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In the

Supreme Court of the United States

DONALD GOLDSTEIN, RUTH KOVEN and DONALD KOVEN,

Appellants,

vs.

THE STATE OF CALIFORNIA,

Appellee.

No. 71-1192

Washington, D. C.
December 13, 1972

Pages 1 thru 47

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v.	:	No. 71-1192
THE STATE OF CALIFORNIA, Appellee.	:	

Washington, D. C.,

Wednesday, December 13, 1972.

The above-entitled matter came on for argument at 10:46 o'clock, a.m.

BEFORE:

WARREN E. BURGER, Chief Justice of the United States
WILLIAM O. DOUGLAS, Associate Justice
WILLIAM J. BRENNAN, JR., Associate Justice
POTTER STEWART, Associate Justice
BYRON R. WHITE, Associate Justice
THURGOOD MARSHALL, Associate Justice
HARRY A. BLACKMUN, Associate Justice
LEWIS F. POWELL, JR., Associate Justice
WILLIAM H. REHNQUIST, Associate Justice

APPEARANCES:

ARTHUR LEEDS, ESQ., Gottlieb, Locke & Leeds, 9229 Sunset Boulevard, Los Angeles, Calif., 90069; for the Appellants.

DAVID N. SCHACTER, ESQ., Deputy City Attorney, 205 South Broadway, Suite 500, Los Angeles, Calif., 90012; for the Appellee.

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P R O C E E D I N G S

MR. CHIEF JUSTICE BURGER: We will hear arguments now in No. 71-1192, Goldstein and Koven against the State of California.

Mr. Leeds, you may proceed whenever you are ready.

ORAL ARGUMENT OF ARTHUR LEEDS, ESQ.,

ON BEHALF OF THE APPELLANTS

MR. LEEDS: Thank you, Your Honor.

Mr. Chief Justice, and may it please the Court:

The question presented by this case is whether or not the State of California has the right, or any other State, through the use of its criminal laws to enact what is, in effect, copyright for sound recordings.

I would put it further than that. What is, in effect, a copyright that goes further than any Federal copyright has ever gone, and could ever go, under the provisions of Article 1, Section 8, Clause 8 of the Constitution.

Q It will help me, at the outset, Mr. Leeds, if you will help me get clarified the situation that existed before this recent Federal statute. I am thinking of the case of Shapiro-Bernstein v. Remington Records back in the 2d Circuit in about 1956 or 7, where they were dealing with the two cent per record copyright.

Under what kind of a statute was that two cents required to be paid to anyone who copied a record?

MR. LEEDS: Yes, Your Honor.

That is somewhat confusing. The Federal statute requires -- prior to Public Law 92-140 -- required that anyone who wished to use the underlying musical composition -- and by that I mean the work of the composer, which is usually assigned to a publishing house -- anyone who wished to use that, could do so upon payment of two cents per use.

That would mean if you made an album you might make 12 uses. If you sold a thousand albums, you would make 12,000 uses.

And you had to pay the two cents to the composer for the use of that song. And the composer could stop anyone from making use of the song, as long as he didn't use it on a record.

But under Title 17, Sections 1(e) and 101(e), as they existed prior to Public Law 92-140, once anyone was allowed to make a recording, a sound recording, then the so-called compulsory license provisions came into effect, and anyone else could make what was called a similar use by paying the statutory royalty of two cents and by filing the required notice of intent to use.

Q This wouldn't pertain to the first recording company, would it?

MR. LEEDS: No, Your Honor, it would be paid only to the publishing house, the composer.

We have to divide up here the difference between the

composer and the performing artist.

We have two separate interests involved here. One would be the interest of the composer, the man who writes the song. A Verdi opera, for instance. Verdi would have one interest. The performer who performed it and recorded his performance would have another interest.

Those are two separate and distinguishable interests.

As a matter of fact, Your Honor, I think that the Congress that passed the law in 1909, which remained essentially unchanged until Public Law 92-140 became effective on February 15th of this year.

Congress said, as part of its committee report that accompanied that 1909 law, it is not the intention of the committee to extend the right of copyright to the mechanical reproductions themselves, but only to give the composer or copyright proprietor the control in accordance with provisions of the bill of the manufactur and use of such devices.

And I think it has been universally accepted --

Q That's in connection with the new bill?

MR. LEEDS: No, Your Honor, that's in connection with the 1909 Act, the original act.

The new bill -- the legislative history involved with the new bill is set out, to some extent, in our reply brief.

I call Your Honors' attentions to that first number in our reply brief, which commences at page 4, which discusses

some of the legislative intent, because the question has come up as to whether Public Law 92-140 was in any way intended to change the prior legislative history.

By that, it has been argued by respondent, that somehow Congress, in Public Law 92-140, intended to authorize the States to enact the legislation similar to the California statute.

As we point out in our brief, we think that is absolutely contrary to both the letter of the statute, which says it shall have no effect on previous law or on the sound recordings recorded prior to Public Law 92-140, and also upon the legislative history as expressed in the committee report.

At one point, the committee report quotes, or sets out, a letter from the Justice Department, and the Justice Department said the bill does not apply retroactively and Section 3, which is Section 3 of the new law, Public Law 92-140, expressly states that it should not be construed as affecting in any way any rights with respect to sound recordings fixed before the date of enactment.

Q What about after?

MR. LEEDS: Your Honor, with respect to sound recordings fixed and published after Public Law 92-140, they would be presumably covered by Federal copyright. And I think even the State must concede either they are covered by Federal copyright or they are not covered at all.

