

Statement of Pamela Samuelson,
Richard M. Sherman Distinguished Professor, Berkeley Law School,
Faculty Director, Berkeley Center for Law & Technology

To the Subcommittee on Courts, Intellectual Property and the Internet,
Committee on the Judiciary,
United States House of Representatives, 113th Congress, 1st Session

Hearing on "A Case Study in Consensus Building: The Copyright Principles Project"

May 16, 2013

Mr. Chairman and Members of this Subcommittee, thank you for the opportunity to come before you to discuss the Copyright Principles Project (CPP) and the copyright reform proposals it explored.

I convened the CPP project in 2007 with the support and encouragement of then-Register of Copyrights Marybeth Peters who thought that it would be beneficial for a group of copyright professionals to start conversations about copyright reform. I began by inviting twenty experts to participate in a three-year project to consider in what respects U.S. copyright law might be in need of reforms. Some members of this group were industry lawyers; some were practitioners with law firms; and some were law professors.¹ While we often had diverse perspectives on copyright issues, we agreed to conduct our conversations in a respectful manner and to work toward consensus if this could be achieved. From our first meeting in July 2007, we decided to call ourselves the Copyright Principles Project and to meet three times a year for two days for each session to discuss reform issues.

WHY COMPREHENSIVE REFORM IS NEEDED

My motivation for initiating this project grew out of my conviction that it was time to think in a broad way about what has been working well in copyright law today and what has not.² I agree with Register Pallante that the Copyright Act of 1976 (1976 Act) is well-described as "a good 1950s law" that needs to be updated to respond to challenges posed by advances in technology, business models, and novel uses that can now be made of protected works.³

A second reason to consider comprehensive reform is that U.S. copyright law has been amended so many times in the last 37 years that it has become more like a patchwork quilt than a

¹ The members of the project are listed by name and affiliation in Pamela Samuelson, et al., *The Copyright Principles Project: Directions for Reform*, 25 BERKELEY TECH. L.J. 1175, 1180 (2010).

² One article, written before the CPP convened, discussed both the rationale for undertaking copyright reform and numerous issues that should be considered in the course of a reform project. See Pamela Samuelson, *Preliminary Thoughts on Copyright Reform*, 2007 UTAH L. REV. 551.

³ Statement of Maria Pallante, Register of Copyrights, to the Subcommittee on Courts, Intellectual Property and the Internet, Committee on the Judiciary, U. S. House of Representatives, 113th Congress, 1st Session, March 20, 2013 at 2 ("Register's Statement").

coherently woven fabric that can serve well the much more diverse creative environment of today.

A third is that the length of the 1976 Act, as amended, its complexity, and the highly technical language in many provisions have become impediments to the law's comprehensibility, and that in turn has obscured the normative foundations of the law which are so important to engendering public support and respect for the law.

A fourth is the 1976 Act was drafted without an expectation that this law would come to have applicability on a daily basis to common activities of hundreds of millions of people. Its incomprehensibility may have been tolerable when it affected only copyright professionals who had become accustomed to its peculiarities. However, now that this law applies to virtually everyone and to online activities that pervade modern life, it needs to be more comprehensible. I agree with Register Pallante who recently observed in her testimony to this Subcommittee that "if one needs an army of lawyers to understand the basic precepts of the law, then it is time for a new law."⁴

THE COPYRIGHT PRINCIPLES PROJECT REPORT

Members of the CPP ultimately drafted and agreed to publish a report on our deliberations, "The Copyright Principles Project: Directions for Reform," to achieve three main goals. First, we sought to articulate a set of principles that should undergird a good copyright law.⁵ Second, we considered in what respects the existing law was fully consistent, partly consistent, or inconsistent with these principles.⁶ Third, we explored ways in which the law might be reformed so that U.S. copyright law would be more consistent with the principles.

