

Testimony of Steven Tepp
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on
“Copyright Remedies”
before the
Subcommittee on Courts, Intellectual Property, and the Internet
House Judiciary Committee
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Mr. Chairman, Ranking Member Nadler, Chairman Goodlatte, Ranking Member Conyers, and Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss copyright remedies as part of your ongoing review of the American copyright system.

My name is Steven Tepp and I am President & CEO of Sentinel Worldwide. Previously, I enjoyed a career of 15 years of government service to your counterpart committee in the Senate and the U.S. Copyright Office. I now provide intellectual property counsel to companies and associations with interests in protecting and enforcing intellectual property rights, including the Global Intellectual Property Center of the U.S. Chamber of Commerce. I am also a Professorial Lecturer in Law, teaching copyright at the George Washington University Law School. I have previously taught at the George Mason School of Law and the Georgetown University Law Center.

I am here before you today in my personal capacity as an expert in copyright. The views expressed are my own and do not necessarily reflect the views of any client or employer.

The Role of Copyright Remedies

Copyright is a property right. Those who apply their talents to produce creative, tangible expression earn their copyright. But copyright protection does not guarantee that the creator will earn any money; the marketplace decides that.

When a copyrightable work¹ is a commercial success, there is no shortage of people who seek to participate in the profit making, including some who run afoul of the law and violate copyright. When people misappropriate the work of others, the copyright owners are deprived of their rights and their legitimate income, and the infringers obtain unjust enrichment. This is a distortion of the marketplace incentives to create and distribute copyrightable works that must be addressed if our copyright system is to be maintained as an engine of economic growth, job creation, innovation, and creative expression. It is axiomatic that property rights that exist only on paper and cannot be effectively enforced are no rights at all.

The copyright review hearings this subcommittee has conducted thus far have presented nuanced issues of the scope and duration of exclusive rights and the scope and application of exceptions and limitations, including statutory licenses. Today's hearing is different. Most remedies are available only after a court has resolved all the nuances in copyright law and found the defendant to have infringed. The subject of today's hearing is the appropriate redress for violations of the law.

The Three Goals of Remedies

The effective enforcement of copyright entails three fundamental goals: full compensation to the injured right holder, deterrence against future infringement

¹ Throughout my testimony I refer to "works" and "copies". Although the Copyright Act also uses the term "phonorecords," for purposes of my remarks today I use those terms to include all subject matter within the scope section 102 of the Copyright Act.

(including disgorgement of profits by infringers), and in the most egregious cases punitive measures against the infringer.

The Copyright Act is designed to achieve these through the availability of a variety of equitable and monetary remedies in civil cases and the imposition of fines, imprisonment, and forfeiture in criminal cases. Chapter 5 of the Copyright Act sets out the specific remedies that are available: injunctions; impoundment of infringing articles, implements, and records regarding such and destruction of the former; monetary damages; court costs and attorney's fees; and should the case rise to the level of a criminal offense, fines and terms of imprisonment. Copyright is also enforced at the border, where the Office of Customs and Border Protection ("CBP") has the authority to seize pirated copies that are sent into the United States.

Injunctive Relief

The first duty of a remedies system must surely be to end infringements, or ideally to prevent them from occurring. Equitable, injunctive relief is available for precisely these purposes.

The federal Copyright Act vested federal courts with original jurisdiction for copyright suits for the first time in 1819.² That enactment specified:

That the circuit courts of the United States shall have original cognizance, as well in equity as at law, of all actions, suits, controversies, and cases, arising under any law of the United States, granting or confirming to authors or inventors the exclusive right to their respective writings, inventions, and discoveries: and upon any bill in equity, filed by any party aggrieved in any such cases, shall have authority to grant injunctions, according to the course and principles of courts in equity, to prevent the violation of the rights of any

² An Act to extend the jurisdiction of the circuit courts of the United States to cases arising under the law relating to patents (Feb. 15, 1819).

authors or inventors, secured to them by any laws of the United States, on such terms and conditions as the said courts may deem fit and reasonable.³

That authority has remained in the statute to date. Section 502 of the Copyright Act authorizes courts to grant “temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright.”⁴ In addition, courts may grant temporary restraining orders on an *ex parte* basis pursuant to Federal Rule of Civil Procedure 65 if the plaintiff copyright owner can show that “immediate and irreparable injury, loss, or damage will result to the movant before the adverse party can be heard in opposition.”

