



January 17, 2014

Ms. Shira Perlmutter
Chief Policy Officer and Director for International Affairs
Office of Policy and International Affairs
United States Patent and Trademark Office
Mail Stop External Affairs
P.O. Box 1450
Alexandria, VA 22313

Submitted to: CopyrightComments2013@uspto.gov

RE: Department of Commerce Green Paper on Copyright Policy, Creativity, and Innovation in the Digital Economy; Docket No. 130927852-3852-01

Dear Ms. Perlmutter,

Intellectual Property Owners Association (IPO) respectfully submits these comments in response to the request by the United States Patent and Trademark Office (USPTO) and the National Telecommunications and Information Administration (NTIA) titled "Request for Comments on Department of Commerce Green Paper, Copyright Policy, Creativity, and Innovation in the Digital Economy." 78 Fed. Reg. 61337 (published October 3, 2013).

IPO is a trade association representing owners of patents, trademarks, copyrights, and trade secrets. IPO's membership includes over 200 member companies and more than 12,500 individuals who are involved in the association either through their companies or as inventor, author, law firm, or attorney members. IPO serves intellectual property owners in all industries and across all fields of technology.

IPO thanks the agencies for the opportunity to comment on the Green Paper. IPO's views are subject to change as the discussion on copyright reform progresses. IPO understands that this initial solicitation of public comments is part of a larger effort to address copyright issues in the digital age. IPO looks forward to further opportunities to participate in public discussion on these and other issues.

General Comments

IPO's membership includes both copyright owners and consumers of copyrighted works. We have made an effort to provide a balanced view from both perspectives on the topics for inquiry.

Before addressing the specific questions on which the Department of Commerce has requested input, IPO has two general comments related to the Green Paper.

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First, IPO is concerned that many court cases are being decided on summary judgment and include expansive statements of new law, particularly in the Second and Ninth Circuit courts of appeal. While these statements arise in the context of individual cases, they have broad impact on diverse stakeholders. Moreover, the positions taken by the parties may turn out to have practical implications for non-party stakeholders.

For example, in *Cartoon Networks v. Cablevision*, the Second Circuit made broad comments about the public performance right that have affected several subsequent cases. In that case, however, a deal was struck between the parties. The plaintiffs agreed not to pursue claims for indirect infringement while the defendants agreed not to claim fair use. This agreement skewed the presentation of facts in the case and the record on which the Second Circuit made its decision.¹

Second, IPO believes that certain topics in the Green Paper warrant additional exploration. One topic is the display right and the differences between it and other exclusive rights. Another topic, in the context of fair use, is the impact of recent decisions on the exclusive right of copyright owners to prepare and authorize derivative works. In certain decisions, the notion of “transformation” in fair use has overtaken the statutory derivative works right. Finally, the topic of appropriate remedies may warrant further discussion. For example, in the mass digitization context, while much discussion is focused on the scope of rights and the fair use defense, little attention is paid to the possible limitation of equitable remedies (such as *eBay* in the patent context).

Response to Specific Inquiries

(1) The legal framework for the creation of remixes

As a threshold matter, some of the specific questions asked by the Task Force assume that remixes are a net “good” for the economy. IPO is cautious of such an assumption. For example, the first question on this topic in the Notice of Inquiry asks: “Is the creation of remixes being unacceptably impeded by this uncertainty?” IPO believes a more fundamental question should be asked: what function do remixes (whether in the context of music or other unauthorized derivative works) play in the creation of new jobs in the economy, and what are appropriate legal limitations on them?

Section 106(2) of the Copyright Act states: “the owner of copyright under this title has the exclusive rights to do and to authorize any of the following: . . . (2) to prepare derivative works based upon the copyrighted work. . . .” In Section 101, a derivative work is defined as:

¹ Another pair of decisions, *Cariou v. Prince* and *Seltzer v. Green Day*, made wide-ranging new law on the scope of the fair use doctrine in cases where the facts were narrow and the broad statements of law were perhaps disproportionate.

[A] work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a ‘derivative work.’

Under this definition, nearly all remixes qualify as derivative works. Accordingly, with the exception of works qualifying as fair use under Section 107 or falling within another exception set forth in the preamble to Section 106, it is clear that a remix requires the advance permission of the copyright holder. In the music industry, there are already clear channels established for licensing copyrighted musical works and sound recordings. For written works and visual arts, entities like the Copyright Clearance Center and Getty Images provide licensing channels. Accordingly, there are already options to legally use pre-existing copyrighted works in remixes of all types. The case law on fair use has already narrowed the scope of the derivative works right.

To the extent there are approaches that do not require legislation that could constructively address legal and licensing issues related to remixes, one large measure is more widespread education. There are too many misconceptions in various industries about what is legal and what is not, many proliferated by either outdated notions or opinions provided by non-specialists. It might be useful to explore the dividing line between derivative works and fair use, and to foster a debate between the copyright industries and the copyright user community on this topic.

