Washington and Lee Law Review

Volume 32 | Issue 1 Article 9

Winter 1-1-1975

Cable Television And Copyright: Can The States Protect The Broadcasters?

CABLE TELEVISION AND COPYRIGHT: CAN THE STATES PROTECT THE BROADCASTERS?

In an era of rapid inventive development, statutes which affect the uses and applications of technological advancements must either be amenable to interpretations by the courts which accommodate innovation or must be regularly revised by the legislatures. Otherwise such statutes lose their vitality and cease to function as they were originally designed. The Federal Copyright Act[1] is such a statute. The present copyright statute was enacted in 1909 and has not been extensively revised since then.[2] Such devices as computers, tape recorders, photocopiers, and televisions, which today are taken for granted, were unknown to the general public in the first decade of this century and were, of course, not contemplated by the drafters of the copyright laws. It is not surprising, therefore, that in the decades since the enactment of the Copyright Act, courts have encountered a myriad of problems in their attempts to apply the outdated Act to current situations. Understandably, application of the 1909 Act to television has required considerable judicial extension of the statutory language; this expansion may have reached its limit in the recent Supreme Court case of *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*[3] This decision permits cable television[4] system operators

---

[1]17 U.S.C. §§ 1 *et seq.* (1970).

[2]Revision has been under consideration for at least two decades but a revision bill has yet to be enacted. *See* text accompanying notes 46-49 *infra.*

[3]415 U.S. 394 (1974).

[4]"Cable television" denotes the business enterprise of transmitting television programming to paying subscribers by means of coaxial cable. A cable television system typically includes one or more large, efficient antennas, "head end" equipment consisting of amplification and modulation devices, and miles of cable connecting the apparatus to television receivers owned by paying subscribers. Many systems also have studio and other facilities for "cablecasting," or program origination. The cable system receives broadcast television signals off-the-air by means of the antennas, transmits those signals to its "head end" equipment by means of cable or microwave link, depending on the distance from the antennas to the cable system's station, amplifies and modulates those signals and transmits them to subscribers. In addition to the carriage of broadcast television signals, many cable systems originate a certain amount of programming varying from automated time and weather service to substantive programming such as sporting events, movies, and news reports.

The FCC requires a certain amount of cablecasting of original programming by cable systems with 3,500 or more subscribers. 47 C.F.R. § 76.201(a) (1973).

Cable television now reaches an estimated seven and a half million subscribers serviced by approximately 2,900 cable systems and the industry is rapidly growing. *Hearings on S. 1361 Before the Subcomm. on Patents, Trademarks, and Copyrights of the Senate Comm. on the Judiciary,* 93d Cong., 1st Sess. 408, 415 (1973) (Testimony

to transmit copyrighted programs for profit without paying any license fees to the copyright proprietors by denying broadcasters and copyright holders any protection from such cable carriage under the current Copyright Act.

The denial of federal statutory copyright protection to broadcasters and copyright holders in the area of cable television transmission of broadcast programming may have significant detrimental economic results in the field of television broadcasting. Broadcasters and copyright holders are financially affected by the shifts in viewer markets caused by cable television transmission of programming not normally receivable in the cable community. This potential dislocation of traditional industry-market relationships may work a hardship on local broadcasters and program copyright holders which, in the long run, could adversely affect the entire television industry. If a genuinely detrimental economic impact can be established, the broadcasters and copyright holders should be entitled to some form of relief. However, because of the holding in *Teleprompter,* the broadcasters and copyright holders will not be afforded a remedy under federal law until Congress updates the language of the copyright statute, thus settling the issues raised by cable television. Without federal protection, broadcasters and copyright holders can turn only to the states if they hope to gain relief.

The states may be able to supply a remedy to broadcasters and copyright holders provided such relief is not pre-empted because it conflicts with federal policies in the areas of copyright and telecommunications. State laws conflicting with federal goals in those areas of the law would be invalid under the supremacy clause of the Constitution.[5] However, a state remedy under the unfair competition doc-

---

and statement of David H. Foster, president of the National Cable Television Association); SLOAN COMMISSION ON CABLE COMMUNICATIONS, ON THE CABLE: THE TELEVISION OF ABUNDANCE, REPORT OF THE SLOAN COMMISSION ON CABLE COMMUNICATIONS 30-34 (1971).

For the Federal Communications Commission definition of "cable television" see 47 C.F.R. § 76.5(a) (1973). The FCC and the courts have referred to these operations as community antenna television, "CATV", but due to the changing nature of services offered by the systems, the FCC has begun to refer to them as "cable television." For the reasons underlying this change see FCC CABLE TELEVISION REPORT AND ORDER, 36 F.C.C. 2D 143, 144 n.9 (1972) [hereinafter cited as CABLE TELEVISION REPORT AND ORDER]. The term "cable television" more accurately reflects the function served.

[5]U.S. CONST. art. VI, cl. 2. The supremacy clause provides that:

> This Constitution, and the Laws of the United States which shall be made in Pursuance thereof . . . shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

trine of misappropriation[6] might complement rather than contravene federal policies, and therefore be permissible. The misappropriation doctrine condemns certain unauthorized commercial uses of literary, dramatic, musical, and other intellectual works, and since cable television transmits for profit copyrighted programs produced by others, such uncompensated transmission may be open to attack on the basis of misappropriation.

The question of state protection for broadcasters has arisen because of the narrow construction the courts have given to the language of the current copyright law. Sections 1(c) and (d) of the Copyright Act, worded by its drafters with live stage productions in mind, grant copyright holders the exclusive right to "perform" their literary and dramatic works.[7] The language of the Act therefore had to be extended judicially in order to be applied to the electronic media. In deciding the cable television-copyright issue, the question is therefore whether or not a cable television system, in receiving, amplifying and transmitting copyrighted television programming to paying subscribers, "performs" the copyrighted works and is hence liable to copyright holders for infringement.[8]

Chief Justice Stone, writing for the Court in Sola Electric Co. v. Jefferson Electric Co., 317 U.S. 173, 176 (1942), said: "It is familiar doctrine that the prohibition of a federal statute may not be set at naught, or its benefits denied, by state statutes or state common law rules."

[6]The misappropriation doctrine protects owners of literary and other intellectual works from certain unauthorized uses. *See* text accompanying notes 59-63 *infra*.

[7]17 U.S.C. §§ 1(c)-(d) (1970). The exclusive rights granted to copyright holders in § 1 include, in part, the right:

> (c) To deliver, authorize the delivery of, read, or present the copyrighted work in public for profit if it be a lecture, sermon, address or similar production, or other nondramatic literary work . . . and to play or perform it in public for profit . . . .
>
> (d) To perform or represent the copyrighted work publicly if it be a drama or, if it be a dramatic work and not reproduced in copies for sale, to vend any manuscript or any record whatsoever thereof; to make or to procure the making of any transcription or record thereof by or from which, in whole or in part, it may in any manner or by any method be exhibited, performed, represented, produced, or reproduced; and to exhibit, perform, represent, produce or reproduce it in any manner or by any method whatsoever . . . .

Id.

An investigation of the 1909 Act's "legislative history shows that the intention of Congress was directed to the situation where the dialogue of a play is produced by another party with the aid of [a] transcript." Fortnightly Corp. v. United Artists Television, Inc., 392 U.S. 390, 395 n.15 (1968); H.R. REP. No. 2222, 60th Cong., 2d Sess. 4 (1909).

[8]Although the Copyright Act does not contain an explicit definition of "infringe-

The Supreme Court has twice considered the issue of whether cable television carriage of copyrighted broadcast programs constitutes infringement. Each time the Court has found no infringement, holding that cable television does not "perform" copyrighted works within the meaning of the Copyright Act. The first of these cases was *Fortnightly Corp. v. United Artists Television, Inc.*[9] Fortnightly operated cable systems in hilly areas of West Virginia and carried broadcast television signals which most of its subscribers would not normally have been able to receive by means of ordinary roof-top antennas. United Artists Television held the copyrights on several motion pictures which were broadcast by those television stations whose signals were carried by Fortnightly. The cable system had not been licensed to transmit the copyrighted programs, and United Artists Television therefore sued for infringement.[10]

The Supreme Court determined that the function of cable television within the entire process of television broadcasting and reception was the key to the issue of infringement.[11] In examining the Fortnightly operations, the Court found that the cable systems did no more than enhance the ordinary viewer's ability to receive the broadcast television signals embodying the copyrighted motion pictures. Hence, the function the cable system apparatus served was essentially the same as that of the equipment generally supplied by the private television viewer.[12] The Court then established a broadcaster-

---

ment," it is settled that unauthorized use of copyrighted material inconsistent with the "exclusive rights" enumerated in § 1, constitutes copyright infringement under the federal law. *See* Teleprompter Corp. v. Columbia Broadcasting Sys., Inc., 415 U.S. 394 398 n.2 1974; 1 NIMMER ON COPYRIGHT § 100 at 376 (1974).

