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NAVIGATING PUBLIC ACCESS AND OWNER CONTROL ON THE ROUGH WATERS OF POPULAR MUSIC COPYRIGHT LAW

You an' me, we sweat an' strain,
Body all achin' an' racked with pain . . . .
Ah gits weary an' sick of tryin',
Ah'm tired of livin' an' skeered of dyin',
But Ol' man river he jus' keeps rollin' along.[1]

The compulsory licensing provision of the Copyright Act of 1976[2] ("the Act") elicits these thoughts and feelings among many scholars, au-

1. "Ol' Man River," words by Oscar Hammerstein II and music by Jerome Kern, 1927. The copyrights in this song, specifically the right to import into the United States phonorecords manufactured in a foreign country, were the subject of T.B. Harms Co. v. Jem Records, Inc., 655 F. Supp. 1575 (D.N.J. 1987).

2. The compulsory licensing provision states in relevant part:

> In the case of nondramatic musical works, the exclusive rights provided by clauses (1) and (3) of section 106, to make and to distribute phonorecords of such works, are subject to compulsory licensing under the conditions specified by this section.
>
> (a) Availability and Scope of Compulsory License.
>
> (1) When phonorecords of a nondramatic musical work have been distributed to the public in the United States under the authority of the copyright owner, any other person may, by complying with the provisions of this section, obtain a compulsory license to make and distribute phonorecords of the work. A person may obtain a compulsory license only if his or her primary purpose in making phonorecords is to distribute them to the public for private use. A person may not obtain a compulsory license for use of the work in the making of phonorecords duplicating a sound recording fixed by another, unless: (i) such sound recording was fixed lawfully; and (ii) the making of the phonorecords was authorized by the owner of copyright in the sound recording or, if the sound recording was fixed before February 15, 1972, by any person who fixed the sound recording pursuant to an express license from the owner of the copyright in the musical work or pursuant to a valid compulsory license for the use of such work in a sound recording.
>
> (2) A compulsory license includes the privilege of making a musical arrangement of the work to the extent necessary to conform it to the style or manner of interpretation of the performance involved, but the arrangement shall not change the basic melody or fundamental character of the work, and shall not be subject to protection as a derivative work under this title, except with the express consent of the copyright owner.
>
> (b) Notice of Intention to Obtain Compulsory License.
>
> (1) Any person who wishes to obtain a compulsory license under this section shall, before or within thirty days after making, and before distributing any phonorecords of the work, serve notice of intention to do so on the copyright owner. . . .
>
> (2) Failure to serve or file notice required by clause (1) forecloses the possibility of a compulsory license and, in the absence of a negotiated license, renders the making and distribution of phonorecords actionable as acts of infringement under

thors, composers and members of the copyright bar.[3] Despite the many complaints against compulsory licensing since it was first enacted in the Copyright Act of 1909, compulsory licensing keeps rolling along, sometimes taking the parties involved to bizarre destinations. Compulsory licensing promotes a policy which is inconsistent with the basic principle of copyright law.[4] Copyright law is primarily designed to encourage creative work by artists and inventors by granting them a limited monopoly in the use of and profit from their work.[5] Copyright owners are granted control throughout the Act: in the exclusive rights provided in section 106,[6] and in the prohibition against unauthorized importation of copies or phonorecords provided for in section 602.[7] But compulsory licensing

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section 501 and fully subject to the remedies provided by section 502 through 506 and 509.

(c) Royalty Payable under Compulsory License.

. . . .

(2) . . . With respect to each work embodied in the phonorecord, the royalty shall be either two and three-fourths cents, or one-half of one cent per minute of playing time or fraction thereof, whichever amount is larger.

17 U.S.C. § 115 (1986).

Once all the conditions are met, the compulsory licensee obtains the right to use musicians, singers and technicians to produce a sound recording of the musical composition. 2 NIMMER, NIMMER ON COPYRIGHT § 8.04[E] (1987).

3. Bach, *Music Recording, Publishing, and Compulsory Licenses: Toward a Consistent Copyright Law,* 14 HOFSTRA L. REV. 379, 390 (1986) (discusses the disparate treatment of recorded music and published sheet music). Rosenlund, *Compulsory Licensing of Musical Compositions for Phonorecords Under the Copyright Act of 1976,* 30 HASTINGS L.J. 683, 693 (1979) (discusses the disparate treatment of composers and recording companies).

4. Bach, *supra* note 3, at 385.

Once the musical composition has been released to the public, the provision allows anyone to use and profit from a popular song merely by filing a notice of use and paying a statutory royalty fee. The provision prevents the copyright owner from negotiating fees for the use of the composition, withholding the composition from further publication or monitoring who mechanically reproduces (records) the composition. The copyright owner may retain exclusive control of the composition by not releasing it to the public, but such a retention of control also prevents the copyright owner from profiting from his composition at all.

The provision is entitled "compulsory" because the copyright owner is forced or compelled by the statute to allow others to make sound recordings of his composition. 2 NIMMER, *supra* note 2, § 8.04[A]; Bach, *supra* note 3, at 380. The copyright owner does not actually "grant" a compulsory license; the licensee obtains the license by complying with the statutory requirements.

5. Bach, *supra* note 3, at 381.

6. 17 U.S.C. § 106 (1986). Section 106 lists the copyright owner's exclusive rights. Limitations on the exclusive rights are found in §§ 107-118. 17 U.S.C. §§ 106-118 (1986).

7. 17 U.S.C. § 602 provides in relevant part:

(a) Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies of phonorecords under section 106, actionable under section 501. This subsection does not apply to—

(1) importation of copies or phonorecords under the authority or for the use of

limits the copyright owner's control over his composition, and thereby discourages creative work.[8] The limitations compulsory licensing imposes upon copyright owner control are justified by the policy of increasing public access to musical compositions, which is also an important principle of copyright law.[9]

The decision in *T.B. Harms Co. v. Jem Records, Inc.*[10] (*"Harms"*) exemplifies how the two competing policies of copyright law embodied in sections 115 and 602—the guarantee of public access and the right to control importation[11]—crash against each other and muddy the waters of copyright law. The provision against unauthorized importation is consistent with the owner control policy of copyright law, but it conflicts with the public access policy of the compulsory licensing provision. The *Harms* decision is unsettling because the court cannot serve both policies;

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the Government of the United States or of any State or political subdivision of a State, but not including copies or phonorecords for use in schools, or copies of any audiovisual work imported for purposes other than archival use;

(2) importation, for the private use of the importer and not for distribution, by any person with respect to no more than one copy or phonorecord of any one work at any one time, or by any person arriving from outside the United States with respect to copies or phonorecords forming part of such person's personal baggage; or

(3) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain, with respect to no more than one copy of an audiovisual work solely for its archival purposes, and no more than five copies or phonorecords of any other work for its library lending or archival purposes, unless the importation of such copies or phonorecords is part of an activity consisting of systematic reproduction or distribution, engaged in by such organization in violation of the provisions of section 108(g)(2).