Q So, if a State had a law before, it has become inoperative for the post-Federal law --

MR. LEEDS: I would think that there could be no question about that, Your Honor.

They are in direct conflict. The Federal law provided for 28 years copyright, plus 28 years -- and this is important now -- the State's law provide no limitation. It goes on in perpetuity.

Q In any event, the importance of this case is limited to events and rights that arguably have been fixed before the passage of the Federal law?

MR. LEEDS: I think, Your Honor, in light of the facts that are directly in front of this Court, that is correct, that the sound recordings which are the subject of this case were recorded, quite clearly, prior to February 15, 1972, because the events which occurred in the lower Courts had already -- in fact the conviction had already been entered long before February 15, 1972.

So that the effect of the new law is to provide -- and we argue and we think Congress makes it clear -- that the effect of the new law is to establish a period of experiment. In fact, that is exactly what the committee report states. The committee report states that -- and the Act itself provides that sound recordings recorded between that very special time subsequent to February 15, 1972, and no later than December 31,

1974, are entitled to copyright protection, a limited kind of copyright protection, only against duplication, the kind of act which is involved in this case.

Congress said the reason they did that was because they needed further time to examine the possibilities and the other alternatives towards the solution -- the ultimate solution -- in this area.

One such solution which has been suggested, and I concede, Your Honor, that I was one of the people that suggested it to Congress at the time, was that there be a compulsory licensing provision similar, Mr. Chief Justice, to the provisions of the old law, and the new law, with respect to the composer's rights, not necessarily limited to two cents, of course, but a so-called compulsory licensing provision.

Congress has decided it needed further time to study this problem.

We suggest that that kind of time and that kind of Congressional intent is mooted by a decision of this Court, and certainly by a decision of any other Court, that the State's have a right to enact permanent, perpetual monopoly protection.

Q I saw it with many amicus briefs here with maybe a half a dozen States.

MR. LEEDS: I think there are more than that, Your Honor. I believe there are 10 States.

Of course, the other side of that coin is that there

are 40 States that do not.

And I think the amicus, Recording Industry Association of America has alluded to the fact that they have spent a great deal of money, or at least that they have spent a great deal of time in attempting to establish these laws in various States.

Q The States that have them, apparently, are the States where the recording industry is a pretty large economic factor in the State, Tennessee, New York, California, Florida.

MR. LEEDS: The Florida statute, of course, has been subject, of course, to the ruling of this Court, but has been declared to be unconstitutional by -- which is almost an identical statute --

Q Tennessee, New York and California.

MR. LEEDS: Yes, Your Honor. Some other States, too.

I am not in a position to say how important any of the record industry is in any of those States, but --

Q Now, these are basically the same laws as the one that is involved in this case?

MR. LEEDS: Basically, the same law, but Tennessee would be the one distinction. The other laws make it a misdemeanor. I think that Tennessee makes it a felony, but --

Q They are all criminal laws?

MR. LEEDS: They are all criminal laws, yes, Your

Honor.

I would point out that one of the problems of these State laws is that, whereas in the Federal law, both in the copyright laws and the patent laws, the ultimate goal is to have a dedication to the public.

This Court has said, and I believe to quote for just a moment, in the Sears case, Sears Roebuck v. Stiffel, "Thus, the patent system is one in which uniform Federal standards are carefully used to promote invention while at the same time preserving free competition."

I really do not see how anyone could say that the State laws are a system of uniform Federal standards. They are, quite clearly, to the contrary.

They are something other than uniform Federal standards.

Further, they do not -- and I think that should be quite obvious -- they do not promote competition. Rather, they are contrary to the very purpose of the patent laws and the copyright laws and to the Article 1, Section 8, Clause 8, of the Constitution.

Q Do you think it is unconstitutional for a State to declare that it is unfair competition when a stranger simply copies a recording made by a major company after that other company has engaged the artist, perhaps paid a musician to work out the arrangement, and hired the equipment and done all

the work necessary to produce that recording.

Then, are you saying that the State can't put any limitation on other people simply making a copy of that and taking advantage of all that expense that has been incurred?

MR. LEEDS: Yes, Your Honor, I am most definitely saying that. I think that's what this Court has said repeatedly.

I think that's what this Court said in Sears Roebuck and said in the Compco cases.

The Court has said if there is to be such protection, it must come from the Federal Government.

As we recall, and I believe this Court cited us to Madison in the Federalist, Number 43, where Madison said that the States cannot make effectual protection for copyrights or patents. It has to be uniform on a national scale.

Q Does the new act contain the same kind of compulsory provision as the 1909 Act?

MR. LEEDS: It does with respect to the composer's rights.

Q Clarify this for me. Aren't the composer's rights protected by having the copier pay the two cents per record to the master recording company, and then the master recording company must account to the artists?

MR. LEEDS: That is not the way it works, Your Honor.

Q Under the new act?

MR. LEEDS: Under both the old act and the new act,

payment must be made according to statute directly to the copyright proprietor. That is, the copyist, or duplicator does not make his payment to the original record company and have the record company forward the payment on to the copyist -- excuse me, to the composer. The copyist must make his payment directly to the composer, under Section 1(e), that's correct. And under 101(e).

So that the payments do go directly. There are specific protections provided under the Federal law. Those protections must be followed by the copyist or he is in violation of Federal law.

If he does not follow those protections, then he is subject to civil suits and, under Public Law 92-140, the new law, he is subject to criminal penalties also, as well.

That was one of the provisions in the law.

Q Have we had cases involving this before? Sears and Compco were patents.