[9]392 U.S. 390 (1968).

[10]*Id.* at 391-93. Indeed, several of the license agreements between United Artists Television and the broadcast stations specifically prohibited cable carriage of the copyrighted motion pictures.

[11]The district court found for the copyright holder. United Artists Television, Inc. v. Fortnightly Corp., 255 F. Supp. 177 (S.D.N.Y. 1966). The court of appeals affirmed. The test applied was "quantitative"; in determining whether Fortnightly had "performed" the copyrighted works the court asked "*how much* did [Fortnightly] do to bring about the viewing and hearing of a copyrighted work?" United Artists Television, Inc. v. Fortnightly Corp., 377 F.2d 872, 877 (2d Cir. 1967) (emphasis added). The Second Circuit then examined Fortnightly's operation of the cable systems and found that the antennas, sophisticated "head end" equipment, and miles of cable connecting the apparatus with the subscribers' television sets was, when taken together, a sufficient basis under this "quantitative" approach for a finding that Fortnightly's activities constituted "performance." *Id.* at 878. The Supreme Court rejected this test, stating that such a standard could conceivably also make retailers and manufacturers of television sets liable for copyright infringement. 392 U.S. at 397.

[12]The *Fortnightly* Court stated that:

> Essentially, a CATV system no more than enhances the viewer's ca-

viewer dichotomy, holding that broadcasters "perform" within the meaning of the Copyright Act, while viewers do not. Applying this rule to the facts of the case, the Court determined that cable systems were functionally like ordinary viewers and thus fell on the viewers' side of the line. Therefore, the cable systems had not "performed" and were not liable for copyright infringement.[13]

The cable television-statutory copyright controversy arose again and was finally settled, with regard to the right to "perform" accorded copyright holders by the present Federal Copyright Act, in *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*[14] CBS instituted the suit on a claim similar to that of United Artists Television in *Fortnightly,*[15] but attempted to distinguish that case and thereby limit the *Fortnightly* holding to its facts.[16] The cable systems operated by Teleprompter[17] offered several services which the Fortnightly systems had not, and CBS contended that these additional activities placed Teleprompter on the broadcasters' "side of the line," making Teleprompter, unlike Fortnightly, liable for copyright infringement. The activities engaged in by Teleprompter and cited by CBS to distinguish the Fortnightly operations were: (1) program ori-

---

> pacity to receive the broadcaster's signals; it provides a well-located antenna with an efficient connection to the viewer's television set. It is true that a CATV system plays an "active" role in making reception possible in a given area, but so do ordinary television sets and antennas.

392 U.S. at 399 (footnote omitted).

[13]*Id.* at 400-01.

[14]Columbia Broadcasting Sys., Inc. v. Teleprompter Corp., 355 F. Supp. 618 (S.D.N.Y. 1972), *aff'd in part, rev'd in part,* 476 F.2d 338 (2d Cir. 1973), *aff'd in part, rev'd in part,* 415 U.S. 394 (1974).

[15]CBS was one of four plaintiffs. The others were independent producers of television programs who copyrighted their shows and then licensed them to CBS and other broadcasters. CBS produced and copyrighted certain programs itself and was a licensee of other copyrighted material. Columbia Broadcasting Sys., Inc. v. Teleprompter Corp., 355 F. Supp. at 619-20.

[16]The action in *Teleprompter* was commenced in 1964, while *Fortnightly* was still pending. Both suits were filed in the District Court for the Southern District of New York and efforts were made to consolidate the two cases for purposes of litigation. These efforts were unsuccessful, however, so the proceedings in *Teleprompter* were stayed pending the outcome of *Fortnightly.* The plaintiffs in *Teleprompter* were allowed to file supplemental pleadings which attempted to distinguish Teleprompter's activities from those of Fortnightly. The trial in *Teleprompter* on the issue of copyright infringement was held in September 1971. *Id.* at 620.

[17]By agreement of the parties, five of the Teleprompter cable systems were chosen, for purposes of the litigation, to illustrate the nature and extent of Teleprompter's operations. These systems were those in New York City; Elmira, New York; Farmington, New Mexico; Great Falls, Montana; and Rawlins, Wyoming. *Id.* at 619.

gination; (2) importation of distant signals; (3) selection of programming; (4) microwave transmission; (5) interconnection with other cable systems; (6) advertising with an emphasis on Teleprompter's cablecasting; and (7) sale of commercials.[18]

The trial court dispensed first with those functions which it found to be of minor significance to the overall nature of Teleprompter's operation and which, in the court's view, had little bearing on the issue of copyright liability: microwave transmission,[19] interconnection,[20] advertising and sale of commercials,[21] and selection of programming.[22] However, the court found Teleprompter's other activities to be more problematical.

The Supreme Court in *Fortnightly* had found that the topography of the area surrounding the communities served by the Fortnightly cable systems made it difficult or impossible for most ordinary rooftop antennas in the immediate locale to receive five of the stations carried on the cable. As a consequence, the *Teleprompter* trial court concluded that "Teleprompter's importation of signals not receivable on rooftop antennas [was] no different from that in *Fortnightly.*"[23]

---

[18]*Id.* at 620, 621-24.

[19]Teleprompter used microwave transmission to import broadcast signals from great distances. The trial court found these microwave links to be "completely analogous to the use of cable as a connecting carrier." *Id.* at 625.

[20]The interconnection between cable systems was made only for carriage of two boxing matches, and the trial court stated that this special service on these two separate and temporary occasions did not transform the cable systems into a broadcast network as CBS had suggested. *Id.*

[21]The emphasis on "cablecasting," or program origination, in its advertising, and the sale of a few commercials by Teleprompter were not, the court ruled, of "decisive significance." *Id.* at 626.

[22]The district court also compared Teleprompter's choice of which broadcast stations its systems would carry to the choice made by an ordinary viewer of which channel would be watched. *Id.* at 623.

[23]*Id.* at 627. It should be noted that there is a distinction to be made between the signals carried by Fortnightly and those imported by Teleprompter. The greatest distance a signal was carried by Fortnightly was eighty-two miles, from Pittsburgh, Pennsylvania to Clarksburg, West Virginia. Further, the Fortnightly antennas were located adjacent to the communities they served. Fortnightly Corp. v. United Artists Television, Inc., 392 U.S. at 392. Teleprompter, on the other hand, carried signals from Los Angeles to Farmington, New Mexico, a distance of over six hundred miles. The signals were received off-the-air at an antenna located forty-seven miles from Los Angeles and carried by microwave link over a circuitous 1300 mile route to the cable station in Farmington. Columbia Broadcasting Sys., Inc. v. Teleprompter Corp., 355 F. Supp. at 622. The cable system at Great Falls also imported signals by the same procedure, carrying broadcasting from Salt Lake City, Utah (466 miles) and Spokane, Washington (226 miles), among others. *Id.* at 623.

However, it was with respect to program origination[24] that the trial court found the "most striking difference between [Teleprompter and Fortnightly]."[25] In originating programming such as news, sports and weather reporting, movies, and sporting events, the court found that Teleprompter's cable systems were functioning as broadcasters. This "cablecasting"[26] activity was viewed by the court, however, as being separate and distinct from the carriage of broadcast signals and therefore unrelated to the issue of copyright liability for receiving programming off-the-air and then transmitting it to cable subscribers.[27] Finding no grounds upon which to distinguish Teleprompter's systems from those in *Fortnightly*, the court dismissed the action.

On appeal, the Second Circuit[28] agreed with the court below on all but one point: that cable carriage of imported or "distant" signals—those not receivable on roof-top antennas—opens the cable system to statutory copyright liability.[29] In discussing the issue of distant

---

[24]The cable systems in *Fortnightly* transmitted messages by video scanner, but carried no other programming of their own. United Artists Television, Inc. v. Fortnightly Corp., 255 F. Supp. at 197. The Teleprompter systems, on the other hand, originated automatic weather and time transmissions around-the-clock, and to different extents, also originated substantive programming. Columbia Broadcasting Sys., Inc. v. Teleprompter Corp., 355 F. Supp. at 621. This substantive cablecasting varied from a few hours a week at Elmira to seventy hours a week in New York City, as of March 31, 1971. *Id.* at 629.

[25]*Id.* at 628.

[26]"Cablecasting" is programming carried by a cable system, exclusive of broadcast signals. 47 C.F.R. § 76.5(v) (1973).

[27]355 F. Supp. at 629.

[28]476 F.2d 338 (2d Cir. 1973).