In 2006, the Supreme Court issued its decision in *EBay, Inc. v. MercExchange, LLC*.⁵ That case involved a request for a permanent injunction in regards to a patent infringement. In resolving the correct test to apply for such a request, Justice Thomas wrote for a unanimous Court that:

A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.⁶

Importantly, the Court also noted that, “[t]his approach is consistent with our treatment of injunctions under the Copyright Act,” and rejected “the rule that an injunction automatically follows a determination that a copyright has been infringed.”⁷ While at the time many practitioners understood this to be a narrowing

³ *Id.*

⁴ 17 U.S.C. §502(a).

⁵ 547 U.S. 388 (2006).

⁶ *Id.* at 391.

⁷ *Id.* at 392-93.

of the opportunity to obtain injunctions, and it probably has been, this system has generally operated well.

Impoundment

Consistent with the goal of preventing infringement, section 503 of the Copyright Act grants courts the authority to order the impounding of infringing copies, the means by which those copies are reproduced, and records documenting the manufacture and sale related to the infringement. At the conclusion of the litigation, courts may order the destruction of infringing copies and the means by which they may be made.

This authority has a pedigree all the way back to the Copyright Act of 1790, which provided that, “offenders shall forfeit all and every copy and copies...to the author or proprietor...who shall forthwith destroy the same....”⁸

Indeed, it can scarcely be argued that allowing infringing copies or the implements with which they are produced to remain in the hands of infringers is good policy. So it is not surprising that this provision was included in the first federal Copyright Act and has remained, although occasionally updated and improved, without interruption since that time.

Monetary Damages

No less fundamental a remedy is the award of damages to compensate fully the aggrieved copyright owner. Since the beginning of federal copyright law, the Act has provided for two distinct calculations of monetary damages: actual damages and statutory damages. The purpose of these alternatives has been to ensure as best as

⁸ An Act for the encouragement of learning, by securing the copies of maps, charts, and books, to the authors and proprietors of such copies, during the times therein mentioned (1 Stat. 124) (May 31, 1790)(hereinafter “1790 Act”) §2.

possible that the copyright owner is duly compensated and to deter future infringements.

Actual Damages

The 1790 Act provided that “any person or persons who shall print or publish any manuscript, without the consent and approbation of the author or proprietor thereof...shall be liable to suffer and pay to the said author or proprietor all damages occasioned by such injury.”⁹

The 1909 Copyright Act added for the first time the explicit right for the injured copyright owner to recover “such damages as the copyright proprietor may have suffered due to the infringement, *as well as all the profits which the infringer shall have made from such infringement.*”¹⁰ The rationale is clear. If actual damages are the only method of calculating awards, and the damages the copyright owner can prove are less than the infringer’s profits, the infringer will enjoy financial gain notwithstanding the fact that they have been caught and found liable. Both as a matter of plain justice and to ensure the Copyright Act maintains a deterrent effect, infringers must be disgorged of the entirety of their illicit gain.

Some confusion arose over the statutory language of the 1909 Act as to whether damages and defendant’s profits were meant to be alternative bases for calculating monetary awards, or additive.¹¹ The 1976 Copyright resolved that confusion in favor of the latter, with language that remains in force today:

The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are

⁹ 1790 Act §6.

¹⁰ Pub. L. 60-349 (1909) §25(b)(emphasis added).

¹¹ See 5 *Nimmer on Copyright* §14.01[A].

attributable to the infringement and are not taken into account in computing the actual damages.¹²

The final phrase ensures that the disgorgement of the infringer's profits does not result in a double counting with the actual damages. Also, in calculating the infringer's profits, there is an opportunity for the defendant to prove deductible expenses and elements of profit not attributable to the infringement.¹³

While there has been litigation over the decades concerning the proper methodology for calculating actual damages and the infringer's profits, this area of the law appears to be well settled and functioning adequately.