(b) In a case where the making of the copies or phonorecords would have constituted an infringement of copyright if this title had been applicable, their importation is prohibited. In a case where the copies or phonorecords were lawfully made, the United States Customs Service has no authority to prevent their importation unless the provisions of section 601 are applicable. In either case, the Secretary of the Treasury is authorized to prescribe by regulation, a procedure under which any person claiming an interest in the copyright in a particular work may, upon payment of a specified fee, be entitled to notification by the Customs Service of the importation of articles that appear to be copies or phonorecords of the work.

17 U.S.C. § 602 (1986).

Section 602 provides that unauthorized importation of copies or phonorecords legally and illegally manufactured outside the United States is an infringement of the exclusive right of the copyright owner to control distribution of the work. The right applies to all copies or phonorecords, but only the distributor of the unauthorized copies is liable for infringement. 2 NIMMER, *supra* note 2, § 8.11.

The distribution right allows the copyright owner to authorize or "to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending." 17 U.S.C. § 106(3) (1986).

8. *See supra* note 6, and *infra* note 30. The title of section 115 states that it is a limitation on the copyright owner's exclusive rights. 17 U.S.C. § 115 (1986).

9. *See infra* note 37 for the history of the compulsory licensing provision.

10. 655 F. Supp. 1575 (D.N.J. 1987).

11. 17 U.S.C. §§ 115, 602 (1986).

any decision results in giving more weight to one of the conflicting policies at the expense of the other. Thus, the compulsory licensing provision puts the court in the difficult position of navigating between public access and owner control on the rough waters of copyright law.

THE *HARMS* FACTS: ARE PHONORECORDS LAWFULLY MANUFACTURED OUTSIDE THE UNITED STATES COPYRIGHT INFRINGERS UPON IMPORTATION?

In *Harms,* phonorecords lawfully manufactured under the applicable compulsory licensing provision in New Zealand copyright law were held to be copyright infringing materials when imported into the United States. The United States District Court for the District of New Jersey held that the exclusive right of the copyright owner to prohibit unauthorized importation is not extinguished by the compulsory licensing provision, and that unauthorized importers are copyright infringers, even when the phonorecords they import are lawfully manufactured in New Zealand.[12]

Plaintiff T.B. Harms Co. ("Harms") was a California corporation in the business of licensing and marketing copyrighted musical compositions. Harms owned a valid copyright in the musical composition "Ol' Man River," written by Oscar Hammerstein II and Jerome Kern.[13] Defendant Jem Records, Inc. ("Jem") was a New Jersey corporation which manufactured, imported and distributed phonorecords.[14] A Frank Sinatra performance of "Ol' Man River" was made into a sound recording embodied on the phonorecord, "His Greatest Hits, Frank Sinatra—New York, New York."[15] Under the compulsory licensing provisions of the New Zealand Copyright Act, copies of the phonorecord were lawfully manufactured and distributed in New Zealand by WEA Records, Ltd.,

12. *Harms,* 655 F. Supp. at 1583.

13. Composers often assign their copyrights to music publishing companies, such as Harms, which market musical compositions, issue licenses and collect royalties on behalf of the composer. Rosenlund, *supra* note 3, at 684.

14. Phonorecords are objects in which sounds are fixed and from which sounds can be perceived or reproduced, such as disks, tapes, etc. Sound recordings are works that result from the fixation of sounds. A musical composition differs from a sound recording; the composition is the song itself. Both musical compositions and sound recordings may be copyrighted, although the copyrights are separate and distinct. The copyrights in the musical composition and in the sound recording may be owned by different parties, and are treated differently under the statutes. Only musical compositions are subject to compulsory licensing. *Harms,* 655 F. Supp. at 1576, n.1.

A copyright in a sound recording does not give the owner any rights or interest in the underlying musical composition. 2 NIMMER, *supra* note 2, § 8.04[B].

15. In addition to "Ol' Man River," the phonorecord contained fifteen other musical compositions performed by Sinatra.

an affiliate of WEA International, Inc., Chappel and Intersong Music Group (Australia) Ltd. ("WEA"). WEA owned the right to authorize the manufacture and distribution in New Zealand of Harms' musical compositions and received royalties from phonorecords containing "Ol' Man River."[16]

Jem imported copies of the Sinatra phonorecord manufactured by WEA into the United States. WEA consented to Jem's importation, distribution and sale of the phonorecords within the United States. WEA acted under the authority and with the permission of the owners of the sound recordings embodied on the phonorecord. Jem did not obtain the permission of Harms or any other owners of the copyrights in the musical compositions on the Sinatra album.[17] Harms had issued both compulsory and negotiated licenses[18] permitting the manufacture, distribution and sale of phonorecords embodying "Ol' Man River" in the United States. Harms also granted many licenses and other authorizations outside the United States, which permitted the manufacture and distribution of phonorecords embodying performances of "Ol' Man River." Many of the licenses were obtained under the compulsory licensing provisions of the respective foreign countries.[19]

Harms brought a copyright infringement action against Jem for an alleged violation of section 602(a) of the Copyright Act of 1976, which makes unauthorized importation of copyrighted goods into the United States an infringement of copyright.[20] The parties filed cross-motions for summary judgment on the issue of liability, and stipulated the facts before the court.[21]

THE COURT'S ANALYSIS: COMPULSORY LICENSING DOES NOT LIMIT THE RIGHT TO PROHIBIT UNAUTHORIZED IMPORTATION

The court relied on the actual language of section 602 of the Act and its legislative history to reach its holding that the act of importation itself constitutes copyright infringement.[22] According to a House of Repre-

16. *Harms,* 655 F. Supp. at 1577.

17. *Id.*

18. *See supra* note 2 for the text of the compulsory licensing provision. 17 U.S.C. § 115 (1986). A negotiated license is an agreement between the individual parties for the use of the copyrighted work; the Act makes no provisions for negotiated licenses.

19. *Harms,* 655 F. Supp. at 1577.

20. 17 U.S.C. § 602(a) (1986). *See supra* note 7 for the text of section 602.

21. *Harms,* 655 F. Supp. at 1577.

22. *See supra* note 7 for the text of section 602. The court found that the exceptions within the section did not apply to Jem. *Harms,* 655 F. Supp. at 1578.

sentatives Report discussing the Act,[23] section 602 applies to both the importation of "piratical" articles[24] and to the unauthorized importation of copies or phonorecords which are lawfully made. The court's discussion focused on the prohibition against unauthorized importation of copies or phonorecords legally manufactured outside the United States.[25]

Jem argued that section 602 does not apply to the phonorecords it imported from New Zealand into the United States because the section only applies to the exclusive rights of the copyright owner. Jem argued that Harms did not have exclusive rights to "Ol' Man River" because under the compulsory licensing provision, once a compulsory license has been granted, the rights of the copyright owner are no longer "exclusive."[26] Through compulsory licensing, once a copyrighted musical composition has been recorded and released to the public, anyone may obtain the right to make a sound recording of the musical composition merely by serving the owner with notice and paying the statutory royalty.[27]

The court did not accept Jem's argument regarding the limits on the exclusive rights of the copyright owner. The court stated that it must assume that an ordinary construction of the language used by Congress adequately expresses the legislative intent.[28] The court stated: "Congress employed the term 'exclusive rights' to define the rights of a copyright owner under the Act."[29] Based on that statement, the court determined that the plain language of the statute does not indicate that the exclusive rights of a copyright holder are extinguished once a compulsory license is obtained.[30]

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23. *Harms,* 655 F. Supp. at 1578 (citing H.R. REP. NO. 94-1476, 94th Cong., 2d Sess. 169 (1976), *reprinted in* 1976 U.S. CODE CONG. & ADMIN. NEWS 5659, 5785 [hereinafter House Report]).

