Union Calendar No. 454

98TH CONGRESS
2D SESSION

H. R. 5525

[Report No. 98–781]

To amend title 17, United States Code, to protect mask works of semiconductor chips against unauthorized duplication, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 26, 1984

Mr. EDWARDS of California (for himself, Mr. RODINO, Mr. MINETA, Mr. KASTENMEIER, Mr. AUCOIN, Mr. BADHAM, Mr. BERMAN, Mr. BOEHLERT, Mr. BOSCO, Mrs. BOXER, Mr. BROOKS, Mr. BROWN of California, Mr. CHANDLER, Mr. CHAPPIE, Mr. CLINGER, Mr. CONYERS, Mr. DEWINE, Mr. ERLENBORN, Mr. FAZIO, Ms. FIEDLER, Mr. FISH, Mr. FRANK, Mr. GEKAS, Mr. GLICKMAN, Mr. HAWKINS, Mr. HYDE, Mr. JEFFORDS, Mrs. JOHNSON, Mr. KINDNESS, Mr. LAFALCE, Mr. LANTOS, Mr. LEHMAN of Florida, Mr. LEVINE of California, Mr. LOWERY of California, Mr. LUJAN, Mr. MCCAIN, Mr. MCCOLLUM, Mr. MARTINEZ, Mr. MAZZOLI, Mr. MOORHEAD, Mr. MORRISON of Connecticut, Mr. MRAZEK, Mr. MURPHY, Mr. NELSON of Florida, Mr. OLIN, Mr. OWENS, Mr. PANETTA, Mr. PRITCHARD, Mr. REID, Mr. RICHARDSON, Mr. RITTER, Mr. RUDD, Mr. SAWYER, Mrs. SCHNEIDER, Mrs. SCHROEDER, Mr. SENSENBRENNER, Mr. ROBERT F. SMITH, Mr. STARK, Mr. SYNAR, Mr. TORRES, Mr. WAXMAN, Mr. WYDEN, and Mr. ZSCHAU) introduced the following bill; which was referred to the Committee on the Judiciary

MAY 15, 1984

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To amend title 17, United States Code, to protect mask works of semiconductor chips against unauthorized duplication, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Semiconductor Chip Protection Act of 1984".

PROTECTION OF SEMICONDUCTOR CHIP PRODUCTS

SEC. 2. Title 17, United States Code, is amended by adding at the end thereof the following new chapter:

"CHAPTER 9—PROTECTION OF SEMICONDUCTOR CHIP PRODUCTS

"Sec.
"901. Definitions.
"902. Subject matter of protection.
"903. Ownership and transfer.
"904. Duration of protection.
"905. Exclusive rights in mask works.
"906. Limitation on exclusive rights: reverse engineering; first sale.
"907. Limitation on exclusive rights: innocent infringement.
"908. Registration of claims of protection.
"909. Mask work notice.
"910. Enforcement of exclusive rights.
"911. Remedies for infringement.
"912. Relation to other laws.

"§ 901. Definitions

"As used in this chapter—

"(1) a 'semiconductor chip product' is the final or intermediate form of any product—

"(A) having two or more layers of metallic, insulating, or semiconductor material deposited or otherwise placed on, or etched away or otherwise removed from, a piece of semiconductor material in accordance with a predetermined pattern; and

"(B) that is intended to perform electronic circuitry functions;

"(2) a 'mask work' means the 2-dimensional and 3-dimensional features of shape, pattern, and configuration of the surface of the layers of a semiconductor chip product, regardless of whether such features have an intrinsic utilitarian function that is not only to portray the appearance of the product or to convey information;

"(3) a mask work is 'fixed' in a semiconductor chip product when its embodiment in the product, by or under the authority of the owner of the mask work, is sufficiently permanent or stable to permit the mask work to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration;

"(4) a mask work is 'original' if it is the independent creation of an author who did not copy it from another source;

"(5) to 'commercially exploit' a mask work is to sell, offer for sale after the mask work is fixed in a semiconductor chip product, or otherwise distribute to the public for profit semiconductor chip products embodying the mask work;

"(6) the 'owner' of a mask work is the author of the mask work, the legal representatives of a deceased author or of an author under a legal incapacity, the employer ~~for whom the~~ *of an* author *who* created the mask work *for the employer* in the case of a work made within the scope of the author's employment, or a person to whom the rights of the author or of such employer are transferred in accordance with this chapter;

"(7) an 'innocent purchaser' is a person who purchases a semiconductor chip product in good faith and without having notice of protection with respect to that semiconductor chip product;

"(8) having 'notice of protection' means having actual knowledge that, or reasonable grounds to believe that, a mask work fixed in a semiconductor chip product is protected under this chapter; and

"(9) an 'infringing semiconductor chip product' is a semiconductor chip product which is made, imported,

or distributed in violation of the exclusive rights of the owner of a mask work under this chapter.