Statutory damages¹⁴

The ability of actual damages and infringer's profits calculations to provide a basis for monetary awards is limited by the practical fact that the records needed to establish such calculations are in the hands of the infringers, if they were ever kept at all. Thus, the Copyright Act has always included an amount or range of monetary damages pre-established in the statute itself.

Statutory damages for civil copyright infringement are among the most venerable aspects of American copyright law. Even prior to the ratification of the Constitution, several state copyright statutes provided for either a statutory maximum and minimum award (Massachusetts, New Hampshire, and Rhode Island) or a fixed sum to be paid for each infringing copy (Maryland and South Carolina).¹⁵

¹² 17 U.S.C. §504(b).

¹³ *Id.*

¹⁴ Much of the historical review of statutory damages in this testimony is taken from a prior law review article, Tepp, "*The Constitutional Challenge to Statutory Damages for Copyright Infringement: Don't Gore Section 504*," first published at 19 N.Y. St. B.A. Ent., Arts and Sports Law J. 24 (Special Edition 2008, No. 1).

¹⁵ William S. Strauss, U.S. Copyright Office, *Studies on Copyright Law Revision Prepared for the Sen. Subcomm. on Patents, Trademarks, and Copyrights: The Damage*

The Copyright Act of 1790 included a provision for statutory damages; it was “fifty cents for every [infringing] sheet . . . one [half] thereof to and for the use of the United States.”¹⁶ It is noteworthy that from the very first instance of federal copyright protection, statutory damages have served a hybrid purpose of both compensating the copyright owner and deterring future infringements.

Through much of the nineteenth century statutory damages were increased and expanded to apply to the infringement of newly protected categories of works.¹⁷ However, in the Copyright Act of 1895, Congress began the evolution from the original manner of calculation of statutory damages (per infringing copy/performance) to a range with a statutory maximum and minimum.¹⁸ While maintaining the traditional method for some categories of works, the Act provided:

In the case of infringement of a copyrighted photograph made from any object not a work of fine arts, the sum recovered was to be not less than \$100 nor more than \$5,000, and that in the case of infringement of a copyright in a painting, drawing, engraving, etching, print, or model or design for a work of art, or a photograph of a work of the fine arts, the sum to be recovered was to be not less than \$250 nor more than \$10,000. One half of such sum accrued to the copyright proprietor and the other half to the United States.¹⁹

Provisions of the Copyright Law (Study No. 22) 1 (1956).

¹⁶ 1790 Act, §25.

¹⁷ See Copyright Act of 1802 (2 Stat. 171 (1802) (making designs, engravings, and prints eligible for copyright protection and providing for statutory damages of \$1 for every infringing print)); Copyright Act of 1831 (4 Stat. 436 (1831) (making musical works eligible for copyright protection and providing for statutory damages of \$1 for every infringing sheet)); Copyright Act of 1856 (11 Stat. 138 (1856) (granting performance and publication rights in dramatic compositions and providing for statutory damages of not less than \$100 for the first unauthorized performance and \$50 for every subsequent unauthorized performance)); Copyright Act of 1870 (16 Stat. 198) (setting statutory damages for the infringement of paintings and statues at \$10 for each infringing copy)).

¹⁸ 28 Stat. 956 (1895).

¹⁹ Strauss, *supra* note 15 at 2.

The Copyright Act of 1909 generally carried forward the statutory damages provisions of the 1895 Act, but two aspects of that enactment are noteworthy. First, Congress reduced the real-dollar maximum level of statutory damages to \$5,000. This appears to have been in direct response to the testimony of a prominent attorney who believed that an adverse judgment in a prior infringement action was a direct result of the judge's unwillingness to impose the level of statutory damages that the law would have compelled had infringement been found, but which "were altogether incommensurate with any suffering which [the plaintiff] had endured or with any profit which our opponent had derived from the practice."²⁰

Second, in setting the levels of statutory damages, it is evident that Congress made an effort to approximate realistic levels of actual damages. The legislative history contains examples of this with regard to musical works reproduced in the form of player piano rolls²¹ and newspaper reproduction of photographs.²² Historically, Congress has specifically acted to set statutory damages at levels that were compensatory and deterrent, but not likely to produce manifestly unjust or extravagant awards.

