Comments in Response to the Department of Commerce’s Green Paper, Copyright Policy, Creativity, and Innovation in the Digital Economy

Nov. 13, 2013

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Copyright law is at a crossroads, and the Internet Policy Task Force’s call for public comments is a welcome step in the right direction. The undersigned are a nonprofit public interest organization and a law school public interest program working at the forefront of copyright law and the Internet, and we’re pleased to offer our perspective. These comments address four areas discussed in the Department of Commerce’s Green Paper, Copyright Policy, Creativity, and Innovation in the Digital Economy (the “Green Paper”), and the Request for Comments on the Green Paper (the “Request for Comments”): (1) the legal framework for “remix” in the new digital economy; (2) the notice-and-takedown procedures set forth in the Digital Millennium Copyright Act (the “DMCA”); (3) the continuing relevance of the first sale doctrine; and (4) statutory damages.

I. Remix and Intermediary Licensing.

Both the Green Paper and the Request for Comments frame “remix” as something fundamentally new spurred by advances in digital technology. See, e.g., Request for Comments at 6. However, remix as defined—the production of new creative works through “changing and combining portions of existing works”—is what the fair use doctrine is fundamentally about.1 Thus, quoting a published book in a critical review, quoting a magazine article in a biography, and ‘quoting’ musical phrasing to evoke a shared experience are all forms of remix.

It is not that creators are doing anything fundamentally different from the activities they undertook in the past. Rather, there are several different threads now coming together. First, as the Green Paper notes, tools for the creation of digital remixes are both cheaper and more widespread than before. Second, the scale of distribution has changed, such that remixers can reach a much broader audience through services like YouTube, Vimeo, SoundCloud, and BandCamp. Third, rightsholders have increasingly tried to extract monetary value from remixing in ways that they customarily did not (or perhaps could not).

With these points in mind, we consider some of the questions presented in the Request for Comments.

A. Fair Use and the Creation and Dissemination of Creative, Expressive Works.

First, we must distinguish creation and dissemination. The U.S. Constitution provides for the protection of intellectual property, offering exclusive rights to creators “for limited Times” in exchange for “promot[ing] the Progress of Science and useful Arts[,]”\(^2\) Creation alone cannot satisfy the Constitution’s goals for intellectual property protection. Dissemination is necessary to promote the progress of knowledge, as it provides the mechanism for spreading knowledge and the means for new creators to build off the insights of previous creators in the development of a virtuous cycle of creation, dissemination, and further creation and dissemination. If a book is never read, or a film never watched, it cannot partake in this virtuous cycle.

In our experience, the most pressing problem is not creation but dissemination. Uncertain fair use rights (even compounded by the risk of statutory damages) generally don’t deter people from creating remixes in the first place. But even an entirely improper challenge may inhibit the dissemination of those works. Thus, remixes today are often only available at the whim of the copyright holder, whose motives may range from the well-intentioned to the nefarious.\(^3\)

Ironically, this problem is largely limited to those who are informed about the contours of the fair use doctrine. We routinely represent individuals and entities that released their work without fully understanding the potentially crippling liability they have courted. See infra Section IV (discussing issues with statutory damages). When we describe to them some of the open questions on fair use, and the potential damages they may have to pay in the event of an adverse judgment, even the most confident creators become worried. In other words, when remixers are informed of the law, they are then chilled from disseminating. And at that point they may also be deterred from creating as well.

For every individual we represent, there are thousands, if not hundreds of thousands more who receive no pushback from copyright holders. Those who receive cease and desist letters or are sued by copyright holders, then, are like individuals who have won a lottery in which the prize is the loss (and potential destruction) of their work and having to pay hundreds of thousands of

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\(^3\) See, e.g., Wendy J. Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors*, 82 Colum. L. Rev. 1600, 1627–35 (1982) (describing situations in which copyright holders will not permit the distribution of a secondary work, including high transaction costs, negative externalities, antidissemination motives, and nonmonetizable benefits).
dollars to copyright holders. In the recent *Kirtsaeng v. John Wiley & Sons, Inc.* decision, the Supreme Court inveighed against similar uncertainty with respect to copyright’s first sale doctrine, noting how harmful and problematic it is to rely on copyright holders’ mercy. “[A] copyright law that can work in practice only if unenforced is not a sound copyright law[,]” the Court wrote. “It is a law that would create uncertainty, would bring about selective enforcement, and, if widely unenforced, would breed disrespect for copyright law itself.”

Laws like copyright—the goals of which are expressly couched in instrumental language—cannot do their job without broad public knowledge of the existence and scope of the rights those laws provide. In this case, knowledge of the law actually *impedes* the law’s goal, resulting in far less dissemination of creative works, and, often, less creation as well.

Second, and relatedly, open questions about the doctrine of fair use and the instability of licensing arrangements provide cover for copyright holders to make overbroad threats of litigation against remixers. It is sometimes difficult for us to provide definitive guidance to creators about whether their works will fall within fair use’s protection. The other side of the coin is that even the most overbroad assertions of infringement can be deemed plausible. In one of the most egregious recent examples of this phenomenon, Jonathan McIntosh found his remix video *Buffy vs. Edward: Twilight Remixed*—which was mentioned by name in official recommendations from the U.S. Copyright Office regarding DMCA exemptions for transformative noncommercial video works—subject to a DMCA takedown notice. It took three months of intense legal wrangling before Lionsgate finally relinquished its claim. Most individuals so threatened likely would not have had the knowledge or resolve to assert their rights even against such a blatantly ridiculous claim.

Uncertainty increases the likelihood of the threat, as well as its force. In turn, the specter of statutory damages drastically increases the copyright holder’s bargaining position to a point where only the savviest (or richest) creators can withstand the onslaught. Even where licensing is an option, the fees sought are often in the thousands of dollars. Thus, bargaining often fails and content creators—and consumers—are made significantly worse off.

Finally, licensing presents a bevy of problems in general. Licensing often creates an *expectation* of licensing, which can unduly affect norms in creative communities, distorting creators’ willingness to use copyrighted materials

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4 133 S.Ct. 1351, 1366 (2013).
when we might want them to.\textsuperscript{6} This expectation goes both ways—the combination of fair use’s uncertainty and statutory damages forces many remixers to pay unnecessary license fees simply to avoid the risk of suit and an adverse judgment.