[29]*Id.* at 350. The term "distant signal" is subject to several definitions. At one time, the FCC considered a signal "distant" in locations beyond a given broadcast television station's "Grade B contour." The Grade B contour for a broadcast station marks the boundary along which acceptable reception of the station's signal can be expected 90% of the time at 50% of the receiver locations. Teleprompter Corp. v. Columbia Broadcasting Sys., Inc., 415 U.S. 394, 401 n.7 (1974); 47 C.F.R. §§ 73.683-84 (1973). In cable television regulations adopted in 1972, the FCC announced a narrower definition of "distant signal" for purposes of signal carriage by cable systems. Signals available in a community as a result of the authorized rebroadcast of a "translator" station and signals found by the FCC to be "significantly viewed" in the community were treated as local signals for purposes of the carriage regulations. 47 C.F.R. §§ 76.59, 76.61, 76.63 (1973). For the definition of a television "translator" station see 47 C.F.R. § 74.701(a) (1973). For the listing of "significantly viewed" signals by communities, see Appendix B to the cable television regulations, 47 C.F.R. §§ 76.1 *et seq.* (1973). The Second Circuit found these definitions to be unsuitable for copyright purposes, because "any definition phrased in terms of what can be received in area homes using rooftop antennas would fly in the face of the mandate of *Fortnightly*." 476 F.2d at 350. In attempting to frame a suitable definition, the Second Circuit found that:

signals, the Second Circuit quoted from *United States v. Southwestern Cable Co.*[30] in which the Supreme Court made the following distinction:

> CATV systems perform either or both of two functions. First, they may supplement broadcasting by facilitating satisfactory reception of local stations in adjacent areas in which such reception would not otherwise be possible; and second, they may transmit to subscribers the signals of distant stations entirely beyond the range of local antennae.[31]

The circuit court held that in transmitting distant signals, a cable system was the functional equivalent of a broadcaster, and therefore "performed" those copyrighted programs embodied in the imported signals. The court reasoned that by importing signals not otherwise receivable in the community, a cable system did more than merely enhance its subscribers' ability to receive signals already in the area.[32] Such an importation was the equivalent of broadcasting, and to broadcast is to "perform" within the meaning of the Copyright Act.[33] However, the right to perform belongs exclusively to the copyright holder or his licensee. Therefore by importing distant signals carrying copyrighted programs without authorization, Teleprompter was guilty of statutory copyright infringement.

In considering the case on appeal, the Supreme Court[34] agreed with the courts below that the new functions performed by Teleprompter of program origination, sale of commercials and interconnection, even though they may have allowed Teleprompter to compete more effectively for the television market, were of no significance with regard to the copyright infringement issue of whether a "performance" had occurred.[35] The Court found that these activities were distinct from those involved in the reception and transmission

---

> [I]t is easier to state what is not a distant signal than to state what is a distant signal. Accordingly, we have concluded that any signal capable of projecting, without relay or retransmittal, an acceptable image that a CATV system receives off-the-air during a substantial portion of the time by means of an antenna erected in or adjacent to the CATV community is not a distant signal.

Id. at 351 (footnote omitted).

[30]392 U.S. 157 (1968).

[31]Columbia Broadcasting Sys., Inc. v. Teleprompter Corp., 476 F.2d at 349 *quoting* United States v. Southwestern Cable Co., 392 U.S. at 163.

[32]476 F.2d at 349.

[33]*See* text accompanying notes 11-12 *supra.*

[34]Teleprompter Corp. v. Columbia Broadcasting Sys., Inc., 415 U.S. 394 (1974).

[35]*Id.* at 405.

of copyrighted works. These activities therefore did not change the functional role of cable television in such transmissions of broadcast programming from that of a viewer to that of a broadcaster and thereby transform the cable reception service into a "performance." While the cable system was comparable to a broadcaster in originating programming and selling commercials, such activities did not change the overall nature of Teleprompter's function so as to move it to the broadcasters' "side of the line" with regard to distant signal carriage, thereby opening Teleprompter to liability for copyright infringement for importing broadcast signals.

The Supreme Court, however, disagreed with the Second Circuit's holding that the importation of distant signals by a cable system gives rise to liability for copyright infringement. The *Teleprompter* Court distinguished *Southwestern Cable,* as it had been relied upon by the Second Circuit,[36] on the grounds that it was not a copyright case.[37] The Court held that even though the signals imported by the Teleprompter cable systems came from a greater distance than those receivable by a home antenna, the systems' basic function, and therefore their status as non-broadcasters, remained unchanged.[38]

The Court's holding, allowing cable systems to import programming free of charge, constituted a rejection of the television industry's economic argument. CBS urged that the financial impact of cable television carriage of imported signals be considered by the Court in determining the issue of copyright liability. The argument was that copyright holders could not expect to recoup their entire investment from a single broadcast. Copyright holders often license their programs for "first run" showing over a major network, and later syndicate the programs for airing by independent broadcast stations or network affiliates in television markets not reached by the original broadcast. The copyright holders in *Teleprompter* contended that

---

[36]*See* text accompanying notes 28-30 *supra.*

[37]The issue in *Southwestern Cable* was the authority of the FCC to regulate, in the public interest, the operations of cable television systems. As the *Teleprompter* Court said:

> Insofar as the language quoted [by the Second Circuit from *Southwestern Cable* to distinguish between the functions of cable television] had other than a purely descriptive purpose, it was related only to the issue of regulatory authority of the Commission. In that context it did not and could not purport to create any separation of functions with significance for copyright purposes.

415 U.S. at 406 (footnote omitted).

[38]415 U.S. at 408-09. The Court found the greater distances involved in Teleprompter's activities to be immaterial. Teleprompter was still acting primarily as a reception service, and not as a broadcaster.

cable systems would diminish the profitability of the programs when they were later syndicated by importing first run programming into these "secondary" markets.[39] The price a broadcaster will be willing to pay for the right to air a program is related to the advertising revenue the show will produce, and such revenue in turn depends upon the number of viewers who tune in the program. Once a viewer has seen a copyrighted program by means of cable television a later licensed broadcast of the same show by the local station is less attractive.

Such a result, it was argued, would disrupt the economic structure of the broadcast industry and would serve to dissuade potential program producers from creating new shows, lest they receive an unsatisfactory return on their investment. Only if the cable systems were required to pay for the disruption caused would "the general benefits derived by the public from the labors of authors" be assured.[40] However, the Court was not persuaded by the argument, finding the economic relationship in the television industry between copyright holders and the general public is indirect and that the dilution of viewer markets would not have the direct economic impact foreseen by the copyright holders.[41]

The *Teleprompter* Court also held that the cable systems did not assume a broadcast function by making choices as to which distant signals would be carried. CBS argued that by "leapfrogging" closer broadcast stations and choosing to carry signals more distant, the cable systems were selecting programming, a function ascribed to broadcasters in *Fortnightly*. The *Teleprompter* Court stated, however, that broadcasters make a creative choice in selecting individual programs and devising schedules for broadcasts, while cable systems only make the initial decision of which signals are to be carried. Thereafter, these systems simply carry without editing the programs they receive, making no further programming decisions.[42]

---

[39]A "secondary" market, in this instance, would be one in which a copyright holder could hope to license his program subsequent to its first run major network showing.

[40]415 U.S. at 410-11. No specific findings of fact had been made by the trial court on the economic impact of the importation of distant signals on broadcasters and copyright holders. *Id.* at 413 n.15. For a discussion of the economic effects of distant signal importation on advertiser markets available to broadcast television stations see Note, *CATV and Copyright Liability,* 80 HARV. L. REV. 1514, 1522-25 (1967); Note, *CATV and Copyright Liability: On a Clear Day You Can See Forever,* 52 VA. L. REV. 1505, 1513-16 (1966).

[41]415 U.S. at 411-12. The Court stated that even had such an economic result been established, it was of little relevance to the narrow issue of whether the importation of distant signals constituted a "performance." *Id.* at 413 n.15.

[42]*Id.* at 409-10.

Having settled the issue as to which side of the broadcaster—viewer line cable television systems fall, the Court concluded that Teleprompter had not "performed" any copyrighted programs and reversed the Second Circuit's holding that cable television importation of distant signals constituted "performance" and hence entailed copyright liability for carriage of imported programming. The effect of the Court's decision that the transmission of television programming by cable is not a "performance" is to grant cable system operators immunity from liability under the Federal Copyright Act, for without a "performance" there is no copyright infringement.[43]

The Supreme Court's decisions allowing cable system operators to profit by transmitting copyrighted works without accountability to the copyright proprietors, an activity characterized as "piracy" by Mr. Justice Douglas,[44] is the result of the application of the antiquated Copyright Act to a modern communications innovation. As Mr. Justice Fortas said in *Fortnightly*, applying a 1909 copyright law to a medium that was not in existence at the time of its enactment "calls not for the judgment of Solomon but for the dexterity of Houdini."[45] The urging by commentators for congressional action to update the provisions of the Copyright Act has recently intensified,[46] particularly as the problems of interpreting the 1909 Act to fit new situations created by advancing technology have increased. Indeed, all three courts which considered the *Teleprompter* case urged an expeditious legislative resolution of the issues presented by cable television's carriage of copyrighted programs.[47] However, the congres-

[43]*See* text accompanying note 8 *supra.*

[44]Teleprompter Corp. v. Columbia Broadcasting Sys., Inc., 415 U.S. at 418 (Douglas, J., dissenting).

