activities by offering advice to Congress on compliance with multilateral agreements, such as the Berne Convention for the Protection of Literary and Artistic Works, and by working with executive branch agencies to promote copyright principles and protection worldwide.

assisted in convening meetings of an array of interested parties in the United States to solicit views on the new treaty, which would create new international standards of protection against piracy of broadcast signals across national borders. The Office also participated in other copyright-related meetings at WIPO, such as the WIPO Intergovernmental Committee on "Intellectual Property and Genetic Resources, Traditional Knowledge, and Traditional Cultural Expressions" and various meetings related to the so-called "Development Agenda" which considered how

WIPO should address issues related to the role of intellectual property in developing countries.

Copyright Office staff were instrumental in drafting and negotiating the intellectual property provisions of bilateral Free Trade Agreements (FTA) between the United States and the Republic of Korea, Malaysia, the United Arab Emirates, and a group of Andean countries, and worked with other FTA partners, such as Australia, Bahrain, the Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Nicaragua, and Oman on implementation issues. Staff also actively participated in numerous additional bilateral negotiations and consultations during the year, providing assistance to France, Ireland, Japan, Kuwait, Malaysia, New Zealand, Russia, Saudi Arabia, and Ukraine on issues ranging from enforcement to copyright law revision. In addition, the Office joined with the USTR in providing assistance to five nations in their World Trade Organization accession processes and provided responses regarding U.S. copyright law and policy to the WTO Trade Policy Review queries.

In September 2006, staff attended meetings with Mexican and Canadian government officials on the Security and Prosperity Partnership, a partnership created to increase security and enhance prosperity between the countries through greater cooperation and information sharing.

Copyright Office staff met with foreign officials and visitors interested in learning about the U.S. copyright system and exchanging information about topics of mutual concern. For example, Malaysia, which is in the process of setting up a copyright registration system, sent an eight-person delegation in August 2006 to learn about how registration is done in the United States.

The Copyright Office also participated on the interagency Special 301 Committee, which evaluates the adequacy and effectiveness of intellectual property protection and enforcement throughout the world. The U.S. government uses this process to improve global protection for U.S. authors, inventors, and other holders of intellectual property rights.

Among the Office's responsibilities is engaging in public discussion about copyright and educating the public about copyright law. To this end, staff gave presentations and participated in a number of international conferences on copyright.

In October 2005, the Register of Copyrights traveled to Germany as part of the Department of State's U.S. Speaker's Program. She delivered a speech titled "Copyright in the Digital Age," at the Deutsche Bibliothek in Frankfurt; gave an interview on U.S. copyright policy in the digital environment to the economic editor of *Süddeutsche Zeitung* in Munich; lectured at the Max Planck Institute for Intellectual Property

Rights, Competition, and Tax Law on the direction of U.S. copyright law and policy; met with the president of the German Patent Office and the head of oversight of a copyright collective management organization; spoke in Berlin about challenges to copyright in the digital era at the Federation of German Industry and addressed the German-American Lawyers Association; led a roundtable discussion on various digital library issues in Leipzig; and toured the Deutsche Bücherei, which houses a museum on the history of printing in Germany.

The Register also traveled to Rome in January 2006 where she was a panelist in a policy roundtable titled “Identifying Priority Issues, Tools, and Policy Challenges: Moving Forward” at the Organization for Economic Cooperation and Development (OECD) “Conference on the Future Digital Economy: Digital Content Creation, Distribution, and Access.” The Register’s paper is posted on the OECD website at www.oecd.org/dataoecd/14/28/36167270.pdf. In July, she gave a keynote address on copyright policy formulation at the Finnish Presidency of the European Union’s Conference, “Creativity Online: Content and Copyright Policy,” in Helsinki, Finland.

In March 2006, the Register met with Canadian government officials in Ottawa regarding the implementation in the U.S. of the WIPO Internet treaties and spoke in Toronto on several programs dealing with copyright reform in Canada and the situation in the United States.

Staff participated in a number of other symposia and conferences outside the United States, including the Creative Economy Conference in London, and the Transatlantic Dialogue on Broadcasting and the Information Society in Helsinki, Finland.