MR. LEEDS: Yes, but Mr. Justice Black, in his opinions in both cases, especially in the Compco case, specifically referred to the copyright protections.

Q Wasn't the Sears case the copying of a lamp of some kind?

MR. LEEDS: Yes, it was, Your Honor. And the respondents made this distinction. They say that one who copies a lamp or imitates a lamp, somehow appropriates the

sound recording.

That distinction, I have to confess, escapes me. It is a distinction without a factual difference.

The distinction leads us to this remedy, to this solution, that if one wants to make a copy of a Rembrandt painting, one must make a freehand sketch of the Rembrandt painting.

But if you take a photographic copy, because that is, after all, a mechanical reproduction, that somehow you have lost your rights, the Rembrandt has jumped out of the public domain and now is protected and presumably -- I don't want to make those arguments which I recall are referred to as an "Oh, my God" argument -- but presumably that when one wants to copy a Rembrandt, one must go and find the eras of Rembrandt if you want to make a photograph, because these protections, according to State law, last in perpetuity.

There are no limitations of any kind, no provisions for dedication of the rights to the public.

Q Mr. Leeds, the Chief Justice a moment ago asked you if a certain State action would be unconstitutional and you said yes, it would.

Do you think State action of this sort is unconstitutional by virtue of supremacy clause or that it would be unconstitutional by virtue of the patent grant to Congress in the Constitution, even if Congress had never implemented its

authority under that grant?

MR. LEEDS: I think it would be unconstitutional under both clauses, Your Honor.

I think that Article 1, Section 8, Clause 8, is a grant of authority and a grant of power to the Congress.

When read in connection with Madison's Federalist, I think he makes it as clear as possible, and I believe going back to the Banks case, Banks v. Manchester, way back in 1888, I believe it was, this Court held that this power to make copyrights rested only by the Constitution within Congress.

But I think we needn't find that in this case, because I think in this case we have a clear legislative intent as expressed for a number of years, from 1909 through 1972, that you either find your rights under the Copyright Law or you don't find your rights at all.

I think that one example of this is the fact that on more than 31 separate occasions the recording industry brought to Congress, and had introduced in Congress, legislation which would have made sound recordings the subject of copyright, and on each occasion it failed.

There is one occasion cited, I believe, in my petition where the matter came out of the Judiciary Committee, the House Judiciary Committee, with such a provision in tact, and it was amended on the floor of the House. That provision was amended out. The request to amend it was joined in by the

chairman of the Committee.

I think it was clear that Congress simply did not want to grant this protection.

The States have come along and said, well, there is a mistake here. Congress has made a mistake. The sound recordings have no protection. We just simply can't have that. We must have some protection.

After all, as has been pointed out, California has a great stake, it feels, in the sound recording industry, as do New York and Tennessee.

It brings people into the State because entertainers are there.

We have to protect it, and if Congress is only going to give protection to post-February 1972 sound recordings and grant no protection to a prior recording, we are just going to have to do something about that. Congress is simply wrong.

It is petitioner's position that the States have no right to say that Congress is wrong in this area, that Congress defines the public domain.

Q Could I ask you to clarify this? Say a sound recording was made prior to the day of the new act and then comes along the new act and the person who made that sound recording then wants to take advantage of the Federal law for the old recording. May he?

MR. LEEDS: I believe he may, Your Honor. I concede

that Professor Nimmer has taken the position that he may not, but it seems to me that we then have again this idea of something that was in the public domain on February 14, 1972, and on February 15th jumps out of the public domain.

I believe that this Court said in Graham v. John Deere that that can't happen.

Q So you are saying that he may not take it. Is that your position? He may not take advantage of the new Federal law?

MR. LEEDS: I am not certain what you mean by take advantage.

It is my opinion that the copyist may copy, yes, Your Honor.

Q And the person who made the recording may not seek the protection of the Federal law?

MR. LEEDS: Not with respect to recordings fixed or published prior to February 15, 1972. That is correct, Your Honor.

Q Because he has already dedicated it, you think?

MR. LEEDS: Because he is already dedicated, and the Act specifically states that it applies only to sound recordings fixed and published, both, after February 15, 1972.

I suggest, Your Honor, that that is a necessary requirement. Going back to the abuses which led --

Q I don't mean to argue it. I just wanted to know what

your opinion was, what the fact was.

MR. LEEDS: Thank you, Your Honor.

Q Common law in the States or statutory law involving unfair competition, isn't there?

MR. LEEDS: Yes, Your Honor.

Q I am sure it involves something like palming off and deception.

MR. LEEDS: That is exactly correct, Your Honor.

We believe that if there is deception, the passing off of one's product as another's product, that the States may control that.

But I point quite clearly to the statute involved here. Labeling and how this product was labeled has nothing to do with the commission of the crime involved here.

The crime is committed when the product is manufactured for resale or when it is sold.

It doesn't matter how it is labeled. It could bear no label at all, and it is a crime, in other words, the simple act of copying that which is in the public domain under Federal law.

Respondents have argued that it cannot be in the public domain, because if you put it in the public domain there is no protection.

I suggest that that is a circuitous argument. To say something doesn't fall in the public domain simply because

if it falls in the public domain it has no protection, leads us nowhere.

I think Judge Hand made that -- Judge Learned Hand made that point in at least four separate cases, spanning from the early 1930's through the 1950's. He said in a case, Fashion Originators case, where there was a so-called dress piracy or design piracy, Judge Hand said that you either get Federal protection or you have no protection, and that the copyist was free to go ahead and copy these dress designs, and he pointed out that to rule otherwise would be to really negate Federal law, because if you allow the States to decide what is publication, because that is principally what the respondent argues here.