The Copyright Act of 1976 put in place the statutory damages structure that remains the law today.²³ Those amendments did away entirely with the "per infringing copy" standards in favor of a single "per infringed work" framework applicable to all

²⁰ *Arguments Before the Comms. on Patents of the Senate and House, Conjointly, on S. 6330 and H.R. 19853 to Amend and Consolidate the Acts Respecting Copyright*, 59th Cong., 142 (Dec. 7-8, 10-11, 1906) (statement of Ansley Wilcox, Esq., of Buffalo, N.Y.). See H.R. Rep. No. 60-2222, at 15 (1909).

²¹ See, *Arguments Before the Comms. on Patents of the Senate and House, Conjointly, on S. 6330 and H.R. 19853 to Amend and Consolidate the Acts Respecting Copyright*, 59th Cong., 123-24, 199 (June 6-9, 1906)(statement of Charles S. Burton, Esq. of Chicago, Ill.).

²² See, *Hearings Before the Comms. on Patents of the Senate and House on Pending Bills to Amend and Consolidate the Acts Respecting Copyright*, 60th Cong., 150-60 (Mar. 26-28, 1908); H.R. Rep. No. 60-2222, at 15 (1909).

²³ 17 U.S.C. §504(c).

copyrightable works: \$250 to \$10,000. In order to address concerns about the unjust application of statutory minimums to “innocent” infringers, a sub-minimum of \$100 was established.²⁴ Conversely, a ceiling of \$50,000 was established for instances where the plaintiff demonstrates that the infringement was willful.²⁵

The extensive legislative history of the 1976 Act provides useful insight into how and why statutory damages are structured the way that they are. In a report to this Committee, the Register of Copyrights reviewed the principles undergirding statutory damages:

The need for this special remedy arises from the acknowledged inadequacy of actual damages and profits:

- The value of a copyright is, by its nature, difficult to establish, and the loss caused by an infringement is equally hard to determine. As a result, actual damages are often conjectural, and may be impossible or prohibitively expensive to prove.
- In many cases, especially those involving public performances, the only direct loss that could be proven is the amount of a license fee. An award of such an amount would be an invitation to infringe with no risk of loss to the infringer.
- The actual damages capable of proof are often less than the cost to the copyright owner of detecting and investigating infringements.
- An award of the infringer’s profits would often be equally inadequate. There may have been little or no profit, or it may be impossible to compute the amount of profits attributable to the infringement. Frequently, the infringer’s profits will not be an adequate measure of the injury caused to the copyright owner.

²⁴ S. Rep. 94-473, at 162-63 (1975). Innocent infringers are those who “sustain[] the burden of proving . . . that [they] were not aware and had no reason to believe that his or her acts constituted an infringement. . . .” 17 U.S.C. § 504(c)(2).

²⁵ *Id.*

In sum, statutory damages are intended (1) to assure adequate compensation to the copyright owner for his injury and (2) to deter infringement.²⁶

During the extensive review and study that ultimately produced the 1976 Act, as Congress was preparing to make the fundamental shift from a “per infringement” calculus to a “per infringed work” approach, great attention was paid to both the adequacy of the compensation and deterrent effect of statutory damages, as well as to the desire to avoid exorbitant awards.²⁷

In contemporary times, some have questioned the current statutory damages provisions, especially with regard to the potential for large awards arising from findings of infringement of large numbers of works. This issue of multiple infringements was specifically considered during the 1976 Act review process, resulting in the current framework. On this question, the Copyright Office Report to this Committee in 1961 considered that:

We believe that the danger of exorbitant awards in multiple infringement cases is more theoretical than real. In a few cases involving multiple infringements – e.g., where various items in a copyrighted catalog were reproduced in a series of infringing catalogs – the courts have used this formula of multiplying the number of infringements by \$250, but they did so to reach a result they thought just. We know of no case in which the court has felt constrained to use this formula where the resulting total was considered excessive....

We believe that the courts should, as they do now, have discretion to assess statutory damages in any sum within the range between the maximum and minimum. In exercising this discretion the courts may take into account the number of works infringed, the number of infringing acts, the size of the audience reached by the

²⁶ Register of Copyrights, 87th Cong., *Report on the General Revision of U.S. Copyright Law* 102-03 (Comm. Print 1961).