Copyright holders often seek extremely expensive fees for very minor uses of individual works. Clients of ours have received fee quotes in the thousands of dollars for the use of five-second clips of some famous songs, which clips were incidentally captured by the camera and exhibited in documentary films. Even where copyright holders do not seek lofty lump sums, they will often seek royalties wildly out of proportion with the underlying work’s contribution to the new work.\textsuperscript{7} If a remixer would like to use 50 samples in a song, and each rights holder seeks a 5\% return in exchange for permission, then the work simply cannot be made. This situation is not as uncommon as it may seem; indeed, it is virtually standard in the music industry.

Copyright holders often fail to differentiate between purely commercial uses of works, and uses for which the very act of paying a license can negate the purpose and impact of the work. For example, the use of a popular song as incidental music in a blockbuster film is often offered as a paradigmatic example of a use of a copyrighted work that requires a license. Contrast that situation with the “Food Chain Barbie” series of photographs created by artist Thomas Forsythe, which were the subject of an early-2000’s Ninth Circuit decision, \textit{Mattel, Inc. v. Walking Mountain Prods.}\textsuperscript{8} Forsythe photographed posed nude Barbie dolls being attacked by household kitchen appliances. He created these photographs, among other reasons, to criticize the “objectification of women associated with [Barbie], and [ ] [to] lambast [ ] the conventional beauty myth and the societal acceptance of women as objects because [that] is what Barbie embodies.”\textsuperscript{9} To require the payment of a license fee under such circumstances seems morally problematic at least, and objectively harmful at worst.\textsuperscript{10}

\textsuperscript{8} 353 F.3d 792 (9th Cir. 2003).
\textsuperscript{9} Id. at 796.
\textsuperscript{10} See also McIntosh, \textit{Buffy vs. Edward Remix Unfairly Removed by Lionsgate} (“I always turn all ads off on my remix videos and never profit off them.”).
There are also some scenarios in which copyright holders simply will not license their works.\textsuperscript{11} This can occur for a variety of reasons, from individual irrationality (the copyright holder is personally offended by the second work), to fears of harm to reputation or sales (the copyright holder’s work is skewed in a critical review), to illicit efforts to thwart competition (the copyright holder’s work is used as a piece of information within a fundamentally new product\textsuperscript{12}).

\textbf{B. Problems with Intermediary Licensing and Content ID.}

The kernel of the Content ID idea is not necessarily bad. However, any implementation of such an automated system must properly account for users’ interests. As implemented, Content ID provides little guidance to users whose works are caught up in the web of notice-and-takedown. For example, even savvy users like Jonathan McIntosh generally need legal assistance to know whether responding to a takedown notice is proper, and the same will be true of a Content ID dispute.\textsuperscript{13} On the other side, and as discussed more fully infra, automated systems have no capacity to consider fair use or, sometimes, substantial similarity.\textsuperscript{14} These systems are blind, and often send out fundamentally flawed notices. For example, many copyright holders engage third parties to collect copyright violations and issue mass takedown requests. On behalf of major industry players, such as HBO and Microsoft, these third parties have issued mass takedown requests that include basic errors like including links to the companies’ own websites.\textsuperscript{15} Further, and relatedly, Content ID’s lack of transparency and process permits routine abuse.\textsuperscript{16} Moreover, Content ID can employ the vast computing resources and proprietary

\textsuperscript{11} See Gordon, \textit{Fair Use as Market Failure}, supra.
\textsuperscript{12} See Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146 (9th Cir. 2007) (finding fair use where the plaintiff’s images were incorporated in defendant’s search engine).
\textsuperscript{13} See McIntosh, \textit{Buffy vs. Edward Remix Unfairly Removed by Lionsgate}, supra.
\textsuperscript{14} See Patrick McKay, \textit{YouTube Copyfraud & Abuse of the Content ID System}, FAIRUSETUBE.ORG, available at http://fairusetube.org/youtube-copyfraud (describing how Content ID overprotects works put into the system by triggering when royalty-free music samples and public domain material appear in both the Content ID partner’s work and the alleged infringer’s work).
\textsuperscript{16} See McKay, \textit{YouTube Copyfraud & Abuse of the Content ID System}, supra (discussing examples of such abuse).
technologies of YouTube’s corporate parent, Google, to increase its accuracy. Platforms that lack Google’s resources and expertise will undoubtably be even less accurate with automated takedowns, or will be unable to implement a workable Content ID-like system in the first place.

The problems with Content ID are directly related to the uncertainty described above. The DMCA counter-notice regime effectively requires a user to invite a lawsuit from the YouTube partner filing the claim. Because litigation is so expensive in terms of both time and money, and fee-shifting so unusual, sending a counter-notice can be (or at least seem to a remixer to be) an invitation to financial ruin. Moreover it is sometimes, though not always, unclear whether a particular use is (or is not) fair such that the use would prevail if the issue went to court.

This is not to say that Content ID or other filtering and monetizing mechanisms cannot play a role. However, in order to truly “promote the Progress,” several aspects of the system must change. First, it must be clear that these processes do not prejudice users in future fair use decisions. This point raises the same issues related to licensing described above—private bargaining under circumstances of extreme inequality should not contract the scope of fair use. Just as the licensing of parodies shouldn’t affect a user’s ability to create an unauthorized parody, neither should a user’s decision to opt-out of Content ID affect her fair use rights. Second, such a system must offer significantly more transparency to users. In many cases, users can retrieve little to no information about whom is making a claim against them, much less why such a claim is being made. Both pieces of information are necessary to determine whether the user should file a counter-notice. Moreover, service providers must more broadly disclose the contours of their takedown policies to ensure that copyright holders are not being unduly favored at the expense of users.

Please also see our related discussion of the DMCA takedown procedures, infra.

C. Recommendations.

We do not think the answer is something like fair use safe harbors or a move towards a category-based fair dealing regime. Fair use’s flexibility, while sometimes a burden, allows for the freedom to use copyrighted works in unforeseen ways, much to society’s benefit. This flexibility provides breathing room for the creators of innovative technologies of which we haven’t yet dreamed. Without a flexible fair use regime, it is hard to imagine how different society would be. For example, Betamax and VCRs are direct ancestors of both DVD and video streaming technology. Without the Supreme Court’s de-
cision finding time-shifting fair use, *Sony Corp. of America v. Universal City Studios, Inc.*, it's likely that the movie industry would have succeeded in destroying—or at least substantially hobbling—the fledgling video cassette industry, leaving society without the descendents of that comparatively primitive technology.