Our report suggests that serious consideration should be given to 25 possible reforms.⁷ While some proposed reforms attracted a high level of support, others were more controversial and attracted less support among CPP members. There was, however, sufficiently strong interest and support for each proposal so that we agreed as a group to include discussion of them in our report, albeit sometimes with a statement of concerns or divergent views that would provide a more nuanced view of our deliberations and conclusions.

THE ROLES OF COPYRIGHT OFFICE, THE COURTS, AND CONGRESS IN REFORM

Some reforms proposed in the CPP Report are capable of being carried out by the Copyright Office without any change to the copyright statute. For instance, the Report recommended that the Copyright Office hire a chief economist to provide expert input to its policy deliberations, which would be desirable in view of the increasingly important role of copyright law as an

⁴ *Id.* at 2.

⁵ The principles are set forth in the CPP Report, *supra* note 1, at 1181-83.

⁶ *Id.* at 1183-97.

⁷ *Id.* at 1198-1245.

instrument of economic policy.⁸ Additionally, the CPP Report recommended that the Office hire a chief technologist to advise it on new technology matters.⁹

Some reforms proposed in the CPP Report would best be carried out by the courts. This would include clarification of the proper test(s) for determining when copyrights have been infringed based on similarities of a structural or nonliteral character,¹⁰ consideration of commercial harm as an element of infringement,¹¹ and refinement of copyright preemption rules as applied to state contract provisions that arguably conflict with federal copyright policy.¹²

Several reforms considered in the CPP Report would seem to require Congressional action. They include: improvements in the Copyright Office registration system;¹³ refinements in the exclusive rights provision of U.S. copyright law;¹⁴ updated limitations and exceptions applicable to libraries, archives and museums;¹⁵ limitations on remedies that can be levied against those who make what they legitimately believe to be orphan works more widely available;¹⁶ more guidance from Congress with respect to statutory damage awards;¹⁷ and mechanism through which small claims of copyright infringement could be adjudicated.¹⁸ It is notable that there are several similarities between these reform proposals from the CPP Report and the reform agenda Register Pallante set forth at the March 20, 2013, hearing before this Subcommittee.¹⁹

A NEW VISION AS TO COPYRIGHT REGISTRATION

The CPP Report considered more extensive and ambitious improvements to the copyright registration than the Register may have contemplated. I will highlight here the first two recommendations in the CPP Report which set forth the reconceptualization of registry functions that are worthy of serious consideration.

Recommendation #1: Copyright law should do more to encourage copyright owners to register their works so that better information will be available as to who claims copyright ownership in which works.²⁰

⁸ *Id.* at 1205-06.

⁹ *Id.*

¹⁰ *Id.* at 1215-16.

¹¹ *Id.* at 1209-14.

¹² *Id.* at 1235-38.

¹³ *Id.* at 1198-1205.

¹⁴ *Id.* at 1208-15.

¹⁵ *Id.* at 1232-34.

¹⁶ *Id.* at 1234-35.

¹⁷ *Id.* at 1220-22.

¹⁸ *Id.* at 1207-08. Some other CPP proposals would involve fine-tuning of existing statutory provisions, such as clarification of elements of copyrighted works—other than abstract ideas—that are unprotectable by U.S. copyright law. *Id.* at 1228.

¹⁹ Register's Statement, *supra* note 3, at 2.

²⁰ CPP Report, *supra* note 1, at 1198.

The vast majority of copyrighted works created each year have little or no commercial value. Billions of works, such as emails and business memos, are created without the incentive of copyright and lack independent commercial value as expressive works. Many other works that people create, such as blog posts, are subject to copyright, although their authors intend to distribute them without restraint or with fewer restraints than the default rules of copyright impose. Many works are created with the intent to exploit their commercial value as expression and enjoy evanescent commercial value that endures for a much shorter period than the current copyright term.