[45]392 U.S. at 402 (Fortas, J., dissenting).

[46]Several commentators exploring the issue raised in the *Teleprompter* decision have called for congressional resolution of the problems of balancing the competing interests of copyright, national telecommunications policy and the technological advancement generated by the important communications device, cable television. *See, e.g.*, Note, *CATV and Copyright Liability: Teleprompter Corp. v. Columbia Broadcasting System, Inc. and the Consensus Agreement,* 25 HAST. L.J. 1507, 1544-48 (1974); Comment, *The Cable Compromise: Integration of Federal Copyright and Telecommunications Policies,* 17 ST. LOUIS U. L. J. 340, 353-54 (1973); Comment, *Copyright Law and CATV:* Columbia Broadcasting Systems, Inc. v. Teleprompter Corp., 60 VA. L. REV. 137, 152-53 (1974).

[47]Teleprompter Corp. v. Columbia Broadcasting Sys., Inc., 415 U.S. 394, 414 (1974); Columbia Broadcasting Sys., Inc. v. Teleprompter Corp., 476 F.2d 338, 354 (2d Cir. 1973); Columbia Broadcasting Sys., Inc. v. Teleprompter Corp., 355 F. Supp. 618, 630 (S.D.N.Y. 1972).

sional response to these repeated calls for action has been somewhat dilatory.

Comprehensive revision of the 1909 Act has been under consideration for at least two decades. In 1955, Congress authorized the Copyright Office to make studies of possible changes. Six years later the Office issued a report containing its determinations.[48] Beginning with the Eighty-eighth Congress, revision bills have been regularly introduced,[49] but none has yet been enacted. The difficult problems raised by cable television have been some of the most significant obstacles to passage of the revision bills.[50] The industries involved, however, have agreed in principle that enactment of a revision bill settling the issue of cable television copyright liability is desirable and have attempted to break the legislative impasse.

The impetus for the broadcasters and cable operators to reach an agreement on copyright issues came largely from the Federal Communications Commission. Following a "letter of intent" from Chairman Dean Burch of the FCC to the Senate Communications Subcommittee[51] concerning a proposed regulatory scheme for cable television, and at the suggestion of Chairman Burch and Clay T. Whitehead, Director of the Office of Telecommunications Policy, representatives of both the broadcast and cable television interests negotiated a "consensus agreement" embodying proposals acceptable to both sides on copyright legislation and FCC regulation.[52] The agreement included a provision that all parties would support cable television copyright

---

[48]REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW, HOUSE COMM. ON THE JUDICIARY, 87th Cong., 1st Sess., (Comm. Print 1961), (reprinted in 2 STUDIES ON COPYRIGHT 1199 (Arthur Fisher Mem. Ed. 1963)). This report did not deal specifically with cable television, but it did recommend that a performing license be required when a receiver made a charge to the public for the reception of the broadcast.

[49]H.R. 11947, 88th Cong., 2d Sess. (1964); H.R. 4347, 5680, 6831, 6835, 89th Cong., 1st Sess. (1965); S. 1006, 89th Cong., 2d Sess. (1966); H.R. 2512, 90th Cong., 1st Sess. (1967); S. 597, 90th Cong., 1st Sess. (1967); S. 543, 91st Cong., 1st Sess. (1969); S. 644, 92d Cong., 1st Sess. (1971); S. 1361, 93d Cong., 1st Sess. (1973); H.R. 8186, 93d Cong., 1st Sess. (1973). H.R. 2512, introduced in the Ninetieth Congress, passed the House only after the section of the bill creating mandatory licensing for cable television was deleted. 113 CONG. REC. 8992, 9021 (1967).

[50]*See* 117 CONG. REC. 2001 (1971) (remarks of Senator McClellan).

[51]Letter of Chairman Burch to Senate Communications Subcomm., August 5, 1971, in 31 F.C.C. 2d 115 (1971).

[52]CABLE TELEVISION REPORT AND ORDER, note 4 *supra*, Appendix D. For a critical discussion of the "consensus agreement," see the dissenting opinion of Commissioner Nicholas Johnson in CABLE TELEVISION REPORT AND ORDER at 306-23. The "consensus agreement" has recently been attacked by certain spokesmen for the cable television industry, and the continued vitality of the agreement seems doubtful. *See* note 55 *infra*.

legislation and seek its early passage. The cable television industry agreed that a provision should be made in any comprehensive revision bill to recompense copyright holders for carriage of their programs by cable. Compulsory licenses[53] would be available for all local signals, FCC authorized distant signals, and other signals which may be carried under FCC regulations.[54]

Despite these efforts, nearly three years have passed since the "consensus agreement" was reached, yet Congress has not resolved the cable television-copyright controversy.[55] Since *Teleprompter* essentially grants the cable television interests immunity from action under the 1909 Act, the copyright holders have no federal law to assure compensation for use of their works by cable television as long as the Federal Copyright Act remains unchanged.[56] Until such time as a revision bill becomes law,[57] copyright holders must look beyond the federal government if they are to be assured compensation[58] for cable transmission of their copyrighted works.

---

[53]Under a compulsory licensing arrangement cable television would be allowed to carry any or all of certain categories of stations chosen by the FCC on the basis of local and significantly viewed signals. The cable systems would be required to pay the broadcasters specified royalties for the license to do so. *See* S. 1361, 93d Cong., 1st Sess. § 111(c)(1) (1973) (reprinted at 120 CONG. REC. 16,170 (daily ed. Sept. 9, 1974)).

[54]CABLE TELEVISION REPORT AND ORDER at 285.

[55]The Senate passed S. 1361 in September 1974. The bill contained provisions for compulsory licenses for cable carriage of certain signals, and imposed infringement liability for the carriage of others. 120 CONG. REC. 16,167, 16,170 (daily ed. Sept. 9, 1974). However, Senator McClellan stated that it was doubtful that the House would have time to act before the bill dies at the end of the Ninety-third Congress. *Id.* at 16,185-86 (remarks of Senator McClellan). The revision bill faces difficult opposition. The cable industry, led by the National Cable Television Association, withdrew its support of S. 1361 in November 1974. The Association's primary complaints involved the bill's method of determining copyright license fees to be charged cable operations, the possibility of legal action by broadcasters, rather than copyright holders which might lead to "undue harassment," and the Association's desire to exempt cable systems with less than 1,500 subscribers from the provisions of the bill. One representative of the cable interests, Mr. Fred Ford, a former chairman of the FCC, has recommended rescission of the consensus agreement altogether. BROADCASTING, Nov. 25, 1974, at 35.

[56]Even under FCC exclusivity regulations, cable television systems are allowed to carry at least one signal embodying a particular copyrighted program receivable in the cable community. 47 C.F.R. §§ 76.91-.151 (1973).

[57]The current revision bill provides, with certain limitations, for federal preemption of state laws granting copyright, literary property rights or other equivalent legal or equitable rights. S. 1361, 93d Cong., 1st Sess. § 301(a) (1973) (reprinted at 120 CONG. REC. 16,174 (daily ed. Sept. 9, 1974)).

[58]Copyright holders and broadcasters level two economic arguments against cable transmission of broadcast programming, particularly the importation of distant signals. First, the availability of non-local programming made possible by cable importa-

In the absence of a federal remedy, the broadcasters and copyright holders may turn to state law in seeking protection from the detrimental economic effects of cable transmission of copyrighted broadcast programming. Where the Federal Copyright Act has proven not to be amenable to the new problems created by changing technology, state law may be more flexible. In seeking to protect themselves from cable carriage of copyrighted programming, the broadcasters and copyright holders may rely on the copyright-like protections afforded by the state law doctrine of misappropriation.

The unfair competition doctrine of misappropriation[59] provides protection in tort from certain unauthorized uses of a commercially valuable product. The doctrine as first announced by the Supreme Court in *International News Service v. Associated Press*[60] forbade the appropriation of the work product of a competitor for commercial purposes.[61] However, the elements of the doctrine have evolved over

---

tion will tend to divert a certain number of viewers from local broadcasts. Since the broadcasters' advertising rates and the copyright holders' license fees are both proportional to the number (and characteristics) of viewers watching a program, this audience fragmentation will cause both groups to lose revenue. As cable systems increase their amount of original cablecasting, the audience for local broadcast stations will be further diminished, and the local broadcasters' competitive positions will be adversely affected.

Second, when a cable system imports a program not normally receivable in the cable community, the program will be less attractive to the local broadcaster should the program's copyright holder subsequently attempt to license it in that market. As a result of the previous cable transmission the viewer appeal of the program is lessened, as it is essentially a rerun. The license fee a copyright holder could charge would be diminished accordingly. For a critical analysis of these arguments see Note, *CATV and Copyright Liability: Teleprompter Corp. v. Columbia Broadcasting System, Inc. and the Consensus Agreement,* 25 HAST. L.J. 1507, 1526-34 (1974).

