

BEFORE THE
U.S. INTELLECTUAL PROPERTY ENFORCEMENT COORDINATOR
OFFICE OF MANAGEMENT AND BUDGET

In re:

Development of the Joint Strategic Plan on
Intellectual Property Enforcement

80 Fed. Reg. 52800

Docket No. OMB-2015-003-0001

**COMMENTS OF PUBLIC KNOWLEDGE and the ORGANIZATION FOR
TRANSFORMATIVE WORKS**

I. Improving the Efficiency and Effectiveness of Enforcement Efforts: General Principles

Public Knowledge and the Organization for Transformative Works respectfully submit the following comments in response to the Request for Public Comments dated September 1, 2015. Public Knowledge is a nonprofit organization dedicated to representing the public interest in digital policy debates. Public Knowledge promotes freedom of expression, an open internet, and access to affordable communications tools and creative works. The Organization for Transformative Works is a nonprofit organization established by fans to serve the interests of fans by providing access to and preserving the history of fanworks and fan culture in its myriad forms. OTW believes that fanworks are transformative and that transformative works are legitimate.

A. The IPEC Should Ensure that Enforcement Policies Adhere to the Stated Goals of the Joint Strategic Plan and that the Costs of Enforcement do not Exceed the Benefits

The Request for Comments seeks recommendations for improving the government's intellectual property enforcement efforts. The IPEC can play an important role in improving the efficacy and efficiency of enforcement efforts through a number of means, including rigorous cost-benefit analysis of enforcement measures and adopting a nuanced view of the intellectual property landscape, which cannot be approached as a monolithic issue.

As an initial consideration, the IPEC should ensure that enforcement measures are subject to a careful cost-benefit analysis to ensure that the limited resources of the government are being employed in a manner that benefits the public. Such an approach complements the IPEC's emphasis on encouraging the disclosure of additional data by researchers and rights holders on the costs of infringement and enforcement, which we address in greater detail below.

Ensuring that any enforcement efforts pass a rigorous cost-benefit analysis is particularly important given the delicate role federal enforcement plays in the IP ecosystem. Copyrights and patents are private rights that confer exclusive rights on private actors as a reward for creativity or innovation and that enable these actors to benefit financially from the results of their endeavors.¹ Enforcing these rights is primarily the responsibility of rights holders,² and any public expenditure of resources that would primarily benefit private interests should be carefully weighed.³ This is particularly true where additional expenditures for IP enforcement would tax existing law enforcement resources.⁴

This cost-benefit analysis also requires accurately assessing the costs of enforcement actions. The IP system is geared towards striking certain balances - such as offering copyright protection to incentivize the creation of new expressive works, or offering patent protection to innovators who are willing to disclose and share their knowledge with the public. The balance in this system is further supported through subjecting those rights to limitations and exceptions. The IPEC should be cautious of calls for enforcement mechanisms from rights holders that privilege their private interests over those of other participants (such as users, consumers, intermediaries, and technology developers) in the IP system.⁵ In addition, the IPEC should factor in the ripple effect of enforcement actions; many innovative industries, such as consumer electronics manufacturers and the providers of online services, make products and services that can be jeopardized by overbroad enforcement. In particular, the IPEC should consider the balance struck between IP rights, and the limitations and exceptions to those rights codified in the law. For instance, the doctrine of fair use enables the various markets in audio and video recording devices.⁶ Nevertheless, rights holders have often claimed that new implementations of these

¹ Agreement on Trade Related Aspects of Intellectual Property Rights, pmbl., ¶ 4, April 15, 1994, 108 Stat. 4809, 869 U.N.T.S. 299, http://www.wto.org/english/docs_e/legal_e/27-trips.pdf.

