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ABSTRACT

The question raised here, whether state criminal laws can be applied to subject matter also addressed by federal copyright law, is of immediate interest to the information industry. This brief Amicus Curiae deals with the need of the industry and the public generally for remedies on which the growth of the information tools and resources needed to handle the exploding supply of information raw materials today has been based. The real question is whether the resort to state law remedies is in conflict with the copyright policies of Congress. The Brief argues that a state law which prohibits unfair business practices is invalidated by the supremacy clause of the Constitution only if it is in conflict with Congressional policy, and that Congressional intent to not supersede state laws with respect to duplication of sound recordings is clear. It is concluded that federal preemption of state law is simply statutory construction and that there is no constitutional preemption. In this case there is substantial evidence of Congressional intent, not only to preserve rights created under state law, but to incorporate them as part of a total copyright scheme. (Author/SJ)

NPC LI

IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-1192

DONALD GOLDSTEIN, RUTH KOVEN and DONALD KOVEN,

Petitioners,

v.

STATE OF CALIFORNIA,

Respondent.

ON WRIT OF CERTIORARI TO THE APPELLATE DEPARTMENT OF THE SUPERIOR COURT OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

MOTION OF INFORMATION INDUSTRY ASSOCIATION FOR LEAVE TO FILE BRIEF AMICUS CURIAE AND BRIEF OF INFORMATION INDUSTRY ASSOCIATION *AMICUS CURIAE*

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MOTION OF INFORMATION INDUSTRY ASSOCIATION FOR LEAVE TO FILE BRIEF AMICUS CURIAE

The Information Industry Association hereby respectfully moves for leave to file the attached brief *amicus curiae.* Counsel for respondent has consented to filing of this brief, but counsel for petitioners has declined consent.*

*The letter from counsel for respondent giving consent to the filing of this brief is on file with the Clerk of this Court. The letter from counsel for petitioners also is on file.

THE INTEREST OF THE AMICUS CURIAE

The Information Industry Association (IIA) is a non-profit Washington, D.C. Corporation organized in 1968, with a membership of 45 voting and 16 non-voting organizations which are for-profit firms concerned with information production, storage, retrieval, processing and distribution. Members include relatively young corporations offering specialized services as well as larger publishing and communications firms.[1] Products include indices, abstracts, citation lists, catalogs, directories, services such as file searches, searches of current publications, and educational materials. The creation of these products involves great financial investment, and the ingenious application of computer, microfilm, recording and communications technologies. The marketing of these products involves the use of a wide range of proprietary strategies suited to the particular product or service and the size of the market. These established businesses depend on a variety of marketing techniques and legal mechanisms to assure that characteristically small and well-defined groups of users will be willing and able to patronize the product to an extent that is economically feasible.

The *sine qua non* of information publishing is a funding mechanism by which highly selective information sorting and processing can be economically sustained.

For some the funding mechanism is assured by statutory copyright. Others rely upon common law copyright augmented by unfair competition and misappropriation rules. At various times these techniques are combined to provide the information industry firm a

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[1] A list of members is attached as Appendix A hereto.

sufficient proprietary position on which to risk investment in the creation of an information product, service or system. There are established businesses which rely in part on the rules of misappropriation. A decision denying these businesses this protection would be disruptive of the businesses involved.

The question raised here, whether state criminal laws can be applied to subject matter also addressed by federal copyright law, is of immediate interest to the information industry.

The attached Brief *Amicus Curiae* deals with the need of this industry and the public generally for remedies on which the growth of the information tools and resources needed to handle the exploding supply of information raw materials today has been based.

The ability to record "machine readable" information on magnetic tape, in addition to "sound recordings," requires the consideration of generic aspects of "tape piracy questions". This is not fully treated in the petition.