These types of works are similar in one important respect. They are not producing revenues for the copyright term. For this reason, continued copyright protection serves no real economic interest of the author. Copyright does not, of itself, create commercial demand for protected works. In a deformalized, opt-out copyright system, commercially "dead" works cannot safely be reused as building blocks for potentially valuable new works or safely made available by cultural heritage institutions. The costs of locating the rights holder and obtaining permission will often be prohibitively expensive. In such instances copyright is unbalanced: its potential benefits are absent or depleted, and it therefore imposes only social costs.

To respond to the overly expansive copyright regime now in place, there emerged strong interest within the CPP group for "reformatizing" copyright law. Copyright law should not just re-introduce the formalities from the past. However, a more robust registration system would be desirable. Non-compliance with this registration procedure would not, as in the past, consign a work into the public domain. Instead, it would affect the rights and/or remedies available to the rights holder, so as to reduce certain liability risks for reusing unregistered works. The law presently does this in part by making the availability of statutory damages and attorney fee awards dependent on prompt registration, but this inducement to registration has not sufficed.

Recommendation #2: The Copyright Office should transition away from being the sole registry for copyrighted works and toward certifying the operation of registries operated by third parties, both public and private.²¹

The basic idea would be to shift the Copyright Office away from day-to-day operation of the copyright registry and toward a role of setting standards for and superintending a system of separate but networked and interoperable private registries.

The first step would be to authorize the Copyright Office to set standards for acceptable private registries—i.e., both technical standards and also specifications determining what kinds of copyright information a compliant registry *must* and *may* ask for from users and

²¹ *Id.* at 1203.

place into its database. The Office would need to be empowered to make sure any private registry meets important public interest requirements regarding transparency and efficient searches through multiple services, so as to minimize burdens on both copyright owners and users on accessing the data and benefits of these services. Once these standards are established, the Copyright Office could accept applications from firms seeking to operate as private registries and would certify that private registries (of many different types) meet and continue to adhere to the registry standards.

The end result, if this task is done properly, would be an environment in which private firms compete to obtain copyright registration information from rights holders. Competition should lead to lower costs and innovations in registry design. And if the registries operate according to compatible technical standards, user searches for copyright information will be able to draw upon the data stored in all of the networked private registries. The result would be a system that is in reality decentralized but that is architected and managed to provide a "search once, search everywhere" experience to users. The model is similar to the domain name registration system, where multiple private parties provide services and access to the database of domain names.

To explore in greater depth the possible benefits and downsides of thinking anew about copyright registration and other types of formalities, the Berkeley Center for Law & Technology recently held a conference entitled "Reform(aliz)ing Copyright for the Internet Age?" at which Register Pallante was the Keynote Speaker and several CPP members were speakers. The agenda, schedule and audio of the presentations is available at <http://www.law.berkeley.edu/formalities.htm>. A transcript of the Register's remarks at this conference, which expressed considerable interest in revisiting copyright formalities, can be found at <http://www.law.berkeley.edu/files/Pallante-BerkeleyKeynote.pdf>. One session of the conference was given over to consideration of the constraints and flexibilities that derive from the Berne Convention for the Protection of Literary and Artistic Works, of which the U.S. is a signatory. Another session focused on advances in technologies that have made efficient online registry systems feasible and desirable in the Internet age.

THE NEED FOR GUIDANCE FOR STATUTORY DAMAGE AWARDS

Apart from our vision for a 21st century registration system, the CPP Report recommendation that I most wish to highlight in my testimony today is one that which calls for meaningful guidelines to ensure that awards of statutory damages are "consistent, reasonable, and just."²²

Present law allows copyright owners who have promptly registered their claims of copyright to choose, in lieu of an award of actual damages and infringer's profits, an award of "statutory damages" in an amount ranging from \$750 to \$30,000 per infringed work in the ordinary case,

²² *Id.* at 1220.

and up to \$150,000 per infringed work in cases of willful infringement, as the court deems "just."²³ Courts can reduce statutory damages to \$200 when an infringer proves that he was not aware of and had no reason to believe his conduct was infringing, and to \$0 if the good faith user is affiliated with a nonprofit educational institution. In practice, however, the lower level of statutory damages is hardly ever used.²⁴

Statutory damages sometimes provide reasonable compensation when actual damages and infringer profits are difficult or expensive to prove or when damages and profits are low. At the higher end of the scale, statutory damages are thought to provide extra deterrence or punishment for egregious infringement.