² See 17 U.S.C. §§ 501 (private enforcement of infringement); 506 (criminal enforcement only for “willful” infringement for commercial gain, or of high value products, or of prerelease materials); *Leo Feist, Inc., v. Young*, 138 F.2d 972, 975 (1943) (copyright infringement is a tort). See also *Davis v. Passman*, 442 U.S. 228, 241, 99 S. Ct. 2264, 60 L.Ed.2d 846 (1979) (“Statutory rights and obligations are established by Congress, and it is entirely appropriate for Congress, in creating these rights and obligations, to determine in addition, who may enforce them and in what manner.”); *New York Times Co. v. United States*, 403 U.S. 713, 731 n.1 (1971) (free speech concerns when the government restricts speech are not present when copyrights are privately enforced).

³ See Morris A. Singer, *The Failure of the PRO-IP Act in a Consumer-Empowered Era of Information Production*, 43 Suffolk U. L. Rev. 185, 213, (2009).

⁴ See Carsten Fink, *Enforcing Intellectual Property Rights: An Economic Perspective* 13, Intellectual Property Rights and Sustainable Development, Issue No. 22, 2, (2009), <http://ictsd.org/downloads/2009/03/fink-correa-web.pdf> (citing the Financial Times, which reported that greater spending on counterterrorism in the U.S. after September 11, 2001 had left fewer resources for fighting crime, reportedly causing rates of crime to go up in many U.S. cities.)

⁵ Rights holders have sometimes suggested that the enforcement of their rights should be privileged even above prosecuting burglary, bank robbery, and other property crimes. See, e.g., Ken Fisher, *Copyright coalition: Piracy more serious than burglary, fraud, bank robbery*, Ars Technica, June 15, 2007, <http://arstechnica.com/tech-policy/2007/06/copyright-coalition-piracy-more-serious-than-burglary-fraud-bank-robbery/>.

⁶ See Pamela Samuelson, *The Generativity of Sony v. Universal: The Intellectual Property Legacy of Justice Stevens*, 74 Fordham L. Rev. 1831 (2006) (explaining that the safe harbor created in favor of time shifting by the Supreme Court’s decision in *Sony Corp. of America v. Universal City Studios*, 464 U.S. 417 (1984) enabled the introduction of devices such as iPods, MP3 players, DVRs and many others to the market.).

technologies enable infringement and that their makers and distributors are secondarily liable for their customers' infringement.⁷ The IPEC can improve the government's understanding of the broader impact of its enforcement actions by factoring the chilling effects of enforcement, which cause people and businesses to refrain from lawful activity for fear of legal costs, into its analyses.

Similarly, the IPEC should consider the potential adverse effects of applying enforcement measures on an individual scale in its cost-benefit analysis. The express purpose of the PRO-IP Act is to "make commercial scale IP theft less profitable and easier to prosecute."⁸ The best way ensure that this mandate is fulfilled is to direct resources towards actual commercial-scale infringers. In evaluating and implementing enforcement practices, care should be taken to ensure that resources better suited to combating large-scale infringement are not misapplied to less apposite cases of individual infringement. It would be inappropriate, for instance, for the federal government to expend resources seizing a multi-user, multi-use home computer under the PRO-IP Act's seizure and forfeiture provisions. Such an action, which could be justified under a literal interpretation of the Act, would harm everyone in the household. The IPEC's cost-benefit analysis should therefore factor in the broad impact that enforcement actions against individuals can have on those who live with them and share resources with them.⁹

While the term "intellectual property" serves as a shorthand for a variety of legally recognized rights, it would be inappropriate to treat them alike in determining how to prioritize federal enforcement efforts; the harms caused by various IP infringements have varying effects on the public and the economy at large. IP infringement allegedly causes threats to public health and safety, the financing of organized crime, and job losses.¹⁰ However, not all types of infringements of all types of IP rights cause all of these harms. Thus, enforcement resources should be targeted at those violations that cause the greatest harm without placing all IP infringements in the same category. For example, in the case of trademarks, preventing the harm caused by adulterated or substandard pharmaceuticals being passed off as legitimate should be of greater concern to the federal government than the harm posed by the availability of counterfeit luxury items. The lodestar for the IPEC in assessing the benefits of a particular enforcement action should be the threat posed to the public by the targeted infringement.