Since this case involves musical recordings, an activity parallel to but not directly in the information industry, the direct impact of the case on the business of marketing business and scientific information on magnetic tape was not immediately apparent. As a result, the preparation of the brief was delayed. In view of the significance of the question involved for this industry and the reasonable cause cited for the delay in filing the brief, IIA requests that the time for filing this brief in support of respondent herein be extended and because of its unique experience and knowledge of and interest in the issue presented for

decision in this case, IIA requests permission to file the attached brief *amicus curiae* in support of respondent herein.

Respectfully submitted,

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Dated: Washington, D.C.
October 25, 1972

IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-1192

DONALD GOLDSTEIN, RUTH KOVEN and DONALD KOVEN,

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STATE OF CALIFORNIA,

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BRIEF OF INFORMATION INDUSTRY ASSOCIATION *AMICUS CURIAE*

A. THE INTEREST OF THE AMICUS CURIAE.

The interest of the *amicus curiae* is set forth in the motion to which this brief is appended.

B. SUMMARY OF ARGUMENT.

The real question is whether the resort to state law remedies is in conflict with the copyright policies of Congress. Petitioners cite the *Sears* and *Compco* decisions in the patent field in support of their contention that state laws attaching criminal sanctions to specific "infringement-like" activities are in conflict with the copyright policy of Congress, and, indeed, of the Constitution which requires the exclusive right to be for "limited times."

Stressing "limited times" at the expense of the basic object of the constitutional provision and Congressional enactments pursuant to it, that of promoting progress in science and the useful arts, leads to a distortion of the copyright policy of Congress.

Congress has created a dual system of proprietary protection: it has expressly reserved to state law the protection of "unpublished" works and has provided a federal statutory protection scheme for published materials. (17 U.S.C. Sec 2). Protection of unpublished works by state law has never been subjected to the Constitutional "limited times" provision. Congress has deliberately and historically afforded authors a choice between limited and unlimited in time forms of protection based on dual and complementary state and federal mechanisms.

Far from conflicting with Congressional copyright policy, state laws which provide unlimited in time protection complement and complete a proprietary protection system in which Congress has never purported to provide exclusive rights and remedies. Such a system cannot be said to be invalidated by the supremacy clause and must be upheld as valid and binding.

C. FACTUAL BACKGROUND

The information industry is an industry built around man's oldest product. Information is abundant, yet order and structure for handling information are not available, at least in commensurate degree.

In 1971,

- 450,000 different book titles, 200,000 different magazines and periodicals and another 200,000 technical reports were published.

- 40,000 U.S. Doctoral dissertations and 100,000 masters theses were written.

- 65,000 patents were awarded.

- 20,000 bills were introduced in the U.S. Congress.

- 60 million newspapers were printed each day.

- 150,000 matters were brought before the federal court system.

- 400 billion copies were made with various copying and duplicating machines.

- 150 billion print-out sheets came from computers.

These represent the equivalent of 32,000 sheets of paper for every secretary and clerk in the United States. Furthermore, it has been estimated that some 95% of what will be relevant knowledge forty years from now is knowledge that nobody has even been concerned with or thought of now.

The information industry is engaged in the design, production and marketing of a wide range of products and services providing ways to capture, store, retrieve, access, use and deliver this information, often through the application of computers and in computer magnetic

tape form. The companies and their products serve a vital role in solving man's overabundance of information problems.

The proprietary problem faced by information industry firms marketing their products in magnetic tape form is essentially the problem faced by the record industry.

The computer has made it possible to store in a machine-readable file on magnetic tape and other media, vast stores of business, scientific and other kinds of information, to process or sort these machine-readable stores in a multitude of unprecedented ways, to "print out" all or part of the file, to accomplish the creation of "camera-ready" copy through computer-photo-composition techniques, and to create a multitude of information products and services for different uses and users from the basic file of information stored on magnetic tape. With the development of COM, (Computer output Microfilm) it is technologically feasible to create a microfilm copy of the information stored in the magnetic tape format without first creating a paper copy (Print-out).

