



32 BROADWAY
SUITE 1114
NEW YORK, NY
10004-1612



(212) 791-3400



(212) 791-0333



WWW.GAG.ORG

May 29, 2014

Testimony of Ed Shems to The House Judiciary Committee Subcommittee on Courts, Intellectual Property and the Internet

"First Sale Under Title 17"

On June 2, 2014

Daniel Patrick Moynihan United States Court House, New York, NY

On Behalf of the Graphic Artists Guild

INTRODUCTION

Mr. Chairman, Ranking Member Nadler, Members of the Subcommittee, thank you for the opportunity to testify today about the experiences of visual artists in making their work available to clients and consumers in the digital age. It is important when making policy decisions that will impact authors of all types of copyrighted works to hear from creative people from all parts of the creative community, so I thank you all for holding this hearing in New York City – one of the most vibrant centers of creativity in the visual arts, and home to the Graphic Artists Guild, as well as for understanding that your deliberations will have far reaching impacts on artists such as myself.

I graduated with a Bachelor of Fine Arts degree from the Rhode Island School of Design in 1991 and immediately began my career as an illustrator and later as a graphic designer. I am the past President of the Boston Chapter of the Graphic Artists Guild where I worked with the creative community to help educate younger creative professionals with an eye toward elevating our industries. I'm currently on the design advisory committee for DIGMA: The Design Industry Group of Massachusetts and this month I'm celebrating 23 years in my field. That's a lot of time spent being creative designing, illustrating, and problem solving for clients.

Before I received my diploma I had already decided to own my own business for one reason: it was important to me that I retain control over the work that I create, and this is something you cannot do when you are a salaried employee. The artwork of an employee becomes the property of the employer to do with as they will. An independent business owner is bound only by the contract he or she negotiates with a client.

STANDARD BUSINESS PRACTICES IN THE VISUAL ARTS WORLD

Graphic artists, illustrators and photographers generally license, rather than sell, their work commercially. This allows us to provide our clients exactly the rights they need, and to set a price that fairly compensates for those rights, while allowing us to retain control over the copyright in our work for other purposes. This is beneficial to us both because it keeps the



32 BROADWAY
SUITE 1114
NEW YORK, NY
10004-1612



(212) 791-3400



(212) 791-0333



WWW.GAG.ORG

costs for the client reasonable, and the compensation to the artist appropriate to the rights licensed.

As a graphic designer and illustrator, I work with individuals and with companies of differing sizes. From major publishing houses in the city to small businesses down the street from me, I'm contracted to create custom illustrations or designs specific to the needs of each client. Many of my smaller clients have very limited budgets and often come to me unaccustomed to working with an illustrator or a designer; part of my responsibility is to educate them on how to work with me and to determine what their actual needs are. In this way I am able to control their costs while ensuring they will be pleased with the results of my work. Without the ability to fine-tune the rights within a contract, I fear the smaller businesses would not be able to afford to hire me.

The standard trade practices for graphic design and illustration are based on copyright law and licensing models. It is the use of the design or illustration that influences the price. If the design or illustration will be featured over an extensive geographical area, or is an all-rights contract, fees are significantly higher than when a design or illustration is only used locally within a selected area, or for limited usage.

If, at a later date, the client needs to use the work for a different purpose than originally contracted for, such as for an electronic database or on a website, the designer or illustrator negotiates what is known as a reuse fee with the client based on the original work and the extended usage.

I had a client a year ago who was starting a new business but couldn't afford to license a logo at my usual rates. So instead I licensed the design to him for up to two years for a reasonable percentage of the actual amount I would normally license the full rights to the logo. After two years he will be able to decide whether he wants to continue the business and acquire all of the rights to the logo for an additional 150%. My ability to be flexible with the rights in our contract enabled him to get a custom, professionally designed logo to help propel his new business forward. If I had to offer him an "all rights" deal – the equivalent of selling him the logo, I would have lost the opportunity to work with him, and he would not have been able to launch with a professionally designed logo.

Graphic artists are service providers. We provide a service to our clients through our creativity to enhance their businesses and/or services in the marketplace. Our exclusive rights in our original artwork, and the potential to earn income from licensing our work to different clients, businesses, and media in different forms and formats, are essential to our income as creative professionals, and small business owners.

WHY EXPANDING THE FIRST SALE DOCTRINE WOULD HARM ARTISTS AND OUR CLIENTS

I am not a lawyer, but it is my understanding that the Subcommittee is considering two related issues which would be relevant to my work: (1) whether the first sale doctrine should be expanded in order to grant users greater rights in the digital world; and (2)



32 BROADWAY
SUITE 1114
NEW YORK, NY
10004-1612

TEL

(212) 791-3400

FAX

(212) 791-0333

WEB

WWW.GAG.ORG

whether artists and other copyright owners should be able to write the terms of our license agreements with our clients based upon their actual needs without being subject to government regulation.

As I understand it, the first sale doctrine is a doctrine intended to limit the rights of a copyright owner to control what a purchaser of a particular copy of a work does with that copy of the work after it is sold. Since in the analog world the doctrine applies only to the specific copy of a work sold to a customer, and doesn't permit the customer to make additional copies of the work, this doctrine has not been particularly relevant to my work, given that most of my work is licensed to clients rather than sold, and the licenses provide for very specific permissions as to how the work may be reproduced and published. Once my work is reproduced and published in book form, for instance, the fact that the first sale doctrine allows a downstream purchaser of that book to later sell the used copy of the book at a yard sale does not trouble me, because the risk in the analog world of my work being reproduced and distributed without my permission as a direct consequence of this doctrine is relatively small.