⁷ Anny Shin, Music Labels Sue XM Over Recording Device, Washington Post, May 17, 2006, <http://www.washingtonpost.com/wp-dyn/content/article/2006/05/16/AR2006051601826.htm>; Ted Johnson, Judge Rules That Dish's Sling Features, Ad-Skipping Don't Violate Copyright, Variety, January 20, 2015, <https://variety.com/2015/biz/news/judge-rules-that-dishs-sling-features-ad-skipping-dont-violate-copyright-1201410019/>

⁸ H.R. Rep. No. 110-617 at 23, (2008),

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_reports&docid=f:hr617.110.pdf.

⁹ This is also a concern with respect to voluntary agreements that require ISPs to take steps such as cutting off a subscriber's Internet access on the basis of infringement allegations alone.

¹⁰ H.R. Rep. No. 110-617 at 20-22.

The abuse of intellectual property law can also harm the public. This kind of abuse can itself be illegal,¹¹ and even if not, can still cause harm. For example, rights holders overstate the scope of their rights when they demand that non-infringing fair uses of their works be stopped, or use trademark law to attempt to silence criticisms of their products.¹² Some have falsely claimed “rights” over non-protectable material.¹³ Thus, the IPEC should consider whether enforcement measures designed to reduce the harms caused by abuse of intellectual property law should be pursued.

In addition, the IPEC should take great care in analyzing enforcement efforts that target intermediaries and platforms rather than infringers. Enforcement efforts against intermediaries, such as Internet service providers or domain name registrars impose a significant toll on the Internet ecosystem. The IPEC should take into account the chilling effects of imposing liability against neutral platforms for downstream activity they do not control. Absent exceptional circumstances, merely providing Internet access or domain name resolution services does not allow infringement any more than providing electrical power or other utilities to the homes or offices of an accused infringer does. Enforcement activities that target such services can not only harm blameless service providers; they can cut off services to other customers wholly unconnected with any infringing activity.

¹¹ In general, knowingly false claims about the scope of legal rights can be forms of fraud or extortion. At times, IP abuse-specific causes of action, defenses, and violations have been identified. 17 U.S.C. § 506(c) (criminal liability for false copyright notice); *M. Witmark & Sons v. Jensen*, 80 F. Supp. 843 (D. Minn. 1948) (copyright abuse can prevent recovery against infringement); Kevin J. Greene, *Abusive Trademark Litigation and the Incredible Shrinking Confusion Doctrine*, 27 Harv. J.L. & Pub. Pol’y 609 (2004); David Post, *You bought it, you can re-sell it: Costco can keep selling gray market Omega watches at a discount without copyright liability*, Washington Post, January 21, 2015, <https://www.washingtonpost.com/news/volokh-conspiracy/wp/2015/01/21/you-bought-it-you-can-re-sell-it-costco-can-keep-selling-gray-market-omega-watches-at-a-discount-without-copyright-liability/> (discussing Omega having violated the “copyright misuse” doctrine).

¹² For example, in *Lenz v. Universal Music Corp.*, No. 13-16106 (9th Cir. Sep. 14, 2015), Universal Music sent a notice claiming that a 29-second home video of a toddler dancing (taken by the toddler’s mother and posted on YouTube for her friends and family to see) violated copyright because a Prince song was playing in the background. EFF, *Lenz v. Universal*, <http://www.eff.org/cases/lenz-v-universal> (EFF represents the mother). The Chilling Effects Clearinghouse helps track similar copyright abuses; see <http://www.chillingeffects.org/about>. Additional examples of the abuse of trademark law, which is intended to prevent “passing off” and other forms of consumer confusion, to limit speech pop up frequently. See, e.g., Paul Alan Levy, *Apparently, Citizens United Doesn't Believe in Free Speech for the Anti-Corporate Side*, Public Citizen Consumer Law & Policy Blog, <http://pubcit.typepad.com/clpblog/2010/03/apparently-citizens-united-doesnt-believe-in-free-speech-for-theanticorporate-side.html> (Citizens United using trademark law to prevent criticism of the recent Citizens United Supreme Court decision); Paul Alan Levy, *Trademark Abuse by Jones Day to Suppress Free Speech*, Public Citizen Consumer Law & Policy Blog, <http://pubcit.typepad.com/clpblog/2008/09/trademark-abuse.html> (law firm Jones Day using trademark law to prevent it from being mentioned by a news and consumer information website); *Katz. v. Google, Inc.*, 2015 WL 5449883 (11th Cir. Sept. 17, 2015) (court upholds finding of fair use where subject of critical blog posts purchased copyright in photo of himself for the express purpose of sending takedown notices.)