[59]One commentator has suggested that misappropriation is no longer a theory of unfair competition, but rather is more akin to common law copyright. Goldstein, *Federal System Ordering of the Copyright Interest,* 69 COLUM. L. REV. 49, 58-59, 67-68 (1969) [hereinafter cited as *Federal System Ordering*].

[60]248 U.S. 215 (1918).

[61]INS copied news releases prepared by AP from early editions of east coast newspapers and public bulletin boards and transmitted the news thus obtained, either unchanged or after rewriting, to INS customers for publication. The Court found that AP had a "quasi-property" right in the news dispatches prepared, and ruled that INS was liable to AP for misappropriating the news for commercial purposes. The Court found that misrepresentation was not a necessary element of a case of misappropriation. *Id.* at 231-40. Misrepresentation or "palming off" was one of the traditional elements of unfair competition. *See generally* 1 R. CALLMANN, THE LAW OF UNFAIR COMPETITION TRADEMARKS AND MONOPOLIES § 4.1 (3d ed. 1967) [hereinafter cited as CALLMANN]; Note, *Developments in the Law—Competitive Torts,* 77 HARV. L. REV. 933-34 (1964).

the years to the point that the unauthorized direct use, such as duplication or mechanical reproduction, of another's literary or other intellectual work for commercial purposes is sufficient to constitute misappropriation.[62] The fact that the parties concerned in a misappropriation action are not in direct competition has been held, in some jurisdictions, to be immaterial.[63]

It would seem that broadcasters and copyright holders can make a strong prima facie case of misappropriation. Cable television revenues are generated by transmitting to paying subscribers the broadcasters' signals embodying the copyright holders' programs. The intellectual, physical, and financial effort required to produce and broadcast television programming would appear sufficient to vest in broadcasters the requisite "quasi-property" interest in their programming protectible under a misappropriation theory.[64] By transmitting broadcast signals to paying subscribers, cable television makes a direct use, without authority, of the broadcasters' and copyright holders' work product for commercial purposes,[65] and is therefore misap-

---

[62]*See, e.g.*, Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp., 199 Misc. 786, 101 N.Y.S.2d 483, 489 (Sup. Ct. 1950), *aff'd mem.*, 279 App. Div. 632, 107 N.Y.S.2d 795 (1st Dep't 1951).

[63]*See, e.g.*, Uproar Co. v. National Broadcasting Co., 8 F. Supp. 358 (D. Mass. 1934) (applying Massachusetts law), *modified on other grounds*, 81 F.2d 373 (1st Cir.), *cert. denied*, 298 U.S. 670 (1935); Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp., 199 Misc. 786, 101 N.Y.S.2d 483 (Sup. Ct. 1950), *aff'd mem.*, 279 App. Div. 632, 107 N.Y.S.2d 795 (1st Dep't 1951). In *Metropolitan Opera* the court said that the modern view of the law of misappropriation "[d]oes not rest solely on the ground of direct competitive injury, but on the broader principle that property rights of commercial value are to be and will be protected from any form of unfair invasion or infringement . . . ." 101 N.Y.S.2d at 492. Traditionally, actual competition between the parties was necessary before a claim for "unfair competition" could be established. *See* CALLMANN at § 5.1.

[64]In International News Serv. v. Associated Press, 248 U.S. 215 (1918), Mr. Justice Pitney explained that AP had a protectible "quasi-property" interest in the news it collected. The news was the stock in trade of both news bureaus, and was distributed as a commercial venture. As both parties used the news to make a profit, the Court found that by incurring considerable expense to gather the news, AP developed a quasi-property interest as between itself and INS. This quasi-property interest between two parties was contrasted with a genuine property interest which protects its holder against intrusions by anyone, not merely those who seek commercial advantage. 248 U.S. at 236.

[65]If the cable television context is one in which the courts should hold that actual competition between the parties is still a necessary element of unfair competition, *see, e.g.*, Estate of Hemingway v. Random House, Inc., 23 N.Y.2d 341, 244 N.E.2d 250, 296 N.Y.S.2d 771 (1968), the broadcasters should still be able to present a prima facie case. Local broadcasters compete with cable television distant signal importation and cablecasting. Both imported programs and cable originated shows contend with local broadcasts for the viewer market.

propriating. However, despite the apparent suitability of the misappropriation doctrine as a basis for affording the broadcasters and copyright holders relief under state law, there is an additional question which must be answered before any state law solution can be seriously considered. The precise question is whether the states are constitutionally able to grant relief in light of possible federal preemption of the copyright field.

The federal government has a significant interest in matters of copyright and telecommunications policies, and has sought to achieve its goals by means of statutes and regulations. State laws affecting copyright and telecommunication are valid only insofar as they are in harmony with federal policy.[66] State protection which defeats federal objectives is invalid. In order to secure state-granted relief, therefore, broadcasters and copyright holders must demonstrate that the application of state misappropriation doctrine to the cable-copyright controversy does not conflict with the purposes of federal policies. As with other issues involving federalism, the question of whether a state law affecting copyright and telecommunication has been pre-empted by federal activity in those fields is not easily answered.

A delineation of the boundary between federal and state spheres of power in the area of copyright law has been implied from the companion cases of *Sears, Roebuck & Co. v. Stiffel Co.*[67] and *Compco Corp. v. Day-Brite Lighting, Inc.*[68] The plaintiffs in *Sears* and *Compco* sought to protect their federally unpatentable products from being copied by competitors under a state unfair competition law. The Supreme Court held such state-granted protection invalid, finding that in drafting the patent laws Congress had consciously determined what amount of innovation was necessary before an invention deserved patent protection. Thus those devices falling short of the minimum standards were unprotectible. Congress, the Court stated, had determined that those articles unworthy of a patent should be

---

[66]*See* note 5 *supra.*

[67]376 U.S. 225 (1964). The Stiffel Company, the holder of a design patent on the popular "pole lamp," sued Sears for marketing a similar lamp. Sears was able to sell its lamp at retail for approximately Stiffel's wholesale price. Stiffel's patent was held invalid for want of invention. *Id.* at 225-26.

[68]376 U.S. 234 (1964). Day-Brite, who had secured a design patent on a particular light fixture, sued Compco, whose predecessor had marketed an essentially identical fixture. Day-Brite's patent, like Stiffel's, was held invalid. *Id.* at 234-35. For a discussion of the *Sears-Compco* doctrine and its potential effect on state laws see Gamboni, *Unfair Competition Protection after Sears and Compco,* 15 ASCAP COPYRIGHT LAW SYMPOSIUM 1 (1967).

freely accessible to the public and hence the states could not, under the rubric of unfair competition, prohibit their being copied. The Court's opinions in *Sears* and *Compco* were broadly worded and extended to copyright as well as patent law the rule that state legislative enactments may neither impinge upon subject areas covered by federal legislation, nor conflict with federal objectives.[69]

The expansive language of *Sears-Compco* has been applied in the cable-copyright context. In *Cable Vision, Inc. v. KUTV, Inc.*,[70] a local broadcaster, KLIX-TV, in Twin Falls, Idaho, charged a cable system, Cable Vision, with unfair competition and tortious interference with contractual rights. KLIX had agreements with three broadcast television stations which represented the major networks in Salt Lake City, Utah, to rebroadcast their signals in Twin Falls. Due to topography and distance, KLIX was the only broadcast station normally receivable in the community. Cable Vision erected a large antenna and other equipment and began transmitting those same Salt Lake City signals to its subscribers in Twin Falls. This multiplicity of signals diverted viewers from KLIX's broadcasts. The trial court granted relief to the broadcaster, finding the cable system liable for both unfair competition and tortious interference with contractual rights.[71]

On appeal, the Ninth Circuit vacated the lower court's judgment and remanded the case.[72] In disallowing relief for misappropriation, the Ninth Circuit admitted that Cable Vision's use of broadcast signals for commercial purposes was "inconsistent with a finer sense of propriety," but nevertheless held that the trial court had recognized state law protections in contravention of the *Sears-Compco* doctrine.[73] The court of appeals recommended that the aggrieved broadcaster seek to vindicate its interests in an action under statutory or common law copyright.[74]

---

[69]Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 230-31 (1964); Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234, 237-38 (1964).

[70]211 F. Supp. 47 (D. Idaho 1962), *vacated and remanded*, 335 F.2d 348 (9th Cir. 1964), *cert. denied*, 379 U.S. 989 (1965). The Supreme Court had decided *Sears* and *Compco* only four months before the Ninth Circuit handed down its *Cable Vision* decision. The district court's decision had been rendered in 1962, nearly two years before.

[71]211 F. Supp. at 58-59.

[72]Cable Vision, Inc. v. KUTV, Inc., 335 F.2d 348 (9th Cir. 1964).

