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COMMENTS OF JUNE BESEK

June Besek, the Executive Director of the Kernochan Center for Law, Media and the Arts at Columbia Law School, submits this reply comment in response to a Request for Comments and Notice of Hearing, 78 Fed. Reg. 61337 (Oct. 3, 2013), issued by a task force of the U.S. Patent and Trademark Office and the National Telecommunications and Information Administration concerning their Green Paper on Copyright Policy, Creativity and Innovation in the Digital Economy (the "Green Paper").

This comment focuses on one aspect of the Green Paper: specifically, its recommendation to consider modification of allowable statutory damages against individual file-sharers or against service providers liable for secondary infringement. This comment concludes that the Task Force should be cautious in recommending changes in this area. As yet, no one has made a persuasive case in favor of modification. Should evidence to support such a change emerge, this question can be revisited.

Introduction

The Green Paper[1] recognizes the importance of statutory damages in online copyright

[1] Green Paper on Copyright Policy, Creativity and Innovation in the Digital Economy (July 2013),

infringement, but states that in certain areas, "recalibration of their scope may be appropriate." Specifically, the Green Paper focuses on statutory damages in two contexts: (i) in suits against individuals making infringing content available online, and (ii) in suits against online service providers for secondary liability for large-scale infringement. It recommends further comment and discussion on both of these issues.

Some of the comments submitted in the first round recommended that the maximum allowable statutory damages from individual infringers on the internet be reduced.[2] These commenters argued that allowable statutory damages go beyond what is necessary to deter infringement, and that they are unfair when the defendant reasonably believed his use was noninfringing.[3]

Likewise, some of the comments recommended that the maximum allowable statutory damages for secondary liability for online infringement by service providers should be reduced.[4] These commenters argued that the potential for large statutory damage awards has a chilling effect on innovation.[5] Finally, some comments recommended reductions in statutory damages across the board, not limited to the two circumstances listed above.[6]

On the other hand, several comments argued that there was no compelling reason to reduce the maximum allowable statutory damages. In their view, any such change would reduce the effectiveness of the copyright system.[7]

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http://www.uspto.gov/news/publications/copyrightgreenpaper.pdf.

[2] *See, e.g.*, Comments of Computer and Communications Industry Association at 6; Comments of The Center for Internet and Society at Stanford Law School et al. at 26. All of the comments cited herein are comments submitted in response to the Request for Comments and Notice of Hearing, 78 Fed. Reg. 61337 (Oct. 3, 2013). They are available at National Communications and Technology Administration, U.S. Department of Commerce, Comments Received in Response to Department of Commerce Green Paper 11/13/13, http://www.ntia.doc.gov/federal-register-notice/2013/comments-received-department-commerce-green-paper-11132013.

[3] *See, e.g.*, Comments of The Center for Internet and Society at Stanford Law School et al. at 26; Comments of Public Knowledge at 31 (even an award of minimum statutory damage can go beyond what is needed to compensate the rightholder and deter infringement.).

[4] *See, e.g.*, Comments of Computer and Communications Industry Association at 4; Comments of the Consumer Electronics Association at 2 (supporting a reduction in statutory damages not just for online services, but also for manufacturers of new technology for delivery of copyrighted content; Comments of The Center for Internet and Society at Stanford Law School et al. at 22.

[5] *See, e.g.*, Comments of the Consumer Electronics Association at 2-3; Comments of the Internet Association at 3-4.

[6] *See, e.g.*, Comments of Andrew P. Bridges (proposing to reduce maximum statutory damages to $150,000 per case); Comments of Public Knowledge at 35 (recommending, inter alia, that the maximum statutory damage award be set regardless of the number of infringed works).

[7] *See, e.g.*, Comments of American Association of Publishers at 9-10; Comments of ASCAP at 10; Comments of MPAA at 6-7; Comments of Information Technology and Innovation Foundation at 3.

Discussion

Individual File-Sharers

There is no satisfactory rationale at this time for singling out individual file-sharers with regard to statutory damages. The majority of reported cases against individual file-sharers have been resolved on summary judgment or on default, with the statutory damage awards under $10,000.[8] The impetus for limiting statutory damages for individuals who put infringing content on the internet seems to come in large part from two high-profile cases that went through full trial(s): *Capitol Records v. Thomas-Rasset*[9] and *Sony BMG Music Entertainment. v. Tenenbaum.*[10] These cases, which resulted in statutory damages of $222,000 and $675,000, respectively, are atypical in their facts as well as in their results.

Thomas Rasset was sued for infringement of 24 sound recordings by making them available over peer to peer networks. Three successive jury trials resulted in statutory damages of $222,000, $1.9 million, and $1.5 million in damages, respectively. The district court decided that the jury awards violated due process and reduced the total damages to $54,000. On appeal, the Eighth Circuit concluded that the $222,000 in statutory damages awarded by the first jury was neither wholly disproportionate to the offense nor obviously unreasonable.

