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Copyright Law: Balancing Foreign and Domestic Interests in the International Arena, Golan v. Holder, 609 F.3d 1076 (10th Cir. 2010)

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CASE COMMENT

COPYRIGHT LAW: BALANCING FOREIGN AND DOMESTIC INTERESTS IN THE INTERNATIONAL ARENA *GOLAN V. HOLDER*, 609 F.3d 1076 (10th Cir. 2010)

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I. FACTS

Plaintiffs, a group ranging from orchestra conductors to educators, challenged the constitutionality of section 514 of the Uruguay Round Agreements Act (URAA).[1] Section 514 restores copyright protection to foreign works that have fallen into the public domain in the United States.[2] Plaintiffs appealed after the district court granted summary judgment to the government.[3] The Tenth Circuit reviewed the case, concluding that section 514 did not exceed the Copyright Clause's inherent limitations.[4] However, the court remanded because plaintiffs showed sufficient free expression interests in the restored works to warrant close analysis under the First Amendment's free speech provisions.[5] On remand, the District Court held section 514 unconstitutional to the extent it suppressed "the right of reliance parties to use works they exploited while the works were in the public domain."[6] The government appealed and the Tenth Circuit held that section 514 was narrowly tailored to meet an important government

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1. Golan v. Holder, 609 F.3d 1076, 1082 (10th Cir. 2010).

2. *Id.* at 1081. Section 514 provides protection to reliance parties, such as plaintiffs, who exploited works in the public domain prior to their restoration. *Id.* To enforce a restored copyright, foreign authors must either file notice with the Copyright Office or serve reliance parties directly. *Id.* Reliance parties are entitled to a grace period of twelve months from the date of notice. *Id.* During this period, they can sell or dispose of restored works but they cannot make additional copies. *Id.* Parties who have made derivative works based on those restored, may continue to exploit these for the duration of the restored copyright so long as they pay compensation to the foreign owner. *Id.*

3. *Id.* at 1082.

4. *Id.* Initially, plaintiffs brought suit to determine the constitutionality of both section 514 and the Copyright Term Extension Act (CTEA). *Id.* However, the Tenth Circuit on appeal, concluded that the Supreme Court's decision in *Eldred v. Ashcroft* foreclosed plaintiff's challenge to the CTEA. *Id.*

5. *Id.*

6. *Id.*

interest and was therefore constitutional.[7]

II. HISTORY

American copyright law from 1909 to 1976 was rigid and required authors to go through several formalities.[8] For example, authors needed to attach notices to any distributed copies of his or her work and formally register with the Copyright Office.[9] In 1989, the United States joined the Berne Convention.[10] Berne required each Member-Nation to provide the same copyright protections from authors in other countries that it provided to its own.[11] Initially, the United States adopted a minimalist approach in complying with Berne and did not extend protection to foreign works already in the public domain,[12] as was required by Article 18 of the Convention.[13]

The United States then joined the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) in 1994.[14] The agreement mandated that member countries implement the first twenty-one articles of Berne under threat of the World Trade Organization (WTO).[15] Noncompliance with TRIPS and an unfavorable WTO ruling would subject the violating country to tariffs or cross-sector retaliation.[16] "In order to comply with these international agreements, Congress enacted the URAA," specifically section 514.[17] Section 514 established copyright protection to foreign works that never received exclusivity for a variety of reasons.[18]

In *Eldred v. Ashcroft*, the Supreme Court decided the constitutionality of the Copyright Term Extension Act (CTEA).[19] The CTEA enlarged the duration of copyrights by twenty years.[20]

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7. *Id.* at 1095.

8. Golan v. Gonzalez, 501 F.3d 1179, 1189 (10th Cir. 2007).

9. *Id.*

10. *Golan*, 609 F.3d at 1080.

11. *Id.* "Berne, however, did not provide a potent enforcement mechanism . . . it specifi[ed] no sanctions for noncompliance . . . ." Golan v. Holder, 132 S. Ct. 873, 880-81 (2012).

12. *Golan*, 132 S. Ct. at 879.

13. *Golan*, 609 F.3d at 1080.

14. *Id.*

15. *Golan*, 132 S. Ct. at 881. The Uruguay round of multilateral trade negotiations created both TRIPS and the WTO. *Id.*

16. *Id.*

17. *Golan*, 609 F.3d at 1081.