²⁷ *Id.* at 103-07.

infringements, etc. But in no case should the courts be compelled, because multiple infringements are involved, to award more than they consider reasonable.

We propose that the statute be clarified and made more flexible. It should provide that statutory damages within the minimum and maximum range are to be assessed as the total award for all infringements for which the defendant is liable....

Section 101(b) now permits the court to exceed the \$5,000 maximum with no limit specified, in the case of “infringements occurring after the actual notice to a defendant....Some fear has been expressed that this might result in exorbitant awards.....

The possibility that a court, in its discretion, might award statutory damages greatly exceeding the usual maximum, merely because a notice had been sent, seems remote. In the very few cases where statutory damages of more than \$5,000 were awarded, other factors such as willful infringement on a large scale were involved....

We believe, however, that a still better solution was proposed in some of the other revision bills. They would have made the maximum – raised to \$10,000 or \$20,000 – an absolute ceiling, with no special provision for infringements committed after notice or willfully. This would allow the court to take willfulness into account in awarding statutory damages up to the maximum.²⁸

This passage puts forward several key points. First, is that courts retain great flexibility to assign statutory damages in a way that produces a result the court finds just. Even in cases in which the copyright owner sustains the burden of showing the infringement was committed willfully, the court is not required to enhance the statutory damages award at all. Indeed, an award of the modern minimum of \$750 per infringed work is perfectly permissible even with regard to willful infringements. Of course, the maximum of \$150,000 per infringed work would also

²⁸ *Id.* at 104-06.

be permissible in such a case. That wide range allows copyright owners to request very high damages at the outset of the litigation, but as the foregoing quotation highlights, the statute is designed to rely on the judgment of the courts to arrive at just awards. Policy need not, and should not, be set based on the fact that litigants may choose to take the most extreme possible position as to the *potential* award under the statute.

Second, it is interesting that the Copyright Office in 1961 recommended that the statutory range be the single measure of all infringements before the court. While recommending greater flexibility in other respects, this approach would have reduced the court's flexibility to arrive at a just award. And, in fact, the Copyright Office reversed its position on this question in a subsequent report to this Committee.²⁹ Both the 1961 and 1965 Copyright Office reports are also sources of the recommendation, ultimately adopted, to allow reduction or even complete remission of statutory damages for certain cases of "innocent infringement."³⁰

Third, it highlights that prior to the 1976 Act, there were instances in which statutory damages had no ceiling; it was entirely left to the court's discretion. In this regard, the maximum that was ultimately adopted for all statutory damages awards constitutes a significant limiting factor that continues to apply today.

In the end, this Committee was satisfied that its approach allowed the statutory damages system to serve its purpose and courts with sufficient flexibility without imposing undue levels of liability, by allowing multiples of the statutory damages range for the infringement of multiple works, but not for multiple infringements of the same work, nor for "multiple copyrights, multiple owners, multiple exclusive rights, or multiple registrations."³¹

²⁹ Register of Copyrights, 89th Cong., *Supplemental Report on the General Revision of U.S. Copyright Law* 135-37 (Comm. Print 1965).

³⁰ *Id.*

³¹ H.R. Rep. 94-1476 at 162 (1975).

The dollar amounts for statutory damages were doubled by the Berne Convention Implementation Act of 1988.³² Those amounts were later raised by fifty percent (except the innocent infringer level, which remained at \$200) by the Digital Theft Deterrence and Copyright Damages Improvement Act of 1999,³³ bringing us to the current range of \$750 to \$30,000, or up to \$150,000 where the infringement was willful.³⁴ The legislative history of the latter clearly states this Committee's concerns that misuse of digital technology and the Internet had resulted in substantial economic costs to copyright owners and the U.S. economy as a whole. This Committee saw a need to increase the level of statutory damages because:

[m]any computer users . . . simply believe that they will not be caught . . . [a]lso, many infringers do not consider the current copyright infringement penalties a real threat and continue infringing, even after a copyright owner puts them on notice. . . . In light of this . . . H.R. 1761 increases copyright penalties to have a significant deterrent effect on copyright infringement.³⁵

This also further illustrates Congress' historical view that statutory damages must both provide compensation to the copyright owners and deterrence against future infringements.