¹³ E.g., Major League Baseball has tried to assert ownership over facts about baseball. See *C.B.C. Distribution and Marketing, Inc. v. Major League Baseball Advanced Media, L.P.*, 443 F.Supp.2d 1077, 1100-03 (E.D. Mo. 2006) (rejecting this claim); *Swatch Group Management Services Ltd. v. Bloomberg L.P.*, 756 F.3d 73 (2d Cir. 2014) (rejecting company’s claim of copyright ownership in recording of conference call with financial analysts).

The same is true of many other online services. Just as VCRs and DVRs are used to lawfully time-shift or space-shift media, newer devices and software will necessarily make and move copies between devices and onto cloud services. Whereas laws written decades ago presupposed that transferring data into a network or onto another machine led to a transfer of ownership, today, the ubiquity of cloud services like webmail and online remote storage means that copyrighted material is regularly transferred from place to place without ever leaving a consumer's control. Services like cloud lockers and web storage should not in themselves give rise to infringement actions simply because they can, and occasionally are, used to infringe copyrights, no more than email services or file transfer protocols do.

The law clearly places limits on the extent of liability for parties who are not themselves infringers. Civil liability for copyright infringement, for instance, is limited to certain specific cases.¹⁴ Secondary liability in criminal contexts is far less certain, with very little, if any, support in the statute or in case law for finding that a defendant can be liable for "aiding and abetting" a criminal copyright infringement.¹⁵ The limits placed upon secondary liability in the law exist precisely because of the threat that legitimate activity, commerce, and use can be stifled through overbroad enforcement actions. In coordinating with enforcement agencies, the IPEC should be mindful of the tendency for actions targeted against intermediaries to create collateral damage to innocent parties.

B. Other Laws and Values Are Affected By IP Enforcement

The need to protect copyright, patent, and trademark rights exists within a broader set of values that also require protection. Mechanisms used to protect and enforce IP can easily encroach or even violate these other rights if handled improperly. Most prominently, IP enforcement affects the rights of free speech and privacy, particularly given the global nature of the online environment and its sensitivity to unilateral action by state actors.

This is particularly likely in areas where enforcement agencies attempt to apply laws intended for physical goods to intangible assets, whether they are data that result from a patented process,¹⁶ or a set of permissions agreed upon by the international domain name system.¹⁷

¹⁴ A party may only be found vicariously liable for another's copyright infringement where the party has both the right and ability to control the behavior of the direct infringer, and profits from the direct infringement. *Metro-Goldwyn-Meyer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005). Contributory infringement requires that a defendant both knew of the infringing activity, and then induced or encouraged the direct infringement. *Id.*; see also *Sony Corp. v. Universal City Studios*, 464 U.S. 417 (1984). However, products that have a "substantial non-infringing use" do not give rise to contributory liability. *Sony*, 262 U.S. at 442. *Grokster* further explicated inducement liability, holding that to be found liable for inducing copyright infringement, a defendant must "distribute[] a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement." *Grokster*, 545 U.S. at 936-37.

¹⁵ See Jennifer Granick, *Megaupload: A Lot Less Guilty Than You Think*, Stanford Center for Internet & Society, Jan. 26, 2012, <https://cyberlaw.stanford.edu/blog/2012/01/megaupload-lot-less-guilty-you-think>.