Sony BMG sued Tenenbaum for copyright infringement, claiming that Tenenbaum had illegally downloaded 30 of its copyrighted works and distributed them via peer to peer networks. A jury awarded Sony BMG $675,000 in statutory damages, based on Tenenbaum's willful infringement. The district court reduced the award to $67,500 on the ground that the jury award violated Tenenbaum's right to due process; it declined to employ common law remittitur because it assumed plaintiff would not agree to a reduced verdict. On appeal, the First Circuit reversed the district court's reduction of damages, holding that it had erred in reaching the constitutional argument before considering common law remittitur. The First Circuit also suggested (but did

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[8] *See, e.g.*, Sony Pictures Home Entertainment, Inc. v. Lott, 471 F.Supp.2d 716, 722 (N.D. Tex.), aff'd, 255 Fed. Appx 878 (5th Cir. 2007). (Defendant downloaded three of plaintiff's copyrighted motion pictures and made them available through a filesharing service; when plaintiffs compelled discovery, they found his hard drive completely empty (of anything – including an operating system). On summary judgment, the court awarded $6,000.); AF Holdings LLC v. Bossard, 2013 U.S. Dist. Lexis 143055 (W.D. Mich. Feb. 14, 2013) (plaintiffs sued defendant for downloading and further distributing their copyrighted film over a torrent-based filesharing service. Plaintiffs sought $150,000 in damages, but the court granted $6,000); BMG Music v. Marsters, 616 F.Supp.2d 151, 154-55 (D. Me. 2009) (plaintiffs brought suit over the download and further sharing of nine sound recordings to which they owned copyright. In a default judgment proceeding, the court awarded $6,750 in damages).

[9] 692 F.3d 899 (8th Cir. 2012).

[10] 660 F.3d 487 (1st Cir. 2011).

not decide) that the district court used an inappropriate standard to judge the constitutional issue. On remand, the district court denied Tenenbaum's motions for remittitur, leaving the damage award at $675,000.[11] Tenenbaum again appealed the size of the award on due process grounds, but the First Circuit affirmed the lower court.[12]

Both cases involved conduct that should be strongly discouraged. Thomas-Rasset knew file-sharing was illegal but nevertheless continued to do it; she lied in interrogatories about distributing sound recordings; at her first trial, she lied by saying she never heard of Kazaa; at her second trial, she attempted to shift responsibility by suggesting for the first time that her children or her former boyfriend may have been responsible; and after investigators notified her of potential infringement, she removed and replaced the hard drive on her computer with a new hard drive that did not contain the files at issue.

Similarly, Tenenbaum had a long history of file-sharing, beginning in 1999, using a variety of peer to peer networks. He knew file-sharing was illegal, yet he intentionally downloaded thousands of songs and made them available to network users. He continued to engage in these activities in the face of warnings from his parents, his college, his service provider, and plaintiff. He lied in the course of the legal proceedings. He also attempted to shift responsibility to various individuals including a foster child in his parents' home, burglars, a house guest, and his sisters. In deciding that the statutory damage award comported with due process, the First Circuit observed that "[m]uch of this behavior was exactly what Congress was trying to deter when it amended the Copyright Act."[13]

ISPs and Secondary Liability

Another area in which the Green Paper suggests further discussion is that of internet service provider (ISP) liability for statutory damages for secondary liability. The Copyright Act and case law give service providers the means to protect themselves from statutory damages for secondary infringement. Title 17 U.S.C. §512 provides a safe harbor from damages for copyright infringement (both direct and secondary), if the ISP meets the qualifications for eligibility. There is always some uncertainty as to whether a service provider will be deemed to have met the qualifications for the §512 safe harbor. But some uncertainty is inherent in *any* lawsuit.

Of course it is possible to reduce the uncertainty by reducing or eliminating the financial impact of liability, as several of the commenters propose. But ISPs are not the only stakeholders in the

[11] 2012 U.S. Dist. Lexis 119243 (D. Mass. Aug. 23, 2012).
[12] 719 F.3d 367 (1st Cir. 2013).
[13] *Id*. at 371.

development of the internet. Congress in passing the DMCA was concerned not only about technological development, but also about copyright infringement, and tried to balance the two. The safe harbor in section 512, and its conditions, reflect that balance, which would be upset by substantially reducing damages for secondary infringement without a compelling reason. There is simply not enough evidence of harm to service providers under the current regime to justify reducing or eliminating statutory damages for secondary liability.

Developers of technological devices are also concerned about their potential liability for secondary infringement.[14] For almost thirty years such suits have been largely governed by the Supreme Court's decision in *Sony v. Universal City Studios*,[15] which has provided strong protection for device manufacturers against secondary liability. Under *Sony*, manufacturers of "staple articles of commerce" that are capable of substantial non-infringing uses are not liable for secondary infringement.

In *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*,[16] the Supreme Court took a different approach with respect to secondary liability, finding that *Sony* did not foreclose fault-based liability. It found that Grokster was liable for inducing its users to infringe copyrights on a staggering scale. Grokster actively encouraged infringement, specifically targeted users of a service that had been shut down because of copyright infringement liability, made no attempt to develop mechanisms to diminish infringement, and developed a business model that depended on infringement. While *Grokster* raised concerns on the part of technology providers that the Court might be opening the door to a broad new category of secondary infringement cases, the activities described in the opinion, as well as the Court's careful language, indicate that inducement liability depends on egregious circumstances, including demonstrated intent to infringe. In other words, *Grokster* does not seem to create a trap for the unwary.

Conclusion

These observations are not meant to diminish the concerns of internet service providers or of device manufacturers, which are valid. But so too are those of copyright owners who have seen widescale copying and distribution of their works without authorization. The Task Force should be cautious of requests to reduce damages for secondary liability without evidence that service providers and the technology industry have been disproportionately harmed, relative to copyright owners, by the current regime. Similar considerations apply in considering changes to statutory damages with respect to individual online infringers.

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[14] *See* note 4, *supra.*

[15] Sony Corp. of Amer. v. Universal City Studios, Inc., 464 U.S. 417 (1984).

[16] 545 U.S. 913 (2005).

Respectfully submitted,

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