The fact is, however, that these processes are expensive. Therefore, generating many products from a single information file does not necessarily spell economic success. To be successful the creator of such product packages must tailor his products to his market and avoid the marketing of products that are ineconomic. Unlike the record albums considered in this case, where mass sales are required to support the costs of creating the property, the market for specialized files may be 25 or less in total number in the U.S. and even the world. The loss of one or two sales in many cases spells the difference between economic success and the ability to

continue to provide effective and sophisticated services, or failure and the elimination of the service altogether.

For example, one member of the IIA[2] produces an information product which contains comprehensive data with respect to computer installations throughout the United States. The collection, computerization, management, distribution, education and marketing required to make this information available to its very limited market is so costly that it must be carefully marketed. This information is made available to subscribers in magnetic tape form and at a cost of $10,000 per year. Although the information can be printed by data processing equipment from the magnetic tape original, it is generally utilized by retrieving selected information from the entirety of the data and then only such selected information is reduced to a print format. As a consequence, this information product, although marketed publicly, is not appropriate for publication under statutory copyright, is subject to a significant risk of misappropriation due to its high value, and is protected from illegal reproduction and distribution by state misappropriation laws. The IIA member firm has filed and successfully concluded several suits during the last several years and has obtained injunctive relief as well as monetary damages on the basis of state misappropriation doctrine.

There is abundant evidence the Congress recognizes the value of such activities. For example when Congress created the National Commission on Libraries and Information Science it made the following finding of policy:[3]

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[2] International Data Corporation, Newtonville, Mass.

[3] Public Law 91-345, 91st Congress, An Act to establish a National Commission on Libraries and Information Science and for other purposes.

> Sec. 2. The Congress hereby affirms that library and information services adequate to meet the needs of the people of the United States are essential to achieve national goals and to utilize most effectively the Nation's educational resources and that the Federal Government will cooperate with state and local governments and public and private agencies in assuring optimum provision of such services.

Contrary to indicating an interest in preempting state law in the area of distributing information in machine readable form as information services, the Congress here gave assurances of cooperation, much the same as it did in creating the dual state/federal copyright scheme.

The concern of this industry is primarily with the preservation of existing remedies with which it works in marketing its products and services. The loss of the "misappropriation" rule or other state law protection would disrupt the marketing of business and scientific information files and would itself be contrary to and inconsistent with copyright policy of the Congress.

ARGUMENT

I.

A STATE LAW WHICH PROHIBITS UNFAIR BUSINESS PRACTICES IS INVALIDATED BY THE SUPREMACY CLAUSE OF THE CONSTITUTION (ARTICLE VI) ONLY IF IT IS IN CONFLICT WITH CONGRESSIONAL POLICY.

The Constitutional authority of Congress "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." (Article I, Section 8, Clause 8) is neither in terms nor by construction exclusive of compatible state legislation.

The Article I grant creates no rights or obligations except as implemented by Congress. "Patent rights exist only by virtue of statute." *Wheaton v. Peters*, 8 Pet. 591 (1834) 658. The copyright to published works likewise is purely a statutory creation. *Mazer v. Stein*, 347 U.S. 201 (1954) 214.

Congress has not enacted a comprehensive, unified plan for securing the rights of authors and inventors pursuant to the Constitutional grant. To the contrary, Congress had adopted and built upon a substantial body of state law. Inventions which are not patented may be protected by state law so long as they are not publicly disclosed. *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969) at 675. State law governs the sale of patented articles and of patent rights (35 U.S.C. 261). Protection of unpublished literary works has been expressly reserved by Congress to state law (17 U.S.C. 2). The purchase, sale and ownership of copyrighted works and copyrights all are determined primarily by state law, incidentally supplemented by a national recording system (17 U.S.C. 27-32).

Legislation of the states which is in conflict with the copyright policy of Congress, however, is void. (*Cf.Sears Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964) at 231).Although "there can be no one crystal clear distinctly marked formula" the primary test of the validity of state law is the intent of Congress "to occupy the field." *Pennsylvania v. Nelson*, 350 U.S. 497 (1956) at 502. "We examine these acts only to determine the Congressional plan." (*Id.* at 504)

II.