Rather, fair use would be better served by more clarity with respect to the scope of a copyright holder’s legitimate derivative rights. For example, Professor Pam Samuelson has argued that the statutory exclusive right to prepare derivative works is properly limited to: (1) shorter versions (e.g., abridgments and condensations), (2) faithful renditions (e.g., translations and art reproductions), (3) media/genre changes (e.g., fictionalizations, motion-picture versions of books, and musical rearrangements that add no new content beyond the arrangement), and (4) very close analogues of (1) through (3). Clearer derivative rights coupled with a flexible fair use regime and a reduction or elimination of statutory damages, as discussed *infra*, for those who rely sincerely and reasonably on fair use can ease the uncertainty to which remixers may be subject.

II. DMCA Safe Harbors and Notice-and-Takedown.

As public interest lawyers focused on protecting fair use—with particular emphasis on defending fair use on the Internet—we have a wealth of experience in the practical costs and benefits of the notice-and-takedown process.

A. The Continuing Need for Safe Harbors for Service Providers.

As a preliminary matter, we believe the notice-and-takedown system has largely been successful in attaining the goals of giving copyright holders an easy means of challenging infringing activity online, while ensuring that service providers thrive without fear of crippling copyright liability for their users’ activities.

In 1997, in *Reno v. ACLU*, the Supreme Court called the Internet “the most participatory form of mass speech yet developed.” Evidence of this statement’s truth has continued to mount. Today, platforms such as YouTube, Facebook, Twitter, Instagram, Tumblr, and others enable people worldwide to reach a global audience, sharing information, ideas, art, and commentary.

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That ability has led to the development of new and potent forms of commerce, as well as new forms of political expression and creativity.

The success of these platforms for speech and innovation depends on the clear legal structure Congress created when it enacted the DMCA’s safe harbor provisions. In order to galvanize and protect online expression and commerce, Congress set out to “provide ‘greater certainty to service providers concerning their legal exposure for infringements that may occur in the course of their activities.”

Without these safe harbors, service providers would be vulnerable to potentially massive copyright damage awards when, inevitably, use of their services implicates rightsholders’ exclusive rights. Service providers would feel compelled to block communications that occur via their services—including lawful communications—or shut those services down in order to reduce their potential liability. Changes to the legal climate for service providers can have profound consequences for free expression online, and the proper interpretation of copyright laws as applied to online service providers is therefore a matter of crucial public interest.

B. The Notice-and-Takedown Process Must Not Operate As An Easy Path to Censorship.

Congress also knew that Section 512’s expedited “notice-and-takedown” provisions could be abused to take down lawful uses of copyrighted works, chilling free speech online. In order to curb such abuse, Congress included a counter-notice procedure, Section 512(g), and a deterrent, Section 512(f), which allows lawful users to hold copyright holders accountable if they send takedown notices without a good faith belief that the material in question actually infringed copyright.

Unfortunately, Sections 512(g) and (f) have not adequately prevented takedown abuse. To the contrary, such abuse is rampant. To take just a few examples:

- In November 2013, one of People for the American Way’s YouTube channels, RightWingWatch, was shut down due to repeated false

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20 Ellison v. Robertson, 357 F.3d 1072, 1076 (9th Cir. 2004) (citing S. Rep. No. 105-190, at 20 (1998)).
21 See e.g., S. Rep. No. 105-190, at 50 (1998) (noting that the procedures in Section 512(f) were “added as an amendment to this title in order to address the concerns of several members of the Committee that other provisions of this title established strong incentives for service providers to take down material, but insufficient protections for third parties whose material would be taken down.”).
DMCA notices issued by a political opponent, Gordon Klingenschmitt. The channel included a series of video clips of Mr. Klingenschmitt giving speeches in a variety of contexts, in order to facilitate commentary on his statements. Apparently unhappy that the clips appears on the channel, Mr. Klingenschmitt launched a DMCA campaign and, as a result, caused the takedown of the entire channel and the more than 2,000 videos it included.22

- In June 2013, an Australian music publisher used YouTube’s automated takedown process, Content ID, and the DMCA to force the takedown of an entire lecture delivered and posted by Professor Lawrence Lessig because it included illustrative clips of a number of videos set to a piece of music in which the company held copyright. When Professor Lessig counter-noticed pursuant to Section 512(g), the publisher, Liberation Music, threatened to take legal action within 72 hours if Professor Lessig did not withdraw his counter-notice.23 Unfortunately, this was not the first time Professor Lessig had seen his lectures taken down due to a copyright claim.24
- In April 2013, the television network Fox issued a series of takedown notices demanding that Google remove links related to a novel that happens to share a title with a Fox-produced television program: Homeland. When the book’s author, Cory Doctorow, contacted the company to complain, a Fox representative asked him to help her figure out what had happened. In other words, the right hand did not know what the left was doing.25
- The Alberta tourism bureau, Travel Alberta, sent a takedown notice targeting a satirical video that happened to use four seconds of a Travel Alberta advertisement.26 The video was tied to a fundraising cam-


campaign by Andy Cobb and Mike Damanskis, Los Angeles-based satirists who have authored over 100 political comedy videos. Cobb and Damanskis were inspired by an ad from the Canadian oil industry that encouraged viewers to “come see for yourself” the environment around Alberta's oil projects. They also found irony in the “Remember to Breathe” tourism slogan. Cobb and Damanskis decided to take up the invitation to visit the oil sands, and to film a documentary there. They made the trailer, which includes glimpses of the Travel Alberta commercial, as part of an effort to raise funds to film the documentary.

• In January 2009, film critic Kevin B. Lee found his entire account removed from YouTube in response to takedown notices complaining of clips Lee used in the criticism he posted there.27

• News organizations have repeatedly used the DMCA takedown process to target political ads that contain clips of news broadcasts as part of their commentary.28

• In 2008, the musician Prince sent a series of takedown notices targeting fan videos—even though he did not own the music in question.29

The above is just a tiny sample of the abuses we hear about every day. Many more are documented at the Electronic Frontier Foundation’s Takedown Hall of Shame.30

Of course, a person targeted by an improper takedown can file a counter-notice, but many hesitate to do so for understandable reasons. For a layperson, the counter-notice process can be very intimidating. The process requires that one invite a lawsuit, a terrifying prospect for many no matter how strong the fair use argument—particularly if they have been apprised of the prospect of statutory damages and attorney fees. Moreover, the counter-notice process has been interpreted to require that the user give up her anonymity. Where the video in question involves criticism, a user may fear reprisals well

28 See, e.g., CENTER FOR DEMOCRACY & TECHNOLOGY, CAMPAIGN TAKEDOWN TROUBLES: HOW MERITLESS COPYRIGHT CLAIMS THREATEN ONLINE POLITICAL SPEECH, available at http://www.cdt.org/files/pdfs/copyright_takedowns.pdf (describing how broadcasters sent DMCA takedown notices to remove political ads from a number of campaigns without considering fair use and finding that such removal chilled political speech).
beyond a copyright lawsuit if she reveals her identify. And, if she does file a counter-notice, it can take weeks for material to be restored.