18. *Id.* These reasons included: failure to comply with formalities, lack of subject matter protection, or lack of national eligibility. *Id.*

19. Eldred v. Ashcroft, 123 S. Ct. 769, 775 (2002).

20. *Id.* at 776. Under the 1976 Copyright Act, "copyright protection generally lasted from

Petitioners, similar to the plaintiffs in the instant case, relied on works with expired copyrights and consequently in the public domain, to make a living.[21] They argued that the CTEA "fail[ed] constitutional review under both the Copyright Clause's 'limited times' prescription and the First Amendment's free speech guarantee."[22] The Supreme Court rejected these claims, holding that Congress acted within its powers since the CTEA's copyright extension was limited and not perpetual.[23] The Court also noted that the act passed First Amendment scrutiny because it contained its own free speech safeguards.[24] For example, it allowed libraries and similar institutions to reproduce copies of certain works for purposes such as scholarly research.[25]

Congress established the CTEA and section 514 for similar reasons.[26] Primarily, Congress extended copyright protection to match international standards[27] such as the European Union's directive instructing its members to establish a copyright period of life plus seventy years and "to deny this longer term to the works of any non-EU country whose laws did not secure the same extended term."[28] *Luck's Music Library v. Gonzales*, factually similar to the instant case, also noted and supported Congress's need to "secure better foreign protection for U.S. intellectual property"[29]

Finally, the Tenth Circuit in *Golan v. Gonzales*, predecessor to the instant case, agreed that Congress's decision to comply with the Berne Convention was not so irrational or "unrelated to the aims of the Copyright Clause that it exceed[ed] the reach of congressional

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the work's creation until fifty years after the author's death." *Id.* at 775. The CTEA retained the general structure of the 1976 Copyright Act, but enlarged the terms of existing and future copyrights by twenty years. *Id.* at 776.

21. *Id.* at 775.

22. *Id.* The Copyright Clause in the U.S. Constitution states: "Congress shall have Power . . . [t]o promote the Progress of Science . . . by securing [to Authors] for limited Times . . . the exclusive Right to their . . . Writings." *Id.* at 774.

23. *Id.* at 783-84.

24. *Id.* at 789. The free speech safeguards in the Copyright Clause include the idea/expression dichotomy and the fair use defense. Golan v. Gonzalez, 501 F.3d 1179, 1194 (10th Cir. 2007). The idea/expression dichotomy states "'every idea, theory, and fact in a copyrighted work becomes instantly available for public exploitation at the moment of publication'; the author's expression alone gains copyright protection." Golan v. Holder, 132 S. Ct. 873, 890 (2012) (citing *Eldred*, 123 S. Ct. at 789). "The fair use defense allows for the use of copyrighted material for purposes such as criticism, comment, news reporting, teaching . . ." *Golan*, 501 F.3d at 1195.

25. *Eldred*, 123 S. Ct. at 789.

26. *Compare id.* at 781, *with* Golan v. Holder, 609 F.3d 1076, 1081 (10th Cir. 2010).

27. *Eldred*, 123 S. Ct. at 781.

28. *Id.*

29. Luck's Music Library, Inc. v. Gonzales, 407 F.3d 1262, 1264 (D.C. Cir. 2005).

power."[30] However, the Tenth Circuit remanded the case because section 514 altered the traditional contours of copyright protection[31] and also required closer review under the First Amendment.[32] The Tenth Circuit noted that section 514, unlike the CTEA in *Eldred*, did not have built-in free speech safeguards.[33] They instructed the District Court to assess whether section 514 was content-based[34] or content-neutral[35] and to apply the appropriate level of scrutiny.[36] Such was the state of international copyright law in the United States prior to the instant case.

III. INSTANT CASE

In the instant case, the Tenth Circuit reversed the District Court's decision.[37] The Tenth Circuit held that section 514 is content-neutral, protecting American copyright holders abroad is an important government interest, and section 514 is narrowly tailored to further that interest and therefore it passed constitutional muster.[38]

First, in the lower court, both the government and plaintiffs agreed that section 514 was content-neutral and warranted intermediate scrutiny.[39] The Tenth Circuit conceded this point because the purpose behind the legislation was to comply with international obligations, thereby protecting the interests of American authors abroad.[40] The government's purpose was unrelated to free speech and deemed acceptable by the circuit court.[41]

The Tenth Circuit then decided that section 514 constituted an important government interest.[42] The interest was unrelated to suppression of free speech and did not burden said speech substantially

30. Golan v. Gonzalez, 501 F.3d 1179, 1187 (10th Cir. 2007).

31. Traditionally, an author created a work, received a copyright, and after the copyright period ended, the work entered the public domain. *Id.* at 1189. Section 514 granted copyrights to works already in the public domain; in essence bypassing the copyright process. *Id.*

32. *Id.* at 1182.