24. Pirated articles are copies or phonorecords made without the permission of the copyright owner. *Harms,* 655 F. Supp. at 1578. In the record industry these copies are also known as bootlegs. These tapes, albums, disks, etc., usually embody copies of sound recordings made without the authorization of the sound recording copyright owner. Because these phonorecords are made without copyright owner authorization, they are considered to be illegally manufactured. Section 602(b) prohibits the importation of pirated or bootleg copies. 17 U.S.C. § 602(b) (1986).

Jem was not considered a bootlegger or a record pirate because it obtained permission from the owners of the sound recordings embodied on the Frank Sinatra phonorecord to reproduce, export and sell the phonorecords. The court held that Jem did violate Harms' exclusive distribution right by its unauthorized importation and found Jem to be a copyright infringer under section 602(a). *Harms,* 655 F. Supp. at 1583; 17 U.S.C. § 602(a) (1986).

25. *Harms,* 655 F. Supp. at 1578.

26. *Id.*

27. *Id.* at 1578-79.

28. *Id.* at 1580.

29. *Id.*

30. The court did admit that the exclusive rights of the copyright holder are limited by

The court also rejected Jem's next argument, which relied on a discussion of music industry representatives with the General Counsel of the United States Copyright Office.[31] The court found that source unpersuasive because the House Judiciary Committee disavowed its support of the statements when it published the transcripts of the discussions.[32] The court stated that "the statements made by private citizens at a committee hearing who represent private interest groups which have a financial interest in how a statute will be interpreted, is entitled to little, if any, weight in interpreting Congressional intent."[33] The court stated that it had no evidence to base a finding that Congress had any intent to nullify the right to control unauthorized importation when section 602 is applied to musical compositions licensed under section 115.[34]

Jem finally presented cases which supported its theory that the exclusive rights of a copyright owner are extinguished once the musical composition is available for compulsory licensing.[35] The court based its interpretation of the purpose of the compulsory licensing provision on *Jondora Music Publishing Co. v. Melody Recordings, Inc.*[36] *("Jondora")*. According to *Jondora,* the provision was inserted into the Copyright Act of 1909 to prevent monopolies by music manufacturers and to guarantee the public access to popular songs, not to defeat the control of the composers and copyright owners in their creations.[37] The *Jondora* court

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compulsory licensing, although they are not extinguished. The owner of a compulsory license purchases only the right to mechanically reproduce (or record) the musical composition. The compulsory license is a limitation on the exclusive distribution right of the copyright owner because it allows others to manufacture and distribute phonorecords which embody the copyrighted musical composition. *Id.* at 1581.

31. *Id.* (citing Copyright Office, 88th Cong., 2d Sess., Copyright Law Revision, Part 4, Further Discussions and Comments on Preliminary Draft for Revised U.S. Copyright Law III).

32. *Harms,* 655 F. Supp. at 1581.

33. *Id.*

34. *Id.* 17 U.S.C. §§ 115, 602 (1986).

35. *Harms,* 655 F. Supp. at 1581. Jem relied on Jondora Music Publishing Co. v. Melody Recordings, Inc., 351 F. Supp. 572 (D.N.J. 1972), *subsequent op.,* 362 F. Supp. 494 (D.N.J. 1973), *vacated,* 506 F.2d 392 (3d Cir. 1974), *cert. denied,* 421 U.S. 1012 (1975) and American Metro. Enter., Inc. v. Warner Bros. Records, Inc., 389 F.2d 903 (2d Cir. 1968) to support its arguments.

36. *Jondora,* 351 F. Supp. 572.

37. *Harms,* 655 F. Supp. at 1581-82. The compulsory licensing provision was first enacted as section 1(e) of the Copyright Act of 1909. The provision was enacted to give composers some control over the mechanical or sound reproduction of their compositions and guarantee public access to popular music. Prior to the 1909 Act, manufacturers of piano rolls and phonograph cylinders could reproduce musical compositions without paying composers a royalty. Despite the desire to compensate composers by granting them exclusive control of the mechanical reproduction of their works, congressional action was tempered by congressional fear of a giant music monopoly. At the time, a single piano roll manufacturing company owned the

held, and the *Harms* court agreed, that the compulsory licensing provision should be interpreted in a way which does not punish the copyright holder.[38]

The *Harms* court distinguished the precedents offered by Jem as cases involving manufacturers and distributors, while Jem was only a middleman distributor, and was not involved in manufacturing. The court stated that the compulsory licensing provision only applies to those who "make *and* distribute phonorecords of the [copyrighted] work."[39] In other words, one who acts only as a middleman distributor of phonorecords embodying copyrighted musical compositions, as Jem did, is not protected by the compulsory licensing provision.[40] The court relied on *United States v. Gallant*[41] to support its point that the right to distribute phonorecords embodying copyrighted musical compositions under section 115 is limited to phonorecords manufactured under the provision.[42] Because Jem, like Gallant, did not manufacture the sound recordings embodied on the phonorecords it distributed, the compulsory licensing provision does not apply.[43]

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reproduction rights of many popular songs. The provision attempted to balance these interests by giving composers a statutory royalty for the mechanical reproduction of their compositions and allowing anyone to reproduce a musical composition after its first public release. Rosenlund, *supra* note 3, at 686-87.

38. *Harms,* 655 F. Supp. at 1582.

39. *Id.* (citing 17 U.S.C. § 115(a) (1986) (emphasis added)).

40. The copyright owner has the exclusive right to reproduce the work in "copies or phonorecords" under section 106(1). 17 U.S.C. § 106(1) (1986). The compulsory licensee has the right only to "make and distribute phonorecords of the work." 17 U.S.C. § 115(a) (1986). The compulsory license does not grant the right to perform or to reproduce the work in sheet music or other copies. The license does grant a right to distribute phonorecords made under the license. In other words, under the compulsory licensing provision, manufacturing and distributing must go hand in hand. 2 NIMMER, *supra* note 2, § 8.04[B].

41. 570 F. Supp. 303 (S.D.N.Y. 1983), *rev'd on other grounds,* Dowling v. United States, 473 U.S. 207 (1985).

42. *Harms,* 655 F. Supp. at 1582. The court characterizes Gallant as a middleman distributor of phonorecords. Actually, he faced criminal prosecution for bootlegging or tape piracy, a copyright infringement under 17 U.S.C. § 506(a). *See supra* note 24 and *infra* note 43.