As for Section 512(f), copyright holders have been fighting for several years to convince courts to read Section 512(f) as narrowly as possible, to ensure that it will not be a meaningful deterrent to taking down lawful speech—including the fair uses explicitly called out in the statute’s text—but rather a feeble slap on the hand applicable only in the rarest of circumstances.\(^{31}\)

In sum, the safe harbors can be effective, but more is necessary to protect abuse of the notice and takedown system. That goal must be an integral part of any multi-stakeholder dialogue.

C. Recommendations.

1. Substance.

We appreciate that the Task Force has explicitly included “inaccurate takedown requests” and “misuse of takedown requests” among the issues to be addressed in its proposed multi-stakeholder dialogue. To adequately protect online expression, the dialogue should explicitly consider how the notice-and-takedown process can be adapted to offer stronger protections for fair uses. A good starting point for these discussions would be the UGC Fair Use Guidelines, which have been endorsed by several public interest organizations who represent fair users.\(^{32}\)

The discussion should also include ways to improve the process so that users can take advantage of the protections that already exist. For example, service providers should commit to forwarding all takedown notices to users whose material is targeted, if contact information for those users is available. Copies of all notices should also be sent to ChillingEffects.org, a database created precisely to catalogue the use and abuse of the DMCA notice-and-takedown process.

Finally, the process should include protections for anonymity. With respect to takedown notices, the identity of the sender could be anonymized if she has a good faith belief that she will be subject to retaliation if her information is

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32 To be clear, these guidelines are distinct from guidelines developed solely by industry representatives, available at http://www.ugcprinciples.com/, which are much less protective of fair use. For the UGC Fair Use Guidelines, see Fred von Lohmann, Fair Use Principles for “UGC,” EFF (Oct. 31, 2007), available at https://www.eff.org/deeplinks/2007/10/fair-use-principles-UGC.
disclosed to the target. Similarly, the service provider could anonymize the contact information of the sender of a counter-notice who is prepared to attest to the same good faith belief, with the exception of information regarding the judicial district within which that person is located. If either the copyright holder or the user then chose to escalate to a lawsuit, it could do so identifying the defendant as a “Doe” and then follow the required procedures for obtaining discovery of identifying information for a Doe.

2. Procedure.

To address these issues adequately, any dialogue must include representatives from the various user communities affected by takedown abuse. We are pleased the Task Force recognizes this necessity, and we are mindful of the backlash that has occurred several times in recent memory when proposed or actual copyright policy changes were announced without prior consultations with affected communities.

As we saw last year in the massive resistance to the Stop Online Piracy Act, Internet users will challenge any effort to undermine the platforms and services they rely on to create, innovate, and communicate. Including them in the process can help ensure such challenges are not necessary.

Another leading example of this type of blowback was the response to the voluntary agreement between several online service providers and major copyright holders that led to the creation of the Center for Copyright Information. In essence, service providers agreed to help copyright holders police online infringement, educate allegedly infringing subscribers and, if subscribers resisted such education, take various steps including restricting their Internet access. The announcement met with significant backlash not only because of concerns about the agreement’s terms, but also because the affected subscribers were never consulted.33 In the weeks prior to this submission, moreover, one of the follow-on components of the agreement, a copyright education curriculum, came under fire due to its copyright maximalist bias.34 Again, if the developers of that curriculum had consulted public interest organizations dedicated to fair use, they might have developed a more balanced curriculum.

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Thus, we agree with the Task Force that a dialogue solely between service providers and large copyright holders will not suffice. The undersigned would be pleased to represent user interests, but we also suggest inviting the participation of users themselves—people who are not normally invited to these types of discussions. In addition, the dialogue should include technologists who are best positioned to flag some of the collateral damage, such as interference with Internet infrastructure, that may result from a given proposal.

To facilitate that broader participation, the Task Force should hold at least some in-person meetings on these topics outside of Washington, DC. For example, the Task Force could sponsor roundtables in various parts of the country. We believe many universities would be ready and willing to provide neutral, cost-effective spaces for such events. All such meetings should be webcast, recorded, and made available online to promote further public engagement.

In addition, the Task Force should take advantage of new technologies and encourage participation via online conferencing and online forums, so that users who lack the time or means to attend in-person meetings can nevertheless have a seat at the table. The Task Force could also create platforms for the public to submit testimonials—including anonymous testimonials.

To the extent the dialogue results in joint commentary or agreement, such documents should first be made available online so that the public can comment. For example, platforms such as opengovernment.org already exist to facilitate public comments.

III. The First Sale Doctrine in the Digital Environment.

A. The First Sale Doctrine Is One of Copyright’s Essential Fail-Safes.

The first sale doctrine, which finds its origins in the common law principle of exhaustion, embodies and protects the fundamental balance between copyright and the public interest. As such, its benefits are substantial; though they are not often fully appreciated.

*The first sale doctrine helps foster secondary markets for goods.* Secondary markets not only allow individuals to acquire goods they might not otherwise be able to afford, they also lead to stronger primary markets because buyers know they will be able to recoup some of the costs of the items they buy in the primary market. In other words, a buyer who might otherwise hesitate to try a new product, read a book by a new author, or listen to an album by a new musician will be more willing to take a chance if she knows she can resell her copy later. By the same token, the competition first sale introduces can en-
courage rational pricing: aware that secondary markets are available, copyright holders are encouraged to sell at reasonable rates, and even use special premiums to entice “first adopters.”

*The first sale doctrine encourages access.* Items no longer available for sale in a primary market may be available in secondary markets, or preserved in personal or institutional libraries. Similarly, first sale provides the underpinnings for the preservation of our cultural commons.

*The first sale doctrine helps protect user privacy.* If an individual wishes to read a physical book on domestic violence, but is afraid that her transactions might be tracked, she can buy it in a secondhand bookstore, borrow it from a friend, or read it at the library rather than acquiring it on Amazon.com – all options first sale helps foster. By contrast, if the book in question is electronic, she will likely have to license it, which means her acquisition, even if temporary, is more likely to be recorded.