¹⁶ See *In re Certain Digital Models, Digital Data, & Treatment Plans for Use in Making Incremental Dental Positioning*

Information, unlike most physical goods, is itself a form of speech, and thus its seizure or suppression will raise First Amendment concerns.¹⁸

Seizing a domain name, for instance, may not only suppress the speech contained on websites at that domain, or on innocent subdomains, but may also interfere with email communications using it. Remedies that disconnect users from the Internet deprive them of a vital means of communication, affecting not only their expressive rights, but also their ability to participate in many aspects of society, including managing their finances, education, healthcare, and employment. In such cases, the due process considerations are more pressing than in cases where merely infringing articles or machinery specifically built to manufacture such articles are seized.

Privacy rights are also critical when dealing with transfers of online data. For example, treating communications providers as “importers” of information and applying ITC exclusion orders to them raises the specter of an ISP needing to intercept and sift through a consumer’s communications in order to determine whether or not excluded “articles” are contained within the consumer’s speech. Other proposed or existing mechanisms that rely upon intercepting or disclosing stored or in-transit communications must meet the statutory and constitutional requirements of privacy protection.

The IPEC and enforcement agencies should similarly resist proposals that, while perhaps easing enforcement in certain circumstances, may endanger user privacy. For example, proposals to prevent or restrict the availability of privacy and proxy services for domain name registrants may ease plaintiffs’ and agencies’ ability to locate some domain name registrants, but at the cost of denying a large number of users the safety and security of knowing that their personal information and locations will not be readily disclosed online.¹⁹

Ensuring that vital rights beyond IP rights are respected in enforcement frameworks is particularly important given the global nature of online commerce and communication. Enforcement mechanisms that have even the potential for abuse can be cited as precedential

Adjustment Appliances, the Appliances Made Therefrom, & Methods of Making the Same, Inv. No. 337-TA-833, slip op. at 55 (U.S. Int’l Trade Comm’n Apr. 9, 2014).

¹⁷ See, e.g., Agatha M. Cole, *ICE Domain Name Seizures Threaten Due Process and First Amendment Rights*, American Civil Liberties Union, June 20, 2012, <https://www.aclu.org/blog/ice-domain-name-seizures-threaten-due-process-and-first-amendment-rights?redirect=blog/free-speech-national-security-technology-and-liberty/ice-domain-name-seizures-threaten-due>; Nate Anderson, *Senator: domain name seizures “alarmingly unprecedented”*, *Ars Technica*, Feb. 2, 2011, <http://arstechnica.com/tech-policy/2011/02/senator-us-domain-name-seizures-alarmingly-unprecedented/>.

¹⁸ See, e.g., Brief Amicus Curiae of Electronic Frontier Foundation, Center for Democracy & Technology, and Public Knowledge, *Puerto 80 Projects, S.L.U. v. United States*, No. 11-3390 (2d Cir. 2011), https://cdt.org/files/pdfs/Roja_Conformed_Amici_Brief_2nd_Cir.pdf.

¹⁹ See Comments of Center for Democracy & Technology, New America’s Open Technology Institute, and Public Knowledge to ICANN on the GNSO’s Initial Privacy & Proxy Services Accreditation Issues Working Group Report, <https://www.publicknowledge.org/documents/comments-to-icann-on-the-gnsos-initial-privacy-proxy-services-accreditation>.

justification by other countries in pressing their online agendas, which tend to be more speech-restrictive than that of the U.S. United States interests in international forums beyond those that typically deal with IP enforcement are therefore affected by policies made by IP enforcing agencies. Efforts initially geared towards locating infringers can just as easily be repurposed to locate dissidents. Mechanisms for filtering, blocking, and removing infringing content can be used to target speech that would be illegal in other regimes, due to blasphemy, *lèse-majesté*, or other violations of *ordre public* that have no U.S. equivalent.

Nor do the foreign policy goals affected by intellectual property enforcement stop with free speech—access to patented medicines can put exclusive rights at odds with public health and development goals. Recent scandals even in the U.S. regarding drug pricing only highlight the extent to which the United States must balance its commitments to IP enforcement with its dedication to human rights.