Respondent argues that the State should be free under the common law copyright doctrines and under Section 2 of the Copyright Act, to protect unpublished works. And respondent argues notwithstanding the fact that some of these albums sell a million, two million, copies and, therefore, use -- commercially exploit through a conscious deliberate effort -- commercially exploit to the fullest extent possible the sound recordings, nevertheless the recordings are not in the public domain.

As Judge Hand said, what more could be done to place these items in the public domain? Everhthing possible done to commercially exploit them has been done.

And we suggest that recording companies with respect

to pre-February 1972 sound recordings, were put to the test. If they wish to commercially exploit, then they did so just as everyone else does who cannot get a patent and cannot get a copyright. They do so and to the benefit of the public because, as this Court has held, the interests of the public override the artist or the inventor or the performer.

If that troubles anyone, I think it should be remembered that this has been the law in the patent area for years and years. It has always been the law in the patent area that an inventor may spend his whole life and all his resources inventing, and if he cannot bring himself within the Federal patent laws, he makes a dedication of his work to the public as soon as he discloses it to the public. He either gets his patent protection or he gets no protection.

I think that's the clear reasoning of Sears and Compco and that is the way it has to be unless -- if we are going to have, excuse me -- if we are going to have a uniform, national patent and copyright laws.

Q Are you saying then that the only way recording companies can be protected is to get what they have been trying to get, that is, have Congress authorize the copyrighting of a recording as such, as distinguished from the material that is being recorded?

MR. LEEDS: Yes, Your Honor, I am suggesting that, and I think, as I say, it is the only way we can be assured of

two things, one a uniform national copyright law. So that something that is capable of being copied in Washington can be also copied in New York, or is capable of being copied in New Jersey can also be copied in New York.

That is the only way we can assure that.

Second, it is the only way we can assure that we ever have a dedication to the public.

It is to be remembered that these State laws last in perpetuity. In effect, they go way beyond what Congress has even authorized during this experimental period.

Congress has said you can have a copyright for twenty-eight years, and perhaps you can extend it for twenty-eight years.

The State of California says you can have a copyright in perpetuity. The exact same kind of copyright.

It cannot any longer be argued that the State is only protecting against duplication because that is exactly what the Federal law does. It only protects against duplication. It does not protect against the so-called imitation.

The State of California has, in effect, simply extended it has given a boost to the Federal law. It simply says that we are going to take these products and extend protection in perpetuity.

Now, another argument that has been made apparently by some of the private amicus, at least the Recording Industry

Association of America, is that the rule such as proposed by petitioners, that is, if this Court were to overrule the lower Court, would destroy the recording industry.

I think there is absolutely no evidence of that and no reason to believe it. They now have protection.

We are only talking about sound recordings which were recorded prior to February 15, 1972. Some of the sound recordings that are being copied now, though not necessarily involved in this case, but certainly some that are being done around the country, as indicated by the amicus brief filed, some of those recordings date back to pre-war, pre-Second World War recordings.

Nevertheless, under the California statutes, and the other statutes, they are protected and that protection simply goes on and on and on.

I see that my time is up and I saved some time for rebuttal.

MR. CHIEF JUSTICE BURGER: Very well, Mr. Leeds.

Mr. Schacter.

ORAL ARGUMENT OF DAVID N. SCHACTER, ESQ.,

ON BEHALF OF THE APPELLEE

MR. SCHACTER: Mr. Chief Justice, and may it please the Court:

Presuming one issue before this Court, can the State of California prevent the appropriation of recordings fixed

before February 15, 1972, which, therefore, are not protectable under Federal law?

There is not before this Court any question of concurrent State and Federal protection or the interpretation of the Federal statute, Public Law 92-140.

Petitioners pled nolo contendere on June 28, 1971, to appropriating recordings on a date prior to the enactment of the Federal statute.

There is both a moral issue and a policy issue in this case.

As has been pointed out by the Chief Justice, for a record company to make a recording, they must first go,on one hand, to the person that has the right to the words and music.

They obtain from that person a license to use those words and music.

From that point, we go to the other side of the argument. The record company now with just the words and music, nothing more, must go out and hire a recording studio. They must go out and hire artists, arrangers, copyists, engineers, record producers.

They must pay money immediately upon the making of the record to union pension plans, to music performance trust funds.

And after all this money has been expended to make this record or disc, it must be promoted, covers must be made.

Money must be spent in advertising. And then there still is no guarantee that that record will be a hit or when the revenue will come in.

Then, even after the records are sold, upon the sale of the record, the record company must then take money back and give it to the artists, the performers, and on top of that, union funds that provide for free public performances throughout the country.

Now, what does the pirate do? The pirate goes to a store and he buys a record for $3 or $4. That is the extent of his investment in the artistic composition.

He now has the performance. He goes and makes, he says, copies. What they really are are duplicate originals.

This is a unique thing, something different than anything before.

Here we have the types of items that existed in this case.

This is the item the pirate puts out. There is nothing on it more than on the front 8-track stereo, on the bottom, continuous play. On the back it says don't put it too close to the heat because it is not going to do it any good.

But what is the thing the public sees? What is the thing the public buys?

In the front, it says Sergeo Mendez, "Crystal Illusions," the name of the artist, the name of the performance and then

Program 1, Program 2, Program 3, Program 4, the exact performances that are on the legitimate tape.

So what is being taken here? He is not taking the plastic and he is not taking the acetate. He is taking the performance because that is what the public goes out and buys.