*The first sale doctrine spurs innovation and competition.* Users often transform the things they buy, including work incorporating copyrighted works, into new and different objects that, thanks to first sale, can be redistributed. Moreover, the fact that an individual can resell her old products—even if it happens to contain copyrighted material—helps her recoup the cost of shifting platforms, such as gaming platforms. Thus, the first sale doctrine helps prevent an initial investment of resources from leading to platform lock-in.

*Finally, the first sale doctrine helps creators build new audiences.* A reader can easily share a book she loves with a friend. If that friend likes the book, she may buy her own copy or, more likely, buy the next book by the same author. The same holds true for other creative works. These practices, in turn, benefit authors and copyright holders by helping them build new audiences. As author Neil Gaiman notes, explaining why he persuaded his publisher to release a free, unrestricted digital copy of one of his novels even though he knew it would encourage some unauthorized copying:

> “[“Piracy”] is people lending books. And you can’t look on that as a lost sale. . . . What you’re actually doing is advertising. You’re reaching more people. You’re raising awareness. . . .[T]he biggest thing the web [is] doing is allowing people to hear things, allowing people to read things, allowing people to see things they might never have otherwise seen. And I think, basically, that’s an incredibly good thing.”

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Accordingly, any discussion of the future of first sale should account for these benefits, and consider how they might be supported.

B. Threats to the Continuing Viability of First Sale.

1. The Digital Dilemma.

The first sale doctrine has long been a thorn in the side of some copyright holders. At the turn of the 20th century, book publishers tried to impose a minimum resale price on books by putting a notice in every copy.\(^{36}\) In the 1930s, record labels put “private use only, not for broadcast” notices on records in an attempt to block radio stations from playing their records without additional payment.\(^{37}\) In the 1980s, movie studios tried the same thing with videocassettes, trying to control the video rental business. Congress, the courts, and free markets have consistently rejected these efforts to undermine the first sale principle.\(^{38}\)

As the Task Force recognizes, the latest and most challenging dispute concerns digital content, especially “born-digital” content. As an artifact of technology, such content is difficult to transfer (distribute) without some form of copying (reproduction).

The district court’s ruling in *Capitol Records, LLC v. ReDigi Inc.* highlights the problem.\(^{39}\) The case concerns a service that allowed its customers to download the company’s software and designate files (originally “purchased” from Apple’s iTunes Store) they wanted to resell. The software inspected the user’s computer to ensure the files came from iTunes (so it knows they were lawfully purchased), pulled the data files from the reseller’s computer to cloud storage, and deleted them from the reseller’s hard drive. Once the music was uploaded, other ReDigi users could buy it. When a purchase was made, ReDigi transferred ownership of the file from the seller to the buyer; the seller could no longer access the file.

Thus, in ReDigi’s service, the seller gets rid of her copy, and the buyer picks it up; the buyer has sole access to the good, and the seller has no further access. That would seem to reflect the essence of the first sale doctrine. But the court

\(^{36}\) See Bobbs-Merrill Co. v. Straus, 210 U.S. 339 (1908) (finding minimum resale restriction impermissible).

\(^{37}\) See RCA Mfg. Co., Inc. v. Whiteman, 114 F.2d 86 (2d Cir. 1940) (arguing that contract law cannot be used to expand copyright’s scope).


disagreed. In the court’s view, the first sale doctrine simply does not apply to digital goods so long as there is no way to “transfer” them without making ‘copies.’ When users upload their music to the cloud, they are making a ‘copy’ of that music, whether or not they subsequently (or simultaneously) delete it from their own computers, and the first sale doctrine doesn’t protect copying, only distributing.

Many of us “buy” copies of music, movies, books, games, and other similar goods in purely digital form, and this is likely to be increasingly true going forward. But under rulings like *ReDigi*, the laws we count on to protect our right to dispose of those copies could soon be as obsolete as the VHS tape. The court recognized as much but concluded that only Congress could fix the problem:

[The first sale doctrine] still protects a lawful owner’s sale of her “particular” phonorecord, be it a computer hard disk, iPod, or other memory device onto which the file was originally downloaded. While this limitation clearly presents obstacles to resale that are different from, and perhaps even more onerous than, those involved in the resale of CDs and cassettes, the limitation is hardly absurd—the first sale doctrine was enacted in a world where the ease and speed of data transfer could not have been imagined. There are many reasons . . . for why such physical limitations may be desirable. It is left to Congress, and not this Court, to deem them outmoded.\(^{40}\)

We do not necessarily agree with that conclusion. As explained by Professors Aaron Perzanowski and Jason Schultz, Section 109 merely codified the common law doctrine of exhaustion that informed decades of copyright rulings.\(^{41}\) Where a case presents a question that is not easily (or at least sensibly) answered by Section 109, courts can and should look to exhaustion principles for guidance. Nonetheless, modification of Section 109 (and related Sections, including 117) offers an alternative path that is equally worthy of support.

2. **Licensing Is Not The Only Answer.**

Some copyright holders contend that the right answer to the “digital dilemma” is not first sale reform but licensing. They assure the public that there is no reason for concern because soon we will be able to “access” any content we might want, via licensed outlets. But licensing is hardly the only answer.

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\(^{40}\) *Id.* at 656.

\(^{41}\) See Perzanowski & Schultz, *Digital Exhaustion*, supra.
First, the “end user license agreements” or EULAs, that accompany most digital content reinforce the short-sighted policies that prevent us from lending ebooks to friends, reselling software packages, using text-to-speech to read ebooks aloud, remixing, tinkering, and so on. These EULAs are contracts of adhesion: users have no ability to negotiate their contents and, quite often are entirely unaware of their existence.

Second, leaving everything to “licensing” necessarily means abandoning the notion of copyright as a balanced system. Shifting to licensing gives all the power—for the extraordinarily long copyright term—to copyright holders to decide the conditions of use for vast portions of our cultural commons. Judge Learned Hand said that “[r]estrictions upon the use of chattels once absolutely sold are at least prima facie invalid . . . . [N]ormally they are ‘repugnant’ to the transfer of title.” It is not clear why this should be any less true when companies make all indications to consumers that the company is “selling,” and consumers are “buying,” digital music, books, movies, and other goods. It is no less ‘repugnant’ to then turn around and say there was no “sale” because certain fine-print terms of use—which are generally incomprehensible to consumers in any event—say the transfer was a “license.”

Third, it is crucial to keep in mind that the digital dilemma is not confined to traditional copyrightable works such as movies, books and music. As more and more of our everyday devices and equipment come embedded with software, the emergence of a “license culture” becomes more of a great threat to settled expectations. For example, software vendors might require that the software that helps your car work better can only be licensed, not purchased, which means you may not be able to freely re-sell, gift, or tinker with your vehicle.