LITIGATION

The Copyright Office does not enforce the provisions of title 17. However, it may be involved in litigation by (1) choosing to intervene under §411(a) in a case where registration has been refused; (2) being sued under the Administrative Procedure Act; and (3) being asked to assist in the preparation of an *amicus curiae* brief in support of a particular position, by assisting the Department of Justice in defending a particular action, or by asking the Department of Justice to bring a suit under §407 to compel the deposit of copies of the best edition of a copyrighted work published in the U.S.

The Office was a party in several cases and responded to the Department of Justice's requests for assistance relating to copyright litigation.

*New York Mercantile Exchange, Inc. (NYMEX)
v. Intercontinental Exchange, Inc. (ICE)*

As reported in the Annual Report for fiscal 2005, the United States District Court for the Southern District of New York ruled that individual settlement prices of futures contracts, such as those listed on the plaintiff's commodities exchange, are not copyrightable. In so ruling, the court adopted the position set forth by the Copyright Office in a Statement of Interest, and as a result granted summary judgment to the defendant competitor who utilized such settlement prices without the plaintiff's authorization.

In October 2005, the plaintiff appealed the decision to the United States Court of Appeals for the Second Circuit. The Solicitor General requested various agencies' views, including the Copyright Office's, as to potential *amicus* participation in the appeal, and ultimately authorized participation. The Copyright Office provided counsel to the United States Attorney's Office in drafting the United States' *amicus curiae* brief. In March 2006, the government filed its brief supporting appellee and arguing that the district court correctly held that: (1) settlement prices are uncopyrightable facts rather than copyrightable, original, creative works; (2) settlement prices are uncopyrightable short phrases; and (3) the merger doctrine precludes a claim for copyright infringement in this instance. Oral argument is scheduled to take place in November 2006.

Kiss Catalog, Ltd. v. Passport International Productions, Inc.

As reported in the Annual Report for fiscal 2005, the Copyright Office assisted the Department of Justice in its decision to intervene to seek reconsideration of an order finding 17 USC §1101 (the "anti-bootlegging" provision) to be unconstitutional because perpetual protection for live performances would violate the "limited times" provision of the Copyright Clause. On December 21, 2005, the District Court for the Central District of California issued an order granting the United States' motion to reconsider. More importantly, the order vacated the finding of unconstitutionality. On reconsideration, the court found that the anti-bootlegging statute was properly enacted

pursuant to a constitutional exercise of Congress' power under the Commerce Clause, regardless of the fact that the Copyright Clause itself does not provide Congress a source of constitutional authority to legislate live performances.

Golan v. Gonzales

As reported in the Annual Reports for fiscal years 2004 and 2005, this case unsuccessfully challenged the constitutionality of the Sonny Bono Copyright Term Extension Act and the restoration provisions of the Uruguay Round Agreements Act, naming both the Attorney General and the Register of Copyright as defendants. The plaintiffs appealed the decision to the United States Court of Appeals for the Tenth Circuit. The Copyright Office assisted the Department of Justice in drafting the government's appellee brief and in preparing for oral argument via a moot court. Oral argument took place in June 2006 and as of the end of the fiscal year, the Court of Appeals had not yet issued its ruling.

Aharonian v. Gonzales

The Office continued this year to assist the Department of Justice in defending the constitutionality of certain portions of the copyright law providing protection for computer programs. In the prior fiscal year, the U.S. government filed a motion to dismiss, or—in the alternative—for summary judgment, for which the United States District Court for the Northern District of California heard argument in November 2005. Specifically, the court considered Aharonian's claim that patentable material is not subject to copyright protection and that portions of the copyright law protecting software were unconstitutional because they were fatally vague or improperly enacted. In January 2006, the court ruled that the first claim was not justiciable because it amounted to a generalized grievance, and dismissed the claims of vagueness and improper enactment as failing as a matter of law. The court therefore dismissed these claims without leave to amend.

The plaintiff appealed the ruling to the Ninth Circuit in May 2006, and the United States filed its opposition brief in June 2006. The Ninth Circuit had not yet set this matter for hearing as of the end of fiscal 2006. The Register of Copyrights is not a named party in this action.

Macrovision Corp. v. Sima Products Corp.