Q Now, the pirate, as you call him, is obligated to pay the artist, isn't he, two cents for use?

MR. SCHACTER: No. The pirate only pays, if he does, and I underline --

Q I am talking about his obligation.

MR. SCHACTER: His obligation prior to 1972 was to pay two cents for each cut or side or composition. That means the words and music. He pays nothing to the massive investment that was taken to produce this record.

Q So, the answer to my question is yes? He doesn't pay the artist?

MR. SCHACTER: No.

Q The composer?

MR. SCHACTER: The composer, yes, Your Honor.

The artist is the one who, shall we say, sings or plays the instruments.

Q Well, it is the whole orchestration.

MR. SCHACTER: Whole orchestration, right.

Q Composer is what I meant.

MR. SCHACTER: Composer, correct.

Under the 1909 Act, and a little more teeth were given to it on February 15th, the composer has always had protection. But we are talking about all these individuals, and the companies and the unions, who have made the performance who have no protection, except only the State common law rights.

And what we have to look forward to is not so much what was applied but what was the end result. Are we going to say there was a complete forfeiture of everything or is there some protection? In other words, the equitable reasoning behind it.

Q I suppose there is another added factor that usually these -- to take your term -- pirates do not make a copy of a recording until it gets into the top ten, or something of that kind. They wait until all the efforts of the originator have produced a good result.

But what would prevent them, if anything, from crossing the line and going over to Nevada or some place and setting up a copying process if Nevada doesn't have a statute like this?

MR. SCHACTER: Well, the second part of the California statute states that it is also a crime in California to sell these bootleg performances without the consent of the owner.

Q So, they couldn't be sold in California?

MR. SCHACTER: They couldn't be sold in California.

Q Could they be sold in the forty States that don't have

such statutes?

MR. SCHACTER: I think in the forty States that do not have such statutes, depending on how this Court decides what protection will be afforded to these performers prior to February 15, 1972.

Those States could probably use unfair competition or some civil litigation.

It is the end result more than the scheme that leads up to it that is important.

Are we going to allow this taking witouttany retribution?

Q Is California's base unfair competition or patent or copyright?

MR. SCHACTER: You mean the basis of this statute?

Q Yes.

MR. SCHACTER: Your Honor, this comes under common law copyright, which means that the performance is not dedicated. In other words, when we sell the record -- and we, meaning the people that are in the State of California -- there is not a dedication because the record is being sold just to play. That is the reason.

Q But you listed among the things that they went to all this trouble pressing the records, and all. That's not copyright. Is it? Copyright the pressing of a record?

MR. SCHACTER: Well, we are talking about what leads

up to the record itself.

Presently, under the new act, there is protection.

Q Are you protecting the artist?

MR. SCHACTER: We are protecting the artist, the performer and the unions.

Q And who else?

MR. SCHACTER: All the people that are paid monies from the sale of a record.

Q Well, that would include the man that pressed the record.

MR. SCHACTER: Well, the record company pays him money, yes.

Q And the promoter?

MR. SCHACTER: And the promoter.

Q The promoter in New York.

MR. SCHACTER: Well --

Q And the other 49 States. Are you protecting them too?

MR. SCHACTER: We are protecting them in the sense that in the State of California --

Q I am just wondering if you are putting too much load on your horse?

MR. SCHACTER: Well, in essence, what it is is we have a property right, the same as I have a property right on this watch.

Now, until Congress comes out and tells me that I don't have a right any more on my watch, this is mine forever. And when I have purchased it from a store, the money that I paid to that store is eventually going to go back to the man that, perhaps, sat at the small table and worked at that wheel.

Q If I make a direct copy of that watch, there is nothing you can do about it, can you?

MR. SCHACTER: Well, the --

Q The only person that can do anything about it is the man who made the watch, and here it would be the composer.

MR. SCHACTER: No, Your Honor, because --

Q Want to start on something else?

MR. SCHACTER: I don't agree with that and for this reason. You said if I made a copy of that watch. Now, that might be true but what we have here is not a copy. We have the original. This is the unique thing. It would be almost as if I had some fastastic machine and I brought this watch out and another watch came out literally exact. That's the unique thing because --

Q I would think then you could get a patent on that.

(laughter)

MR. SCHACTER: The problem is, first, the difference between copyright and patent, and the idea of unfair competition.

In the essence of what we call a bootleg tape, we have

put, if it is allowed that these tapes exist, we have put the performer -- and we are forgetting now the composer. We are just talking about the performer. We have put the performer in competition with himself. There is nothing more unfair than that.

What's worse, he is in competition with himself and he doesn't get anything for it. That is the great inequity.

Q What happens to the performer when he gets paid for singing and doesn't get paid a royalty?

MR. SCHACTER: Well, in the make he draws some, yes. But there is a protection there also because we have the, let us say, the lead singer in an album. He obtains money for the making of the album.

Now, the other monies that he will obtain depend on the sale of that album.

You also have the working man, the working musician, the working vocalist. You don't see his name anywhere. His money comes first from the money that the record company has to pay into the pension funds. But, second, his money comes to him after the sale of the record.

Q Well, aren't there some places where you take the record to put music, and you get the artist and you rent a band, and you go in a place and they make a master record, and you pay one price for that and if you sell 80 million records they don't get anything more. Am I right?

MR. SCHACTER: That's right. You can do that also.

Q Why is it protecting them?

MR. SCHACTER: That would be an individual. Only in (inaudible) circumstances.

Excuse me. Let me correct myself. I don't think I'd be correct.