Fourth, the problem might also be posed another way. Any copyright reform, whether to the doctrines of first sale or fair use, or any other basic limitation, could be—and often are—undone in practice via a EULA. We urge the Task Force to realize that the first sale doctrine cannot be “fixed” without also addressing the prevalence of mass contracts.

C. Recommendations.

We suggest modifying Sections 109 and 117 to adapt to current practice and expectations. Section 109, in particular, was enacted more than 35 years ago. While we do not believe it is appropriate to specify legislative language at this stage, much could be accomplished by two modifications. First, Sections 109 and 117 currently carve out certain rights for “owners” of copies of a work

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42 RCA Mfg. Co. v. Whiteman, 114 F.2d 86, 89 (2d Cir. 1940).
“lawfully made under this title.” Given the increasing use of licensing as an exclusive means of distribution of copies of copyrighted works, the Task Force should explore alternative language, such as carving out rights for “possessors” of works lawfully “made and acquired.”

Second, we suggest the public interest would be best served by instituting restrictions on waiver of rights that are essential to maintaining a balanced copyright system, such as fair use and first sale. More directly, the Task Force should explore ways of limiting copyright holders’ ability to use license agreements to require the public to waive the rights and protections afforded by the Copyright Act, particularly where the waiver is contained in a contract of adhesion.43

IV. Statutory Damages.


1. The Task Force Should Define Effective Deterrence As A Balance of Competing Values.

The ultimate purpose of copyright law’s remedy provisions, like the copyright system as a whole, is “to promote the Progress of Science[.]”44 And like all acts of Congress, copyright is shaped by the Constitution’s guarantees of freedom of speech and due process of law.45 So, when the Task Force recommends improvements to copyright’s statutory damages regime, those purposes and guarantees should shape what “effective deterrence” might be.

A sensibly limited, predictable damages regime can deter harmful copyright infringement while encouraging new information technology and preserving vibrant free expression on the Internet. The current statutory damages regime is neither predictable nor sensible. The availability of six-figure damages (per infringed work, no less) and the lack of guideposts for judges and juries in setting damage awards, while plausibly deterring some infringement, comes at the cost of suppressing Constitutionally-protected expression and

the development of useful technologies that create new markets for creative works.

Worse yet, the current regime has led to a nationwide scourge of abusive lawsuits that has terrorized thousands of Internet users into paying nuisance-value settlements based on little or no evidence of infringement. The purpose of these suits is not to protect creative expression or incentives to create, but to profit from mass litigation.46 This problem flows directly from a statutory damages regime disconnected from any notion of actual harm.

Because the ultimate purpose of copyright is not to deter infringement but to foster creativity and innovation, an “effective” remedy for infringement will be one that balances the defense of copyright holders’ statutory monopoly against the harms of overdeterrence and abuse of the legal system.

2. In Suits Against Individuals, Deterrence Must Be Balanced Against Freedom of Speech and Prevention of Abuse.

For an individual Internet user, a credible threat of federal litigation is a strong deterrent to infringement regardless of the overall scope of potential damages. Being haled into court is a daunting prospect for an individual. Costs and attorney fees are significant, discovery may be distressingly intrusive, and the stress of uncertain outcomes can harm an accused infringer’s livelihood and relationships. All of these make the accusation of infringement a fearsome and costly prospect even if formal remedies are limited, especially when the accuser has, or appears to have, greater financial resources than the accused.

The range of statutory damages a court can impose—currently anywhere from $200 to $150,000 per work—is incredibly broad. The statute provides no guidelines for how to select an amount, except “as the court considers just.”47 Court decisions have not created any consistent approach to calculating damages.48 Without a way to predict where the damages awarded in a copyright

48 See Pamela Samuelson & Tara Wheatland, Statutory Damages in Copyright Law: A Remedy in Need of Reform, 51 WM. & MARY L. REV. 439, 459 (2009) (“There are no criteria in the statute to provide guidance, and courts have yet to develop a meaningful jurisprudence to calibrate how to render ‘just’ statutory damage awards.”).
suit will fall within the statutory range, rational users of copyrighted works will be guided primarily by the statutory maximum.\textsuperscript{49}

The unpredictability and irrationality of the statutory damages regime has been brought into stark relief by the few file-sharing cases that have reached final judgment. In those cases, the final damages awards were so high as to exceed any rational measure of deterrence. In \textit{Capitol Records v. Thomas-Rasset}, the defendant, a home Internet subscriber and mother of four, was assessed $222,000 in statutory damages for downloading 24 copyrighted songs, or $9,250 per song.\textsuperscript{50} Three juries in that case awarded $222,000, $1,920,000, and $1,500,000, respectively, with the appeals court ultimately applying the first award.\textsuperscript{51} In \textit{Sony BMG Music Entertainment v. Tenenbaum}, a jury found college student Joel Tenenbaum liable for $675,000 for downloading 30 songs.\textsuperscript{52} It is hard to see how higher damages would do more to deter infringement by an individual who cannot afford to pay an award 1/1,000th the size authorized by the Copyright Act. As the trial court in \textit{Thomas-Rasset} observed, “surely damages that are more than one hundred times the cost of the works would serve as a sufficient deterrent.”\textsuperscript{53}

The breadth and uncertainty of statutory damages chills free speech. The Supreme Court has held that copyright is consistent with the First Amendment’s guarantee of free speech because of the fair use doctrine and the idea-expression dichotomy, both of which shield important forms of public discourse and educational activities from copyright liability.\textsuperscript{54} While many uses of copyrighted works are clear fair uses, and others are obvious uses of another’s ideas without copying any protected expression, many fair use and idea-expression cases are uncertain in outcome. Where a finding of liability and an award of statutory damages are possible, many rational actors will self-censor, holding back valuable new speech and expression to avoid the possibility of ruinous damages. In this way, statutory damages undermine copyright’s vital First Amendment safeguards. “[T]he] combined uncertainty – of not knowing whether a use will be immunized from liability and what the penalty will be if it is not – means that the idea/expression and fair use doctrines are underutilized. Yet if these doctrines are what resolve copyright's

\begin{footnotesize}
\textsuperscript{49} Courts regularly and unpredictably award damages in the “enhanced” range of $30,000 to $150,000, even when the defendant had a reasonable theory of fair use. Samuelson & Wheatland, \textit{supra}, at 443.
\textsuperscript{50} Capitol Records, Inc. v. Thomas-Rasset, 692 F.3d 899, 907 (8th Cir. 2012).
\textsuperscript{51} \textit{Id.} at 902.
\textsuperscript{53} Capital Records v. Thomas, 579 F. Supp. 2d 1210, 1227 (D. Minn. 2008).
\end{footnotesize}
tension with the First Amendment, they need to be sufficiently viable so that users can confidently rely on them.\textsuperscript{55}