However, the wide numerical range of permitted awards, coupled with the lack of standards or guidelines for awards, the ability of the plaintiff to unilaterally elect an award of statutory damages at any time in the litigation, and the willingness of courts and juries to decide that infringement was willful if the defendant should have realized his acts were infringing, has, CPP members concluded, too often led to awards that seem arbitrary and capricious, inconsistent with awards in similar cases, and sometimes grossly excessive or disproportionate when compared with a realistic assessment of actual damages and profits.²⁵

The unpredictability of statutory damage awards and the risk of grossly excessive awards is particularly troubling for entrepreneurial technology companies and other entities that may devise innovative ways for users to interact with copyrighted works. Because statutory damage awards must be levied based on the number of works alleged to be infringed with a minimum of \$750 per work, products and services that enable use of thousands or millions of works can put their developers at great risk, even as to products or services that if litigated would ultimately be deemed lawful.

A recent empirical study has shown that the potential for grossly excessive statutory damages has had a chilling effect on investments in innovative technology products and services.²⁶ At a time when the United States aspires to grow its economy and support innovation, the excessive deterrent effect of copyright statutory damages under U.S. law should be of concern to members of Congress.

The risk of excessive awards can be greatly exacerbated when copyright claims are aggregated. Consider, for instance, the risk that Apple took when it introduced the iPod into the market place with an advertising campaign that urged purchasers to "rip, mix, and burn" music onto these devices. The developers of Slingbox took a similar risk when launching a product whereby users

²³ 17 U.S.C. 504(c).

²⁴ CPP Report, *supra* note 1, at 1221.

²⁵ See, e.g., Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 WM. & MARY L. REV. 439, 480–91 (2009) (discussing examples).

²⁶ Michael Carrier, *Copyright and Innovation: The Untold Story*, 2013 WISCONSIN L. REV. 891.

could stream cable television programs so they could watch them via the Internet. Both products were designed for use with very large numbers of copyrighted works. Consider also the risk Google took by scanning in-copyright books from major research library collections for its Google Book Search project. Three members of the Authors Guild have sought to represent a class of U.S. authors whose works were unlawfully scanned. (A District Court has granted class certification, although the class certification is presently on appeal to the Second Circuit.) One commentator has estimated that Google's statutory damage exposure in this lawsuit may be as high as \$3.6 trillion,²⁷ even though Google's fair use argument is very plausible and even though actual damages would realistically be far less than this, assuming Google was ultimately deemed an infringer. Apple, Slingbox, and Google may have been willing to bet their companies on these initiatives, but many other companies would be understandably reluctant to do this.

In addition, grossly excessive statutory damage awards have contributed to public disrespect for copyright law. The well-publicized jury awards against filesharers Jammie Thomas-Rasset (\$1.92 million in one of her trials) and Joel Tenenbaum (\$675,000) may have been gratifying to the plaintiffs in those cases, but it is impossible for members of the public to consider such awards just.²⁸ These awards also starkly contrast with judge-rendered awards in a dozen or so other file-sharing cases which were based on the statutory minimum per infringed work.²⁹ To be consistent with those rulings, the award against Thomas-Rasset would have been \$18,000 and against Tenenbaum \$22,500. To many members of the public, even these awards might seem excessive, but at least they are far less excessive than what the juries awarded.

One other social cost of the lack of guidance in U.S. copyright law in relation to statutory damage awards is the rise of "copyright troll" lawsuits and pre-litigation cease-and-desist letters that challenge their targets with infringement, highlighting the high statutory damage award risk, with an offer to settle for a few thousand dollars.³⁰ However weak the claims might be, individuals have all too often paid the proposed settlement amount because it is cheaper to do this than to defend a lawsuit.