(2) The relevance and scope of the first sale doctrine in the digital environment

The first sale doctrine has many benefits in the world of physical goods where a distinction can be made between copying and the underlying chattel that is subject to copyright. But as the Green Paper points out, that distinction is becoming of limited significance in the digital world. One distinction that has been made in some cases is based upon whether an electronic version of a work is licensed or purchased. This parallels a set of contract issues in the music and publishing industries about how older contracts should be interpreted. One way that this distinction might be addressed is through pricing differentials. For example, if a consumer wants to make an outright purchase that he or she can share with friends, the consumer should pay a higher price (as the consumer would for obtaining a physical copy of the book or sound recording in the form of a CD). If the consumer wants to license a work for a shorter period, however, the consumer might pay something less but not be permitted to share the work. DRM technologies exist to permit sellers and re-sellers to make such distinctions.

The Supreme Court's decision in *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S.Ct. 1351 (2013) will not likely impact the ability of right holders to offer their works at different prices and different times in different online markets, as long as the users are in contractual privity with the right holders. This is because *Kirtsaeng* does not stand for the proposition that copyrighted works licensed for use in digital form, and not sold, can be freely copied or disseminated beyond the original licensed party.

But there will be a serious impact on the willingness of publishers to sell through resellers and to manufacture less expensive versions of physical copies for third world usage. Unfortunately, this will result in reducing access to those in countries where broadband use is not as widely available as it is here in the United States. For example, if a \$10 version of a textbook, printed in black and white and on thin paper, can be sold and displace a \$100 version made for use in the United States, publishers will be less incentivized to publish cheaper physical copies. At a minimum, distribution of cheaper physical copies will be tightly controlled.

(3) The appropriate calibration of statutory damages in the contexts of individual file sharers and of secondary liability for large-scale infringement

IPO does not see the need for calibration of statutory damages in the context of individual file sharers or in the case of secondary liability for large-scale infringement. As a threshold matter, many copyrighted works are not eligible for statutory damages because of the requirement that registration occurs before eligibility. This has a practical impact on many copyright owners who have copyrighted works but do not take the time or have programs in place for filing registrations. Many copyright owners own copyrights in product manuals, training manuals, and software revisions, for example, but may not necessarily register those rights. Similarly, visual artists and songwriters do not necessarily register all of their works.

With respect to works that are registered, courts already have the ability to award a range of statutory damages such that fairness can be considered given the facts of a particular case. In the case of audio and audio-visual works, as well as written works and increasingly other visual works, there are sufficient market licensing opportunities that are simple and fast to implement such that copyrighted material can be legitimately licensed and the threat of infringement damages can be avoided.

Online services have rarely been held liable for statutory damages for secondary liability, and when held liable, the situation has typically been egregious. Any outcry that the threat of statutory damages deters legitimate services is unsupported by empirical evidence. IPO does not believe that the potential for statutory damages has hindered the launch of new, legitimate services or platforms for delivering content.

(4) Whether and how the government can facilitate the further development of a robust online licensing environment.

Since 2001, there have been many technological innovations that have improved access to and standardization of rights ownership information. The concern about orphan works seems to have been largely overstated. In the context of sound recordings, musical compositions, written works and, increasingly, other visual works, there are existing licensing structures in the marketplace that provide efficient and cost-effective licensing mechanisms. While users of copyrighted works may not always like the price they have to pay to license a work, there is no legal right to use such works without permission or to build a new business on the backs of existing rights owners. Concerns expressed about price relate to market forces. Absent legitimate antitrust concerns, these forces should continue to govern. While the government could facilitate discussions concerning price in some instances, or by providing a so-called “copyright hub” to facilitate licensing by those who have not already joined a licensing entity, the hub would likely be set up as a market competitor and the prices charged would likely be competitive with private entities performing the same function.

(5) Establishing a multistakeholder dialogue on improving the operation of the notice and takedown system for removing infringing content from the Internet under the DMCA

IPO welcomes increased dialogue by stakeholders with respect to existing notice and takedown procedures being utilized by online service providers. One issue that likely needs to be addressed by legislation, though, is which businesses are eligible to be shielded by the DMCA. When the DMCA was written, it applied to pass-through ISP entities with no capability of managing content loaded on their sites. Courts, however, have expanded eligibility in an uneven manner that may warrant legislative action. Examples of why legislative action is needed are found within the sub-topics set forth in the Notice of Inquiry. For example, relevant to the goal of “reducing the volume of takedown notices sent to service provider,” recent case law has required more notices to be sent to service providers in order to provide proof of “specific knowledge.”

The Task Force can ensure participation by all relevant stakeholders, as well as effective and informed representation of their interests, by holding forums similar to those the Copyright Office held in connection with its preparation of the report on the establishment of small claims tribunals. The Copyright Office held hearings in both New York and Los Angeles, which permitted a broader audience to be heard than if hearings were held only in Washington D.C. On the topic of DMCA takedown notices, effective forums in, for example, New York, Los Angeles, Silicon Valley, Chicago and Nashville would be helpful.

Conclusion

In conclusion, IPO appreciates the efforts of the Department of Commerce's Internet Policy Task Force in creating the Green Paper and soliciting public input on copyright policy. There are many questions to be addressed in a discussion on copyright policy in the digital economy. Further education and dialogue will lead to a better understanding of the issues to address and the interests and needs of various stakeholders. Further empirical evidence would be welcome to determine the extent of certain copyright issues in the digital environment, as many such issues have prompted the development of markets to provide efficient licensing solutions.

Thank you for your consideration.

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Respectfully submitted,

A handwritten signature in black ink, reading "Herbert C. Wamsley". The signature is written in a cursive, flowing style.

Herbert C. Wamsley
Executive Director