33. *Id.* at 1195-96.

34. Content-based restrictions suppress or impose differential burdens upon speech because of its content; these restrictions are subject to strict scrutiny. *Id.* at 1196.

35. Content-neutral restrictions serve purposes unrelated to the content of expression; they pass scrutiny if narrowly tailored to serve a significant governmental interest. *Id.* In other words, they must pass intermediate scrutiny.

36. *Id.*

37. Golan v. Holder, 609 F.3d 1076, 1080 (10th Cir. 2010).

38. *Id.* at 1083.

39. *Id.* at 1082.

40. *Id.* at 1083.

41. *Id.*

42. *Id.* at 1084.

more than necessary to further the government's goals.[43] Evidence to support the importance of the interest included proof of billions of dollars lost each year due to lack of reciprocal treatment of copyrighted material between the United States and foreign nations.[44] This led foreign nations to reject providing protection to American works.[45] There was also testimony presented in congressional hearings held prior to section 514's enactment that affirmed the United States was not in full compliance with Berne because of refusals to restore copyright in foreign works.[46]

Finally, section 514 is narrowly tailored.[47] The burden it placed on plaintiffs and other reliance parties is congruent with the benefits section 514 affords American copyright holders abroad.[48] It is unimportant that alternative means to further the government's interest exist.[49] To pass First Amendment scrutiny, the legislation must not burden free speech substantially more than necessary in furthering an important interest.[50] The Tenth Circuit therefore refused to second guess Congress's legislative choice in enacting the URAA.[51]

IV. ANALYSIS

In deciding the instant case, the Tenth Circuit agreed with the government that the United States has a substantial interest in obtaining legal protections for American copyright holders abroad.[52] However, the Tenth Circuit did not address the government's other two interests: fully complying with the Berne Convention and compensating foreign authors who lost or never obtained copyrights in the United States.[53]

The U.S. Supreme Court granted certiorari in January 2012 and affirmed the Tenth Circuit's decision.[54] While the Supreme Court mentioned all three interests, it, like the Tenth Circuit, evaded passing judgment on either the compliance argument or the righteousness

43. *Id.* at 1092.
44. *Id.* at 1086.
45. *Id.*
46. *Id.*
47. *Id.* at 1091.
48. *Id.*
49. *Id.*
50. *Id.* at 1092.
51. *Id.* at 1094.
52. *Id.* at 1090.
53. *Id.* at 1083 n.6.
54. The Supreme Court decided that Congress's decision to "full[y] participat[e] in the dominant system of international copyright protection," thereby protecting American interests, did not violate the Constitution. Golan v. Holder, 132 S. Ct. 873, 894 (2012).

argument.[55] Perhaps both courts neglected to address these arguments since they were insufficient to withstand intermediate scrutiny and so both courts focused on what they believed was the stronger argument.

Several points throughout case law diminish the importance of the government's reasoning behind enacting section 514. First, petitioners in *Eldred* argued that extending copyright protection of existing works ignores the requirements of originality and quid pro quo in the Copyright and Patent Clause of the Constitution.[56] Under the originality argument, these works are no longer original and so any extension or as in the instant case, restoration, of copyright is impermissible.[57] Petitioners also argued that copyright law requires a quid pro quo, in other words Congress's power to grant copyright is contingent upon an exchange.[58] Restored works lack these elements since Congress is granting foreign authors an exclusive right for works Americans already have at their disposal.

Second, there is no guarantee that foreign nations will extend American authors similar protections as those extended to foreign authors in section 514. Because reciprocity is not certain, Congress could have employed less restrictive means to comply with Berne.[59] For example, the United Kingdom, Canada, India, and Australia allow reliance parties to continue using derivative works they made, or had commitments to make, before the works' copyright was restored.[60]

Third, Justice Breyer's dissent in both *Eldred* and the recent Supreme Court decision of *Golan v. Holder*, suggests that section 514's enactment would have been more suitable if passed under Congress's commerce power; instead, Congress utilized its copyright power to enact section 514.[61] The purpose of the Copyright Clause is to seek a public benefit.[62] In the instant case however, section 514's legislative history reveals that part of Congress's motive for section 514's enactment was for financial reasons.[63] This is a private benefit and an

55. *See id.*

56. Eldred v. Ashcroft, 123 S. Ct. 769, 784 (2002).

57. *Id.*

58. *Id.* at 786.