"§ 902. Subject matter of protection

"(a)(1) An original mask work fixed in a semiconductor chip product is eligible for protection under this chapter if—

"(A) on the date on which the mask work is registered under section 908, or the date on which the mask work is first commercially exploited, whichever occurs first, the owner of the mask work is a national or domiciliary of the United States, or is a national, domiciliary, or sovereign authority of a foreign nation that is a party to a treaty affording protection to mask works to which the United States is also a party, or is a stateless person, wherever that person may be domiciled;

"(B) the mask work is first commercially exploited in the United States; or

"(C) the mask work comes within the scope of a Presidential proclamation issued under paragraph (2).

"(2) Whenever the President finds that a foreign nation extends, to mask works of owners who are nationals or domiciliaries of the United States or to mask works on the date on which the mask works are registered under section 908, or the date on which the mask works are first commercially exploited, whichever occurs first, protection (A) on substan-

tially the same basis as that on which the foreign nation extends protection to mask works of its own nationals and domiciliaries and mask works first commercially exploited in that nation, or (B) on substantially the same basis as provided in this chapter, the President may by proclamation extend protection under this chapter to mask works (i) of owners who are, on the date on which the mask works are registered under section 908, or the date on which the mask works are first commercially exploited, whichever occurs first, nationals, domiciliaries, or sovereign authorities of that nation, or (ii) which are first commercially exploited in that nation.

"(b) Protection under this chapter shall not be available for a mask work that—

"(1) is not original; or

"(2) consists of designs that are staple, commonplace, or familiar in the semiconductor industry, or variations of such designs, combined in a way that is not original.

"(c) In no case does protection under this chapter for a mask work extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in ~~such~~ *the mask* work.

"§ 903. Ownership and transfer

"(a) The exclusive rights in a mask work subject to protection under this chapter shall vest in the owner of the mask work.

"(b) The exclusive rights in a mask work registered under section 908, or a mask work for which an application for registration has been or is eligible to be filed under section 908, may be transferred in whole or in part by any means of conveyance or by operation of law, and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession.

"(c) In any case in which conflicting transfers of the exclusive rights in a mask work are made, the transfer first executed shall be void as against a subsequent transfer which is made for a valuable consideration and without notice of the first tranfer, unless the first transfer is recorded in the Copyright Office within three months after the date on which it is executed, but in no case later than the day before the date of such subsequent transfer.

"(d) Mask works prepared by an officer or employee of the United States Government as part of that person's official duties are not protected under this chapter, but the United States Government is not precluded from receiving and holding exclusive rights in mask works transferred to the Government under subsection (b).

"§ 904. Duration of protection

"(a) The protection provided for a mask work under this chapter shall commence on the date on which the mask work is registered under section 908, or the date on which the mask work is first commercially exploited, whichever occurs first.

"(b) Subject to the provisions of this chapter, the protection provided under this chapter to a mask work shall continue for a term of ten years beginning on the date on which such protection commences under subsection (a).

"§ 905. Exclusive rights in mask works

"Subject to the other provisions of this chapter, the owner of a mask work has the exclusive rights to do and to authorize any of the following:

"(1) to reproduce the mask work by optical, electronic, or any other means;

"(2) to import or distribute a semiconductor chip product in which the mask work is embodied; and

"(3) to induce or knowingly to cause another person to do any of the acts described in paragraphs (1) and (2).

"§ 906. Limitation on exclusive rights: reverse engineering; first sale

"(a) Notwithstanding the provisions of section 905(1), it is not an infringement of the exclusive rights of the owner of a mask work to reproduce the work solely for the purpose of

teaching, analyzing, or evaluating the concepts or techniques embodied in the mask work or the circuitry or organization of components used in the mask work.

"(b) Notwithstanding the provisions of section 905(2), the owner of a particular semiconductor chip product lawfully made under this chapter, or any person authorized by such owner, is entitled, without the authority of the owner of the mask work, to sell or otherwise dispose of that semiconductor chip product.

"§ 907. Limitation on exclusive rights: innocent infringement

"(a) Notwithstanding any other provision of this chapter, an innocent purchaser of an infringing semiconductor chip product—

"(1) shall incur no liability under this chapter with respect to the distribution of units of the infringing semiconductor chip product that occurred before that innocent purchaser had notice of protection with respect to that semiconductor chip product; and

"(2) shall be liable only for a reasonable royalty on each unit of the infringing semiconductor chip product that the innocent purchaser distributed after having notice of protection with respect to that semiconductor chip product~~, the amount of the royalty to be determined by voluntary negotiation between the parties,~~

~~mediation, or binding arbitration, or, if the parties do not resolve the issue, by the court in a civil action for infringement.~~

The amount of the royalty referred to in paragraph (2) shall be determined by voluntary negotiation between the parties, mediation, or binding arbitration, or, if the parties do not resolve the issue, by the court in a civil action for infringement.