43. *Harms,* 655 F. Supp. at 1582.

A bootlegger or pirate is still a copyright infringer even if he manufactures and distributes the phonorecords he produces. *See supra* note 24. The court made the distinction between making sound recordings and making phonorecords to protect sound recording copyright owners. The 1909 Act, unlike the current Act, did not withhold the application of the compulsory license to a musical composition because the composition had been duplicated from a sound recording fixed by another. The limitation was implied into the 1909 Act by the *Duchess* doctrine, which is found in Duchess Music Corp. v. Stern, 458 F.2d 1305 (9th Cir. 1972), *cert. denied sub nom.* Rosner v. Duchess Music Corp., 409 U.S. 847 (1972) (*"Duchess"*). The *Duchess* doctrine states that a compulsory license in a musical composition is not available to one who duplicated the work from a sound recording without the permission of the sound recording copyright owner. *Duchess,* 458 F.2d at 1311. The *Duchess* court stated that making

The court further stated that even if the compulsory licensing provision could be applied to a middleman distributor like Jem, Jem failed to comply with the requirements of section 115. Jem neither served Harms with a notice of use for "Ol' Man River" nor did it pay the statutory royalty as section 115 requires.[44] The court compared the facts in *Harms* to the facts in *Columbia Broadcasting System, Inc. v. Scorpio Music Distributors, Inc.*[45] *("Scorpio")*. Scorpio purchased phonorecords which were legally manufactured in the Philippines but imported into the United States without the authorization of copyright owner Columbia.[46] Columbia brought suit against Scorpio for copyright infringement under section 602 of the Act.[47] Scorpio argued that the right of the copyright owner to control importation in section 602 is inconsistent with the first sale doctrine in section 109 of the Act,[48] and that the section 602 right is limited by section 109. Scorpio argued that the phonorecords were the subject of a valid first sale and therefore Columbia no longer had the exclusive right to control distribution under section 602 of the Act.[49]

The *Scorpio* court found that the first sale doctrine only protects buyers of phonorecords which are "legally manufactured and sold" in

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an identical duplication of a sound recording copyrighted by another does not constitute a similar use under the compulsory licensing provision. *Id.* at 1310. The *Duchess* doctrine is codified to some extent in section 115(a)(i). 17 U.S.C. § 115 (1986).

For examples of the application of the *Duchess* doctrine, *see, e.g.,* Fame Publishing Co., Inc. v. Alabama Custom Tape, Inc., 507 F.2d 667 (5th Cir. 1975), *cert. denied,* 423 U.S. 841 (1975); Edward B. Marks Music Corp. v. Colorado Magnetics, 497 F.2d 285 (10th Cir. 1974), *cert. denied,* 419 U.S. 1120 (1975); Jondora Music Publishing Co. v. Melody Recordings, Inc., 351 F. Supp. 572 (D.N.J. 1972), *subsequent op.,* 362 F. Supp. 494 (D.N.J. 1973), *vacated,* 506 F.2d 392 (3d Cir. 1974), *cert. denied,* 421 U.S. 1012 (1975). *See also* 2 NIMMER, *supra* note 2, § 8.04[E]; *Marks,* 497 F.2d at 291 (Lewis, C.J., dissenting); *Jondora,* 506 F.2d at 397 (Gibbons, J., dissenting); *Fame,* 507 F.2d at 672 (Godbold, J., dissenting); *Duchess,* 458 F.2d at 1311 (Byrne, C.J., dissenting) (for criticisms of the *Duchess* doctrine).

44. 17 U.S.C. § 115(b)(c) (1986). *Harms,* 655 F. Supp. at 1582.

45. *Harms,* 655 F. Supp. at 1582 (citing *Scorpio,* 569 F. Supp. 47 (E.D. Pa. 1983), *aff'd without op.,* 738 F.2d 424 (3d Cir. 1984)).

46. Plaintiff Columbia authorized a Philippine corporation to manufacture and sell phonorecords in the Philippines embodying six sound recordings to which it owned the copyrights in the United States. The phonorecords were sold four times and finally were purchased by defendant Scorpio. *Scorpio,* 569 F. Supp. at 47.

47. 17 U.S.C. § 602 (1986). *See supra* note 7.

48. Section 109(a) states: "Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." 17 U.S.C. § 109 (1986). Section 109, like section 115, is a limitation on the exclusive rights of the copyright owner. The section 109 provision is known as the "first sale doctrine." "Under the first sale doctrine, when a copyrighted work is the subject of a valid first sale, the distribution rights of the copyright holder are extinguished and title passes to the buyer." *Harms,* 655 F. Supp. at 1582.

49. *Harms,* 655 F. Supp. at 1582.

the United States[50] and that the protection does not extend to purchasers of imported phonorecords who intend to resell them in the United States. The court found Scorpio to be a copyright infringer under section 602 of the Act.[51]

The *Harms* court focused on the second rationale offered by the *Scorpio* court for its decision, that "to construe [section] 109(a) as nullifying a copyright owner's ability to invoke the protections against unauthorized importation would render section 602 meaningless."[52] The court drew a parallel between sections 115 and 109 and determined that allowing the limitations in sections 107 through 118[53] to extinguish the right granted by section 602 would contravene the congressional purpose of enacting section 602.[54] Based on the *Scorpio* decision, the *Harms* court rejected Jem's argument that the compulsory licensing provision acts as a limitation on the right of the copyright owner to control unauthorized importation. The court indicated that the only difference between Jem's arguments in *Harms* and Scorpio's arguments was that each relied on a different section of the Act, and therefore on a different limitation on the copyright owner's exclusive distribution right. The *Harms* court stated that "to allow the defendant to rely on a limitation of the owner's exclusive rights to circumvent the prohibition on importation would tie the hands of the copyright holder who seeks to exercise his rights to control copies of the work which enter the American market."[55]

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50. *Id.* at 1583 (citing *Scorpio,* 569 F. Supp. at 49).

"Manufacture and sale" under section 109 appears to be analogous to "manufacture and distribution" under section 115. In other words, the manufacture and sale under section 109 must take place in the country for which the license or copyright is granted. The first sale must be of a particular phonorecord to an individual purchaser, not to a middleman distributor who may later export the phonorecords. *See* Sebastian Int'l, Inc. v. Consumer Contact (PTY) Ltd., 664 F. Supp. 909 (D.N.J. 1987) (*"Sebastian"*).

Sebastian involved the unauthorized importation of hair care products. The defendant, like Scorpio, argued that the first sale doctrine made section 602 inapplicable. The *Sebastian* court understood *Scorpio* for the proposition that: "[T]he phrase 'lawfully made under this title' has been interpreted to mean 'lawfully made in the United States,' thereby limiting the first sale doctrine to cases involving domestically manufactured works. . . . *Scorpio* . . . stand[s] for the proposition that the first sale doctrine does not apply to foreign first sales because the United States code does not apply extraterritorially." *Sebastian,* 664 F. Supp. at 914. The court then criticized the *Scorpio* court's interpretation of this language and provided its own interpretation based on the House Report, *supra* note 23. *Sebastian,* 664 F. Supp. at 916.