CONGRESSIONAL INTENT TO NOT SUPERSEDE STATE LAWS WITH RESPECT TO DUPLICATION OF SOUND RECORDINGS IS CLEAR.

The Sound Recording Amendment of 1971 extended copyright protection to sound recordings effective February 15, 1972 (Pub. L. 92-140, 1(a), 85 Stat. 391). Section 3 of such Act provided as follows:

> "... and nothing in title 17, United States Code, as amended by section 1 of this Act, shall be applied retroactively or be construed as affecting in any way any rights with respect to sound recordings fixed before the effective date of this Act."

The Court previously has recognized that Congress may permit the enforcement of extant state criminal laws by renouncing a uniform national regulation in favor of local regulation. Referring to the Wilson Act which permitted state regulation of interstate liquor shipments, and to a Kansas liquor regulation previously held to have been preempted by federal legislation, the Court said:

> "This is not the case of a law enacted in the unauthorized exercise of a power exclusively confided to Congress, but of a law which it was competent for the state to pass, but which could not operate upon articles occupying a certain situation until the passage of the act of Congress." *In re Rahrer,* 140 U.S. 545 (1891) at 565.

Section 3 of the 1971 Amendment is a clear expression of the policy of Congress that all rights which existed independent of the Copyright Act were to be preserved. Construction of the 1971 Amendment as an expression of Congressional intent to preempt and void state criminal laws would directly contravene the Congres-

sional mandate that "any rights with respect to sound recordings" not be affected in any way by the Act. (Public Law 92-140, 3)

Congressional intent to preserve state protection of sound recordings prior to the effective date of the 1971 Amendment is further indicated by the relative haste with which such Amendment was adopted by both houses. The Amendment was introduced by Sen. McClellan on Feburary 8, 1971 and was adopted October 15, 1971. Four years ago this Court commented upon the glacial progress of general copyright revision legislation, noting that revision begun in 1955 had not yet resulted in new legislation. *Fortnightly Corp. v. United Artists*, 392 U.S. 390 (1968) at 396 n. 17. The current version of the revision bill (S. 644) was not even reported out of committee in the 92nd Congress.

The preemptive implications, if any, to be drawn from Congressional action or inaction are seldom clear. Particularly is this true with respect to the Copyright Act which so fundamentally incorporates areas of state law. "The bric-a-brac coverage of the copyright, trademark and patent laws fail time and time again to provide for the situation. Of course, the failure of the law to protect would be a potent ground for nonprotection if, in truth, the Copyright Act was a 'delicate and elaborate' preemptive structure. But there is the nagging feeling that the reason for nonprotection isn't a careful balancing on the part of Congress; rather, it is the inability of the legislators to resolve incredibly difficult problems which strike at the heart of copyright structure." Price, *The Moral Judge and the Copyright Statute:* The Problem of Stiffel and Compco, 14 Copyright Law Symposium 91 (1966) at 113.

Absent any expressed intent to preempt state criminal laws, and in the context of the foregoing legislative history, there is no basis for construing preemptive intent from a statute which expressly disavows intent to affect in any way pre-existing rights. The statute should be upheld as applied to pre-February 15, 1972 rights.

Finally, and most simply, there is no basis or reason for attributing to Congress a Quixotic intent to invalidate protection of sound recordings prior to February 15, 1972, and to confer significant and broad proprietary protection upon the same after such date. Legislative history of the bill contains no suggestion of or rationale for such an intent. The language of the bill, as above noted, clearly expresses the intent of Congress to not preempt or in any other way affect preexisting rights.

CONCLUSION

Federal preemption of state law is simply statutory construction. There is no constitutional preemption. The intent of Congress expressed in particular legislation should be examined to determine whether particular state legislation conflicts with Congressional policy. In the case before the Court there is substantial evidence of Congressional intent, not only to preserve rights created under state law, but to incorporate them as part of a total copyright scheme. Without a clear intent to preempt being established state law remedies should be upheld.

Respectfully submitted,

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APPENDIX A

Information Industry Association Membership List

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