In response to the Office's urging and with its assistance, the Department of Justice filed an *amicus curiae* brief in this case to clarify the conclusions of the Register of Copyrights and the Librarian of Congress in a rulemaking proceeding conducted in 2000 regarding §1201 of title 17 — conclusions which Sima mischaracterized to the U.S. Court of Appeals for the Federal Circuit.

Defendant Sima appealed an order from the District Court for the Southern District of New York preliminarily enjoining Sima from selling its video enhancer products. Plaintiff Macrovision argued that such products circumvented Macrovision's Analog Copy Protection technology for DVDs in violation of §1201's prohibition on anti-circumvention. In its appellate brief, Sima argued that Macrovision's ACP technology was not protected by §1201 because it was not an effective protection measure, and erroneously cited the Copyright Office's rulemaking as purported supporting authority.

The United States filed its brief supporting appellee Macrovision in September 2006. It clarified that, contrary to Sima's assertion, the Copyright Office's and Librarian's comments in this rulemaking did not speak to whether or not the ACP technology is a technological measure that effectively protects the right of a copyright owner. Rather, the comments simply noted that this technology is not implicated in §1201(a) because it does not control access to copyrighted works, but that because this technology was presumed to protect the reproduction right of the copyright owner, it would be implicated in §1201(b) which prohibits the trafficking of circumvention devices. The court is still entertaining motions and has not set a date for argument.

Darden v. Peters

As reported in the Annual Report for fiscal 2005, plaintiff William Darden brought suit against the Register of Copyrights in the U.S. District Court for the Eastern District of North Carolina due to the Copyright Office's refusal to register his copyright claims in two works, pages from a website and maps that appeared on those pages. The Office refused registration on the basis that Darden's claim in the website pages was for the format in the pages, which is not copyrightable subject matter, and that Darden's maps do not have sufficient creativity to be copyrightable. Both parties filed motions for summary judgment and, on June 6, 2005, the district court held a hearing. On

December 7, 2005, the court granted the Register's motion and denied the plaintiff's motion.

On December 28, 2005, the plaintiff appealed the District Court's decision to the U.S. Court of Appeals for the Fourth Circuit. The Appellant challenged the District Court's deference to the agency by arguing that the issue of copyrightability for purposes of registration is a question of law subject to *de novo* review by the court and maintained that the works are copyrightable as supported by the evidence in the administrative record. The Copyright Office filed its response on May 23, 2006, arguing that the Register's decisions not to register a work are subject to review under the abuse of discretion standard set forth in §706(2)(A) of the Administrative Procedures Act. As of the end of fiscal 2006, this case has not yet been set for hearing.

Hendrickson v. United States Copyright Office

In a case involving a *pro se* litigant, the plaintiff attempted to reinstate his ownership of the copyright renewal right in a motion picture documentary entitled *Manson*. Plaintiff had secured renewal registration of the motion picture from the Copyright Office, but in litigating a copyright infringement action based on that registration, the registration had been declared invalid on the grounds that another party owned the renewal right. While Mr. Hendrickson's copyright renewal in *Manson* remained in the public records of the Copyright Office, he nevertheless brought an action against the Copyright Office in order to be declared the rightful owner of the renewal right. The Office moved for summary judgment on the grounds that it had no dispute with the plaintiff, and there was no actual controversy between the plaintiff and the Office. The court dismissed the case for lack of jurisdiction without issuing a written opinion.

Elektra Entertainment Group Inc. v. Barker

Plaintiff record company sued individual defendant Denise Barker in the Southern District of New York for copyright infringement stemming from her alleged use of the Kazaa peer-to-peer file sharing software to reproduce and distribute unauthorized copies of the plaintiff's copyrighted works. The issue is whether a participant in a peer-to-peer file sharing network who makes phonorecords of sound recordings available for "file-sharing" on such a network is engaged in activities that infringe

the distribution right. The defendant filed a motion to dismiss, arguing that neither the reproduction nor distribution claims asserted against her were viable because they were not stated with particularity. The Office advised and assisted the United States Attorney for the Southern District in the preparation of a Statement of Interest, submitted on April 21, 2006, which expressed the view that the exclusive right of distribution is implicated by the transmission of copies or phonorecords over the Internet. The court had not yet ruled on the motion to dismiss as of the end of fiscal 2006.