51. *Harms,* 655 F. Supp. at 1583.

52. *Id.*

53. 17 U.S.C. §§ 107-118 (1986).

54. 17 U.S.C. § 602 (1986).

55. *Harms,* 655 F. Supp. at 1583.

The court found that Jem was a copyright infringer under section 602 of the Act.[56]

NAVIGATING ROUGH WATERS: THE PROBLEMS WITH COMPULSORY LICENSING

The *Harms* decision is consistent with the basic principle of copyright law.[57] In accordance with the power granted to it in the Constitution,[58] Congress developed copyright law to provide artists, composers, writers and inventors with a monopoly in their work for a limited time. The monopoly allows the copyright owner to control and profit from his work and thereby encourages the owner's creative efforts.[59] The *Harms* decision is firmly based on the principle that the copyright owner should have control over his or her work and the market for that work. "This court cannot construe the statute so as to alter the intent of Congress, which has set restrictions on the importation of phonorecords *in order that rights of United States copyright owners can be preserved."*[60] The policy of copyright owner control, as embodied in section 602 of the Act,[61] dominated the *Harms* opinion. The *Harms* court shifted the balance in its decision toward the owner control policy and away from the public access policy. The decision is unsettling because the court enforces the dominant owner control policy while compromising the public access policy embodied in the compulsory licensing provision. If the policy of public access to popular songs is important enough to limit the copyright owner's exclusive rights and to be codified in section 115, why did the *Harms* court neglect it? Public access is the basis of the profits and survival of the recording industry, and judicial and statutory espousal of the policy is no longer necessary to perpetuate it. The problem in the *Harms* decision lies not in the application of the law to the case, but in the law itself; it lies in the compulsory licensing provision.[62]

This casenote suggests that the original purpose of the compulsory

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56. *Id.*

57. *See supra* note 5 and accompanying text, and *infra* note 59.

58. U.S. CONST. art. I, § 8, cl. 8 grants Congress the power "[t]o 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."

59. "[G]ranting a limited monopoly in copyright advances the public interest because it encourages artists to create through the prospect of financial gain." Bach, *supra* note 3, at 383.

60. *Harms,* 655 F. Supp. at 1583 (quoting Columbia Broadcasting System, Inc. v. Scorpio Music Distributors, Inc., 569 F. Supp. 47, 49, 50 (E.D. Pa. 1983), *aff'd without op.,* 738 F.2d 424 (3d Cir. 1984)(emphasis added)).

61. 17 U.S.C. § 602 (1986).

62. *See supra* note 2 for the text of the compulsory licensing provision, 17 U.S.C. § 115 (1986). *See supra* note 3 for articles which criticize compulsory licensing.

licensing provision, to prevent a music monopoly, is extinct and that public access to popular music is virtually guaranteed in the recording industry today.[63] Although some type of licensing provision is necessary to facilitate the use of popular musical compositions, the policy to compensate copyright owners for the use of their work and encourage them to create is not served by the royalty limitations imposed by the current provision.[64] Compulsory licensing acts as an unnecessary limit on the opportunities available to musical composition copyright owners and fans of popular music to enjoy the benefits of a free market.[65] The provision is also inconsistent with the copyright policy of owner control of the market in the form of a limited monopoly. The current provision also fosters disparate treatment between owners of musical composition copyrights and owners of other copyrights, which is not necessary to promote the public access policy.[66] The provision also fosters litigation due to the confusion it perpetuates in the law and its inconsistent treatment of different copyright owners.

Although the *Harms* court found that the compulsory licensing provision should be interpreted so that it does not punish the musical composition copyright owner, the provision punishes the copyright owner by its own terms without judicial assistance.[67] Rather than attempting to minimize the severity of compulsory licensing on the musical composition copyright owner and producing anomalous decisions as the *Harms* court did, the compulsory licensing provision itself should be altered. Since industry practice guarantees public access to popular music and the provision is inconsistent with the owner control policy of copyright law, the outdated compulsory licensing provision should be modified to eliminate the inconsistencies it fosters in the law, and the free market should be allowed to operate.

The recording industry itself espouses conflicting opinions about the merits of the compulsory licensing provision. Musical composition copyright owners desire to limit the scope of the provision, while music manufacturers and distributors desire to expand its scope. Composers, authors

63. Access to musical compositions is the basis of the profits of the recording and radio industries as we know them. *See infra* note 71. The industry is so dependent on the public access to musical compositions that the compulsory licensing provision provides that if the provision is abolished it is likely that it would be replaced by a system which also guarantees public access. Bach, *supra* note 3, at 395-96.

64. *See supra* note 4, and text accompanying note 68.

65. Bach, *supra* note 3, at 396-401; Rosenlund, *supra* note 3, at 702-03.

66. *See supra* note 14 and *infra* note 75. *See also* Bach and Rosenlund, *supra* note 3, for the disparate treatment of musical composition copyright owners.

67. *See supra* notes 37 and 38 and accompanying text.

and publishers dislike the provision because it destroys their control of who records the musical composition.[68] The provision also acts as a ceiling on the royalty rates paid for the use of the composition. Even if the copyright owner has an opportunity to negotiate a royalty for the use of the composition, the negotiated royalty is rarely higher than the rate proscribed by section 115.[69]

Copyright owners should have some control over who records their compositions. It is unlikely that many owners would completely withhold their compositions from mechanical reproduction after the first release because this would prevent them from obtaining all the profits possible from the composition. It is in the best interest of the copyright owner to allow his composition to be recorded. Consequently, it is unlikely that a music monopoly would result from giving musical composition copyright owners additional control of and compensation for their work. Since musical composition copyright owners are given control of the importation of their work, it seems reasonable that they should be given control over the mechanical reproduction of their work and their royalties as well.

On the other hand, record companies love the compulsory licensing provision. Although it began as an attempt to prevent the development of monopolies in music manufacturing,[70] the provision forms the basis for the record industry as we know it today.[71] It provides record companies with access to popular songs at a minimal cost and without the trouble of negotiating royalty rates and conditions with individual copyright owners.[72] The conflicting interests within the industry put up a great fight during the last copyright revision,[73] but the collective power of the record companies outweighed that of the composers, authors and musical composition copyright owners, and the compulsory licensing

68. *See supra* note 4.

69. Rosenlund, *supra* note 3, at 684, 689, 702.

70. *See supra* note 37 for the history and original purposes of the compulsory licensing provision.

71. The original compulsory licensing provision did not give the composers the control over the mechanical reproduction of their compositions that they desired. The composers settled for the statutory royalty rather than continue to not be compensated at all for the use of their work. During discussions about the copyright code revision in 1965, the record companies indicated that the record industry as we know it was so dependent on compulsory licensing that the provision could not be eliminated. Despite the recognition that the music monopoly feared by Congress in 1906 was no longer a threat to the public access to popular music and that compulsory licensing no longer served any public purpose, the provision survived the 1976 copyright revision. Bach, *supra* note 3, at 392-93, and Rosenlund, *supra* note 3, at 693.

