

In the Matter of
**CERTAIN COIN-OPERATED AUDIOVISUAL
GAMES AND COMPONENTS THEREOF
(VIZ., RALLY-X AND PAC MAN)**

Investigation No. 337-TA-105

(temporary relief phase
of investigation)

USITC PUBLICATION 1220

FEBRUARY 1982

UNITED STATES INTERNATIONAL TRADE COMMISSION

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UNITED STATE INTERNATIONAL TRADE COMMISSION
Washington, D.C. 20346

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COMMISSION ACTION AND ORDER

Introduction

Midway Manufacturing Company, Chicago, Illinois, filed a complaint with the Commission on April 17, 1981, and supplemented the complaint on April 20, May 7, June 15, and June 17, 1981. The complaint alleged that unfair methods of competition and unfair acts have occurred, including the infringement of complainant's copyrights in the Rally-X and the Pac-Man games and the infringement of complainant's common law trademark rights in those games. The complaint alleged that the unfair methods of competition and unfair acts have the effect or tendency to destroy or substantially injure an industry, efficiently and economically operated, in the United States. The complainant requested both temporary and permanent relief.

The Commission instituted an investigation into these allegations and published notice thereof in the Federal Register of July 1, 1981 (46 F.R. 34436). Thirty-five respondents were named in the investigation.

On July 24, 1981, complainant moved to amend the complaint by the joinder of 33 additional respondents. On September 21, 1981, the Commission granted the motion with respect to 20 of the 33 proposed respondents. The Commission stated that the 20 parties joined thereby were not required to appear at the hearing on temporary relief and would not be subject to any in personam temporary relief issued pursuant thereto. Notice of the naming of the additional respondents was published in the Federal Register of September 30, 1981 (46 F.R. 47891).

A hearing on temporary relief was held before the Commission's Administrative Law Judge (ALJ) commencing on September 21, 1981. Only respondent Artic International, complainant Midway, and the Commission investigative attorney participated in the hearing. On November 16, 1981, the ALJ certified the record and his recommended determination to the Commission.

In his recommended determination, the ALJ found that the Commission has subject matter jurisdiction in this investigation. He also found that there are two discrete domestic industries, both operated by the complainant. One industry consists of the manufacture, distribution, and sale of the Pac-Man games, and the other consists of the manufacture, distribution, and sale of the Rally-X games. He found that complainant had valid copyrights in the Pac-Man and Rally-X audiovisual works which were being infringed by respondents, and he found that complainant had common law trademark rights in the Pac-Man game which were also being infringed by respondents. He determined that complainant has trademark rights in the Pac-Man game, except in the Hawaiian market. He found that these acts constitute unfair methods of competition or unfair acts within the meaning of section 337 and that there is

reason to believe that these unfair acts and methods of competition have injured an industry, efficiently and economically operated, in the United States, with regard to the Pac-Man game, but not with regard to the Rally-X game.

On December 11, 1981, the Commission held a public hearing on the ALJ's recommended determination and on relief, bonding, and the public interest.

On January 4, 1982, the Commission determined (Commissioner Stern dissenting) that, pursuant to section 337(e) (19 U.S.C. § 1337(e)), there is reason to believe that there is a violation of section 337 by reason of copyright infringement and common law trademark infringement with regard to the Pac-Man game, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States. The Commission also determined that there is no reason to believe that there is a violation of section 337 with regard to the Rally-X game. Finally, the Commission determined that the appropriate temporary relief is cease and desist orders issued against respondents for whom there is reason to believe that they are infringing complainant's copyright and trademark rights in the Pac-Man game.

Action

Having reviewed the record compiled and information developed in this investigation, including (1) the submissions filed by the parties, (2) the transcript of the evidentiary hearing before the ALJ and the exhibits which were accepted into evidence in the course of that hearing, (3) the recommended determination, and (4) the arguments made by the parties at the public hearing

of December 11, 1981, the Commission on January 4, 1982, determined

(Commissioner Stern dissenting)--

1. That there is reason to believe that there is a violation of section 337 with respect to the importation and sale of the Pac-Man coin-operated audiovisual game and components thereof which infringe complainant's copyrights in the Pac-Man audiovisual work;
2. That there is reason to believe that there is a violation of section 337 with respect to the importation and sale of Pac-Man coin-operated audiovisual games and components thereof which infringe the complainant's common law trademark rights;
3. That there is no reason to believe that there is a violation of section 337 with respect to the importation and sale of the Rally-X coin-operated audiovisual games and components thereof;
4. That the appropriate remedy for such violation is temporary cease and desist orders issued pursuant to section 337(f) (19 U.S.C. § 1337(f));
5. That the public interest factors enumerated in section 337(f) do not preclude the issuance of temporary cease and desist orders in this case; and
6. That the bond provided for in sections 337(e), 337(f), and 337(g)(3) (19 U.S.C. §§ 1337(e), 1337(f), and 1337(g)(3)) of section 337 be in the amount of 54 percent of the entered value of the audiovisual games in question or any components thereof during the period of temporary relief.

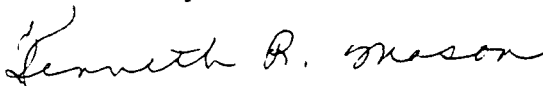
Order

Accordingly, it is hereby ORDERED THAT--

1. Artic International, Inc.; Carlin Tiger Shokai, Ltd.; Ferncrest Distributors; Inc., Formosa Products Industrial Corp.; Friend Spring Industrial Co., Ltd.; International Scientific Co., Ltd.; Jay's Industries; Loson Electrical Co.; K & K Industrial Services; Kyugo Company, Ltd.; Morrison Enterprises Corp.; Nippon Semicon, Inc.; Omni Video Games, Inc.; Stan Rousso, Inc.; Seagull Industries Co., Ltd.; Sepac Co., Ltd.; Shoel Co., Ltd.; and SP-World-Amusement Co., Ltd.; shall cease and desist from the importation and/or sale of certain coin-operated audiovisual games and components thereof, as specifically provided in the attached orders;

2. The articles covered by the attached cease and desist orders are entitled to entry into the United States under bond in the amount of 54 percent of the entered value, during the period of temporary relief;
3. Notice of this Action and Order be published in the Federal Register and that copies of this Action and Order and the opinions issued in connection therewith be served upon each party of record to this investigation and upon the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and the Secretary of the Treasury;
4. Copies of each cease and desist order be served upon the complainant, and that a copy of the cease and desist pertaining to each respondent listed in paragraph 1 above be served upon that respondent; and
5. The Commission may amend this Order in accordance with the procedure described in section 211.57 of the Commission's Rules of Practice and Procedure (46 F.R. 17533, Mar. 18, 1981; to be codified at 19 CFR 211.57).

By order of the Commission.


Kenneth R. Mason
Secretary

Issued: January 15, 1982

S-A-M-P-L-E

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of)	
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CERTAIN COIN-OPERATED AUDIOVISUAL)	Investigation No. 337-TA-105
GAMES AND COMPONENTS THEREOF)	
(VIZ RALLY-X AND PAC MAN))	
)	

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED THAT (Name and address of respondent) cease and desist from violating section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) with regard to the Pac-Man coin-operated audiovisual game and certain components thereof.

I

(Definitions)

As used in this Order:

- (A) "Commission" shall mean the U.S. International Trade Commission.
- (B) "Complainant" shall mean Midway Manufacturing Co., 10750 West Grant Ave., Franklin Park, Illinois 60131.
- (C) "Respondent" shall mean (Name and address of respondent).
- (D) "Person" shall mean any individual, or any non-governmental

partnership, firm, association, corporation or other legal or business entity other than the above Respondent or its majority owned and/or controlled subsidiaries, their successors or assigns.

(E) "United States" shall mean the fifty States, the District of Columbia and Puerto Rico.

(F) "Hawaii" shall mean the State of Hawaii.

(G) "Audiovisual work" shall mean a work that consists of a series of related images which are intrinsically intended to be shown by the use of electronic equipment, together with accompanying sounds, if any.