"(b) The immunity from liability and limitation on liability referred to in subsection (a) shall apply to any person who directly or indirectly purchases an infringing semiconductor chip product from an innocent purchaser.

"(c) The provisions of subsections (a) and (b) apply only with respect to units of an infringing semiconductor chip product that an innocent purchaser purchased before having notice of protection with respect to that semiconductor chip product.

"§ 908. Registration of claims of protection

"(a) Protection of a mask work under this chapter shall terminate if application for registration of a claim of protection in the mask work is not made as provided by this chapter within two years after the date on which the mask work is first commercially exploited.

"(b) The Register of Copyrights shall be responsible for all administrative functions and duties under this chapter.

Except for section 708, the provisions of chapter 7 of this title relating to the general responsibilities, organization, regulatory authority, actions, records, and publications of the Copyright Office shall apply to this chapter, except that the Register of Copyrights may make such changes as may be necessary in applying those provisions to this chapter.

"(c) The application for registration of a mask work shall be made on a form prescribed by the Register of Copyrights and shall include any information regarded by the Register of Copyrights as bearing upon the preparation or identification of the work, the existence or duration of protection, or ownership of the work.

"(d) The Register of Copyrights shall by regulation set reasonable fees for the filing of applications to register claims of protection in mask works under this chapter, and for other services relating to the administration of this chapter or the rights under this chapter, taking into consideration the cost of providing those services, the benefits of a public record, and statutory fee schedules under this title. The Register shall also specify the identifying material to be deposited in connection with the claim for registration.

"(e) If the Register of Copyrights, after examining an application for registration, determines, in accordance with the provisions of this chapter, that the application relates to a mask work which warrants protection under this chapter,

then the Register shall register the claim and issue to the applicant a certificate of registration of the claim under the seal of the Copyright Office. The effective date of registration of a claim of protection shall be the date on which an application, deposit, and fee, which are determined by the Register of Copyrights or by a court of competent jurisdiction to be acceptable for registration, have all been received in the Copyright Office.

"(f) In any action for infringement under this chapter, the certificate of registration of a mask work shall constitute prima facie evidence (1) of the facts stated in the certificate, and (2) that the applicant issued the certificate has met the requirements of this chapter, and the regulations issued under this chapter, with respect to the registration of claims.

"(g) Any applicant for registration under this section who is dissatisfied with the refusal of the Register of Copyrights to issue a certificate of registration under this section may seek judicial review of that refusal by bringing an action for such review in an appropriate United States district court, in accordance with chapter 7 of title 5, not later than sixty days after the refusal. The failure of the Register of Copyrights to issue a certificate of registration within three months after an application for registration is filed shall be deemed to be a refusal to issue a certificate of registration for purposes of this subsection and section 910(c).

"§ 909. Mask work notice

"(a) The owner of a mask work provided protection under this chapter may affix notice to the mask work or to the semiconductor chip product embodying the mask work in such manner and location as to give reasonable notice of such protection. The Register of Copyrights shall prescribe by regulation, as examples, specific methods of affixation and positions of notice for purposes of this section, but these specifications shall not be considered exhaustive. The affixation of such notice is not a condition of protection under this chapter, but shall constitute prima facie evidence of notice of protection.

"(b) The notice referred to in subsection (a) shall consist of—

"(1) the words 'mask work', or the letter M in a circle Ⓜ;

"(2) the year in which the mask work was first fixed in a semiconductor chip product; and

"(3) the name of the owner or owners of the mask work or an abbreviation by which the name is recognized or is generally known.

"§ 910. Enforcement of exclusive rights

"(a) Except as otherwise provided by this chapter, any person who violates any of the exclusive rights of the owner of a mask work under this chapter shall be liable as an infringer of such rights.

"(b) The owner of a mask work protected under this chapter shall be entitled to institute a civil action for infringement after a certificate of registration of a claim in that mask work is issued under section 908.

"(c) In any case in which an application for registration and the required deposit and fee have been received in the Copyright Office in proper form and registration of the mask work has been refused, the applicant is entitled to institute a civil action for infringement under this chapter if notice of the action, together with a copy of the complaint, is served on the Register of Copyrights, in accordance with the Federal Rules of Civil Procedure. The Register may, at his or her option, become a party to the action with respect to the issue of whether the claim is eligible for registration by entering an appearance within sixty days after such service, but the failure of the Register to become a party to the action shall not deprive the court of jurisdiction to determine that issue.