What is the final product of all this deliberation? Are statutory damages in 2014 radically higher than they were under previous statutes? It turns out the answer is no. The following chart shows that statutory damages are lower today that they have been in at least a century, compared to the initial levels of the 1909 Act and the 1976 Act, adjusted for inflation and expressed in 2014 dollars:³⁶

³² 102 Stat. 2853, 2860 (1988).

³³ 113 Stat. 1774 (1999).

³⁴ 17 U.S.C. §504(c).

³⁵ H.R. Rep. 106-216 at 3 (1999).

³⁶ Calculations made on the Bureau of Labor Statistics CPI Inflation Calculator, available at: <http://data.bls.gov/cgi-bin/cpicalc.pl>. The calculator only goes back to

	Innocent Infringer	Ordinary Minimum	Ordinary Maximum	Enhanced
1909 Act	N/A	\$6,007.58	\$120,151.52	N/A (later unlimited)
1976 Act	\$0/\$418.10	\$1,045.25	\$41,810.19	\$209,050.97
2014 statute	\$0/\$200	\$750	\$30,000	\$150,000

If the potential for large statutory damages awards is greater today than in the past, it says more about the scope and volume of infringements today than it does about the range of damages of the statute.

It is also important to note that eligibility to obtain statutory damages is conditioned on the formality of timely registration of the infringed work. Specifically, registration must be made within three months of first publication of the work, or no more than a month after the copyright owner has learned of the infringement.³⁷ This is a significant limiting factor to the availability of statutory damages.

Court Costs and Attorney's Fees

The Copyright Act of 1870 provided for a mandatory award of “full costs” to prevailing plaintiffs.³⁸ The 1909 Act provided mandatory awards to any prevailing party, also stipulating that reasonable attorney’s fees must also be awarded.³⁹ This was changed to a discretionary award by the 1976 Act, and remains in force as such

1913, so those numbers were used for the 1909 Act. Presumably, if 1909 figures were available, they would be even higher. Because of the change from “per infringement” in 1909 to “per infringed work” in 1976 and 2014, the “ordinary maximum” comparison is necessarily imperfect.

³⁷ 17 U.S.C. §412.

³⁸ 1870 Act, §108.

³⁹ 1909 Act, §40.

today.⁴⁰ Earlier this year, the Supreme Court cited to this provision with approval in the context of determining the circumstances under which attorney’s fees should be awarded under the Patent Act.⁴¹ However, it should be noted that like statutory damages, the availability of awards of attorney’s fees is subject to the prerequisite of timely registration.⁴²

Sovereign Immunity

Another limitation on the availability of remedies exists with regard to suits against the United States and suits against States and their instrumentalities, due to their sovereign immunity. The United States has waived its sovereign immunity, but the remedies are limited to “reasonable and entire compensation...including the minimum statutory damages set forth in section 504(c)....”⁴³ The United States has also foregone copyright protection it creates.⁴⁴

Copyright owners who wish to pursue infringement claims against States or instrumentalities of States may be considerably worse off. As a result of a broad Supreme Court annunciation of State sovereign immunity, it has been held that States are not liable for any monetary damages for copyright infringement.⁴⁵ States may waive their immunity, but many have not done so. While there is not evidence of widespread systematic infringement of copyright at the State level as a result, there are unfortunate anecdotes. For example, earlier this year the Copyright Office held a roundtable discussion of orphan works issues. At least one institutional user of orphan works noted that they have no need to seek legislation because they are

⁴⁰ 17 U.S.C. §505.

⁴¹ *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014).

⁴² 17 U.S.C. §412.

⁴³ 28 U.S.C. §1498(b).

⁴⁴ 17 U.S.C. §105.