(H) "Video game machine" shall mean any coin-operated device or apparatus, as classified at section 734.20 of the Tariff Schedules of the United States, which is designed or uniquely suited to the display of an audiovisual work. A copy of Complainant's advertising brochure containing depictions of three different video game machines is attached to this Order for illustrative purposes. "Video game machine" shall include any of the following:

(1) A finished video game machine which at the time of importation is fully assembled, whether or not tested or packaged, for use or distribution to a purchaser;

(2) A video game machine which at the time of importation is not fully assembled;

(3) A kit which at the time of importation contains all of the components necessary to make it a video game machine.

(I) (1) "Pac-Man audiovisual work" shall mean the audiovisual work which is subject to claim of copyright by Complainant and registered with the Copyright Office as Registration No. PA 83-768. A copy of Complainant's

advertising brochure containing one depiction of the "Pac-Man audiovisual work" in the play mode is attached to this Order for illustrative purposes. "Pac-Man audiovisual work" shall include either the "attract mode" or the "play mode" or both.

(2) "Attract mode" shall mean that portion of the "Pac-Man audiovisual work" which is displayed repeatedly when the Pac-Man game is not being played;

(3) "Play mode" shall mean that portion of the "Pac-Man audiovisual work" which is displayed when the Pac-Man game is being played and in which some of the images, symbols, and sounds are responsive to manipulation of the game machine's controls by the player.

(J) "Pac-Man game" shall mean any video game machine manufactured in any country other than the United States for shipment or export to the United States for resale or use in the United States which displays the Pac-Man audiovisual work. "Pac-Man game" shall include "components," as defined in subsection (K) of this section.

(K) "Components" shall mean:

(1) A printed circuit board which when properly installed in a video game machine causes that video game machine to display the Pac-Man audiovisual work;

(2) Any semiconductor chip which when properly intalled in a printed circuit board, either alone or in combination with other semiconductor chips, creates a printed circuit board which when installed in a video game machine causes that video game machine to display the Pac-Man audiovisual work.

(L) "Trademark" shall mean the term "Pac-Man" or any term confusingly similar to "Pac-Man," including, but not limited to, Puckman, Packman, Puc-Man, and Pac-Pac.

(M) "Copy" shall mean:

(1) Each and every Pac-Man game heretofore or hereafter manufactured which displays, with or without accompanying sounds, an image or a sequence of images which are substantially similar to the Pac-Man audiovisual work; and/or

(2) Each and every video game machine heretofore or hereafter manufactured which displays the trademark.

II

(Applicability)

The provisions of this Cease and Desist Order shall apply to Respondent and to its principals, stockholders, officers, directors, employees, agents, licensees, distributors, controlled (whether by stock ownership or otherwise) and/or majority owned business entities, successors and assigns, all those persons acting in concert with the Respondent, and to each of them, and to all other persons who receive actual notice of this Order by service in accordance with section IX hereof.

III

(Conduct Prohibited)

RESPONDENT SHALL NOT IMPORT, DISTRIBUTE, SELL OR DEAL IN ANY COPY, UNLESS SO AUTHORIZED IN WRITING BY COMPLAINANT.

IV

(Hawaii)

Notwithstanding the provisions of section III of this Order, Respondent may import, distribute, sell, and/or deal in video game machines displaying the trademark, provided that such video game machines are to be used exclusively in Hawaii and not physically removed from Hawaii, and further provided that Respondent is so authorized in writing by K & K Industrial Services, 875 Waimanee St, Honolulu, Hawaii 96814, provided that such video game machines do not constitute Pac-Man games as defined in section I(J) of this Order. If Respondent imports, sells, distributes, or deals in such video game machines, Respondent shall take all necessary steps to insure that such video game machines are physically transported or delivered in Hawaii and not thereafter removed from Hawaii. Such steps shall include, but are not necessarily limited to, express contractual provisions in all documents referring to or referencing the video game machine, which require that the video game machine be so transported or delivered and not thereafter removed, and which require that an identical or substantially identical provision be included in all subsequent documents referring to or referencing the video game machine.

V

(Importation under bond)

Notwithstanding any other provision of this Order, Respondent may import copies into the United States on or after the date of this Order, provided that--

- (1) Respondent post a bond with the U.S. Customs Service in the amount of fifty-four percent (54%) of the entered value of each copy so imported;

(2) Respondent notify the U.S. Customs Service in writing on the appropriate Customs declarations that the articles imported are copies within the meaning of this Order; and

(3) Respondent notify the Commission of the fact of such importation within five business days of each importation, and include with that notification all the particulars of each importation, including all identifying marks (including serial numbers or other distinguishing marks) for each copy so imported.

VI

(Advisory Opinion)

In the event that Respondent cannot determine whether an article is a copy as defined in this Order, Respondent may import into the United States for purposes of an advisory opinion by the Commission, only one sample of such article. Such importation shall be made only under a bond of fifty-four per cent (54%) of the entered value. Immediately upon Customs clearance, such sample shall be forwarded to the Commission with a request for an advisory opinion, pursuant to section 211.54 of the Commission's Rules of Practice and Procedure. (46 Fed. Reg. 17532, March 18, 1981, to be codified at 19 CFR § 211.54).

VII

(Reporting)

1. Respondent shall report to the Commission:

(A) All imports of copies and all sales of imported copies;

(B) All invoices, delivery orders, bills of lading and all other documents concerning each and every import and sale of such copies; and

(C) All brochures, advertisements, catalogues, books, or sales material of whatever type concerning such games.

2. Each report concerning the importation or sale of a copy or concerning an importation or sale under section IV of this Order shall be made no later than five (5) business days after the date of such importation or sale. In the event of an importation or sale under section IV of this Order, each report shall include, in addition to other requirements set forth herein, a complete description, including all supporting documentation, of the steps taken by Respondent to insure that the video game machine is to be physically transported or delivered solely to Hawaii and that it will not be removed from Hawaii.

VIII

(Compliance and Inspection)

Respondent shall furnish or otherwise make available to the Commission or its authorized representatives, upon written request by the Commission, all books, ledgers, accounts, correspondence, memoranda, financial reports, and other records or documents in its possession or control for the purposes of verifying any matter contained in the reports required under sections V and VII of this Order.

IX

(Service of Cease and Desist Order)

Respondent is ordered and directed to:

(A) Serve, within thirty (30) days after the effective date of this Order, a copy of this Order upon each of its respective officers, directors, managing agents, agents, and employees who have any responsibility for the

marketing, distribution or sale of Respondent's copies in the United States or for shipment or export to the United States for resale in the United States;

(B) Serve, within thirty (30) days after the succession of any of the persons referred to in Section IX (A) above, a copy of this Order upon each successor; and

(C) Maintain such records as will show the name, title and address of each such officer, director, managing agent, agent and employee upon whom the Order has been served, as described in Section IX (A) and (B) above, together with the date on which service was made.

X

(Enforcement)

Violation of this Order may result in:

1. The revocation of this Order and the temporary exclusion of the articles concerned pursuant to section 337(e); and/or
2. An action for civil penalties in accordance with the provisions of Section 337(f) and such other action as the Commission may deem appropriate.

In determining whether Respondent is in violation of this Order the Commission may infer facts adverse to Respondent if Respondent fails to provide adequate or timely information.

XI

(Duration)

This Order shall be take effect Janaury 15, 1982, and shall remain in effect until the conclusion of Commission investigation No. 337-TA-105 or until revoked or modified by the Commission or disapproved by the President.

XII

(Modification)

This Order may be modified by the Commission on its own motion or on motion by any person pursuant to section 211.57 of the Commission's Rules of Practice and Procedure. (46 Fed. Reg. 17532, March 18, 1981, to be codified at 19 CFR § 211.57.)

By order of the Commission:

Kenneth R. Mason
Secretary

Issued:

OPINION OF THE COMMISSION

Summary

The Commission determines (Commissioner Stern dissenting) that there is reason to believe 1/ that there is a violation of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) by reason of the importation and sale of the Pac-Man coin-operated audiovisual game and components thereof. Specifically, we find that there is reason to believe that the imports infringe complainant's copyrights in the Pac-Man audiovisual work and that, except for the Hawaiian market, the imports infringe complainant's common law trademark rights in the term Pac-Man. We further find that these imports have the effect or tendency to substantially injure an industry, efficiently and economically operated, in the United States and that the industry would suffer immediate and substantial harm absent temporary relief.

With regard to the Rally-X audiovisual game, the Commission determines (Commissioner Frank dissenting) 2/ that there is no reason to believe that there is a violation of section 337 because the imports complained of do not have the effect or tendency to substantially injure a domestic industry.

