

Before the
Library of Congress
United States Copyright Office
Washington, DC

In re

Orphan Works and Mass Digitization

Docket No. 2012-12

**COMMENTS OF
COMPUTER & COMMUNICATIONS INDUSTRY ASSOCIATION**

Pursuant to the notice of inquiry published by the Copyright Office in the Federal Register at 77 Fed. Reg. 64,555 (Oct. 22, 2012), the Computer & Communications Industry Association (CCIA) submits the following comments on the subject of orphan works and mass digitization.

I. About CCIA

CCIA represents large, medium and small companies in the high technology products and services sectors, including computer hardware and software, electronic commerce, telecommunications and Internet products and services. Our members employ nearly half a million workers and generate approximately a quarter of a trillion dollars in annual revenue.¹ CCIA members are substantially affected by the copyright system and depend upon it to fulfill its constitutional purpose.

II. Sources of the Orphan Works Problem

The orphan works problem stands as one of the great obstacles to the promises of mass digitization. This problem is the product of three independent policy changes which evolved in the late 20th century: (1) the repudiation of formalities; (2) repeatedly lengthening copyright terms; and (3) disproportionate remedies. The confluence of these policy choices has produced a system in which rights are dispensed without record, for a period of time likely to exceed human memory, and yet succeeding generations face penalties for violating those rights that are unlinked to the magnitude of the injury that might result. The result is a system that consigns large numbers of works to obscurity and non-use. Given formalities, intellectual property would behave more like property; and

¹ For a complete listing of CCIA members, see <http://www.ccianet.org/members>.

given shorter terms, authors and rights-holders would be less likely to disappear over the passage of time.

Of the three sources of the orphan works problem, the first two are identified in the Federal Register notice; the third source is self-evident, and has accordingly been the focus of many proposed reforms. Insofar as the first two were perceived as prerequisites to harmonization with international copyright conventions, policy choices around these may be limited. Remedies, on the other hand, are not so limited. Although the Berne Convention restricts formalities, it leaves the means of redress to the laws of the nations where protection is claimed.² In particular, statutory damages are a form of redress particularly characteristic of U.S. law, not employed or accepted universally, and thus constitute the most viable area for reforms to alleviate the orphan works problem and encourage mass digitization efforts.

A. Formalities

Moving away from an “opt-in” default for copyright protection was the most proximate cause of the orphan works problem. While one of the merits of an opt-in system is that it does not dispense unsought entitlements, re-implementing formalities may pose certain international complications. Berne’s prohibition on formalities is carried forward in the World Trade Organization Agreement on Trade-related Aspects of Intellectual Property Rights,³ the WIPO Copyright Treaty,⁴ and the WIPO Performances and Phonograms Treaty.⁵ Various proposals have been advanced toward restoring formalities in an ostensibly Berne-compliant manner,⁶ but the Office has previously recommended against formalities-related proposals in light of international obligations.⁷

B. Term

Adopting a liberal interpretation of the Constitution’s Progress Clause,⁸ Congress has repeatedly pushed the meaning of “limited Times” by extending copyrights to their current, extraordinary length. The most recent extension in 1998, validated by the Supreme Court in *Eldred v. Ashcroft*, 537 U.S. 186 (2003), compounded by two decades the problem before the Office.

² Berne Convention for the Protection of Literary and Artistic Works, as last revised July 24, 1971, amended Oct. 2, 1979, S. TREATY DOC. NO. 99-27, 828 U.N.T.S. 221.

³ Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, LEGAL INSTRUMENTS—RESULTS OF THE URUGUAY ROUND vol. 31, 33 I.L.M. 81.

⁴ WIPO Copyright Treaty, Dec. 20, 1996, S. TREATY DOC. NO. 105-17, 36 I.L.M. 65.

⁵ WIPO Performances and Phonograms Treaty, Dec. 20, 1996, S. TREATY DOC. NO. 105-17, 36 I.L.M. 76.

⁶ See, e.g., Christopher Sprigman, *Reform(aliz)ing Copyright*, 57 Stanford L. Rev. 485 (2004).

⁷ See, e.g., U.S. Copyright Office, *Report on Orphan Works* (2006) (available at <http://www.copyright.gov/orphan/orphan-report-full.pdf>), at 60-61 (noting options of a registration requirement, a notice requirement, and notice requirement as condition of enforcement).

⁸ U.S. Constitution, art. 1, § 8, cl. 8 (“To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries”).

The effect of term extension on orphan works was a “known bug” – the Office had previously identified problems associated with term extension, having cited users’ complaints from as early as the consideration of the 1976 Act, where “some users pointed out that the longer copyright term created by that revision might inhibit scholarly or academic uses of works where the copyright owner may no longer be actively exploiting the work commercially.”⁹ The Office’s report also pointed out that “[d]uring consideration of the Sonny Bono Copyright Term Extension Act of 1998 [CTEA] (which extended the term of copyright by 20 years), the Copyright Office [had] noted problems with unlocatable copyright owners, while some users pointed out that term extension could exacerbate problems with orphan works.”¹⁰

These misgivings notwithstanding, the CTEA was enacted and endorsed, albeit half-heartedly, by the Court in *Eldred*. Since that time, a 70-term obligation has repeatedly appeared in U.S. free trade agreements.

C. *Disproportionate remedies*

The availability of statutory damages for copyright infringement – and in particular the potential for steep penalties independent of any demonstration of actual harm – dramatically increases the inherent risks associated with using orphan works. This has the effect of deterring productive noncommercial and commercial uses of works of minimal economic value. Commercial entities are less likely to build upon, disseminate, digitize, aggregate, or pursue other activities, due to the potential for 6-figure awards per work. Particularly in the orphan context, where digitization involves a large number of potentially registered works, the prospects for large statutory awards are daunting.