72. Rosenlund, *supra* note 3, at 689-90.

73. Bach, *supra* note 3, at 390-93.

provision remained in the Act.[74]

An additional problem with the compulsory licensing provision is that it only applies to nondramatic musical works, or popular songs.[75] Popular musical compositions are treated differently than other copyrighted works, which accounts for some of the strained statutory readings and anomalous case results.[76] In fact, musical compositions are treated differently than the sound recordings which embody them.[77] Often, precedents involving goods not subject to the compulsory licensing provision are used to support decisions involving nondramatic musical works and vice versa.[78]

For example, the infringing phonorecords in *Scorpio* embodied sound recordings rather than musical compositions which were owned by Columbia. Scorpio did not argue that the records it imported from the Philippines were protected by the compulsory licensing provision because it had not complied with the requirements of the provision and sound recordings are not subject to compulsory licensing.[79] Scorpio, like Jem, argued that the compulsory licensing provision limits the musical composition copyright owner's control of the market, and therefore the owner should not be allowed to control the market under section 602.[80] The *Harms* court stated that for its purposes it was irrelevant that *Scorpio* involved sound recordings and *Harms* involved musical compositions.[81]

But, because of the disparate treatment of musical compositions and sound recordings under the Act, the distinction between the two copyrights does make a difference. The argument both defendants made

74. *See supra* note 71.

75. The compulsory licensing provision does not apply to literary or dramatic works or to sound recordings. The works of painters, sculptors, choreographers, photographers, etc., are not subject to compulsory licensing. The provision only applies to nondramatic musical works, which are usually popular songs. 2 NIMMER, *supra* note 2, § 8.04[A].

76. *See supra* note 43 for the *Duchess* doctrine, which is one of the most bizarre outgrowths of the compulsory licensing provision. 2 NIMMER, *supra* note 2, § 8.04[E].

77. Only nondramatic musical works (popular songs) are subject to compulsory licensing. *See supra* note 2 for the text of the provision. 17 U.S.C. § 115 (1986). Sound recordings of musical compositions are not subject to compulsory licensing. *See supra* notes 14 and 75.

78. *See* Sebastian Int'l, Inc. v. Consumer Contact (PTY) Ltd., 664 F. Supp. 909, 914, 915 (D.N.J. 1987); *supra* note 50. This case involved the unauthorized importation of hair care products which are not subject to compulsory licensing. The court discussed *Scorpio, Harms* and several cases which did not involve goods subject to compulsory licensing. The *Sebastian* court criticized the *Scorpio* decision but its reasoning and application of *Scorpio* and *Harms* is not discussed here because it never mentioned compulsory licensing.

79. Columbia Broadcasting System, Inc. v. Scorpio Music Distributors, Inc., 569 F. Supp. 47 (E.D. Pa. 1983), *aff'd without op.*, 738 F.2d 424 (3d Cir. 1984).

80. 17 U.S.C. § 602 (1986).

81. T.B. Harms Co. v. Jem Records, Inc., 655 F. Supp. 1575, 1583 (D.N.J. 1987).

should have been more effective for Jem than it was for Scorpio. Sound recordings, like other copyrighted goods not subject to compulsory licensing, are unique and merit the protection of section 602.[82] Since sound recordings are not subject to compulsory licensing, the owner of the sound recording does have a limited monopoly in its copyright, and should be able to protect that monopoly by invoking the prohibition against unauthorized importation.[83] Unauthorized importation of legally[84] or illegally[85] manufactured copyrighted sound recordings which are already available in the United States could have a severe impact on the sound recording copyright owner's profits.[86] On the other hand, as Jem argued, owners of musical composition copyrights have no control over the market once they release their composition to the public.[87] Since owners like Harms are paid royalties for the use of their copyright for all renditions of the musical composition under compulsory licenses[88] and they have no control over the market, they should not be able to invoke the rights provided by section 602.[89]

Because the *Harms* court relied so extensively on the *Scorpio* decision, it was unable to see the distinction in the similar arguments offered by the two defendants.[90] Jem's argument failed for a number of reasons. As discussed above, the court misplaced its reliance on the *Scorpio* decision. Jem's argument also failed because the court probably misconstrued it. The court found that Jem could not invoke the protection of

82. 17 U.S.C. § 602 (1986).

83. *Id.*

84. Legally manufactured sound recordings are those recordings which are authorized by the copyright owner to be manufactured and distributed in a foreign country.

85. Illegally manufactured sound recordings are those recordings which are not authorized for manufacture and distribution by the copyright owner, such as bootleg copies. *See supra* note 24.

86. Courts construed the language of the 1909 Act under the *Duchess* doctrine to limit the compulsory licensing provision and give sound recording copyright owners control of their market. *See supra* note 43. Since the 1909 Act, trade and transportation has increased and diminished the copyright owner's control of the United States' market. Congress enacted section 602 in the new Act to reassert the copyright owner's control of the United States' market. The section includes the dual prohibition against legally and illegally manufactured goods to allow United States copyright owners to license their goods for manufacture and distribution in another country and still control the United States' market. *See* Selchow & Righter v. Goldex Corp., 612 F. Supp. 19 (S.D. Fla. 1985).

87. *See supra* note 4.

88. In fact, the musical composition copyright owner's profits may be enhanced by importation. *See infra* text accompanying notes 94-96.

89. 17 U.S.C. § 602 (1986).

90. Had Harms owned copyrights in the sound recordings, rather than in the musical composition, the reliance of the *Harms* court on *Scorpio* would have been justified. The *Harms* court's reliance on *Scorpio* was not justified because owners of sound recording and musical composition copyrights are treated differently under the Act. *See supra* note 14.

the compulsory licensing provision because it did not comply with the requirements of the provision. Jem did not argue that it was a licensee under the provision. Jem argued that the compulsory licensing provision erodes the copyright owner's control of the copies available in the United States market, and therefore the owner should not be able to gain control over the market through section 602.[91]

Another reason why Jem's argument failed was that the unauthorized importation of copyrighted goods was expressly contemplated by Congress and clearly stated in the plain language of section 602.[92] The prohibition makes sense when applied to the owners of sound recordings and other copyrighted goods not subject to compulsory licensing[93] because of their ability to control the market. Since so many versions of musical compositions are available under compulsory licensing, it is anomalous that Congress gave copyright owners the right to prevent the importation of more versions. In fact, the *Harms* court found no evidence that Congress intended to make the rights granted by section 602 inapplicable to musical compositions licensed under section 115.[94] The *Harms* court did not find any evidence because Congress apparently did not contemplate the result of applying the prohibition against unauthorized importation to musical compositions subject to compulsory licensing.[95]

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91. 17 U.S.C. § 602 (1986). Even if Jem had paid the statutory royalty and filed a notice of use, it still would have been a copyright infringer because of the manufacturing and distributing clause in section 115(a)(1). 17 U.S.C. § 115 (1986). The *Harms* court found "that Jem was only a distributor of the Sinatra phonorecord," and therefore the compulsory licensing provision was inapplicable. T.B. Harms Co. v. Jem Records, Inc., 655 F. Supp. 1575, 1582 (D.N.J. 1987). *See supra* notes 40 and 43. *See also* United States v. Gallant, 570 F. Supp. 303 (S.D.N.Y. 1983).