After balancing the likelihood of complainant's success in establishing a violation of section 337, the evidence of immediate and substantial harm to the complainant, harm to other parties, and the public interest, the

1/ The standard for determining whether temporary relief may be imposed by the Commission pursuant to section 337(e) is that there be a "reason to believe" a violation exists. In this opinion, it is understood that all our findings are based on this standard and that we do not intend to prejudge these issues as they arise in the remainder of this investigation.

2/ See footnote 9, page 16.

Commission (Commissioner Stern not participating) determines that temporary relief should be issued in this investigation. 3/

In this opinion, we agree substantially with the recommended determination (RD) of the Administrative Law Judge (ALJ). Unless stated otherwise, his findings of fact, analysis, and conclusions of law are hereby adopted by the Commission.

Procedural History

Midway Manufacturing Company, Chicago, Illinois, filed a complaint with the Commission on April 17, 1981. The complaint alleged that unfair methods of competition and unfair acts have occurred, including the infringement of the complainant's copyrights in the Rally-X and Pac-Man audiovisual works and the infringement of complainant's common law trademark rights in the terms Rally-X and Pac-Man. The complaint alleged that the unfair methods of competition and unfair acts have the effect or tendency to destroy or substantially injure an industry, efficiently and economically operated, in the United States. The complaint was amended twice. The Commission instituted an investigation into these allegations and published notice thereof in the Federal Register of July 1, 1981. 46 Fed. Reg. 34436. Thirty-five parties were named respondents in the investigation. 4/

3/ Vice Chairman Calhoun is of the view that, under the scheme of section 337 in general and section 337(f)(1) in particular, the public interest is not a factor to be balanced against other factors.

4/ The originally named respondents are: Artic International, Inc.; ATA Electronic Ltd.; Bernard Shapiro d/b/a Bernie's Specialty; Carlin Tiger Shokai, Ltd.; Chens International, Inc.; Eastern Distributing Co.; Eiko Kogyo Co., Ltd.; Ferncrest Distributors, Inc.; Formosa Products Industrial Corp.; Fernandez Fun Factory; Friend Spring Industrial Co., Ltd.; International Scientific Co., Ltd.; Jabras Trade Co., Ltd.; Jay's Industries; David Kamen
(Footnote continued)

On July 24, 1981, complainant moved, pursuant to § 210.22(a) of the Commission's Rules of Practice and Procedure (19 CFR § 210.22(a)), to amend the complaint by the addition of an allegation that Artic International, Inc., is infringing complainant's copyright and trademark rights in the Rally-X game. The Commission granted the motion on August 24, 1981, and published notice thereof in the Federal Register of September 2, 1981. 46 F.R. 44103.

On July 24, 1981, complainant moved to amend the complaint by the joinder of 33 proposed respondents. On September 21, 1981, the Commission granted the motion with regard to 20 of the 33 proposed respondents. 5/ The Commission stated that the 20 parties joined thereby would not be required to appear at the hearing on temporary relief and would not be subject to any in personam temporary relief which might be issued pursuant thereto. Notice of the joinder of the 20 respondents was published in the Federal Register of September 30, 1981. 46 F.R. 47891.

A hearing on temporary relief was held before the ALJ commencing on September 21, 1981, and terminating on September 30, 1981. Only respondent Artic International, complainant Midway, and the Commission investigative

(Footnote continued)

d/b/a K & K Games; K & K Industrial Services; Karateco; Kyugo Company, Ltd.; Loson Electrical Co.; Morrison Enterprises Corp.; Nippon Semicon, Inc.; Noma Enterprises; Mike Munves Corp.; Ohtsu International, Inc.; Omni Video Games, Inc.; Penn Regal Vending Co.; Stan Rousso, Inc.; Seagull Industries, Co., Ltd.; Sepac Co., Ltd.; Shoen Co., Ltd.; SP-World-Amusement Co., Ltd.; Sutra Import Corp.; Sutra West; Taito Hawaii Corp.; and Taito of Japan.

5/ The additional respondents are: B.P. Allies Co., Ltd.; Buffy Mfg. Co., Ltd.; C. J. Gasper; Haitai International Inc.; Hua Chu Enterprises Co., Ltd.; I. Canstant Co.; Impeuropex Corp. S.A.S.; J. C. Wang & Co.; Jackson & Co., Ltd.; Jing Pung Electric Co., Ltd.; Kyodo Agencies Ltd.; Leijac Co., Ltd.; Mama Top Corp.; Multigold Co., Ltd.; NCA International Import & Export; Sewin Co., Ltd.; Spectron Corp.; Sunyard Corp.; Tiso Enterprises, Inc.; and United States Amusements Inc.

attorney (IA) participated in the hearing. After the close of the hearing, the ALJ certified the record and the RD to the Commission.

On Friday, December 11, 1981, the Commission held a public hearing. During the first phase of the hearing, the Commission heard arguments from the parties regarding the ALJ's recommendation that the Commission find that there is reason to believe that a violation of section 337 exists. During the remainder of the hearing, the Commission heard arguments regarding relief, the public interest, and bonding. The only participants at the hearing were Midway, Artic, and the Commission investigative attorney.

Temporary Relief Standards

Section 337(e) provides that the Commission may issue temporary relief if it finds that there is a reason to believe that there is a violation of section 337. The Commission has discussed the standards for the issuance of temporary relief in two prior cases: Certain Apparatus for the Continuous Production of Copper Rod, Investigation No. 337-TA-89, opinion concerning temporary relief, p. 4 (1980) (hereinafter Copper Rod II); Certain Slide Fastener Stringers, Investigation No. 337-TA-85, p. 23 (April 1981) (hereinafter Stringers).

The Commission's practice is derived from Federal District Court practice in actions for preliminary injunctions. The Commission follows the standards set by the U.S. Court of Appeals for the District of Columbia Circuit in Virginia Petroleum Jobbers Assn. v. Federal Power Commission, 259 F.2d 921 (D.C. Cir. 1958), as interpreted and refined in Washington Metropolitan Area

Transit Commission v. Holiday Tours, 559 F.2d 841 (D.C. Cir. 1977)

(hereinafter WMATC).

Specifically, the Commission examines four factors to determine whether temporary relief should issue:

1. Has the petitioner made a sufficient showing that it is likely to prevail on the merits?
2. Has the petitioner shown that without such relief it will suffer immediate and substantial harm?
3. Would the issuance of temporary relief substantially harm other parties interested in the proceedings?
4. Where lies the public interest?

Copper Rod II, p. 6; Stringers, p. 3.

With regard to ultimate success on the merits, the court in WMATC stated that such success need not be demonstrated to a mathematical certainty. A preliminary injunction may issue where the movant raises serious questions on the merits, and the other three factors strongly favor relief. As we stated in Stringers--

[w]here the complainant does not establish the existence of a section 337 violation by a preponderance of the evidence, it may still obtain temporary relief if it raises serious questions regarding the existence of a section 337 violation, presents a compelling case with respect to immediate and substantial harm to the domestic industry, and shows that the respondents will not suffer any significant harm if relief is granted. Once the complainant raises serious questions regarding the existence of a section 337 violation, the Copper Rod standard permits the Commission to weigh evidence for and against the issuance of temporary relief. Stringers, p. 3.

With regard to substantial injury, the Commission has stated that--

[I]n Commission practice, the concept of 'immediacy' means that the anticipated harm must be likely to occur before the Commission is able to issue permanent relief. The notion of 'substantial harm' requires that the injury to the domestic industry be so significant that it would not fully recover from the harmful effect of the 337 violation once permanent relief was [sic] granted." Stringers, 23.

In balancing the four factors, each must be analyzed individually and then weighed against one another. 6/

Copyright Infringement

There are two elements which must be established to prove copyright infringement: (1) ownership of the copyright at issue, and (2) copying by the respondent. Coin-Operated Audio Visual Games and Components Thereof, Investigation No. 337-TA-87, USITC Pub. No. 1160 (1981) (hereinafter Games I). See also Nimmer, The Law of Copyrights, § 1301 (1981 Ed.). Copyright ownership depends upon the following five elements:

1. Originality in the author;
2. Copyrightability of the subject matter;
3. Citizenship status of the author, such as to permit a claim of copyright;
4. Compliance with applicable statutory formalities; and
5. If the plaintiff is not the author, a transfer of rights or other relationship between the author and the plaintiff so as to constitute the plaintiff the valid copyright claimant.