Scholars have painted an in-depth picture of the punitive, unpredictable, inconsistent, and arbitrary outcomes that may occur under statutory damages. *See, e.g.*, Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 Wm. & Mary L. Rev. 439 (2009). Statutory damages have proven sufficiently arbitrary that federal judges have questioned the constitutionality of disproportionate awards of copyright statutory damages by juries.¹¹ In fact, one may question whether statutory damages are necessary in some cases, as “rules of evidence about proof of damages and profits are much less rigorous now than they were when

⁹ *Report on Orphan Works*, *supra* note 7, at 16.

¹⁰ *Id.*

¹¹ *See, e.g.*, *Sony BMG Music Entm’t v. Tenenbaum*, 721 F. Supp. 2d 85 (Mass. Dist. Ct. 2010) (referring to the jury’s award of \$675,000 for infringement of thirty copyrighted works as “unconstitutionally excessive,” “arbitrary and grossly excessive,” “so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable,” and “wholly out of proportion”); *see also* *Capitol Records, Inc. v. Thomas*, 579 F. Supp. 2d 1210 (D. Minn. 2008) (concluding that the statutory damages award was “unprecedented and oppressive”).

statutory damages were first created and [given] how few other countries have statutory damage regimes.” *Id.* at 510.

In light of the lack of treaty obligations around statutory damages and the lack of international consensus on this subject, the Office should explore general efforts toward rationalizing statutory damages as a solution to encouraging the productive use of orphan works.

III. Rationalizing Statutory Damages

In response to the IP Enforcement Coordinator’s 2012 request for comments on developing a Joint Strategic Plan,¹² CCIA has previously advanced proposals for reforming statutory damages as codified in 17 U.S.C. § 504(c)(2), so as to make them more reasonable and predictable. Such predictability would not fully solve the orphan works problem, but may alleviate the worst costs of it.

A. Reduce the minimum statutory damage award.

Currently, 17 U.S.C. § 504(c) places the minimum statutory damage award at \$750 per infringement, which can be reduced to \$200 per work if the act was found to constitute ‘innocent infringement.’ This penalty is exponentially higher than, for example, the likely value of an out-of-print historical work. To remedy this disparity, both the general statutory minimum and the minimum for innocent infringement could be reduced. Even if the innocent infringement award were halved, it would still be 100 times greater than the going rate for many common works. Of course, if these awards are insufficient to compensate for a given loss, plaintiffs may always opt to demonstrate their actual loss and seek actual damages.

B. Reduce statutory damages for orphan works.

More specific to this context, limitations for damages could be placed on works demonstrated to be orphans. At present, an owner who likely suffered no actual damage because the work had no economic value might still be able to recover substantial statutory damages. The compounded exposure to statutory damages that may result from digitizing large amounts of works deters such socially valuable efforts. Providing courts the discretion to reduce or remit statutory damages if a user made a reasonably diligent search for a copyright owner prior to the use, but could not identify or locate that owner, would mitigate this problem.

C. Guide courts in awarding damages.

Another solution could be to provide judges with more guidance for calculating damage awards than merely stating, as 17 U.S.C. §504(c)(1) does, “as the court considers just.” This

¹² 77 Fed. Reg. 42,765 (July 20, 2012).

language suggests that the court’s award should be designed to ‘do justice.’ However, when the case is not an exceptional one involving willful infringement, there is no economic basis for attempting deterrence. Therefore, the court in calculating statutory damages should attempt to compensate the plaintiff, not punish the defendant. Courts thus could be directed to “attempt to compensate the copyright owner” for the injury result from infringement.¹³

D. Harmonize copyright willfulness with patent willfulness.

If an infringement is committed willfully, the statutory maximum increases by a factor of five, from \$30,000 to \$150,000. However, the Copyright Act does not define willfulness, and there is a lack of uniformity in the courts concerning this important concept. The Federal Circuit’s decision, *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007), defined willful infringement and could provide a helpful guide for a definition of willful copyright infringement, by requiring that a plaintiff “show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement.” Such a rule may provide additional certainty around digitization efforts where a large portion of the works at issue are likely to be free of copyright.

E. Require the timely election of statutory damages.

Current practice permits plaintiffs to delay the election between actual and statutory damages until after the jury (or court) awards both actual and statutory damages. This allows the plaintiff to ‘game the system’ and extract higher settlements by threatening draconian damages throughout the litigation. So as not to unfairly prejudice defendants, plaintiffs should make this election in a timely manner, before the trial or the filing of a motion for summary judgment.

¹³ Samuelson & Wheatland, *supra*, suggest separating § 504(c) into separate sections on statutory damages: (a) compensation when damages are difficult to prove, and (b) imposing higher awards on egregious infringers:

If the statute had one provision for awarding statutory damages in ordinary infringement cases and another for awarding enhanced damages against egregious infringers, courts would be less likely to continue the common practice of characterizing those with constructive knowledge of infringement as willful infringers and awarding grossly excessive or arbitrarily high awards as compared with the actual damages sustained and awarded in other factually similar cases.

Id. at 509-10. Similarly, courts could be guided to limit this remedy where claim aggregation would result in grossly excessive remedies, such as in class actions and cases seeking to impose secondary liability for customer conduct. *Id.*

IV. Conclusion

Given the policy choices of the previous century, there are few attractive options for directly addressing the orphan works problem in a way that will encourage lawful mass digitization of works. The credibility of the copyright system depends upon its capacity to promote the creation *and use* of works of authorship, however. Accordingly, the Office should consider mitigating the orphan works problem through the avenue of statutory damages.

Respectfully submitted,



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