Fonovisa, Inc. v. Alvarez

Similar to the Elektra case, plaintiff record company filed a complaint in the United States District Court for the Northern District of Texas against the individual defendant for copyright infringement in violation of the plaintiff's reproduction and distribution rights pursuant to 17 USC §106(1), (3). The defendant allegedly used an online media distribution system to download and then distribute plaintiff's copyrighted works without authorization. The Office reviewed filings involving the scope of the distribution right. After comparing this case to the government's position in the Elektra case, the Office again assisted the Department of Justice in drafting a statement of interest on the distribution issue which was submitted to the court in May 2006. In July 2006, the court denied the motion to dismiss. The court has not yet set a date for the trial.

Mallard Cablevision v. Register of Copyrights

The Liquidating Trustee of the Liquidating Trust for Mallard Cablevision LLC commenced an adversary proceeding against the Register of Copyrights in the United States Bankruptcy Court for the District of Delaware on May 4, 2005, seeking to recover royalty payments made under §111 of the copyright law as preferential transfers. Because the plaintiff failed to serve the Register in accordance with the Federal Rules of Bankruptcy Procedure, the government made no appearance in this matter and a default judgment was entered against the Register. Nevertheless, the plaintiff has agreed to a joint stipulation to set aside the default judgment and dismiss adversary proceedings against the Register based on the plaintiff's failure to effect service

rather than on a determination of the merits. The stipulation still must be signed and submitted to the court for approval.

Borset v. Librarian of Congress

On September 26, 2005, Trudy Ann Borset, a pro se litigant, filed suit in the United States Court of Appeals for the District of Columbia, challenging the Library's dismissal of her 2003 and 2004 claims to royalty fees collected by the Copyright Office under the Audio Home Recording Act. Ms. Borset, whose claims to royalty fees in the Sound Recordings Funds were dismissed by the Copyright Office for failure to provide adequate information to validate her claims, filed the current action after the United States District Court for the Eastern District of Michigan dismissed a similar suit for lack of subject matter jurisdiction.

Like the district court, the court of appeals never reached the merits of Borset's case. Instead, it directed the parties to address whether the Librarian's orders dismissing Borset's claims were final and reviewable and, if so, whether her appeal was timely. The Office advised and assisted the United States Attorney in drafting the government's response to these questions. On May 23, 2006, the court of appeals issued an order stating that it lacked jurisdiction to consider Borset's claims because the orders dismissing her claims to royalty fees were not issued by a Copyright Arbitration Royalty Panel or as a result of a proceeding before the Copyright Royalty Judges as required under chapter 8 of the copyright law. The court also held that certain claims to royalty fees were still pending and thus not subject to judicial review, and it refused to issue a writ of *mandamus* in this action, noting that *mandamus* is an extraordinary remedy reserved only for the most transparent violations of a clear duty to act.

Kahle v. Ashcroft

As reported in the Annual Reports for fiscal years 2004 and 2005, this suit unsuccessfully challenged in the United States District Court for the Northern District of California the constitutionality of the 1976 Copyright Act, the Berne Convention Implementation Act, the Copyright Renewal Act of 1992 and the Sonny Bono Copyright Term Extension Act. The plaintiffs appealed the district court's dismissal to the United States Court of Appeals for the Ninth Circuit, and the Copyright Office

assisted the Department of Justice in preparing the brief for the government as appellee. The Ninth Circuit will hear argument in November 2006.

United States v. Martignon

As reported in the Annual Report of fiscal 2005, the government appealed a ruling by the United States District Court for the Southern District of New York that 18 USC §2319A (an “anti-bootlegging” statute) was unconstitutional. The antibootlegging statute makes it unlawful to record a live musical performance without the consent of the performer or to distribute or offer to distribute copies or phonorecords of such recordings. Martignon was accused of selling such recordings at his record store.

The district court held that §2319A is unconstitutional because it violates the Copyright Clause by granting exclusive rights to non-“writings” (live performances) for an unlimited time and because it violates the First Amendment by altering the “traditional contours of copyright protection” in a speech-inhibiting manner by granting perpetual protection to unfixed performances. The Office assisted the Department of Justice in drafting the government’s appeal to the Second Circuit, which was argued in June 2005. As of the end of fiscal 2006, the matter was still pending before the Second Circuit.