Games I, p. 13.

Copying depends upon the following elements:

1. Access to the work by the alleged infringer; and
2. Substantial similarity between the works of the complainant and the respondent.

Games I, 17.

A. Copyright ownership.

A critical question raised by this investigation is whether the audiovisual work which forms an integral part of the audiovisual game is

6/ See footnote number 3, page 2.

subject matter of copyright. The ALJ found that such an audiovisual work is subject matter of copyright, relying on the Commission's opinion in Games I.

In Games I, all respondents defaulted. The Commission based its determination on the prima facie evidentiary showing made by the complainant and on the presumption of copyright validity which attaches to the issuance of a certificate of registration under 17 U.S.C. § 410(c). No evidence was brought forward to rebut that presumption. Games I, pp. 14-16. Therefore, the issue of the copyrightability of the subject matter remains to be resolved in this investigation.

Notwithstanding the ALJ's misplaced reliance on our decision in Games I, he nevertheless proceeded to an independent conclusion that there is reason to believe that the audiovisual works at issue are subject matter of copyright. We agree with his preliminary analysis. It is clear that copyright protection subsists in original works of authorship fixed in any tangible medium of expression, including motion pictures and other audiovisual works. 17 U.S.C. § 102(a). Fixation, in turn, requires an embodiment of the work sufficiently stable or permanent to permit it to be perceived or reproduced for a period of more than transitory duration. 17 U.S.C. § 102. As the ALJ stated, the audiovisual works at issue here fit these requirements. He found that the audiovisual works were created in their own right, as separate and distinct elements in the complex process of developing an electronic game. RD, p. 46.

In addition, there have been several recent decisions by federal district courts holding that the audiovisual works embodied in video game machines are subject matter of copyright. Stern Electronics v. Kaufman, et al., 523

F.Supp. 635 (E.D.N.Y. 1981) affirmed, No. 81-7411 (2nd Cir. Jan. 20, 1982) 7/; Midway Mfg. Co. v. Dirkschneider, et al., Civ. No. 81-C-243 (D. Nebr. filed July 15, 1981). These considerations support the conclusion that these works are proper subject matter of copyright.

B. Copying.

As noted above, copying of a protected work is generally established by evidence of access and substantial similarity between the two works. Games I, 17. To prove access, complainant need only prove that the respondents had a reasonable opportunity to view and hear the work for which protection is sought. The ALJ found that there is ample evidence on the record of respondents' opportunities to view the work, both in Japan and the United States. Moreover, access need not be proven where the similarities between the works are sufficiently striking so that access may be inferred from the fact of copying. Nimmer, § 13.02[B]; Arnstein v. Porter, 154 F.2d 464 (2d Cir. 1946). This type of striking similarity may be found where both works, as here, contain similar errors (the "X position" in the Pac-Man game). Tr. 99-102. Testa v. Janssen, 492 F.Supp. 198 (W.D. Pa. 1980).

From the ruling of the ALJ and from the Commission's own observation, there is no question that the respondents' games are more than substantially similar to complainant's. RD, pp. 17-20. We concur with the ALJ that both elements of access and substantial similarity are present in this investigation.

7/ The Stern appeal was decided after the Commission made its determination but before the issuance of this opinion.

Affirmative Copyright Defenses

The only active respondent in this investigation, Artic International, Inc., has raised a number of points which, it alleges, defeat copyright protection for the audiovisual works at issue. Some of the arguments are directed to copyrightability of the subject matter and some of them are directed toward statutory formalities. To the extent that these raise factual issues, the ALJ concluded that Artic had not met its burden of proof on any of these issues at this stage of the investigation. We concur. Nevertheless, we believe it useful to discuss one argument raised by the respondent.

17 U.S.C. § 205(d) states that no suit for copyright infringement may be maintained until the instrument of transfer under which the plaintiff claims title has been recorded in the Copyright Office. The ALJ found that such recordation is applicable to section 337 and that Midway has complied with the statutory requirements since it recorded the instruments under which the actual grant of rights took place. RD, p. 50. Although we agree with the ALJ's recommendation at this stage, we believe that the issue should be more fully explored in the final phase of the investigation.

We note, first, that under the Copyright Act of 1976 a copyright is divisible. A transfer may encompass less than all the rights of a copyright. Thus, there may be two or more transfers regarding any one copyright. In order to avoid confusing or misleading the public or other transferees, each transferee must record the rights it has obtained in the copyright. See Nimmer §§ 10.07[A], 12.08. The plain language of the statute and the legislative history confirm this conclusion.

It is apparent from a review of the materials on record in this investigation (CX 115, CX 116, CX 127, and CX 128) that we are dealing with three documents for each of the games at issue. Chronologically, the first document is an assignment document dated October 10, 1980. The second document is dated October 11, 1980. The third document is the licensing agreement between Namco (the creator of the games) and Midway, entered into on November 4, 1980. The assignment dated October 10, 1980, purports to transfer to Midway all right, title, and interest in the copyrights. However, from a review of the other two documents, it is possible to conclude that the parties did not intend to transfer all copyright ownership in each game. Thus, we are faced with the task of interpreting the three documents and determining the intent of the parties. Only after a full examination of the documents (including the taking of additional evidence, if the ALJ finds it necessary) will it be possible to determine whether the deposit of October 10 assignment is the document which actually transferred the rights or a "short form" thereof. See Nimmer § 10.07[A], note 2.

This matter is significant because the recordation of a transfer of rights is a necessary prerequisite to a suit for infringement. 17 U.S.C. § 205(d). Thus, if the actual transfer of rights occurs in the licensing agreement of November 4, and the assignment of October 10 does not constitute a short form of that agreement, then there may not have been a proper registration of the transfer of rights. 8/

8/ Commission Frank requests that the ALJ review carefully whether there has been a proper recordation of the transfer documents. Specifically, Commissioner Frank requests that the ALJ analyze:

(Footnote continued)

Trademark

The acquisition of common-law trademarks derives from the actual use of a mark to distinguish the goods or services of one merchant from those of another. J. McCarthy, Trademark and Unfair Competition, § 16.1 (hereinafter McCarthy). In the case of inherently distinctive marks, trademark ownership is acquired immediately upon such use and is controlled by priority of use. McCarthy § 16.1.A. and cases cited therein. That is, the first user of an inherently distinctive mark becomes the owner thereof.

In addition to priority of use, complainant must demonstrate four elements in order to establish the existence of a common-law trademark:

1. The mark must be distinctive;
2. The mark must be arbitrary and created for the express purpose of serving as a trademark;
3. The mark, if a design, must be nonfunctional; and
4. The mark must have achieved secondary meaning, unless the mark is either "suggestive" or non-descriptive, i.e., arbitrary and fanciful.

Games I, p. 7; Certain Novelty Glasses, inv. No. 337-TA-55, USITC Pub. 991 (1979).

In order to demonstrate infringement, the trademark owner must demonstrate that there is a likelihood of confusion between its goods and the goods of

(Footnote continued)

- (1) whether the intent of the parties was to transfer the rights to Midway in the October 10 assignment or in the November 4 agreement;
- (2) whether the October 10 assignment or the November 4 agreement in fact transferred those rights; and
- (3) if the November 4 agreement actually transferred those rights, whether the October 10 assignment can be viewed as a "short form" filing. See Nimmer § 10.07A.

another by reason of the similarity of the other's mark. Games I; Novelty Glasses, supra.

Except as discussed below, the ALJ found that Midway was the first user of the marks, that the marks meet each of the elements listed above, and that there is a likelihood of confusion. We concur with the ALJ.

With regard to Midway's common-law trademark in the term Pac-Man, the ALJ has concluded that there is evidence of prior sales in a particular geographic area (Hawaii) using a confusingly similar mark by K & K Industrial Services. This use was prior to any solicitation of sales or advertisement resultant from Midway's activities at a trade association show on October 30, 1980, the apparent first public showing in the United States of the Midway Pac-Man game. While Midway has demonstrated that it was the first user of the mark in all markets except Hawaii, the ALJ found that Midway had not met its burden of demonstrating that it was the first user in Hawaii. Therefore, the ALJ concluded that Midway could not preclude the use of the trademark in Hawaii. RD, 62. We concur with the ALJ to the extent that Midway is precluded from ousting a good faith prior user of the Pac-Man trademark or its licensees.