The current statutory damages regime has helped foster the nationwide plague of lawsuit abuse over the past three years. Attorneys, purporting to represent holders of copyright in independent films, pornographic films, news clippings, or photographs, have filed hundreds of lawsuits in dozens of U.S. jurisdictions against thousands of Internet users. These cases are rarely if ever litigated. Instead, the attorneys file “boilerplate complaints based on a modicum of evidence, calculated to maximize settlement profits by minimizing costs and effort.”\textsuperscript{56} They use the courts’ subpoena power to identify Internet users. Then, they engage in a campaign of threats and harassment to coerce their targets into paying cash “settlements” of $2,000 to $10,000.\textsuperscript{57}

The threat of six-figure statutory damages is one of the most effective clubs wielded by these “copyright trolls” to coerce settlements. For a typical Internet user, a threat of ruinous damages such as those awarded in the Tenenbaum and Thomas-Rasset cases is ample incentive to settle a case for several thousand dollars, even when the user did not infringe or has other valid defenses. The identity of the actual infringer, the various defenses to secondary liability, fair use, license, and other strong and important defenses become irrelevant—or at best an unacceptable gamble—to a legally unsophisticated defendant facing an imminent and credible threat of damages in multiples of $150,000.\textsuperscript{58} In these cases, statutory damages effectively nullify the procedural protections for defendants that Congress and the courts have created.

Copyright trolls derive profit from the enormous gap between potential statutory damage awards and actual harm. In many of these cases, the market

\textsuperscript{55} Alan E. Garfield, \textit{Calibrating Copyright Statutory Damages to Promote Speech}, 38 FLA. ST. U. L. REV. 1, 1 (2010).


\textsuperscript{58} 17 U.S.C. § 504(c).
value of the copyright at issue, and the actual harm caused by infringement, are little or nothing. Holders of low-value copyrights in unsuccessful movies or low-cost pornography, and even invalid assignments of rights in newspaper articles, use the threat of statutory damages to turn litigation threats into a profit center. Infringement does not impair the value of a valueless copyright. On the contrary, it provides an opportunity to turn mass litigation and a concomitant toll of human misery into a profitable enterprise.

As courts have recognized, these cases “give off an air of extortion.” The allure of easy money created by the broken statutory damages regime has attracted many unscrupulous lawyers who violate court rules or commit outright fraud to increase the flood of coercive settlements. Their abuses of the legal system must be counted as a cost of today’s statutory damages regime.

B. Statutory Damages In Secondary Liability Cases Squelch Investment In New Platforms and Discourage New Markets for Copyrighted Works.

Technological innovation drives our economy. Today, creative work is monetized and authors rewarded through the use of products and services that were unheard of only twenty years ago. But new technologies, including those that utilize creative works, inevitably threaten established businesses whose investments and revenues are tied to existing technologies. Such businesses will often have a strong incentive to suppress new technology—including through legislation and public policy—to preserve current business models, even if new products and services could lead to new markets and revenue sources in the long run.

62 MARTIN WOLF, WHY GLOBALIZATION WORKS 42 (Yale University Press 2004) (“Within a market economy, the hope of gain and the fear of loss drive inventors and innovators to apply new ways of doing thing or to produce new products.”).
64 See CLAYTON M. CHRISTIANSEN, THE INNOVATOR’S DILEMMA xx (HarperCollins 2011) (“[M]ost companies with a practiced discipline of listening to their best customers and identifying new products that promise greater profitability and growth are rarely able to build a case for investing in disruptive technologies until it is too
Today’s statutory damages regime gives incumbents who hold copyrights a powerful means of suppressing or controlling new technologies that threaten their current business models. The Copyright Act lets judges and juries award statutory damages over a very large range. Despite over thirty years’ experience with the 1976 Copyright Act, courts have not created a predictable framework for awarding statutory damages. The damages that might be awarded in any given case, and the possibility of an award that would bankrupt even a well-financed company, are highly unpredictable. That uncertainty discourages investment in new products and services that touch creative works.

Examples abound of new technologies driven out of business by copyright lawsuits. ReplayTV, the maker of a pioneering digital video recorder, was driven into bankruptcy by legal costs in a copyright suit by television studios. A trial court held MP3.com liable for over $118 million in statutory damages for creating a database of music in order to give online access for those who already owned the songs on CD, and the company was forced to shut down.

Many more technologies and services that have created valuable new markets for creative work were called illegitimate in their time, and sued for statutory damages that would have put the developers out of business had the suits succeeded. Innovators in digital audiotape, the videocassette re-

65 Record labels demanded statutory damages totaling trillions of dollars from software maker Lime Group in 2011. Limiting damages to a mere $1.5 billion, Southern District of New York Judge Kimba Wood noted that “Plaintiffs are suggesting an award that is more money than the entire music recording industry has made since Edison’s invention of the phonograph in 1877.” Jonathan Stempel, *LimeWire Wins Limit On Damages to Record Labels*, REUTERS CANADA (Mar. 11, 2011), available at http://ca.reuters.com/article/technologyNews/idCATRE72740520110311.


corder, the portable music player, and digital video distribution have all been threatened with statutory damages. These examples show that a “legitimate” service cannot mean one that has never been sued, and that private litigants pursuing statutory damages do not always act in the best interests of innovation and long-term economic success.

These examples are the tip of the iceberg. Other ideas for products and services that could have been as revolutionary as the VCR, the DVR, and the MP3 player have undoubtedly been tossed in the trash for lack of funding and fear of massive statutory damages. Evidence of what might have been is always scant, and speculative by nature, but it’s likely that for every MP3.com and ReplayTV, many more potential new platforms for creative work, including some that could create entirely new markets for music, books, television, software, games, or film, died in the womb because of the possibility of statutory damages.

Legislative reform that removes the threat of large, arbitrary statutory damage awards in secondary liability cases against entrepreneurs acting in good faith would help transform copyright from a Sword of Damocles hanging over new businesses to a business risk more comparable to the other uncertainties faced by new businesses. That would give the next DVR, iPod, or YouTube a chance to prove itself in the free market.