I am concerned, however, about proposals to expand the first sale doctrine in the digital world to allow reselling of digital works over the internet. In practicality, there is no such thing as a "used book" in the digital world. Every copy of a file is as good as the original, and doesn't degrade over time, so every digital book sold under the first sale doctrine would compete directly with my client's sales – this means my clients will have fewer sales, and fewer resources to devote to illustrate or design their works. As a result, I would likely have fewer clients and we might see a decline in the industry in which I make my living.

Additionally, under the proposed change, I am concerned that because infringement will become even harder to police than it is now, once my artwork has been published, my work may then be altered by an end user in a manner to which I may object. This may include reworking of the art in an objectionable way or using it to promote or convey a message with which I do not agree. My artwork represents me and my point of view and changes unapproved by me might impact negatively upon my reputation and therefore my ability to attract work/clients. As a creative professional and small business owner, I am able to choose which clients I will work with. Under an extension of the first sale doctrine, where copies of my work could be digitally sold to others I don't know or work with, that right would be taken away from me.

Of course, my work, and the work of other visual artists is already subject to infringement – often to a degree which is very burdensome for individual artists and small businesses like my own. The proposal to expand the first sale doctrine in the digital world would make it wholly unmanageable for creative professionals to manage the distribution of our work. A change to this doctrine is something that the visual arts community is NOT asking for. More importantly, it isn't something our clients are asking for either.

The second, related question is whether artists and other copyright owners should be able to write the terms of our license agreements with our clients based upon their actual needs without terms being dictated by law. As I said at the outset, licensing is core to the



32 BROADWAY
SUITE 1114
NEW YORK, NY
10004-1612



(212) 791-3400



(212) 791-0333



WWW.GAG.ORG

business of so many visual artists who work commercially. If the government were to intervene in the license agreements we negotiate with our clients, (by, for instance, requiring us to allow our clients to resell our work to others), that would be incredibly destructive to the livelihoods of commercial visual artists, and would raise prices for clients.

If I am illustrating a text book for college students, and the publisher does not foresee the need to acquire the rights for an interactive online version of the book at the time we are negotiating the fee and usage rights for the work, I can reflect in my fee the limited use the publisher desires and which fits the budget the publisher has allocated. However, if Congress were to impose the requirements of the first sale doctrine also on license based transactions, my fees would have to reflect that the client is acquiring all rights in the work. As a result, my client would be required to pay for uses beyond what they actually need – driving-up the cost of the project, and likely exceeding their allocated budget.

Moreover, if I were required to allow my clients (and other downstream purchasers) to resell my work it would commoditize that work to the point where it would lose its value for my business. The effect of such a change would also be to essentially force me – an independent entrepreneur – into the equivalent of a work made for hire world where I no longer manage the rights to my own artwork. This is a path I explicitly rejected and have been rallying against throughout my career, where I would be forced to surrender my most precious economic asset: my copyright. The impact on me as a small business would be monumental.

CONCLUSION

Graphic art, i.e., illustration and graphic design, is sold primarily on the basis of usage and reproduction rights. Usage rights are generally sold according to the client's needs. Other uses for a work may be sold to other clients as long as they are noncompetitive or do not compromise the commissioning client's market. Clients that manage their businesses well only buy rights that are particular to the project since it is not economical to pay for additional rights that are not needed and that will not be used.

Changing the doctrine of first sale to be more expansive in the digital world than it is in the analog world and/or imposing the requirements of that doctrine on licensing transactions would result in significant changes in the marketplace that would be detrimental to illustrators and graphic artists as well as our clients. The end user would be forced to acquire usage rights they've never had before and weren't paying for, resulting in an increase in expenditures for clients that might make it impossible to contract the services of a graphic artist.

ABOUT THE GRAPHIC ARTISTS GUILD

In the course of its 47-year history, the Graphic Artists Guild has established itself as the leading advocate for the rights of graphic artists on a wide range of economic and legislative



32 BROADWAY
SUITE 1114
NEW YORK, NY
10004-1612



(212) 791-3400



(212) 791-0333



WWW.GAG.ORG

issues, from copyright to tax law. Through its publication of the *Graphic Artists Guild Handbook: Pricing & Ethical Guidelines* (now in its 14th edition), the Guild has raised ethical standards in the industry, and provides an invaluable resource on pricing information that is relied on by both artists and clients. The Guild's newsletter, the *Guild News*, provides lively, provocative, and useful coverage of developments in the visual communications industry for its readers.

The Guild also provides a wealth of services and benefits for its members, including educational programs, discounts on a multitude of products and services, a legal referral network, and grievance handling. The Guild's website offers up-to-date information on Guild activities, updates on advocacy issues, members' portfolios, individual regions, and tools and resources for all graphic artists.

Respectfully submitted,

Ed Shems, edfredned Illustration and Graphic Design, www.edfredned.com
Lisa Shaftel, Advocacy Committee Chair
Haydn Adams, President
Tricia McKiernan, Executive Director

The Graphic Artists Guild is a member of the Copyright Alliance