⁴⁵ *Chavez v. Arte Publico Press*, 200 F.3d 601, 605 (5th Cir. 2000)(citing *Florida Prepaid Postsecondary Educ. Expense Board v. College Savings Bank*, 527 U.S. 627 (1999)).

instrumentalities of States and can simply fall back on their State's sovereign immunity.⁴⁶

Congress has looked at this issue before. In the 106th Congress, Senator Leahy introduced a bill to condition federal intellectual property protection for works of States on that State's waiver of its immunity from infringement suits.⁴⁷ Senator Hatch requested a study by the General Accounting Office, which agreed that, "Intellectual Property Owners Have Few Alternatives or Remedies Against State Infringement."⁴⁸ And legislation was again introduced in the 107th Congress, both by you, Mr. Chairman, and Senator Leahy.⁴⁹ Unfortunately, those bills were not enacted and so this problem continues to rear its head.

Importation

Section 30 of the 1909 Copyright Act prohibited "the importation into the United States...of any piratical copies of any work copyrighted in the United States." The customs authorities were authorized to seize such copies. That authority has remained intact to this day and is now codified at section 602(a)(2). The remedies explicitly provided for in the statute now also include civil infringement actions under section 501 and criminal prosecution under section 506.⁵⁰

Section 603 authorizes CBP to make regulations regarding its enforcement against the importation of piratical copies, and specifically to require the person seeking to

⁴⁶ See <http://www.copyright.gov/orphan/transcript/0310LOC.pdf> at 18.

⁴⁷ S. 1835, "The Intellectual Property Protection Restoration Act of 1999," 106th Cong. (Oct. 29, 1999).

⁴⁸ U.S. General Accounting Office, "Intellectual Property: State Immunity in Infringement Actions," at 13 (Sept. 2001)(available at: <http://www.gao.gov/assets/240/232603.pdf>).

⁴⁹ H.R. 3204, "Intellectual Property Protection Restoration Act of 2001," 107th Cong. (Nov. 1, 2001); S. 1611, "Intellectual Property Protection Restoration Act of 2001," 107th Cong. (Nov. 1, 2001); S. 2031, "Intellectual Property Protection Restoration Act of 2002," 107th Cong. (March 19, 2002).

⁵⁰ 17 U.S.C. §602(a)(2).

exclude products from importation to furnish proof of valid copyright protection. A U.S. Copyright Office Certificate of Registration is regarded as such proof, and in fact CBP requires not only that copyright owners have that document, it requires a separate recordation of the copyright registration certificate with CBP before any enforcement action will be taken against piratical imports. Both logic and efficiency clearly point to the creation of compatible electronic systems at the Copyright Office and CBP, so that successful registration of a copyright by the former would automatically and instantaneously be communicated to the latter. Unfortunately, the funding to provide such a system does not exist, particularly on the side of the Copyright Office.

In the 1976 Act, Congress expanded the importation provision so that the authorization of the copyright owner is required for the importation of non-piratical copies as well.⁵¹ However, unlike the importation of pirated copies, CBP is not authorized to seize non-piratical copies. The remedy that is available is a civil infringement suit under section 501 of the Copyright Act.

In 2008, Congress added to section 602 the authority of the copyright owner to authorize the exportation of pirated copies of their works. Both civil remedies under section 501 and criminal prosecution under section 506 are available for violations of this provision.

As this Subcommittee is well aware, the provision regarding the importation of non-piratical copies, and its interaction with the exhaustion of the distribution right, commonly known as the First Sale Doctrine,⁵² was the subject of a Supreme Court decision last year. Whatever one thinks of the Supreme Court decision in *Kirtsaeng*

⁵¹ 17 U.S.C. §602(a)(1).

⁵² While originally an accurately descriptive name, the “First Sale Doctrine” has been a misnomer ever since the enactment of the 1976 Act, in which the exhaustion of the distribution right turns on ownership of a lawfully made copy. *See* 17 U.S.C. §109(a). Whether a first sale has occurred has been irrelevant under the statute for nearly four decades.

v. John Wiley & Sons, Inc.,⁵³ it is beyond serious dispute that the result of that decision is the effective deletion of the remedy Congress enacted in the 1976 Act, to provide copyright owners with the right authorize the importation into the United States of non-piratical copies.