[73]335 F.2d at 352 *quoting* International News Serv. v. Associated Press, 248 U.S. 215, 257 (Brandeis, J., dissenting). In a case tried on similar facts, a Florida appellate court affirmed the denial of state law relief to a broadcaster, relying exclusively on the Ninth Circuit's *Cable Vision* opinion. Herald Publishing Co. v. Florida Antennavision, Inc., 173 So. 2d 469 (Fla. Dist. Ct. App. 1965).

[74]335 F.2d at 353. The Ninth Circuit suggested that the broadcasters could be

In *Cable Vision* the Ninth Circuit found *Sears-Compco* to be dispositive of the issue of the validity the state misappropriation and contract protections as sought by the local broadcaster.[75] Over the last decade, however, the *Sears-Compco* doctrine has been seriously eroded and limited. A combination of lower court circumventions and Supreme Court limitations has done much to undermine the broad holdings of the *Sears-Compco* opinions.

Several lower courts have relied on an omission in the *Sears-Compco* decisions as a basis for easing the Supreme Court's proscription against state protection in the area of copyright. Neither the misappropriation doctrine nor *International News Service v. Associated Press,* the Supreme Court case applying the doctrine,[76] were specifically mentioned in *Sears* or *Compco,* and as a result, the lower courts have carved out of the *Sears-Compco* doctrine an area of permissible state regulation. These courts have found "copying" and "misappropriation" to be distinguishable, and have held that *Sears-Compco* forbids only state prohibitions against "copying" and does not extend to state regulation of "misappropriation."[77]

---

protected under statutory copyright, for programs so registered, and by common law copyright, for those programs which had not been "published" within the meaning of that doctrine, and are therefore still subject to common law copyright protection. For a general discussion of common law copyright protection see 1 NIMMER ON COPYRIGHT §§ 10-11 (1974).

The Supreme Court has foreclosed any possibility of protection under statutory copyright by its decisions in *Fortnightly* and *Teleprompter,* so long as the language of the 1909 Act remains unchanged. Inasmuch as the Ninth Circuit's opinion was based on the apprehension that state unfair competition protection would be a disincentive to registration of copyrightable works under the federal law, these decisions have made it clear that any remedy made available by the states will be in addition to those of the Copyright Act. The attractiveness of the protections of the Act consequently remain, and the state remedy should therefore have no adverse affect on the number of registrations under the federal law.

Common law copyright protects those works which are "unpublished." It has been held that television programming is not eligible for common law copyright because broadcasting serves as a divestitive publication. Z Bar Net, Inc. v. Helena Television, Inc., 125 U.S.P.Q. 595 (Mont. Dist. Ct. 1960).

[75]335 F.2d at 351.

[76]*See* note 61 *supra.*

[77]*See, e.g.,* Tape Industries Ass'n of America v. Younger, 316 F. Supp. 340, 348-51 (C.D. Cal. 1970), *appeal dismissed,* 401 U.S. 902 (1971); Grove Press, Inc. v. Collectors Publication, Inc., 264 F. Supp. 603, 606-07 (C.D. Cal. 1967); Flamingo Telefilm Sales, Inc. v. United Artists Corp., 141 U.S.P.Q. 461 (N.Y. Sup. Ct.), *rev'd on other grounds,* 22 App. Div. 2d 778, 254 N.Y.S.2d 36 (1st Dep't 1964); Capitol Records, Inc. v. Greatest Records, Inc., 43 Misc. 2d 878, 252 N.Y.S.2d 553, 554-57 (Sup. Ct. 1964). *Contra,* International Tape Mfrs. Ass'n v. Gerstein, 344 F. Supp. 38 (S.D. Fla. 1972), *vacated and remanded,* 494 F.2d 25 (5th Cir. 1974). *See generally* Note, *The "Copying-*

"Misappropriation" and "copying" might best be distinguished by the extent to which an unauthorized use of a work draws upon the investment of the original creator.[78] One who uses mechanical reproduction devices or other means of direct duplication to exploit the work product of another for commercial purposes has misappropriated. On the other hand, one who imitates the original, and who thereby incurs many of the same expenses as did the original producer, merely "copies."[79] The former activity has been seen in a more pejorative light than has the latter and the courts have accordingly endeavored to afford state protection from misappropriation in spite of *Sears-Compco.*[80] The copying-misappropriation distinction, however, is not the strongest basis for the legitimacy of state protection in the copyright field.

The Supreme Court has found the state power to grant certain copyright-like protections to be of constitutional magnitude. A state statutory prohibition against misappropriation was upheld and the applicability of *Sears-Compco* was limited by the Supreme Court in *Goldstein v. California,*[81] a landmark decision in the copyright field, in which a state penal statute[82] protecting uncopyrightable sound

---

Misappropriation" Distinction: A False Step in the Development of the Sears-Compco *Pre-emption Doctrine*, 71 COLUM. L. REV. 1444 (1971) [hereinafter cited as *The "Copying-Misappropriation" Distinction*]. One commentator charges that even though *Sears* and *Compco* dealt with unfair competition, they are obscure on the matter of misappropriation because "the opinions reflect only a minimal appreciation of [unfair competition's] subtleties." *Federal System Ordering* at 66.

[78]*See The "Copying-Misappropriation" Distinction* at 1445, 1460-63 and cases cited therein.

[79]The distinction can best be illustrated by example. The activity known as "tape piracy" involves the direct duplication of tapes by means of multiple slave transcribers. The pirate purchases a legitimate tape, reproduces it many times, and markets it. Due to the savings in production expense he is able to undersell the original. This is misappropriation. On the other hand, if the unauthorized use consists of hiring musicians, renting a studio and employing recording technicians to produce an imitation of the original recording, the activity would be merely copying. *Compare* Goldstein v. California, 412 U.S. 546 (1973) *with* Sinatra v. Goodyear Tire & Rubber Co., 435 F.2d 711 (9th Cir. 1970,) *cert. denied,* 402 U.S. 906 (1971). *See generally* Note, Goldstein v. California *and the Protection of Sound Recordings: Arming the States for Battle with the Pirates,* 31 WASH. & LEE L. REV. 604, 630-831 (1974). [hereinafter cited as Goldstein v. California *and the Protection of Sound Recordings.*]

[80]*See* cases cited in note 77 *supra.*

[81]412 U.S. 546 (1973). For discussions of *Goldstein,* see Note, Goldstein v. California: *Validity of State Copyright Under the Copyright and Supremeacy Clauses,* 25 HAST. L.J. 1196 (1974); Goldstein v. California *and the Protection of Sound Recordings*; Comment, 87 HARV. L. REV. 1, 282-91 (1973).

[82]CAL. PENAL CODE § 653h(a)(1) (West 1970). This statute provides that one who "[k]nowingly and willfully transfers or causes to be transferred any sounds recorded

recordings[83] was held to be constitutional. The Court found that the copyright clause[84] of the Constitution grants concurrent power to the federal and state governments to extend copyright protection, so long as state law does not conflict with federal policies.[85] In reaching its conclusions, the Court distinguished *Sears-Compco* on the ground that they were patent law cases and that the congressional decision to protect some inventions and not others which in the Court's view mandated striking down state protection, was peculiar to patent matters and therefore was not determinative of the states' power to grant copyright-like protection.[86] The tape "piracy" prohibited by Califor-

---

on a phonograph record . . . tape . . . or other article on which sounds are recorded, with intent to sell or cause to be sold . . . such article on which sounds are so transferred, without the consent of the owner [is guilty of a misdemeanor]."

[83]The case involved the business known as "tape piracy." The tape pirate purchases a legitimate prerecorded tape and then duplicates it by means of mechanical devices. The duplicated tapes are then marketed at a price below that of the original.

The pirate can undersell legitimate producers because he has avoided the costly burden of producing an original recording by misappropriating the work. Such sound recordings were uncopyrightable under the Federal Act before 1972. 412 U.S. at 548-52.

[84]U.S. CONST. art. I, § 8, cl. 8 grants to Congress the power "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

[85]412 U.S. at 558-59. Mr. Chief Justice Burger turned to The Federalist in his analysis. Alexander Hamilton, in Number 32, mentioned three instances in which the states can not exercise authority: when the Constitution expressly granted exclusive authority to the federal government, when it granted authority to the federal government and denied like authority to the states, and when it granted authority to the federal government, "to which a similar authority in the States would be absolutely and totally *contradictory* and *repugnant.*" 412 U.S. at 553 *quoting* THE FEDERALIST No. 32, at 241 (B. Wright ed. 1961) (A. Hamilton) (emphasis in original). The Chief Justice found that the first two tests of exclusivity presented no problem, as the grant of copyright power is neither expressly exclusive in the federal government, nor prohibited to the states. 412 U.S. at 553. The third test was dealt with at length. Quoting again from Hamilton, the Chief Justice noted: "It is not . . . a mere possibility of inconvenience in the exercise of powers, but an immediate constitutional repugnancy that can by implication alienate and extinguish a pre-existing right of [state] sovereignty." 412 U.S. at 554-55 *quoting* THE FEDERALIST No. 32, at 243 (B. Wright ed. 1961) (A. Hamilton). Finding certain subject matter covered by the copyright clause to be of purely local interest and not worthy of national attention, and seeing no constitutional repugnancy to state granted copyright protection, the Court found copyright power to be concurrent in both the federal and state governments. State copyright protection is, however, only effective within the boundaries of the individual states. 412 U.S. at 558. The Court further found that the limitation in the copyright clause that copyrights be granted for "limited Times" applies only to Congress, and not to the states. *Id.* at 560. The effect of the California statute was to grant copyright-like protection in perpetuity.