Illinois Tool Works v. Independent Ink

In November 2005, the Supreme Court heard oral arguments in this case examining whether, in an action under Section 1 of the Sherman Act, an antitrust plaintiff alleging improper tying of a patented product or copyrighted work to another product must prove that the defendant has “appreciable market power” in the tying product market or whether market power is presumed based solely on the existence of a patent or copyright on the tying product.

In the specific case before the Court, Illinois Tool Works is a manufacturer of a patented ink jet printhead, a patented ink container, and a nonpatented ink specially formulated for use in its patented printhead system. Independent Ink is a distributor and supplier of printer ink and printer products, and the plaintiff in an antitrust tying claim against Illinois Tool Works. Independent Ink brought the antitrust claim against Illinois Tool Works for conditioning use of its patented product on use of its

nonpatented ink. Independent Ink offered no proof of market power in the printhead market, but rather relied on a presumption of market power based on Illinois Tool Works' ownership of a patent.

The Copyright Office had assisted the Office of the Solicitor General of the Department of Justice in the prior fiscal year in its preparation of the government's *amicus curiae* brief, which argued that courts should not presume that a patent confers the market power necessary to establish that tying is unlawful per se. In March 2006, the Supreme Court agreed with the government's position and held, "Because a patent does not necessarily confer market power upon the patentee, in all cases involving a tying arrangement, the plaintiff must prove that the defendant has market power in the tying product."

eBay Inc. v. MercExchange, L.L.C.

Arising from MercExchange's successful suit against eBay for infringement of its business method patent, the narrow issue elevated to the Supreme Court centered on the standards a court should follow in evaluating the appropriateness of a permanent injunction once the court has determined that a patent is valid and has been infringed. Specifically, the Court considered (1) whether a court should presumptively issue a permanent injunction prohibiting the infringement absent the infringer showing that exceptional circumstances exist that render an injunction unwarranted, or (2) whether a court should weigh the traditional four equitable factors and require the patent holder to prove that it should receive an injunction.

The United States filed an *amicus curiae* brief in support of respondent MercExchange, arguing in essence that although a court should consider the four factor test, it is not contrary to the law for a court to abbreviate this analysis in its written opinion due to the practical reality that once patent validity and infringement have been adjudged, the four factor test will generally weigh in favor of issuing a permanent injunction. Although this case arose in the context of patent litigation, the Copyright Office assisted the Office of the Solicitor General in drafting the brief and preparing for oral argument due to the potential interplay of the eventual ruling and the permanent injunction provision of the copyright law.

In May 2006, the Supreme Court vacated the Federal Circuit's decision and remanded the case to the District Court, stating that the equitable principles apply

to permanent injunctions issued in disputes arising under the patent law and that a categorical rule as to when a permanent injunction should issue is inappropriate. The lower court is now considering the issues in light of that decision.

Medimmune, Inc. v. Genentech, Inc.

The Office worked with the Department of Justice to draft an *amicus curiae* brief of the United States concerning the jurisdiction of federal courts to hear declaratory judgment actions for patent invalidity brought by licensees in good standing. The government submitted its brief to the Supreme Court, and the case is ongoing.

Apotex v. Pfizer

Due to potential implications for copyright law, the Office reviewed filings in this patent case which sought a declaratory judgment of patent invalidity. After comparing this case to the government's position in a similar litigation matter, the Office made its recommendations to the Department of Justice. As in *Medimmune*, the Office then assisted the department with its drafting of an *amicus curiae* brief for the United States concerning the jurisdiction of federal courts to hear declaratory judgment actions for patent invalidity brought by licensees in good standing. The government submitted its brief to the Supreme Court, which has yet to issue its ruling as of the end of fiscal 2006.

Potential Copyright Office Intervention Pursuant to 17 USC §411(a)

The Office continued to review all copyright cases in which the Register of Copyrights received notice of her right to intervene pursuant to 17 USC §411(a). The Register received five notices pursuant to section 411(a) in fiscal 2006, and chose not to intervene in three of these cases. The Register received the remaining two notices late in the fiscal year and will make a determination on them in the beginning of the next year.