"(d)(1) The Secretary of the Treasury and the United States Postal Service shall separately or jointly issue regulations for the enforcement of the right to import set forth in section 905. These regulations may require, as a condition for the exclusion of articles from the United States, that the person seeking exclusion—

"(A) obtain a court order enjoining, or an order of the International Trade Commission under section 337

of the Tariff Act of 1930 excluding, importation of the articles; or

"(B) furnish proof that the mask work involved is protected under this chapter and that the importation of the articles would infringe the rights in the mask work under this chapter, and also post a surety bond for any injury that may result if the detention or exclusion of the articles proves to be unjustified.

"(2) Articles imported in violation of the right to import set forth in section 905 are subject to seizure and forfeiture in the same manner as property imported in violation of the customs laws. Any such forfeited articles shall be destroyed as directed by the Secretary of the Treasury or the court, as the case may be, except that the articles may be returned to the country of export whenever it is shown to the satisfaction of the Secretary of the Treasury that the importer had no reasonable grounds for believing that his or her acts constituted a violation of the law.

"§ 911. Remedies for infringement

"(a) Any court having jurisdiction of a civil action arising under this chapter may grant temporary and permanent injunctions on such terms as the court may deem reasonable to prevent or restrain infringement of the exclusive rights in a mask work under this chapter.

"(b) Upon finding for the owner of the mask work, the court shall award the owner actual damages suffered by the owner as a result of the infringement. The court shall also award the owner the infringer's profits that are attributable to the infringement and are not taken into account in computing the award of actual damages. In establishing the infringer's profits, the owner of the mask work is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the mask work.

"(c) At any time before final judgment is rendered, the owner of the mask work may elect, instead of actual damages and profits as provided by subsection (b), an award of statutory damages for all infringements involved in the action, with respect to any one mask work for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in an amount not more than $250,000 as the court considers just.

"(d) In any action for infringement under this chapter, the court in its discretion may allow the recovery of full costs, including reasonable attorneys' fees, to the prevailing party.

"(e) An action for infringement under this chapter shall not be maintained unless the action is commenced within three years after the claim accrues.

"(f) As part of a final judgment or decree, the court may order the destruction or other disposition of any infringing semiconductor chip products, and any masks, tapes, or other articles by means of which such products may be reproduced.

"§ 912. Relation to other laws

"(a) Nothing in this chapter shall affect any right or remedy held by any person under chapters 1 through 8 of this title, or under title 35.

"(b) Except as provided in section 908(b) of this title, references to 'this title' or 'title 17' in chapters 1 through 8 of this title shall be deemed not to apply to this chapter.

"(c) The provisions of this chapter shall preempt the laws of any State to the extent those laws provide any rights or remedies with respect to a mask work which are equivalent to those provided by this chapter, except that such preemption shall be effective only with respect to actions filed on or after January 1, 1986.

"(d) The provisions of sections 1338, 1400(a), and 1498(b) and (c) of title 28 shall apply *with respect* to exclusive rights in mask works under this chapter.".

TECHNICAL AMENDMENT

SEC. 3. The table of chapters of title 17, United States Code, is amended by adding at the end thereof the following new item:

"9. Protection of Semiconductor Chip Products ..... 901".

EFFECTIVE DATE

SEC. 4. (a) The amendments made by this Act shall take effect on January 1, 1985.

(b)(1) Subject to paragraph (2) of this subsection, protection shall be available under chapter 9 of title 17, United States Code, as added by section 2 of this Act, to any mask work fixed in a semiconductor chip product that was first commercially exploited on or after January 1, 1984, and before January 1, 1985, if a claim of protection in the mask work is registered in the Copyright Office before January 1, 1986, under section 908 of title 17, United States Code, as added by section 2 of this Act.

(2) In the case of any mask work provided protection under chapter 9 of title 17, United States Code, in accordance with paragraph (1) of this subsection, any infringing semiconductor chip products manufactured before the effective date of this Act may be imported into or distributed in the United States, or both, subject to the payment by the importer or distributor, as the case may be, of the reasonable royalty specified in section 907(a)(2) of title 17, United States Code, as added by section 2 of this Act.

(3) For purposes of this subsection, the terms "mask work", "fixed", "semiconductor chip product", "commercially ~~exploited~~ *exploit*", and "infringing semiconductor chip product" have the meanings given those terms in section 901 of title 17, United States Code, as added by section 2 of this Act.

AUTHORIZATION OF APPROPRIATIONS

SEC. 5. There are authorized to be appropriated such sums as may be necessary to carry out this Act and the amendments made by this Act.

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