Q If it happens to be Frank Sinatra, he gets such a high price for that one performance that that covers him for the future. But if he is an unknown person, he just gets the union rate.

MR. SCHACTER: That's correct. Absolutely, Your Honor.

But even more so, there is one inequity that perhaps we should point out. There is a book written on how to make money in the music industry, and they talk about three companies A&M Records that started off with $200 in a garage, Motown Records, which started out in the ghetto of Detroit, and Dot Records, which started off in Tennessee.

All of these people started off with limited funds. All they had to go on was their talent.

Now, their companies went up only because after great time put out and after many failures they were able to get that one hit, and that one hit was enough to bring in enough monies to make other hits.

But what if, upon the making of that one hit, somebody

prunes off all of the profit, all the money? That man could never survive because people only will make performances, or anything else, to make money. And if you take away the commerce, we are going to be culturally deprived.

And I say that for this reason. The present Federal Act is only good for three years. So if this Court declared 653h unconstitutional, and, of course, there was no protection at all under Federal protection prior to 1972.

Q It is clear that prior to '72 there was no Federal protection for the recorder.

MR. SCHACTER: For the performance.

Q For the performance. And why not? Because the courts have ruled it just wasn't covered by the Copyright Act?

MR. SCHACTER: No, it came this way, going back into the history. Over a period of years, perhaps from the 1930's, a means had been made to revise the complete Copyright Act.

Q Had been made or suggested?

MR. SCHACTER: Had been suggested, I am sorry.

Within these attempted revisions were protections for the performances, but the revisions were struck down in toto and so were these protections, and that's why --

Q Under the original Copyright Act, the courts had decided that no protection was intended, is that it? Or was it perfectly clear under the original Copyright Act that this kind of protection was not to be had?

MR. SCHACTER: I think it was more, as we stated on the briefs, not needed at that time because the proprietors --

Q Maybe not needed, but I suppose there was a claim made sooner or later under the original Copyright Act on behalf of the performer.

MR. SCHACTER: There were attempted claims.

Q Yes, court proceedings and constructions of the Copyright Act, or not?

MR. SCHACTER: No. The Copyright Act specifically did not give protection to the performer.

Q It specifically negated it?

MR. SCHACTER: It didn't say negative. It just wasn't there. It just was void.

Q It just was perfectly clear it wasn't there.

MR. SCHACTER: There is a voidness.

Q Then there were repeated requests to the Congress that were turned down? Until '72.

MR. SCHACTER: Until '72, because those repeated requests were part of a complete revision, and when the complete revision fell down, that fell down.

This was not a problem, realistically speaking, until the 1960's when it became so cheap to buy tape appropriating material. Very easy to take a tape and make another one, another duplicate original.

As was said in the House report, this was not an

experiment when they gave this protection. This was the first time that piecemeal legislation was put forward and it was done so because they said, and I am quoting, "We are persuaded that the problem is an immediate and urgent one and the legislation to deal with it is needed now."

The other terminology was overdue.

Q I thought it might be relevant to ask whether there had been some knowing deliberate Federal decision prior to '72 not to extend this kind of protection.

MR. SCHACTER: No, there was not.

Q Isn't that the basis of your argument, that there is no Federal preemption of this particular segment?

MR. SCHACTER: Correct, Your Honor. There is no Federal preemption.

Q I know, but the argument based on Sears and Compco is that by not having it, by not having the protection, was equivalent to a Federal decision not to have it.

MR. SCHACTER: If I may comment on that, Your Honor, it is that in Sears and Compco there was a specific way to obtain the protection.

In other words, you either had a patent protection for mechanical or design right or you didn't.

We don't have that in the copyright, because there was no way to even bring something forward under the Patent or Copyright Act for musical performances.

Q Arguably the Copyright Act should be let stand, that as long as there is protection for the composer that's enough in this whole scheme of things?

MR. SCHACTER: Absolutely not, because it would declare a complete forfeiture of all the performances that have been made prior to 1972.

Q There is nothing in the Federal Act to protect the performer. That was a void, and the void was filled. Now, you mean filled by State laws. Is that it?

MR. SCHACTER: No, the void was filled in 1972 by the Federal --

Q Yes, but I was speaking of before '72.

MR. SCHACTER: Okay. Before '72, the void was filled by common law rights, the common law rights saying that the sale of a record would not cause it to be published.

Q And some State statutes, like California.

MR. SCHACTER: And some State statutes, like California, and within the other States the idea of unfair competition.

As I said, it only became a problem after it became easily acceptable to take these products and put them on the market.

So, what must be brought before this Court is that we cannot make a supposition as to what is going to happen in 1975, because the present Federal protection lapses then. And

if it lapses, no one is going to make the performance, no one is going to make a record if they believe as soon as they might obtain any type of profit from it it is going to be taken away from them.

And that would be a great cultural detriment to this country.

The pirates give nothing. They only take.

Q What's your position on pre-1972 recordings in light of the Federal Act's limitation to 28 years?

MR. SCHACTER: The unlimited times doctrine?

Congress has the power, under the Copyright Act, and it states, as this Court is well aware, "Congress shall..."

It has always been presumed that a record or recording is a writing, but it is not until Congress affirmatively acts and uses that power to take something and place it under its wing that that power comes into existence.

And so, it is no different than my analogy to my watch.

Q You say the pre-'72 common law copyrights are perpetual even though post-'72 recordings are protected only for 28 years.

MR. SCHACTER: Yes, Your Honor, because until Congress has affirmatively acted we cannot consider what something would be in a void.