92. *See supra* note 7 for the text of 17 U.S.C. § 602(a) (1986).

The dual prohibition against unauthorized importation of copyrighted goods legally and illegally manufactured outside the United States indicates that Congress specifically contemplated giving the copyright owner additional control of the United States market. *See supra* note 86.

93. *See generally,* Selchow & Righter Co. v. Goldex Corp., 612 F. Supp. 19 (S.D. Fla. 1985)(enforcing section 602 against unauthorized importation of legally manufactured copyrighted goods); Nintendo of Am., Inc. v. Elcon Indus., Inc., 564 F. Supp. 937 (E.D. Mich. 1982), *distinguished,* Hasbro Bradley, Inc. v. Sparkle Toys, Inc., 780 F.2d 189 (2d Cir. 1985)(enforcing section 602 against unauthorized importation of illegally manufactured copyrighted goods).

94. *See supra* text accompanying notes 27-30.

95. Jem could not argue that it had permission from Harms through a chain of authority rationale (from Harms, to WEA, to compulsory licensees under New Zealand copyright law who owned rights in the sound recordings, to Jem) for two reasons. First, the compulsory license only grants the right to manufacture and distribute and grants no rights in the underlying musical composition to the producer of the sound recording. *See supra* note 14. Therefore, the compulsory licensees under WEA had no rights in the musical composition "Ol' Man

WHY HARMS SUED: THE STRUGGLE FOR OWNER CONTROL

Because Harms had already received royalties for the records from WEA, Harms was not suing for compensation for the use of its composition. It is possible that Harms found a loophole in the law and a way to obtain double compensation for a single license of its composition, but this is an unlikely rationale.[96] Actually, Harms sued to enforce its legitimate right under section 602[97] and for control of its composition and its market. Harms sued to exert any control that it could to minimize the impact of the compulsory licensing provision.[98]

Because Harms was the owner of the copyright in the musical composition "Ol' Man River" and not in the sound recording,[99] Harms will receive royalty payments under the compulsory licensing provision as long as the phonorecords are distributed.[100] If Harms owned the sound recording, an unauthorized importation of legally or illegally imported phonorecords containing the sound recording could reduce its profits. Harms would not receive any royalties from the illegally produced imports, and both the legally and illegally produced imports would compete with nonimports on the market.[101] The royalty payment is not contingent on where the phonorecords are distributed, but on where the compulsory license is granted.[102]

Despite the prohibition against unauthorized importation of legally

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River" to grant to Jem. They could only grant the permission to use their sound recordings. 2 NIMMER, *supra* note 2, § 8.04[B]. Second, the protection of the United States copyright code does not extend beyond the borders of the United States unless the code so states. Columbia Broadcasting System, Inc. v. Scorpio Music Distributors, Inc., 569 F. Supp. 47, 49 (E.D. Pa. 1983), *aff'd without op.*, 738 F.2d 424 (3d Cir. 1984).

96. Damages in an infringement action may exceed royalties.

97. 17 U.S.C. § 602 (1986).

98. *See supra* note 43 for an explanation of the *Duchess* doctrine, which is a judicial limitation on the compulsory licensing provision. If the compulsory licensing provision was adequately compensating the copyright owner or giving him control of his market, courts, such as those in *Duchess, Marks, Fame* and *Jondora*, and copyright owners, such as Harms, would not try to limit its application. *See supra* note 37 for the original purpose of the provision.

99. *See supra* notes 75 and 77.

100. Under section 115, a phonorecord must be made and distributed to the public for royalties to become payable to the owner of the musical composition. 17 U.S.C. § 115(c)(1) (1986).

101. *See supra* notes 84 and 85.

102. The amount of the royalty may differ depending on the statutory royalty rate set by the compulsory licensing provisions of each country. Therefore, if the statutory royalty rate in New Zealand is less than that of the United States, although Harms is paid a royalty for the phonorecords sold in New Zealand, the phonorecords Jem imported into the United States will compete on the market with those phonorecords manufactured in the United States which could earn Harms a higher royalty rate. Harms may be suing to insure that it makes the highest profit it can from each market.

manufactured phonorecords, the importation of such phonorecords may generate additional royalties for musical composition copyright owners. In the music industry today, most record sales of popular music are based on the popularity of the performing artist.[103] Consider a phonorecord embodying a Frank Sinatra performance of "Ol' Man River" and a phonorecord embodying a Bruce Springsteen performance of the same musical composition. Sinatra fans will buy the Sinatra phonorecord and Springsteen fans will buy the Springsteen phonorecord. Most fans want to hear their idol sing and are unconcerned with who composed the song.[104] If the same Sinatra performance of "Ol' Man River" could be found on two phonorecords, one which was manufactured and distributed in the United States and the other in New Zealand, and other songs on the phonorecords are not identical, a fan may purchase both phonorecords to obtain more performances of different songs. Even if some of the songs are duplicated on both phonorecords, a fan may still purchase both phonorecords to obtain the performances which are not duplicated.

In this situation, a musical composition copyright owner like Harms would benefit from the availability of two versions of its composition on the market.[105] If the prospective phonorecord buyer is not a Sinatra fan, he will not purchase the Sinatra phonorecord which is legally manufactured in the United States. The same buyer may purchase the Spring-

103. The name and photograph of the performer(s) appear on the cover of the phonorecord and on any accompanying labels and packaging. The names of the composers usually appear on a label on the phonorecord in a very small type size. At the Grammy Awards and other recording industry award shows, the songwriting awards are not given during the telecast and the recipients' names are reproduced in a small type size in the next day's newspaper. The performers get television time, their names in the headlines and their pictures in the paper.

104. More often than not, the performer and the composer of a popular song are two different people. During the big band era and through the 1950s, generally songs were provided to singers by composers. The singer/songwriter was a development of the 1960s. If the songwriter records his composition and releases it to the public, it becomes subject to compulsory licensing. Sinatra does not write his songs, so it can be argued that people buy his records to hear him sing. An argument may be made that Springsteen fans buy his phonorecords for the dual benefit of hearing him sing and appreciating his songwriting.

An argument has been made that the singer/songwriter developed in response to the compulsory licensing provision. Composers recognized that they were receiving minimal profits and losing artistic control due to the use of their compositions under the compulsory licensing provision. They began to record their own works to obtain performance, recording and composition royalties, and to control at least the first interpretation and mechanical reproduction of their compositions. Rosenlund, *supra* note 3, at 691.