59. *See* Golan v. Holder, 609 F.3d 1076, 1087 (10th Cir. 2010).

60. Golan v. Gonzales, 501 F.3d 1179, 1196 n.5 (10th Cir. 2007) (detailing the continued use of derivative or restored works by reliance parties unless the owner pays compensation).

61. *See* Golan v. Holder, 132 S. Ct. 873, 910 (2012) (Breyer & Alito, JJ., dissenting); Eldred v. Ashcroft, 537 U.S. 186, 216 (2003) (Breyer, J., dissenting).

62. *Golan*, 132 S. Ct. at 910 (Breyer, J., dissenting) (providing an example of public benefit: promoting or protecting the creative process); *Eldred*, 537 U.S. at 263 (Breyer, J. dissenting).

63. Section 514 will bring the financial assistance to "entertainment industry, particularly through the promotion of exports" and hopefully ensure the nation a potential surplus to the balance of trade. *Eldred*, 537 U.S. at 262 (Breyer, J., dissenting).

interest better served under the Commerce Clause.[64]

Finally, Justice Breyer further discusses the negative effects section 514 potentially creates. For example, schools and nonprofit organizations may not be able to afford the higher costs of performing, buying, or showing restored works which can "aggravat[e] the already serious problems of cultural education in the United States."[65] Furthermore, section 514 creates high administrative costs with orphan works[66] as the owners of which are expensive to find, if not "impossible to track down."[67] Piracy may become more rampant as some users would rather steal restored works at a reduced or even nonexistent cost.[68]

Nevertheless, the courts found the arguments for section 514 more convincing. Congressional joint hearings discussing section 514 made clear that America's minimalist approach in complying with Berne was problematic as the international community saw it in a negative light.[69] The minimalist approach severely undercut America's reputation as a world leader in the copyright arena.[70] In addition, American saw their leverage undermined in copyright negotiations.[71]

Moreover, the quid pro quo argument[72] presented by those opposing section 514, commonly applies only to patents.[73] The court in *Eldred* addressed this point, stating that "patents and copyrights do not entail the same exchange."[74] The argument concerning alternative solutions to complying with Berne,[75] ignores the common law principle which gives Congress wide berth in deciding international matters.[76]

Interestingly, Congress originally implemented the minimalist approach to benefit domestic publishers, who escaped paying royalties to foreign authors.[77] The enactment of section 514 suggests that the threats to American copyrights abroad far outweigh the costs to domestic publishers. America could no longer afford to exclude foreign

64. *Id.*

65. *Golan*, 132 S. Ct. at 905 (Breyer & Alito, JJ., dissenting).

66. *Id.*

67. *Id.*

68. *Id.* at 906.

69. *Id.* at 880 (majority opinion) (describing many nations' discontent with the U.S. minimalist approach).

70. *Id.* at 881 n.8.

71. *Id.*

72. *See supra* Part IV.

73. Eldred v. Ashcroft, 537 U.S. 186, 216 (2003).

74. *Id.*

75. *See supra* Part IV.

76. Golan v. Holder, 609 F.3d 1076, 1085 (10th Cir. 2010) ("Courts have historically given special deference to other branches in matters relating to foreign affairs") (quoting Citizens for Peace in Space, 447 F.3d 1212, 1221 (10th Cir. 2007)).

77. Golan v. Holder, 132 S. Ct. 873, 879 n.2 (2012).

authors from copyright protection and have other nations do the same with domestic works.

V. CONCLUSION

The consistency of courts upholding legislation such as the CTEA and the URAA's section 514, will likely discourage similar lawsuits by reliance parties in the future. Section 514 will probably impact piracy. Whether its influence will be positive, by helping to prevent further exploitation of foreign works, or negative, by pushing into piracy those who do not wish to pay, requires further analysis.

Golan v. Holder demonstrates the importance of reciprocity and diplomacy in international relations as well as the need to adapt American laws to stay competitive in the international arena. Both the Tenth Circuit, and the recent Supreme Court decision, understood just how careful Congress must be in areas of foreign policy, such as section 514, where Congress must balance foreign interests against those of the United States.[78]

78. *See id.* at 889; *Golan*, 609 F.3d at 1085.