No one can argue that the pirate is socially or

economically beneficial to society. In fact, the reports of both the Senate and the House, the Assistant Registrar of Copyrights, the Attorney General, the Commerce Department, the State Department, the courts throughout the country, and the State legislatures, all say that piracy is economically harmful.

And, again, I refer both to the House and the Senate reports, where they state that this is -- and the word that they use -- this is legislation that is long overdue.

There is a substantial interest of the State of California under its police power to promote the general prosperity. To protect the general prosperity, the State must legislate to protect legitimate business from those who would destroy that business.

Now, as stated in our brief, and is set out, from 1850, California had a general theft statute, a general larceny statute, but as businesses came into the State, it was necessary to refine those statutes to give those specific businesses protection from those who would prey upon it.

One example is that in 1939 California enacted a felony statute for deciduous fruits, avocados. The reason was that in the 30's if someone went up and drove along the road, came into an avocado patch, picked a couple of avocados, no one cared.

But when avocados went on the open market for 50 to

75 cents a piece, and in the middle of the night a man with a truckload of men and three or four trucks would wipe out a complete grove, it was necessary for California to enact specific legislation to protect its businesses, to protect its businesses, the people that work in it, and the commerce that is derived.

653h does not create a monopoly. There are many small record companies. I have told you of A&M.

Anyone can use the words and musics. Anyone can use the idea and expression and make a record themselves, if they wish to put out the capital investment, that sounds just like another record.

Q What about the taping of one of these artists at a public performance? Would 653 prevent the selling of things made from that tape?

MR. SCHACTER: On the public performance, I think we could go specifically back to the common law copyright, because under Ferris v. Frohman a public performance does not dedicate the artist's right.

Q Doesn't ASCAP take care of that?

MR. SCHACTER: ASCAP, under separate, perhaps contractual, relations, they could, but we are talking about here a public performance.

653h only deals with a record. In other words,

from that point --

Q So, if I tape a public performance of one of these artists and then sell prints that I make off the tape, I don't violate 653h.

MR. SCHACTER: Not 653h. You would be violating, probably, under unfair competition and other contractual rights.

Q Mr. Schacter.

MR. SCHACTER: Yes, Your Honor.

Q To get back to the common law and the civil remedies, if any. Could an injunction be obtained against the piracy you are talking about by the parties whose interests are affected, by the performer, for example?

MR. SCHACTER: Well, the performer usually contracts away his rights, practically speaking, to the record company.

Q Could the record company enjoin the piracy --

MR. SCHACTER: The record company, as was in Capitol Records v. Erickson in California, did bring injunctive procedures. This is where there is both civil and criminal remedies.

The realistic fact is though that the injunctive procedures did not prove to be adequate because an injunction could be obtained against the individual, that would be the producer.

The producer then could move out of the jurisdiction, keep sending his tapes into the State, and then we would be left

trying to find the seller because our injunction would be no good. We would have a different party. And our injunction could not cover someone that went out of the jurisdiction.

That's why it is necessary to have 653h to prevent the selling, not only the appropriation but also the selling.

Piracy is also anti-competitive. It would force out the small companies that have to subsist on one hit, because these companies live off the hits that were made in the past to bring in monies to make new hits.

Only a very small percentage of records that are made are hits, and the pirate only takes the hits.

It should be remembered that no business could live or can live if their complete inventory is wiped out, is made valueless. Because how can you compete against someone that puts out the identical and original performance and yet charges less than one-third of what it cost you to purchase it wholesale?

Only the stronger would survive if 653h were struck down, because the record companies would be forced to go into piracy and the record companies, the big record companies, like Columbia, RCA and Capitol, who own their own pressing plants, their own tape plants, could even out-pirate the pirates, because they could put the product out cheaper.

Q Do you agree that after 1972 that the only way to get protection as long as the Federal Act lasts is to seek

Federal protection?

MR. SCHACTER: I believe that there are two views, that there can be concurrent --

Q What's your view?

MR. SCHACTER: My view? My view is that if -- there has been mechanics set up, the record companies would be best to afford themselves of Federal protection.

Q It would be best, I know, but can 653h be enforced?

MR. SCHACTER: There is a severability clause in 653h --

Q No, can it as to incidents after 1972?

MR. SCHACTER: I would say no.

I would say that there is a preemption there.

Q And at the end of 28 years, if you seek Federal protection on a recording after '72 -- that if you want protection you say the only place to get it is under the Federal law? You seek that protection. You get it. It expires. And then at the end of 28 years, is it public domain or then may the State law give it protection?

MR. SCHACTER: No, it would become public domain, because in that specific situation, Congress has then decided, has affirmatively used the power to go into the field.

What we are talking about here is where Congress never went into the field, and so the States must give protection until Congress affirmatively acts.

I see that I am running close to the end of my time.

I would only state briefly that there was no Federal preemption before February 15, 1972, either expressed or implied.

There has always been State law protection for unpublished writings. Section 2 of the Copyright Act expressly encodifies this, which is different than the patent.

This Court recognized the State protection in the Sears case in Footnote 7, and we are different from patents because there are specifically no State protections under patents.

Published has always had two definitions, dual, both State and Federal. The Federal law determines what will invest Federal copyright protection. The State law determines what is unpublished, and decides what publication is necessary to divest protection.

In each instance, the courts will construe the facts, and if possible to prevent forfeiture,because what we are speaking here more than anything else if we strike down 653h and the underlying reasons behind it, will we declare all the rights and investments to all the performances that were made prior to 1972 complete forfeitures?

That is the essence of the case.