[86]*Id.* at 569-70. While Congress limited patent protection to only those inventions

nia in *Goldstein* is a form of misappropriation, and in allowing the state statute to stand, the Court breathed new life into that old doctrine. But perhaps the more important aspect of the *Goldstein* decision is the presumption in favor of the validity of state law with which the Court approached the question of federal pre-emption of the state statute affecting copyright matters. *Sears-Compco* created a rule that state laws affecting works subject to federal copyright and patent protection were per se pre-empted by the federal activity in those areas.[87] After *Goldstein,* however, state copyright-like protection will generally be assumed to be valid, unless it can be established that Congress intended its enactments to be pre-emptive of such state remedies.[88]

In validating state protection of works uncopyrightable under the federal statutory scheme, the *Goldstein* Court dealt a severe blow to the vitality of the *Sears-Compco* doctrine of federal pre-emption. The Court found that state action filling a vacuum in the federal statutory copyright scheme was constitutionally proper. Shortly after deciding *Goldstein,* the Court further limited the pre-emption doctrine of *Sears-Compco* and found state remedies touching the federal protective framework to be constitutional. In *Kewanee Oil Co. v. Bicron Corp.,*[89] the Court upheld a state trade secret law that provided pro-

---

possessing at least a minimum of innovation, copyright protection extends to "all writings" of an author. It was on this basis that the *Goldstein* Court distinguished *Sears-Compco. See* text accompanying notes 67-69 *supra.* Yet despite *Goldstein's* apparent rejection of the *Sears-Compco* doctrine in the copyright field, the Court inexplicably expressly declared that those companion cases were reaffirmed. 412 U.S. at 571.

[87]*See Federal System Ordering* at 63-65.

[88]The presumption of the *Sears-Compco* Court on the issue of the validity of state protections affecting copyright matters was that "congressional silence betokens a determination that the benefits of competition outweigh the impediments placed on creativity by the lack of copyright protection . . . ." Goldstein v. California, 412 U.S. at 579 (Marshall, J., dissenting). The *Goldstein* majority, on the other hand, found no such affirmative intent in congressional silence with regard to a particular category of writings. The *Goldstein* Court found pre-emption only in affirmative congressional action, not inaction. *See* Goldstein v. California *and the Protection of Sound Recordings* at 639-40.

Mr. Justice Marshall disagreed with the shift in the Court's presumption as to the intent to be inferred from congressional silence when dealing with the issue of federal pre-emption of state copyright-like protection. Goldstein v. California, 412 U.S. 546, 576-77 (1973) (Marshall, J., dissenting). *See generally* Comment, Goldstein v. California: *Breaking Up Federal Copyright Preemption,* 74 COLUM. L. REV. 960 (1974).

[89]416 U.S. 470 (1974). Harshaw Chemical Company, a division of Kewanee, had, after more than sixteen years of experimentation, grown a commercially valuable synthetic crystal to a size previously thought impossible. Several Harshaw employees left the company to form their own business and within a matter of months had equalled the Harshaw crystal with one of their own, a feat no other competitor had

tection for federally patentable, but in fact unpatented, articles and processes. As a result, the states may now enter the patent as well as the copyright field, and may even protect articles which fall within the scope of congressionally provided protections.

Thus, a trend away from the pre-emptive presumption of *Sears-Compco* has emerged. First, in an effort to afford state protection, the lower courts distinguished "misappropriation" from "copying" and found the *Sears-Compco* doctrine applicable only to the latter.[90] Next, *Goldstein* approved a state misappropriation statute and decisively opened the copyright enclave to state activity by shifting the Court's presumption on the issue of state protection to one in favor of the validity of state law. Finally, *Kewanee* has limited *Sears-Compco* in its own patent field and struck down the rule that state protection of a federally patentable item is per se pre-empted, by holding that federal law is pre-emptive only when state protection conflicts with congressional policy. In light of the reversal of the *Sears-Compco* presumption that state laws affecting copyright interests are invalid, decisions such as *Cable Vision* which relied on the strength of *Sears-Compco* must now be reassessed. Should a case again arise on facts similar to those in *Cable Vision,* the judicial analysis would necessarily be made in light of the reasoning underlying the severe erosion of the federal pre-emption doctrine originally announced in *Sears-Compco.*

In the process of limiting *Sears-Compco,* the Supreme Court has looked to see if state law "stands as an obstacle to the accomplishment and execution of the *full* purposes and objectives of Congress."[91] As the current Copyright Act was passed before the advent of television, Congress could, of course, have had no specific objectives with regard to cable transmission of broadcast signals. Lacking any guidance as to specific congressional intent in the area, the analysis must therefore turn to the general purposes of the Copyright Act. The congressional debates are of little assistance, as the 1909 Act was rushed through Congress with little discussion on the floor of either chamber.[92] The House report[93] on the bill is more useful, but even it

---

accomplished. Kewanee then sued its former employees' new company, Bicron, for violation of the Ohio trade secret law.

[90]*See* note 68 *supra.*

[91]Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 479 (1974) 52, 67 *quoting* Hines v. Davidowitz, 312 U.S. 32, 67 (1941) (emphasis added); *accord,* Goldstein v. California, 412 U.S. 546, 559 (1973).

[92]*See* 43 CONG. REC., 60th Cong., 2d Sess., 3746-47, 3765-69 (1909). The Act was passed late in the evening of March 3, 1909. The Congress adjourned the following day. The total debate on the floor of the House lasted only forty minutes. The proceedings on the Senate floor were even more perfunctory.

[93]H.R. REP. No. 2222, 60th Cong., 2d Sess. (1909) (reprinted in 2 NIMMER ON COPYRIGHT (1974) (Appendix I)).

fails to outline specifically the overall objectives of the Congress in enacting the legislation. Nevertheless, it is clear that Congress wished to avoid the necessity of constant revision bills, so in drafting the 1909 Act it sought language that would be sufficiently elastic to insure that emerging technology would be covered. Therefore, the broad term "writings" was chosen to delimit the works which were to be subject to copyright.[94] The courts, however, have not read the Act quite as expansively as Congress had intended and, therefore, certain gaps have been created in the comprehensive coverage that the 1909 Congress had envisioned, most notably in the television broadcasting field.[95]

In enacting the 1909 Copyright Act extending protection to "all the writings of an author,"[96] Congress was acting in pursuance of the objective of the copyright clause of the Constitution, which is to "promote the Progress of . . . useful Arts."[97] The House report on the Act stated that copyright legislation was not based on any natural right an author had in his writings, because copyrights are purely statutory in origin. Rather, the Act was intended to serve the public welfare. The report said that copyright was not solely "for the benefit of the author, but primarily for the benefit of the public."[98] Congress found that the best method to promote the "useful Arts" was to stimulate creation and dissemination of intellectual works by granting limited monopolies to authors. However, in deciding how extensive these monopolies should be, Congress had to balance two competing interests and reach a compromise. The monopoly granted to copyright holders had to be sufficiently rewarding economically to

[94]H.R. REP. No. 2222, 60th Cong., 2d Sess. 10 (1909).

[95]*See, e.g.*, Fortnightly Corp. v. United Artists Television, Inc., 392 U.S. 390 (1968). *See also* Capitol Records, Inc. v. Mercury Records Corp., 221 F.2d 657 (2d Cir. 1955) (no copyright protection for sound recordings under the Federal Act). The Copyright Office has also ruled certain works to be uncopyrightable, such as names, titles, slogans, and forms such as time cards, bank checks and address books. 37 C.F.R. § 202.1 (1974).

[96]17 U.S.C. § 4 (1970).

[97]U.S. CONST. art. I, § 8, cl. 8.

[98]H.R. REP. No. 2222, 60th Cong., 2d Sess. 7 (1909). The Supreme Court, too, has described the constitutional purpose of the copyright clause: "The economic philosophy behind the clause empowering Congress to grant . . . copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors . . . in ' . . . useful Arts.' " Mazer v. Stein, 347 U.S. 201, 219 (1954).

ensure an adequate return on their copyrighted works, thereby encouraging authors to continue to produce, while not being so anticompetitive as to be detrimental to the public interest. The monopoly granted by the Copyright Act was intended to be broad enough to provide copyright holders with just rewards for their efforts without unduly hampering competition. Thus, while competition is generally to be promoted, Congress recognized that in copyright matters the greater public interest was in the creation of new intellectual works, and that such restraints on competition as were necessary to insure that copyright holders received sufficient remuneration for such works actually furthered this public interest.