105. Although Harms receives more royalty payments when more versions of its compositions are available, it also wants to insure that it receives the highest royalty rate from sales in each market. Therefore, Harms wants to prevent legally manufactured foreign phonorecords, which pay Harms low royalties, from competing on the market with domestic phonorecords, which pay higher royalties. Harms prefers the sale of more phonorecords which pay higher

steen phonorecord containing the same musical composition which was imported into the United States with the sound recording copyright owner's permission but without the musical composition copyright owner's permission. As long as the Springsteen phonorecord was legally manufactured under the copyright laws of a foreign country, the musical composition copyright owner will receive a royalty for the use of the composition. Harms receives two royalty payments for the same sound recording of the same composition which is available on more than one phonorecord.[106] If the purchasers of popular music were interested solely in the musical composition, they would buy sheet music or the collected works of Jerome Kern and Oscar Hammerstein II performed by any artist.[107] Harms profits from the availability of various performances of its compositions.

Based on the above scenario, the unauthorized importation of phonorecords containing a copyrighted musical composition may increase the copyright owner's profits. The right provided by section 602[108] does not truly serve the needs of musical composition copyright owners, because the musical composition, unlike the sound recording of the composition, is not a unique good in the market due to the compulsory licensing provision.[109] Yet, owners of musical composition copyrights will enforce the section 602[110] right because it limits the compulsory licensing provision they dislike and gives them some control of the market. Since unauthorized importation has a greater negative impact on the profits of owners of sound recording copyrights, or other goods not subject to compulsory licensing, a solution may be restricting the application of the section 602 right to goods not subject to compulsory licensing.[111] Limiting the availability of section 602[112] protection would create another inconsistency between the rights of owners of sound recordings and owners of

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royalties, rather than the sale of more phonorecords which pay lower royalties. *See supra* note 102.

The *Harms* court did not discuss this royalty maximizing rationale. The rationale provides a justification for the court's holding that the right to control unauthorized importation is not extinguished by compulsory licensing. The discussion in the text of this casenote reflects the court's failure to utilize the royalty maximizing rationale.

106. Some fans will buy different performances by the same artist of the same song.

107. This is not to say that a person will not buy a song simply because they like the song. However, most phonorecord buyers will not buy a song they like which is performed by an artist they do not like.

108. 17 U.S.C. § 602 (1986).

109. *See supra* note 105.

110. 17 U.S.C. § 602 (1986).

111. *Id.*

112. *Id.*

musical compositions.[113] Rather than create another inconsistency in how the law treats owners of copyrights in musical compositions and sound recordings, the compulsory licensing provision which creates the disparate treatment should be altered so that it treats all copyright owners equally.

CONCLUSION

The compulsory licensing provision, as it was enacted in the 1909 Act and preserved in the 1976 Act, is no longer justified today. The fear of a music monopoly is not eminent as it was in 1909. The compulsory licensing provision is inconsistent with the copyright policy of owner control and it discourages the composer's incentive to create by minimizing his profits from his work.[114] The provision fosters disparate treatment of owners of musical composition copyrights and other copyright owners. The disparate treatment of copyright owners leads to confusion in the law. The confusion in the law and the musical composition copyright owner's lack of control of his market leads to excessive litigation. The provision encourages copyright owners like Harms to bring suits protecting whatever limited rights they have to gain some control over the market.

Suppose an unknown singer/songwriter makes sound recordings of his musical compositions which are embodied on a phonorecord. Few copies of the phonorecord are sold, but the musical compositions become available for compulsory licensing because they have been released to the public.[115] Then, a famous performer makes a sound recording of one of the musical compositions under the compulsory licensing provision and has a big hit. The record industry argues that such a scenario demonstrates the benefits of the compulsory licensing provision. The songwriter receives royalties and exposure because of the hit by the famous artist.[116] The famous artist obtains substantial profits from the perform-

113. *See supra* notes 102 and 105. Harms should be allowed to control the domestic market and maximize its profits from each market it participates in.

114. The compulsory licensing provision may encourage composers to engage in more creative work because they will have to write more songs to make the same amount of money under the statutory royalty rate as they could under negotiated royalty rates.

115. 17 U.S.C. § 115(a)(1) (1986). Rosenlund, *supra* note 3, at 695.

116. The songwriter or copyright owner does benefit from a hit because he receives royalties based on the number of copies made and distributed. *See supra* note 100. It may also be argued that compulsory licensing benefits the unknown composer because the statutory royalty rate insures that he receives payment of the standard royalty. It also insures the same royalty for a famous, accomplished composer. Composers should be allowed to negotiate their royalties based on their experience, popularity and the quality of their work.

ance and recording royalties.[117] The public has access to popular music and the record company makes a big profit.

Yet, only one of the original goals of compulsory licensing is served in this scenario: the assurance of public access to popular music. That goal is served by the dependence of the industry on public access to popular music, not by the terms of the compulsory licensing provision itself. The composer still has no control over who mechanically reproduces his work or over the quality of the performance. He or she is compensated only by the statutory royalty, regardless of the musical composition's quality or the composer's experience, popularity and accomplishments. Copyright law generally gives the copyright owner more control over his work than he is given under compulsory licensing. The free market also rewards the producers of goods for the quality, popularity and reputation of their goods. Compulsory licensing limits the musical composition copyright owner's control of his work and prevents him from receiving the rewards of the free market.

A composer is not encouraged to create under the circumstances above, especially if a famous artist does not have a big hit with his composition. Compulsory licensing was preserved in the 1976 Act because it is vital to the record industry as we know it today.[118] The provision does not meet the goals it was initially enacted to serve and, in fact, the original goals themselves have changed. Therefore, the provision should be altered to solve the current problems composers and musical composition copyright owners face.

Because compulsory licensing is inconsistent with the rest of copyright law, the conflicting policies of owner control and public access create tension whenever the provision is used. Courts try to make decisions consistent with the owner control policy, which results in decisions inconsistent with the policy of public access to popular music. The *Harms* case is an excellent example of this tension. The section 602 right to prevent unauthorized importation of legally or illegally produced goods is consistent with the rest of copyright law. However, the application of section 602 to musical compositions demonstrates the problems with the compulsory licensing scheme.

By altering the current compulsory licensing provision so that popular songs would not be treated differently than other copyrighted goods, inconsistencies in the law would be reduced.[119] Owners of musical com-

117. Bach, *supra* note 3, at 381; Rosenlund, *supra* note 3, at 692.

118. *See supra* note 71.

119. The *Duchess* doctrine is a result of the inconsistency of the compulsory licensing provision with the rest of copyright law. *See supra* note 43.

position copyrights, like Harms, would not be forced to rely on importation rights that do not allow them to completely control the United States' market.[120] The provision should be altered so that it continues to facilitate public access to popular music while ensuring that composers will have access to a free market in which they can negotiate their royalties based on the quality of their work and their reputation. Congress should develop a noncompulsory licensing provision which encourages public access and sincerely allows musical composition copyright owners to control the mechanical reproduction of their compositions and the royalty payments they receive.

Arpie Balekjian

120. *See supra* note 105 for an argument that the right to prevent unauthorized importation gives the musical composition copyright owner some control of the United States' market in terms of royalty maximization.