The pirates are a parasite upon an industry. If they are allowed to exist, like any parasite upon a host, they

will destroy the host. The public will suffer.

Q If we were arguing a purely equitable case, those arguments would be very persuasive, at least with me, but we are arguing a statutory and a constitutional case, aren't we?

MR. SCHACTER: Yes, Your Honor, and those reasons, I believe that under Article 1, Section 8, Clause 8, until Congress affirmatively uses that power, that the material is not considered under that power because there is a void.

Once the power has been exercised, once Congress has gone into the field, then it exists. But before that, we must leave it to the State and even Congress has so stated in Section 2 of the Copyright Act, in reference to unpublished works.

If it is unpublished works, the State declares if it is an unpublished work because it says unpublished and common law. There is no Federal common law, so we must presume it is to the State.

Q I don't recall your -- the opposition that you filed to the petition for certiorari, but did you raise that point in your opposition, that we should stay away from this problem until experience had accumulated under the '72 Act?

MR. SCHACTER: I don't believe so, Your Honor. I think that the question itself, all over the United States, I might say, courts and people are waiting to determine what is going to be those protections.

And I can only say, yes, it is an equitable argument because the equities in this case are great.

Thank you very much.

MR. CHIEF JUSTICE BURGER: Mr. Leeds, you have a few minutes left.

REBUTTAL ARGUMENT OF ARTHUR LEEDS, ESQ.,

ON BEHALF OF THE APPELLANTS

MR. LEEDS: Mr. Chief Justice, and may it please the Court:

I would first like to say that I concur that 653h has nothing to do with the taping of a public performance.

And that is important to remember because we are talking about something where the copyist attempts to copy something which has been, we contend, dedicated to the public domain.

That is important. It was commercially exploited fully and I think that's where we differ so completely.

We have to remember that we are talking about something which is constitutionally the subject of copyright. It is not a watch. It is not a wristwatch. It is something which is a writing within the definition of the Constitution.

I would point out that going way back to 1950 or '52, I believe, when New York first attempted to pass a statute such as the California statute is now, and it was vetoed by Governor Dewey because Governor Dewey felt that

this was something that should be left to the Congress, and he so stated in his veto message.

That is exactly what we have here. We have a situation where we are concerned basically with the question of the balance of rights between the State and the Federal Government under the Copyright Clause.

As has been pointed out, Sears and Compco quite clearly state, both those cases, that when the matter is not covered by copyright or patents and is exploited commercially, it falls into the public domain and may be used by anyone.

Sound recordings -- I take issue with learned counsel -- that sound recordings are not unique. They are in no way different than a photograph or a painting, because if you want to make a copy of a painting, the best and clearest way to do it is to make a photograph of it. If you want to make a copy of a pole lamp, the best and clearest way to make a copy of a pole lamp is to make a plaster of paris mold.

If you want to make a copy of a book, the best and clearest way to make a copy of that book is to make a photographic offset printing.

Now, it has also been suggested --

Q Not quite as freely, can you?

MR. LEEDS: Yes, you can, Your Honor, if the book is not copyrighted.

Q Well, if it is not copyrighted, yes.

MR. LEEDS: Exactly, Your Honor, and these sound recordings are not copyrighted. That is exactly our point.

That was the point of this Court, I believe, in Sears and Compco, the pole lamps were not patented or copyrighted. Therefore, they could be copied.

The Rembrandt is not copyrighted, therefore, it can be copied.

This Court relied heavily on Learned Hand's decision in G. Ricordi v. Haendler and its decision -- this Court's decision in Sears and Compco.

Q But you can copy the Rembrandt only with the permission of the owner, isn't that right?

MR. LEEDS: No, Your Honor, I --

Q Can you go down and take a photograph of something in the National Gallery of Art, except by their leave?

MR. LEEDS: I think I now see the point Your Honor is driving at. You are saying, you are talking about the owner of the physical Rembrandt as opposed to the rights which -- the incorporial rights which deal with the copy.

Q The National Gallery could charge if they wanted to $100 for every person taking a photograph, or $1.

MR. LEEDS: They absolutely could, and that's exactly what the sound recording industry does. It sells you its recording for $5.

If the National Gallery wanted to sell me the

Rembrandt for $100,000, surely I would have the right to make photographs of it.

Q In selling it, is there any way they could put a limitation on copying it?

MR. LEEDS: That was attempted, Your Honor, in RCA Victor v. Whiteman, I believe, dealt with that, another Learned Hand decision where the sound recording industry attempted to put on a restricted covenant, and Learned Hand pointed out that you simply can't do that, you could not put such a restrictive covenant, and struck it down.

To be quite frank, the matter hasn't been raised, to my knowledge since then, but my belief is that probably, for the reasons expressed by Learned Hand, could not be done.

The fact we try to emphasize here is that the States have gone further than Congress can go. Even Congress cannot grant protection for unlimited times.

The Constitutional clause is quite clear. It says that 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.

Congress has been given the job of balancing when and for how much and for how long protection should be granted to any specific item which falls within the constitutional definition of a writing. They have chosen in some areas to grant 7 years protection; in other areas they have chosen to

grant 28 years protection.

In all those areas, they have always said that it is dedicated to the public good.

I would only point out that it is for Congress to make this decision. If Congress hasn't decided to grant the copyright protection, the States cannot grant longer protection.

Thank you.

MR. CHIEF JUSTICE BURGER: Thank you, gentlemen.

The case is submitted.

(Whereupon, at 11:47 o'clock, a.m., the oral arguments in the above-entitled case were concluded.)