WLR 1191 (House of Lords 1988) (similar suit against maker of analog audiotape recorders).

70 Recording Indus. Ass’n of Am. v. Diamond Multimedia Sys., Inc., 180 F.3d 1072 (9th Cir. 1999).
C. Recommendations.

1. Judicial Fixes and Their Limitations.

The courts can take, and in some cases have taken, a more careful and nuanced approach to statutory damages under the existing statute. For example, courts can award the minimum statutory damages of $200 per work when the defendant relied on a reasonable fair use rationale or another strong argument for non-infringement. They can ask the plaintiff to offer proof of damages or profits, or else demonstrate why damages or profits are particularly difficult to prove. And in ordinary cases without evidence of particularly egregious conduct, courts could limit statutory damages to small multiples (two or three times) over actual damages or profits, as in other areas of the law.

However, as discussed above, judicial limitations like these are not applied consistently or predictably. An Internet user cannot post material online, nor an entrepreneur seek venture capital, with the assurance that these judicial doctrines will limit their exposure to ruinous damages. Inconsistently applied, judicial limits on statutory damages do little to encourage free expression and entrepreneurship. We believe a legislative fix is necessary.

2. Legislative Fixes.

There are several straightforward legislative changes that could help solve the problems described above. The following suggestions are not the only ways that statutory damages might be reformed, but we hope they can serve as a starting point for the Task Force’s recommendations.

First, statutory damages should be unavailable in cases where the defendant believed, and had reasonable grounds for believing, that its use of a copyrighted work was non-infringing. This exception should include, at a minimum, defendants who reasonably relied on fair use, or on the idea-expression dichotomy, and defendants in secondary liability claims that arise from the

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72 See Samuelson & Wheatland, supra, at 501 n.308.
73 See Samuelson & Wheatland, supra, at 502 n.313.
74 See Samuelson & Wheatland, supra, at 503 n.316.
75 See, e.g., H.R. 1201, the Freedom and Innovation Revitalizing U.S. Entrepreneurship Act of 2007 (110th Cong.), available at http://www.gpo.gov/fdsys/pkg/BILLS-110hr1201ih/pdf/BILLS-110hr1201ih.pdf (“The court shall remit statutory damages for secondary infringement, except in a case in which the copyright owner sustains the burden of proving, and the court finds, that the act or acts constituting such secondary infringement were done under circumstances in which no reasonable person could have believed such conduct to be lawful.”).
sale of a product or service. These are the cases that impinge most often, and most directly, on free speech and technological innovation, activities that copyright law should promote and not discourage.

Second, plaintiffs seeking statutory damages should be required to produce evidence of their actual harm, or the infringer’s profits, to the extent such evidence is reasonably available. If a plaintiff does not produce such evidence, or in the alternative, demonstrate to the court’s satisfaction that such evidence cannot reasonably be obtained, statutory damages should be limited to the minimum amounts. This was the rule that applied under the U.S. Copyright Act as it existed before 1978, and is the rule that currently applies in one-fourth of the WIPO member countries that provide for statutory damages.

Third, in cases involving personal, noncommercial uses of copyrighted works, the minimum and maximum statutory damages should be reduced. Canada instituted a similar reform in 2012, and it is expected to substantially reduce the number of copyright troll lawsuits burdening Canada’s judicial system. A reduced limit could serve as a deterrent to infringement while also making it feasible to mount a vigorous defense against weak claims, which would greatly reduce copyright trolling.

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76 While free trade agreements between the U.S. and several foreign countries require that statutory damages be available “at the election of the rightsholder,” both U.S. and foreign laws countenance categories of cases where statutory damages are not available. The Copyright Act currently remits statutory damages against libraries, archives, and public broadcasters who act with a sincere and reasonable belief that their use is a fair use. 17 U.S.C. § 504(c)(2). It also bars statutory damages for works not timely registered with the Copyright Office. 17 U.S.C. § 412.

77 Sheldon v. Metro-Goldwyn Pictures Corp., 309 U.S. 390, 399-401 (1940); see also Universal Pictures Co. v. Harold Lloyd Corp., 162 F.2d 354, 378 (9th Cir. 1947); Russell & Stoll Co. v. Oceanic Elec. Supply Co., 80 F.2d 864, 865 (2d Cir. 1936).

78 Of the 24 WIPO member countries whose copyright laws provide for statutory damages, six limit such damages to cases where the plaintiff can demonstrate that proving damages would be difficult. Pamela Samuelson, Phil Hill, & Tara Wheatland, Statutory Damages: A Rarity in Copyright Laws Internationally, But For How Long? 60 J. COPYRIGHT SOC’Y U.S.A (forthcoming 2013) available at http://ssrn.com/abstract=2240569. Notably, one such country is South Korea, whose free trade agreement with the United States requires that statutory damages be available at the election of the rightsholder. Id.

79 Samuelson & Wheatland, supra, 509 (“Courts should also have the power to lower statutory damages below the current $750 minimum when an award based on this minimum would be grossly disproportionate to the harm caused, as in p2p filesharing cases.”).


81 No international agreements restrict Congress’s ability to make this change.
Finally, Congress should enact a set of guidelines for judges and juries in setting statutory damage amounts. Such guidelines would make damage awards more predictable, and predictability would make the law a better guide for public behavior, allowing users of copyrighted works to better assess risk and act accordingly. For example, Israel’s recently amended copyright act instructs judges to consider these factors when setting statutory damage amounts:

(1) The scope of the infringement;
(2) The duration during which the infringement continued;
(3) The severity of the infringement;
(4) The actual injury caused to the claimant according to the assessment of the court;
(5) The benefit derived by the defendant from the infringement, according to the assessment of the court;
(6) The character of the defendant’s activity;
(7) The nature of the relationship between the defendant and the claimant;
(8) Good faith of the defendant.\(^8^2\)

In summary, one or more targeted legislative changes would go a long way towards fixing the harms to free speech, innovation, due process, and abuse of the court system that the current regime has engendered.

V. Conclusion

We thank the Task Force for providing this opportunity to submit public comments regarding the Green Paper in advance of the public meeting in December. We are pleased the Department of Commerce and other government agencies recognize the importance of public involvement in digital copyright issues. It is important that all interested parties—from copyright holders to users and service providers—have their voices heard at this stage and as this process continues.

\(^8^2\) Israel, Copyright Act of 2007, art. 56, \textit{available at} http://www.wipo.int/wipolex/en/details.jsp?id=11509. Again, no international agreement would prevent Congress from enacting this reform.