Following the conclusion of the hearing before the ALJ, complainant has offered a new reason why Midway should be found to be the exclusive holder of the trademarks, including the Hawaiian market. Specifically, complainant argues that K & K has abandoned the trademark. The alleged abandonment occurred because K & K entered into a preliminary injunction by stipulation in a Federal District Court under which it has agreed to cease dealing in goods bearing that name for purposes of the injunction, unless those goods are

acquired from Midway. Midway Mfg. Co. v. KK Industrial Service Co., No. CIV 81-676 PHX-CAM (D.Ariz., filed July 27, 1981).

While it may be that K & K has abandoned its trademark rights, if any, in the term Pac-Man or Puckman, abandonment has not been demonstrated to our satisfaction on the present record. We are unwilling to conclude that K & K has abandoned its trademark rights in the Hawaiian market based on a stipulated preliminary injunction. In fact, in the only case authority we have found, it has been held that the non-use of a trademark pending the outcome of litigation to determine the right to use such mark constitutes excusable nonuse sufficient to overcome an inference of abandonment. Penthouse International, Ltd. v. Dyn Electronics, Inc., 196 U.S.P.Q. 251, 247 (T.M.Bd. 1977).

In the event that the preliminary injunction is converted into a permanent injunction, stipulated or otherwise, then the Commission would be faced with a final judgment on the issue of the trademark rights. Such a judgment would be entitled to considerable weight by this Commission.

Injury

In order for complainant to demonstrate its entitlement to temporary relief it must show not only that the unfair acts have the effect or tendency to substantially injure an industry, but also that it will be immediately and substantially harmed absent such relief. Copper Rod II; Stringers.

We note at the outset that a holder of a monopoly right, such as a patent or a copyright, has the exclusive right to the exploitation of its property, unless it has licensed another. Therefore, when considering such rights, one

of the indicators of injury frequently examined by the Commission is sales lost to others by the holder of the exclusive right. Each sale of an infringing item is usually a sale that should have gone to complainant and, once such a sale is made, it is irretrievably lost to complainant.

Complainant has argued that there is a finite number of locations for placement of games and that only one game may be placed at each such location. Transcript 381-82, 625A-626A. While it is apparent that the audiovisual game industry is expanding, it is equally apparent that if a sale goes to an infringing game at a new location, that sale is irretrievably lost to complainant.

In this investigation, it is difficult to determine the exact number of lost sales. All respondents except Artic have defaulted, and Artic has begun invoicing its printed circuit boards in such a manner that the Commission cannot determine which sales are for the boards at issue. Nevertheless, a limited amount of deposition testimony and other evidence was obtained from some respondents which demonstrate both importations and sales of infringing games. In addition, the record refers to complaints by Midway's distributors of a substantial number of sales lost to infringing games. Tr. 638. Thus, complainant appears to have presented us with all the evidence it could reasonably obtain regarding lost sales.

It is uncontroverted that the market for a given audiovisual game is short-lived. Even though Pac-Man is a very successful game, the evidence of record indicates that Midway expects to cease production of the game about March, 1982. Tr. 423. In addition, the evidence demonstrates a high level of

import availability and multiplicity of potential suppliers. Thus, we are faced with a situation where multiple sales have already been lost and there is a strong likelihood of additional lost sales.

The harm to the complainant is not limited to tangible losses in terms of profits and sales, but also includes harm to intangible business assets. In this regard we note particularly that the function of a trademark is to identify the origin of the goods to which the mark is affixed. What is important and worth protecting is the representation that the mark symbolizes that all goods bearing that mark come from a single source and have a known quality. Therefore, a successful trademark is a valuable asset because of its ability to stimulate further sales. Unrestrained infringement not only deprives the owner of present sales to which it may be lawfully entitled, but it causes harm to the rightful owner's ability to attract future sales, a harm which is of immeasurable value. Thus, it is difficult to calculate the amount of injury even when the fact of injury is clear. In the instant case, the infringements clearly have the effect of diluting the goodwill created by the complainant's trademark. CS 72, CX 111. This goodwill is a valuable, albeit intangible asset. Once this asset is lost, it may never be recovered. Therefore, we agree that there is immediate and substantial harm to the domestic industry.

With regard to the Rally-X game, the record is clear that the game is now out of production and that Midway has no current plans to continue production of the game. Complainant asserts nevertheless that there are certain sales and service functions still taking place which may meet the substantial harm

standard. Nevertheless, we concur with the ALJ that the Rally-X industry is in a permanent downward trend and that any injury from imports is negligible. Thus, we find that there is no reason to believe that imports of the complained of Rally-X games or components thereof have the effect or tendency to substantially injure a domestic industry. 9/

Parties

We concur with the ALJ in his determination of those parties for whom there is a reason to believe that a violation exists. Findings of fact nos. 20-28. The ALJ found that such reason to believe exists for 18 respondents. 10/ Of the the remaining respondents, 11/ complainant filed exceptions to the four respondents covered by finding of fact No. 24. 12/ We affirm the ALJ at this time with regard to these four.

9/ Commissioner Frank determines that there is reason to believe that there is a violation of Section 337 of the Tariff Act of 1930 by reason of the importation and sale of Rally-X infringing copyright and trademark rights of the Complainant. Commissioner Frank finds there is reason to believe that there is injury to the domestic industry by reason of such imports. This Rally-X market, albeit relatively small, has sales of spare parts, service, and repair industry activities for Complainant. This injury would be reflected in Complainant having to carry unwanted inventory in times of high interest, possible layoffs of personnel, and other factors. Furthermore, because of the imports, production of the Rally-X by Complainant may not be resumed even if market conditions indicated some growth in the popularity of this particular videogame.

10/ The respondents are: Artic International, Inc.; Carlin Tiger Shokai, Ltd.; Ferncrest Distributors; Inc., Formosa Products Industrial Corp.; Friend Spring Industrial Co., Ltd.; International Scientific Co., Ltd.; Jay's Industries; Loson Electrical Co.; K & K Industrial Services; Kyugo Company, Ltd.; Morrison Enterprises Corp.; Nippon Semicon, Inc.; Omni Video Games, Inc.; Stan Rousso, Inc.; Seagull Industries Co., Ltd.; Sepac Co., Ltd.; Shoel Co., Ltd.; and SP-World-Amusement Co., Ltd.

11/ As noted, the 20 respondents added to this investigation on Oct. 21, 1981, are not subject to any in personam relief.

12/ The four respondents are: David Kamen; Mike Munves Corp.; Penn Regal Vending Co.; and Fernandez Fun Factory.

The ALJ found that these four respondents are not owners, importers, consignees or agents within the meaning of section 337. RD, p. 82. His conclusion is apparently based on his findings that the activities of these respondents were conducted solely with other domestic respondents. RD, p. 82. We are therefore faced with the question of whether individuals or firms who purchase imported articles from other domestic firms fall within the subject matter jurisdiction of the Commission under section 337. This issue has been recently argued to the Commission in Certain Molded-In Sandwich Panel Inserts, investigation No. 337-TA-99. We reserve judgment on this issue at this time, and trust that it will be fully explored during the remainder of this investigation.

Harm to Other Parties

We note that all respondents except Artic have defaulted. None of them, including Artic, have presented any evidence or argued that they would be harmed by the issuance of temporary relief. Absent such evidence or arguments, the Commission cannot find that they would be harmed by the issuance of temporary relief. Moreover, respondents are permitted to import the allegedly infringing articles during the remainder of this investigation upon posting a bond with the U.S. Customs Service. If respondents prevail at the time of the Commission's final determination or if the President disapproves this preliminary relief, the bond will be refunded. Thus, harm to the respondents, if any, will be minimal.

Remedy

The Commission has determined to issue temporary cease and desist orders rather than exclusion orders, primarily on the basis of a letter from the U.S. Customs Service. 13/ 14/ In that letter, Customs states that detecting infringing games and components is impossible if the game equipment is not identified with a name similar to those at issue here. In order to determine applicability, a Customs Inspector would need to observe the game plugged into a power supply, and the usual inspection sites do not have the means for such an examination. In addition, Customs notes that assembly is required in some cases, and Customs Inspectors have neither the time nor the means for such a task. With regard to the printed circuit boards, Customs states that whether they infringe cannot be readily determined by mere inspection, since today far too many items require such boards. Customs concludes that an exclusion order would be, in effect, unenforceable.