There are a number of alternatives that Congress could consider to provide guidance so that statutory damage awards would be more consistent, reasonable, and just. One option would be to peg statutory damage awards to a certain range of multiples over actual damages, depending on how egregious (or not) the defendant's conduct might be. Another would be to limit statutory damage awards in particular kinds of cases. Canada, for instance, has adopted a cap of CA\$5000

²⁷ Jonathan Band, *The Long and Winding Road to the Google Book Settlement*, 9 J. MARSHALL REV. INTELL.PROP. L. 227, 229 (2009).

²⁸ The trial judges in both the *Thomas-Rasset* and *Tenenbaum* cases perceived these awards to be unjust and both judges tried to reduce them to more reasonable levels.

²⁹ Opening Statement by Pamela Samuelson, Debate, *Unconstitutionally Excessive Statutory Damage Awards in Copyright Cases*, PENNUMBRA (2009), available at www.pennumbra.com/debates/debate.php?did=22.

³⁰ Tim Worstall, *The Simple Way to Beat Copyright Trolls Like Prenda*, FORBES, May 8, 2013, available at <http://www.forbes.com/sites/timworstall/2013/05/08/the-simple-way-to-beat-copyright-trolls-like-prenda/>.

against noncommercial infringers.³¹ Congress might also grant courts power to reduce statutory damage awards that are unreasonable and unjust.

It is worth realizing that while statutory damage awards have a long history in U.S. copyright law, very few nations with substantial copyright industries have statutory damage regimes in their copyright laws.³² And those nations that have adopted such regimes have limits built in to these rules to curb the risk of unjust awards.³³ It would be worthwhile to study these other regimes to see if there are useful lessons to be learned from them.

CONCLUDING THOUGHTS

Delving back into the legislative history of the 1976 Act, as I have done for several scholarly projects, I have come to believe that it has been possible for people of goodwill and divergent views to conduct thoughtful civil discourse about how to craft a well-functioning and balanced copyright law. It has happened before and can happen again, even though the policy landscape is much more complicated today than it was in the 1960s and 1970s. It was in the hope of rediscovering this discursive potential that I convened the CPP group. Our efforts bore some fruit. It is an honor to have the opportunity to discuss our work with this Subcommittee.

If "the next great copyright law" that Register Pallante envisions is to truly earn this name, it must be the product of wide-ranging consultations with the much more diverse set of stakeholders today than those who participated in deliberations leading up to the enactment of the 1976 Act. If the law is to engender public respect, it must aim to do more than freeze in place all of the rules favorable to authors and copyright industry groups and extend those rights further to reach activities now either outside the law's reach or in an ambiguous territory. Compromises and rebalancing of interests will be needed. If there is something I can contribute to this effort, I would be pleased to do so.

³¹ Michael Geist, *Why Liability Is Limited: A Primer on New Copyright Damages as File Sharing Lawsuits Head to Canada*, Nov. 28, 2012, available at www.michaelgeist.ca/content/view/6710/125/.

³² A recent empirical study of the remedy regimes of nations that are members of the World Intellectual Property Organization shows that only 24 of the 179 nations (13.4%) for which English translations of their copyright laws are available have statutory damage regimes at all, and most of those 24 are developing economies. Only 5 developed economies (including the United States) have statutory damage regimes. The 28 other developed economy nations, including the UK, France, Germany, and the Netherlands, do not have this type of remedy. Pamela Samuelson, Phil Hill, & Tara Wheatland, *Statutory Damages: A Rarity in Copyright Laws Internationally—But For How Long?*, J. Cop. Soc'y USA 5-6 (forthcoming 2013), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2240569.

³³ *Id.*, Part III (discussing several types of limits that other nations have placed on statutory damage awards).