This Subcommittee has already held a hearing earlier this year the scope of which included the exhaustion of the distribution right, and it is not my intent to review those in significant depth here. However, in terms of restoring the remedy Congress clearly created in the 1976 Act, I note that the deletion of the phrase “of the exclusive right to distribute copies or phonorecords under section 106” from section 602(a)(1) would restore the effectiveness of the importation right and remedy. I hasten to add that this approach would *not* overturn the ruling in *Kirtsaeng* with regard to the application of the exhaustion of the distribution right/First Sale Doctrine, and thus would not be subject to the concerns that motivated certain parties that supported Mr. Kirtsaeng in the litigation. That is, the importation of a given non-piratical copy would be subject to authorization of the right holder. But, once such a copy had entered the United States, that copy would be regarded as lawfully made and thus the distribution right exhausted.

Criminal Prosecution

The importance and appropriateness of criminal penalties for the most egregious copyright infringements was clear to Congress over a century ago. An 1897 amendment to the Copyright Act provided, “If the unlawful performances and representation [of a dramatic or musical composition] be willful and for profit, such person or persons shall be guilty of a misdemeanor and upon conviction be imprisoned for a period not exceeding one year.”⁵⁴

⁵³ 133 S. Ct. 1351 (2013).

⁵⁴ An Act to amend title sixty, chapter three, of the Revised Statutes relating to copyrights. (Jan. 6, 1897).

The 1909 Act expanded on the 1897 enactment so that “any person who willfully and for profit shall infringe any copyright secured by this Act, or who shall knowingly and willfully aid or abet such infringement, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by imprisonment for not exceeding one year or by a fine of not less than one hundred dollars nor more than one thousand dollars, or both....”

That basic formulation remained in the 1976 Act, although the notion of “profit” was unpacked to include private financial gain and commercial advantage.⁵⁵ Since that time, the No Electronic Theft Act⁵⁶ added as an alternative to commercial advantage or private financial gain, “the reproduction or distribution...during any 180-day period, of...copyrighted works, which have a total retail value of more than \$1,000.”⁵⁷ And the Artists’ Rights and Theft Prevent Act of 2005⁵⁸ added another alternative basis, infringement of a work being prepared for commercial distribution (e.g., pre-release copies).⁵⁹ To be clear, under any circumstance, the infringement must have been willful in order for criminal penalties to apply.

In contrast to the 1909 Act, criminal infringement of copyright can now be punished as a felony if the infringement, during any 180-day period, consists of 10 or more copies of copyrighted works, which have a retail value of more than \$2,500.⁶⁰ However, that status is only available with regard to infringements of the reproduction or distribution rights. Willful infringements of the public performance right can never be more than misdemeanors, no matter how extensive or harmful they may be.

⁵⁵ 17 U.S.C. §506(a)(1)(A).

⁵⁶ Pub. L. No. 105-147 (1997).

⁵⁷ 17 U.S.C. §506(a)(1)(B).

⁵⁸ Pub. L. No. 109-9 (2005).

⁵⁹ 17 U.S.C. §506(a)(1)(C).

⁶⁰ 18 U.S.C. §2319(b)(1).

Criminal copyright cases are subject to the prosecutorial discretion of federal prosecutors and the limited resources they have. The result is that criminal prosecutions are few in comparison to civil cases and certainly in comparison to the scope of infringing activity in the modern environment. Nonetheless, when criminal prosecutions are brought they can be tremendously important, such as the ongoing case against Megaupload founder and operator Kim Schmitz (aka “Kim Dotcom”).

Conclusion

The undeniable reality is that copyright infringement is a massive problem. Efforts to address that must surely be multi-faceted, but it is equally certain that effective legal remedies must be among those facets. If anything, this subcommittee should be looking for ways to improve the compensatory and especially the deterrent effects of remedies. The very last thing that should be done is to weaken them.

Thank you for the opportunity to present my views and participate in this historic copyright review process. This testimony represents my attempt to provide the Subcommittee with a broad overview of the remedies available in copyright. It is my hope that this document will serve you as a reference tool, and also that it demonstrates to you the historic and thoughtful place that remedies have in making the Copyright Act the success it has been to date.

It would be my pleasure to assist the Subcommittee in any other way that I am able, beginning with any questions you may have at this time.