Nevertheless, we note that complainant has argued that the exclusion order issued in Games I is proving to be an effective remedy. To resolve this difference of views, the Commission would like additional information from the parties regarding the advantages and disadvantages of the various possible forms of permanent relief. 15/

13/ Letter dated December 9, 1981, and received by the Secretary to the Commission on December 11, 1981.

14/ The orders direct the named respondents to cease and desist from the importation and sale of (1) the Pac-Man audiovisual game and components thereof, and (2) any video game machine which displays the trademark Pac-Man, unless authorized by complainant or unless a bond is posted.

15/ Commissioner Frank dissents from the majority's recommendation of a cease and desist order as the appropriate enforcement mechanism to provide a remedy of temporary relief to Complainant. He believes at this time a broad

(Footnote continued)

Public Interest

The Commission is authorized by section 337 to issue temporary relief if it finds that there is reason to believe that there is a violation of the statute and if it finds that the enumerated public interest considerations do not preclude relief. In this investigation, there is no apparent adverse impact on health and welfare, competitive conditions, the production of like or directly competitive articles, or on consumers. The issuance of temporary relief will not deprive the consuming public of the availability of Pac-Man games nor will the issuance of temporary relief result in harm to competition. It is very apparent in this investigation that there are many coin-operated audiovisual games on the market and that there is strong competition among their manufacturers and inventors. Therefore, the Commission finds that there is no adverse impact on the public interest by the issuance of the above-described temporary relief.

(Footnote continued)

temporary exclusion order covering all games and game machines and components thereof which infringe the trademark or copyright to be the most appropriate remedy.

Commissioner Frank believes that a broad temporary exclusion order would be a more effective remedy. Its implementation would utilize less Commission resources for enforcement than cease and desist orders. Moreover, cease and desist orders initially place the burden of identification of alleged violations and parties alleged to perpetrate such violations on the Complainant. Given the nature and market distribution of the articles in question, the rapidity in which harm might be incurred before the Commission's enforcement mechanisms under cease and desist orders might be effective, as well as the initial burden and expense placed on complainant, Commissioner Frank believes a temporary broad exclusion order is more appropriate. Furthermore, if the physical exhibits in the investigation are representative, Customs Officials should experience little difficulty distinguishing infringing articles from noninfringing articles.

Even though U.S. Customs Service has indicated there are difficulties with enforcement of exclusion orders, it is important to note here the Complainant is satisfied with the effectiveness of the exclusion order issued in Games I.

Bond

The Commission has determined that the appropriate level of bond during the period of interim relief is 54 percent of the entered value of the articles in question.

The amount of the bond, according to the legislative history of section 337, should be set at an amount which will offset any competitive advantage obtained by the importation of the allegedly infringing items. S. Rep. 93-1298, 93rd Cong., 2d Sess. 198 (1974). In part, we have calculated the amount of the bond as the difference between the weighted average of the value of the imports, and the domestic price. In this investigation, however, we do not have exact figures for the quantity of imports. Therefore, we have calculated the average price for the imported games of which we are aware, without considering the quantity of such imports. This average price was compared with the sales prices of the complainant's articles to arrive at the amount of the bond.

VIEWS OF COMMISSIONER PAULA STERN

Having weighed the complainant's likelihood of success on the merits, immediate and substantial harm to the complainant should temporary relief not issue, potential harm to other parties from temporary relief, and the public interest, I find that temporary relief is not appropriate in this investigation. 1/

Likelihood of Success on the Merits

The majority concedes that there are several questions remaining on the validity of the complainant's claim to copyright. However, the majority opinion fails to take account of the gaps these questions could tear in the overall fabric of complainant's case. There are questions regarding the recordation of the documents of transfer and the conduct of Midway in its dealings before the Copyright Office. These outstanding issues clearly call into question the likelihood of complainant's succeeding on the merits.

1/ I concur with the majority's discussion of the procedural history, the standards for temporary relief, and the trademark issue. I also concur in the majority's discussion of the issues relating to Rally-X. I do not reach the issues of the form of temporary relief and of bonding.

The ALJ found that there is reason to believe that there is a valid copyright in the audiovisual works at issue here. In reaching this conclusion he relied on our opinion in Games I. 2/ As stated by the majority, our decision in Games I was based on the unrebutted statutory presumption of copyright validity which arises from the issuance of a certificate of copyright registration. 3/

Although the majority states that the ALJ then proceeded to an independent analysis, it seems to me that he did not consider whether these audiovisual works are subject matter of copyright, per se. 4/ Rather, he considered the objections raised by the respondent, found them insufficient to rebut the presumption of validity, and concluded that the works are protectible subject matter. 5/

2/ Certain Coin-Operated Audio-Visual Games and Components Thereof, Investigation No. 337-TA-87, USITC Pub. No. 1160 (1981) (hereinafter Games I).

3/ 17 U.S.C. 410(c).

4/ I am aware of the recent court decisions on the copyrightability of audiovisual works embodied in video game machines. Stern Electronics v. Kaufman, 523 F. Supp. 635 (E.D.N.Y. 1981), aff'd, No. 81-7411 (2d Cir. Jan. 20, 1982); Midway Mfg. Co. v. Dirkschneider, Civ. No. 81-C-243 (D. Nebr. filed July 15, 1981). The Stern case was decided on appeal after the Commission's vote in this investigation.

5/ The images which appear on the screen during the play mode appear to be of transient duration. It is true that such images are fixed in the computer software, as are all portions of the audiovisual works. However, the images which appear and the sequence in which they appear are controlled by the player. Thus, it is unlikely that any specific image or sequence of images in the play mode can be reproduced at will, even by an expert player. Therefore, even though the complainant argues that the protection of the audiovisual work extends to the play mode, I have reservations. Moreover, it seems to me that in seeking to protect the play mode, complainant could be seeking to protect the underlying software which embodies the machine's responses to the player's stimuli. This case is based on the audiovisual displays, not on the software, and the Commission must be careful not to extend unwarranted protection.

Apart from copyrightability, there are several remaining questions which affect my analysis of the likelihood of success on the merits. One unresolved copyright issue is whether there has been a proper recordation of the transfer of the copyright from Namco, the Japanese owner, to Midway. 17 U.S.C. 205(c), relating to recordation of transfers, states:

(d) Recordation as Prerequisite to Infringement Suit.--No person claiming by virtue of a transfer to be the owner of copyright or of any exclusive right under a copyright is entitled to institute an infringement action under this title until the instrument of transfer under which such person claims has been recorded in the Copyright Office, but suit may be instituted after recordation on a cause of action that arose before recordation.

If complainant has not filed the instrument of transfer under which the copyright is claimed, then an action for infringement may not be maintained. 6/

Respondent Artic alleges that this requirement has not been met. It argues that the transfer of rights in each game occurred in paragraph 2(b) of exhibits CX 127 and CX 128, and not in the documents filed with the Copyright Office.

6/ See Burns v. Rockwood Distributing Co., 481 F. Supp. 841 (N.D. Ill. 1979).

17 U.S.C. 205(d) is analagous to the provisions for obtaining a certificate of registration as a prerequisite to an infringement suit. 7/ Therefore, the same standards may be applied to the deposit of transfer documents as are applied to registering claims to copyright. The standard of disclosure in an application for the registration of a copyright is relatively high. A leading case in this area states:

The knowing failure to advise the Copyright Office of facts which might have occasioned a rejection of the application constitutes reason for holding the registration invalid and thus incapable of supporting an infringement action, . . . or denying enforcement on the grounds of unclean hands.

Russ Berrie & Co., Inc. v. Jerry Elsner Co., Inc., 482 F. Supp. 980, 988 (S.D.N.Y. 1980). 8/ In Russ Berrie, plaintiff's knowledge of a pre-existing work in the public domain and a conscious policy on its part not to disclose that work to the Copyright Office were held to constitute an intentional withholding of information in the face of a specific and clear direction to disclose. In Russ Berrie, copyright enforcement was denied.

7/ 17 U.S.C. 411.