In applying the *Goldstein-Kewanee* pre-emption analysis, a determination must be made of whether state law conflicts with these federal objectives of the Copyright Act. State protection for intellectual works which stimulates further creation while not substantially burdening competition would be in accord with federal goals in the copyright field. If it is found that state application of the misappropriation doctrine to the controversy between cable television and the broadcast-copyright interests properly preserves the incentives of producers to create new programming[99] without substantially compromising the federal policy favoring competition, the state remedy should be allowed.

In dealing with matters covered by the archaic federal copyright statute, the courts applying state law may find themselves in a position to mold the misappropriation doctrine to complement congressional policies. Courts implementing the 1909 Act are limited to protecting only those exclusive rights enumerated in § 1 of the Act, and have accordingly found themselves bound by the outdated language. Indeed, it can be argued that the courts in *Teleprompter* and *Fortnightly* were too preoccupied with construing the word "perform" as used in the Copyright Act to look to the policy embodied in the Act and the Constitution.[100]

Courts applying state law, on the other hand, will not be affirmatively limited, as were the courts in *Teleprompter* and *Fortnightly,* to any particular statutory wording of copyright protection. State

[99]A copyright holder may be able to demonstrate that cable importation of a signal from a distant market, embodying one of his copyrighted programs, has deprived him of a certain amount of revenue which is necessary if the copyright holder's operation is to be profitable, thereby allowing him to continue in operation. *See* note 58 *supra.*

[100]In his *Teleprompter* dissent, Mr. Justice Douglas criticized the majority for taking a too formalistic approach rather than seeking to promote the policy objectives of the Copyright Act. Teleprompter Corp. v. Columbia Broadcasting Sys., Inc., 415 U.S. 394, 417-19 (1974) (Douglas, J., dissenting).

remedies will be limited only in the negative sense that such protection must not interfere with federal policy. Broadly read, the *Goldstein-Kewanee* pre-emption test should allow state law affecting copyright matters to stand so long as it does not contravene any particular federal policy and is not specifically pre-empted by statute. Such a methodology would give the states power to protect works left beyond the specific provisions of the 1909 Act, so long as this protection is consistent with the policies implied by the Act.

The questions raised by state remedies for cable television misappropriation, however, go beyond those answered in *Goldstein* and *Kewanee.* There is a difference in the relationships between state and federal law in those cases and the nature of state protection appropriate to the cable television context. *Goldstein* validated a state law which, in effect, filled a vacuum, as no federal protection was available for sound recordings at that time. In *Kewanee,* on the other hand, a federal patent was available, but the inventor chose not to patent his invention but to rely instead upon the alternative protection of state trade secret law. The two forms of protection, federal patent and state trade secret, were alternatives. To seek protection under one of the laws would essentially preclude recourse to the other.[101] In the case of state misappropriation protection for copyrighted television programs, however, the misappropriation protection afforded by the state would be cumulative. The copyrighted programs are accorded certain protections under federal law.[102] Thus, state misappropriation protection would be in addition to the broadcasters' rights under their federal statutory copyright.

For such cumulative protection to be permissible, the state remedy must not defeat policies established by Congress. Those seeking a remedy under state law must show that the protections available to the copyright holder under the archaic Copyright Act fall short of the congressional objectives underlying the Act. It must be demonstrated that the rights provided by the specific language of the Act do not assure the copyright holder the necessary incentive envisioned

[101]State trade secret protection would not be available for a patented article or process because federal law requires full disclosure as a precondition to patent protection. Had Kewanee's process been patented it would no longer be secret, and therefore would not be protectible as a trade secret. Furthermore, since Kewanee's process of growing crystals had been in commercial use for more than one year, during which time Kewanee relied on state trade secret protection, it had lost its eligibility for patent protection. 35 U.S.C. § 102(b) (1970). *See* Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 473-75 (1974).

[102]The exclusive rights granted to copyright holders are enumerated in § 1 of the Copyright Act. *See* note 5 *supra.*

by the Congress to encourage intellectual creations. Broadcasters and copyright holders may be able to demonstrate that cable carriage of their programs diminishes the financial rewards of production to such an extent that cable transmission becomes a distinctive disincentive to further creation. Further, it may be argued by those parties seeking state protection for copyrighted programming that the state misappropriation remedy supplies the incentive to creation envisioned by the 1909 Congress in its Copyright Act. Relief provided by the misappropriation doctrine would remunerate the broadcast-copyright interests for damage caused by cable television, and thereby remove the disincentive to further creation and dissemination of programming resulting from detrimental cable transmission of broadcast signals.

Federal copyright policy is not the only pre-emptive hurdle that must be passed, however, before the states may apply the misappropriation doctrine to cable television. The federal government has a substantial interest in telecommunication, particularly in light of the interstate nature of such communication, and, as a result, both broadcast and cable television are heavily regulated by the Federal Communications Commission. State protections for broadcasters and copyright holders must not trench upon the policies embodied in the federal regulatory scheme in the television field. Even though the FCC thoroughly regulates the activities of cable television,[103] the Ninth Circuit in *Cable Vision* held, in accordance with the Federal Communications Act of 1934,[104] that the implementation of the federal policies of the Communications Act does not grant cable television immunity from claims of unfair competition.[105] Nevertheless, the states should be sensitive to the objectives of the federal telecommunications policy, should protection from cable television be provided to broadcasters and copyright holders. Both the copyright laws and the television regulations were designed to promote the public benefit. Television regulation should encourage greater availability of programming to the public, and any remedy granted in a misappropriation suit against a cable system should be formulated with such an objective in mind.[106]

State courts applying misappropriation law might offer several

---

[103]47 C.F.R. §§ 76.1 *et seq.* (1973).

[104]47 U.S.C. § 414 (1970). The section provides that: "Nothing in this chapter contained shall in any way abridge or alter the remedies now existing at common law or by statute, but the provisions of this chapter are in addition to such remedies."

[105]Cable Vision, Inc. v. KUTV, Inc., 335 F.2d 348, 349-50 (9th Cir. 1964). *See also* Teleprompter Corp. v. Columbia Broadcasting Sys., Inc., 415 U.S. 394, 419-20 (1974) (Douglas, J., dissenting).

[106]*Cf.* Radio Station WOW, Inc. v. Johnson, 326 U.S. 120 (1945).

alternative forms of relief. The court might award monetary damages, call for an accounting of profits made by the cable television system as a result of the unauthorized carriage of broadcast signals, or perhaps grant injunctive relief. It is both in the form and amount of relief granted that state law may run counter to federal policies. Monetary damages should be awarded with the objective of providing a copyright holder with a sufficient return to be an incentive to further programming production. However, at the same time the court should be careful not to impede competition unnecessarily by seeing that monetary judgments do not prove so burdensome to the cable system that they result in a substantial curtailment of service. The public has an interest in the continued vitality of cable television, especially in those localities in which the cable provides a substantial portion of the television available. An accounting of profits unfairly accrued by the cable system is a desirable mode of relief, but it may be difficult to determine the extent to which the carriage of copyrighted programming siphons off profits from broadcasters and other rightful claimants.

More difficult questions arise where injunctive relief is concerned. First, FCC regulations allow, and even require, cable carriage of certain broadcast stations. To enjoin a cable system from fulfilling its obligations under the FCC rules would directly conflict with these federal regulations and the important telecommunications policies underlying them, and should therefore be avoided. Second, the states must be careful not to impede the flow of interstate commerce. The *Goldstein* Court found that since applicability of state copyright-like protection was limited to the boundaries of the individual states, such remedies would have minimal adverse effects on interstate commerce.[107] However, cable systems often import signals across state borders. State proscription of cable access to such signals might adversely affect telecommunications policy to an impermissible extent, at least insofar as that policy reflects regulation of interstate commerce. If, however, the courts are sensitve to these matters, remedies could be fashioned which would promote, rather than impede, federal policies and which would as a result be permissible.[108]

If the broadcasters and copyright holders are able to demonstrate detrimental economic effects caused by cable television carriage of

[107]412 U.S. at 558.

[108]As with any law affecting the activities of the media and the press, there may be first amendment limitations on governmental rulemaking in the copyright area as well as the constitutional issues mentioned above. For a discussion of the perplexing paradox of the relationship of the first amendment and the copyright clause see 2 NIMMER ON COPYRIGHT § 9.2 (1974).

copyrighted programming which threaten to defeat the incentives envisioned by the Copyright Act and the Constitution, the aggrieved parties may be able to secure a certain amount of protection from state law. Such relief, however, is at best limited. The optimum solution to the cable-copyright controversy lies in the long awaited general revision of the federal copyright laws. Such a revision bill, settling the current controversy and providing the means to resolve future, unforeseen difficulties, should be expeditiously enacted.

FRANCIS CHARLES CLARK