8/ At least one court has stated that an innocent misstatement in the affidavit and certificate of registration, unaccompanied by fraud, does not invalidate the copyright. Advisors Inc. v. Wilsen-Hart, Inc., 238 F.2d 706, 708 (6th Cir. 1956), and merely technical omissions are probably insufficient to deny enforcement. Champion Map Corp. v. Twin Printing Co., 350 F.Supp. 1332 (E.D.N.C. 1971). An innocent mistake in the registration of the work that is not prejudicial to the alleged infringers or to the public will not invalidate the registration. National Comics Publications v. Fawcett Publications, 191 F.2d 594 (2d Cir. 1951). The test is substantial and good faith compliance with the deposit and registration requirements of the Act. Freedman v. Milnag Leasing Corp., 20 F. Supp. 802 (S.D.N.Y. 1937); Russ Berrie, supra.

If Midway's recordation of the transfer of rights is accurate, or if it contains only innocent misstatements or technical mistakes, then it would be sufficient to sustain this action. If, however, Midway knowingly failed to deposit the actual instrument of transfer, or a "short form" thereof 9/, then it has not properly recorded its transfer and, thus, may not have met the jurisdictional prerequisites to an action for infringement.

It is apparent from a review of the materials at CX 115, CX 116, CX 127, and CX 128, that we are dealing with three documents for each of the games. Chronologically, the first document for the Pac-Man games is a document entitled "ASSIGNMENT OF COPYRIGHTS" (hereinafter Assignment), under which Namco transferred to Midway "the entire right, title and interest in common law and statutory copyrights in and to said game in the United States and The Western Hemisphere." It is dated October 10, 1980 and was filed with the Copyright Office on November 13, 1980. The second document (hereinafter Letter) is dated October 11, 1980. Finally, there is for each game a License Agreement, entered into on November 4, 1980 (hereinafter Contract). 10/

9/ See M. Nimmer, Nimmer on Copyright § 10.07[A] note (1981) (hereinafter Nimmer).

10/ Like the Assignment, the Contract contains [REDACTED] However, unlike the Assignment, there are [REDACTED] under the Contract. First, [REDACTED]

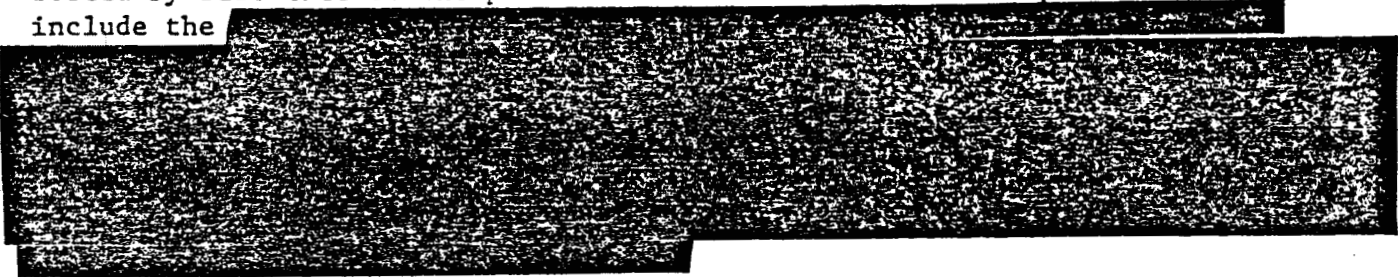
[REDACTED]

Under these circumstances, we must first ask which document prevails in case of a conflict between the Contract and the Assignment and which document transferred the copyrights. Even without the use of extrinsic interpretative aids, the parties' intent is made very clear from the Letter: the Contract embodies the true intent of the parties. 11/ .

If the Assignment were the controlling document, as alleged by complainant, then there would seem to be no need for the Letter. In fact, its existence may be construed as an admission that the assignment does not reflect the true intentions of the parties and was prepared for purposes of deposit with the Copyright Office.

Therefore, the Assignment does not appear to be the document which transferred the rights. It does not accurately reflect the full extent of the rights held by Midway, nor does it reference any other document which sets forth the full extent of the rights assigned. Thus, the Assignment does not appear to qualify as a short form filing. 12/

11/ My concern about whether proper recordation has occurred is reinforced by reference to the provisions of the Contract. The provisions include the



12/ See Nimmer § 10.07[A] note.

The majority also takes note of this problem and asks for further exploration of the issue. While, I, too, want further analysis of this issue, there is ample reason at this time for the Commission to believe that the transfer document filed with the Copyright Office may not comply with the requirements of 17 U.S.C. 205(d). This decreases the likelihood of complainant's succeeding on the merits and significantly weakens its case for temporary relief.

A second copyright issue involves the question of whether Midway acted inequitably in obtaining registration of its claims to copyright. Respondent Artic argues that a deposit of the videotape was not the proper means to claim copyright in an audiovisual work and that the videotape deposit, at best, registers a claim to copyright in the "movie" contained in the videotapes.

The ALJ recognized that the works as originally published are not identical to the works as deposited. However, he found that the discrepancy is of no importance, because there are no copyrightable differences between the deposit and the original publication. The ALJ cited CX 119, a series of letters exchanged between the Copyright Office and counsel for the complainant in which the Copyright Office says that it will accept videotapes for deposit if there are no copyrightable differences. The testimony of the Chief, Examining Division, Copyright Office, consists of a description of what constitutes copyrightable differences. 13/ The witness did not

13/ Transcript, September 25, 1981, pp. 602-603.

state that there are no copyrightable differences between the deposit and the work as first published. In fact, no testimony exists to indicate that she was ever given a chance to observe the work as first published and compare that with the work as deposited. Thus, the record does not clearly establish whether there are any copyrightable differences.

The record indicates that in making the deposits at issue here (including the deposit for the Galaxian game, which seems to have set the pattern for the present deposits), the Copyright Office was not accepting computer chips as deposit copies. 14/ In addition, it appears that Midway was seeking some alternative deposit form.

The deposit required of a work first published outside the United States is one copy of the work as first published. 15/ This would have required that the complainant offer to the Copyright Office a game machine, since this was the form in which the work was first published. There is no evidence that Midway offered to deposit such a machine.

14/ Transcript, September 25, 1981, pp. 528-30.

15/ 17 U.S.C. 408(b)(3).

Copyright Office procedures establish that complainant should have requested special relief from the deposit requirements. 16/ The ALJ concluded that failure to request special relief may be immaterial, since complainant received what it thought to be special relief. The ALJ also found that failure to comply literally with the requirements should not estop complainant from seeking protection. 17/ Based on this record, I am not prepared to determine whether complainant's failure to request special relief vitiates its deposit.

Artic also argues that there was no deposit of the videotape as identifying material and, therefore, copyright protection extends only to the "movie" contained in the videotape. It is clear from the record that there was no attempt to treat the videotape as identifying material under 19 CFR § 202.21. Thus, I see no need to attempt here to determine what, if anything, the videotape might be identifying. If the videotape deposit is complete in and of itself -- which it would presumably not be if it were identifying material -- then the extent of protection granted is for the work embodied in the videotape only.

16/ 37 CFR § 202.20(d).

17/ Recommended Determination (hereinafter RD), 54. It must be noted that special relief for deposits of audiovisual games was later granted by the Copyright Office, but that such grant has no retroactive implications. Transcript, September 25, 1981, p. 611.

There are other questions regarding the conduct of Midway at the Copyright Office. For example, the record shows that the Copyright Office policy was "to study works that were deposited for registration which might involve computer programs or computer chips."
18/ It is uncontested that the games at issue here involve both. It is equally clear that Midway's attorney stated that, to the best of his knowledge (apparently he had not been otherwise informed by Midway), the game was "hard-wired," and not based on computer software. At this point, one can only speculate whether a registration certificate would have issued had the Copyright Office known that computer chips or computer software are involved.

The testimony of record indicates that the examiner was not informed that the videocassette used for deposit purposes was made in the United States although the work was first published in Japan. 19/ He was not informed that the videocassette was recorded after the date of first publication. 20/ He was not told that the videocassette had been made specifically for deposit with the Copyright Office. 21/ He was not told that the videocassette had not been publicly distributed in the United States. 22/ The examiner indicated that if he had been

18/ Transcript, September 25, 1981, p. 626.

19/ Transcript, September 25, 1981, pp. 668-69.

20/ Transcript, September 25, 1981, p. 669.

21/ Transcript, September 25, 1981, p. 669.

22/ Transcript, September 25, 1981, pp. 669-70.

told these facts, correspondence with the complainant or its attorney would have resulted. The record discloses no such correspondence.

Additionally, the record is not clear regarding whether the Copyright Office had been informed that it was dealing with audiovisual displays of a videogame, or whether this fact became apparent only after a viewing of the videotape at a later date.

Therefore, while I am unwilling to make a determination that there is reason to believe that inequitable conduct occurred, serious questions remain. I trust that this matter will be more fully explored during the remainder of this investigation. In any event, the above questions cloud the likelihood of complainant's succeeding on the merits in this investigation. 23/

23/ During the course of these proceedings, the respondent has also argued that there is no proof of copying and that there can be no copyright protection since the work was first published without copyright notice in Japan. Under both of those arguments, respondent raises a matter which requires some further attention: the copyright status of the work in Japan before the western hemisphere rights to it were transferred to Midway. The specific issue to be faced is whether the audiovisual work was in the public domain in Japan and, therefore, free for anyone to copy. The burden of proof on this matter rests with respondents.

Immediate and Substantial Harm 24/

Turning to the second factor to be weighed, I find that the domestic industry is not faced with injury sufficient to meet the standards for temporary relief.

Section 337(a) directs the Commission to determine the existence of --

[U]nfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States. 19 U.S.C. 1337(a).

The statute sets forth two elements which the Commission must find before it can find that a violation of the section exists: (1) an unfair method of competition or unfair act; and (2) injury to an efficiently and economically operated domestic industry. There must be a causal connection between the unfair acts and the injury. The existence of unfair acts or unfair methods of competition, by themselves, are insufficient to justify relief under this statute. 25/

24/ The standard for the issuance of temporary relief, as noted by the majority, involves "immediate and substantial harm." Certain Slide Fastener Stringers, Inv. No. 337-TA-85, USITC Pub. No. 1141 (1981), p. 23 (hereinafter Stringers). The test for immediacy is that the harm be likely to occur before the Commission is able to issue final relief. The test for substantiality is that the injury must be so significant that complainant would not fully recover from the effects of a violation even if permanent relief were later granted. Stringers, p. 23. It seems to me that these standards are tantamount to irreparable harm.

25/ See Dissenting Opinion of Commissioner Paula Stern, Certain Headboxes, Inv. No. 337-TA-82, USITC Pub. 1138 (1981), p. 1 (hereinafter Headboxes).

In an investigation in which temporary relief is requested, the Commission has determined that injury to the domestic industry must be both immediate and substantial.

[I]n Commission practice, the concept of "immediacy" means that the anticipated harm must be likely to occur before the Commission is able to issue permanent relief. The notion of "substantial harm" requires that the injury to the domestic industry be so significant that it would not fully recover from the harmful effects of the section 337 violation once permanent relief was granted. Stringers, pp. 22-23.

Commission precedent establishes that the analysis of the elements of immediacy and substantiality are factual and depend on the particular circumstances of each investigation. 26/ In Copper Rod II, the harm was seen as both immediate and substantial, since the importation was imminent, and the machinery in question was both very expensive and infrequently sold. 27/ In Stringers, however, low levels of import penetration, healthy profit margins, declining imports, and other factors led the Commission to conclude that there was neither immediacy nor substantiality. 28/

In the present investigation, I believe the evidence does not support a finding of immediate and substantial harm. The evidence of record indicates that this industry is healthy and growing. In fact, as conceded by the majority, the only evidence of injury are some lost sales and potentially some lost goodwill in the trademarks.

26/ Stringers, pp. 23-24; Certain Apparatus for the Continuous Production of Copper Rod, Inv. 337-TA-89, USITC Pub. 1132 (1981), pp. 17-18 (hereinafter Copper Rod II).

27/ Copper Rod II, pp. 17-18.

28/ Stringers, pp. 23-24.

Although the ALJ found a certain number of lost sales 29/, I cannot find that figure supported in the record. Instead I find evidence of two-thirds of the number of lost sales found by the ALJ (as of the time of the hearing before him, September 21, 1981). 30/ I doubt that this smaller figure is a serious underestimation of lost sales in view of the extensive discovery undertaken by the complainant in this investigation. The majority seems to imply that lost sales are, by themselves, evidence of injury sufficient to meet the immediate and substantial harm test. I disagree with this analysis because it equates injury with the unfair acts and thereby removes the injury requirement from the statute. 31/

Lost sales must be contrasted with Midway's production of the Pac-Man game. Exhibit CX 134 provides production figures as of June 30, 1981 32/, and testimony provides an estimate of production at the time of the hearing before the ALJ. 33/ Comparing the ALJ's findings on lost sales with complainant's production as of June 30, yields a relatively low import penetration ratio. 34/ Using the more realistic figure for lost sales and production at the time of the hearing 35/ results in an even smaller import penetration ratio. 36/ 37/

29/ RD, p. 25.

30/ In light of Artic's accounting methods, I am assuming here that all its printed circuit board sales were for a Pac-Man-like game.

31/ Headboxes, pp. 29-30.

32/ [redacted] game machines.

33/ Transcript, September 23, 1981, p. 445; RD, p. 27.

34/ [redacted] percent.

35/ Transcript, September 23, 1981, p. 445.

36/ [redacted] percent.

37/ See Stringers.

More significant than these specific numbers are the repeated statements by complainant's own witnesses. Midway's vice president for marketing has declared that in the last three years Midway has "grown tremendously."
38/ He also has stated that Midway has enjoyed tremendous success. 39/
 This success was occurring during the period that Pac-Man was a major factor in Midway's business. 40/

The record is devoid of any accounting data. Thus, for example, Midway's profits on the games are known only through the vice president's statement about per-game profit. 41/ There is no identification of costs for labor, materials, inventory, research and development, or other overhead. Even his statement regarding the per-game profit is suspect because at a different point in his testimony he stated that Midway does not separately allocate profit and loss data by product. 42/ However, accepting his profit statements at face value, profit per game is high, 43/ and the profit margin is very healthy for any industry.

In addition, the record discloses no evidence of price suppression or price depression. There appears to be no inhibition on Midway's ability to attract capital.

38/ Transcript, September 23, 1981, p. 422.

39/ Transcript, September 23, 1981, p. 432.

40/ The discussion in this paragraph is based on Midway as a whole since data reflecting the portion of Midway producing Pac-Man are unavailable. See Headboxes, pp. 7-14.

41/ Transcript, September 24, 1981, p. 507.

42/ Transcript, September 24, 1981, p. 621.

43/ ██████████ percent.

A very high percentage of all Midway's workers are producing the Pac-Man game. 44/ There is no indication that imports have caused Midway to lay off workers or hire fewer workers than it would have done otherwise.

The vice president has testified that "We're able to sell what we build." 45/ Midway is apparently producing at capacity 46/ and maintains no inventory of finished games. Moreover, there is no evidence that Midway has a parts inventory which imports could jeopardize.

Much of the argument for temporary relief seems to be based on the perceived short life span of video games. However, these estimates are not necessarily reliable especially in this investigation which deals with an extraordinarily popular game. 47/

In sum, the record shows an exceptionally healthy industry. There is no reason to believe that substantial injury is present and, according to the information furnished by the complainant, it is unlikely that there will be any such injury before the Commission reaches the question of permanent relief.

44/ Transcript, September 23, 1981, p. 438.

45/ Transcript, September 24, 1981, p. 612.

46/ CX 133, p. 2, CX 34, p. 12.

47/ See Transcript, September 23, 1981, pp. 379, 423. Complaint, p. 14.

Harm to Other Parties

The possibility of a short commercial life span of these games suggest that if harm may occur to complainant it may also occur to the respondents during the remainder of the investigation if temporary relief is provided. If the life of the game should expire during the period of temporary relief and violation is not finally established, then there would be substantial harm to the respondents whose access to the market during that period would have been hindered.

Public Interest

I find no strong public interest arguments arguing for or against the issuance of temporary relief in this investigation.

Conclusion

There are shadows cast over the probability of the complainant's ultimately succeeding on the merits. There is no showing of immediate and substantial harm from which the complainant would not fully recover if and when permanent relief is granted. There is potential irreparable harm to the respondents. There are no significant public interest factors. Thus, after balancing these four factors I conclude that temporary relief should not be issued in this investigation.