II. Combating Emerging Threats - Recommendations

A. IPEC Should Limit Recommendations to Changes that Aid the Core Objectives of the Joint Strategic Plan

In the Request for Comments, the IPEC asks for recommendations for combating emerging threats posed by violations of intellectual property rights, soliciting recommendations for “legislation, executive order[s], Presidential memorand[a], regulation[s], guidance, or other executive action[s] (e.g., changes to agency policies, practices or methods)...” While the IPEC may benefit from hearing a broad range of enforcement-enhancing proposals from commenters, the IPEC should limit any of its recommendations to those that would aid the core objectives of the Joint Strategic Plan, namely: to encourage interagency information sharing and coordination, reduce waste and duplication in enforcement efforts, and create a robust and open system for international cooperation. Ultimately, the PRO-IP Act only asks the IPEC to make statutory recommendations “if any, and as appropriate.”²⁰

Should the IPEC take a broader view of its scope for recommendations, we believe that enforcement efforts can be improved by clarifying the limits of rights, so as to avoid expending resources on inappropriate edge cases. For example, strengthening measures intended to prevent abuse of existing enforcement mechanisms, such as 17 U.S.C. §512(f), would improve the quality of enforcement in the system overall by discouraging abusive practices. So would improving the penalties for anticompetitive, wrongful assertions of nonexistent IP rights (such as the “threats” action available in the UK) to deter such abuses. Reforming statutory damages would also benefit the overall enforcement landscape. As currently instituted, the prospect of statutory damages

²⁰ Prioritizing Resources and Organization for Intellectual Property Act of 2008, 110 Pub. L. 403, codified at 15 U.S.C. 8111§(b)(1)(F).

tends to attract hopeful claims. Reforming the statutory damages regime with respect to secondary liability, aggregating damages, and reviving the corporate veil, would help restore balance and certainty to the copyright environment, and de-skew warped enforcement incentives.²¹ In addition, the IPEC should consider the reinforcement and expansion of existing statutory licensing regimes as a means of reducing the number of areas requiring case-by-case enforcement actions. The IPEC should consider taking steps to curtail the impact of the International Trade Commission's decision to regulate transmissions of data over the Internet as if they were acts of importation, which will have far-reaching implications on the operation of the Internet.²²

B. The Joint Strategic Plan Should Resist Explicit and Implicit Attempts to Change Law Through Enforcement Mechanisms

A large number of issues remain in flux within the laws of copyright, trademark, and patent. Issues such as fair use,²³ exhaustion,²⁴ intermediary liability,²⁵ and circumvention protections are being debated in Congress, in the courts, and before administrative agencies. Powerful industries are advocating for their particular interpretations and amendments to the law in as many forums as they can manage. The IPEC should take care to avoid enforcement actions being used to shape the scope of the underlying law outside of legislation or jurisprudence. Restraint in enforcement is particularly warranted in the following areas:

1. Intermediary Liability

Rights holders have been lobbying in the press and in public for a narrower safe harbor for online intermediaries.²⁶ In particular, they have argued that intermediaries should actively be

²¹ See Computer and Communications Industry Association, *Copyright Reform for a Digital Economy* (2015), pgs. 17-24, available at <https://www.cciainet.org/wp-content/uploads/2015/08/Copyright-Reform-for-a-Digital-Economy.pdf>.

²² In re Certain Digital Models, Inv. No. 337-TA-833, slip op. at 55 (U.S. Int'l Trade Comm'n Apr. 9, 2014).

²³ See, e.g., *Authors Guild v. Google, Inc.*, No. 13-4829 (2d Cir. Oct. 16, 2015); *Lenz v. Universal Music Corp.*, No. 13-16106 (9th Cir. Sep. 14, 2015); *The Scope of Fair Use: Hearing Before the Subcomm. on Courts, Intellectual Property, and the Internet*, 113th Cong. (2014), http://judiciary.house.gov/index.cfm/hearings?ContentRecord_id=8E18A9AA-1AA4-4D7C-8EBF-0284862EC44B.

²⁴ See, e.g., *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S.Ct. 1351 (2013); *Lexmark Int'l, Inc. v. Impression Products, Inc.*, No. 14-1617 (Fed. Cir.) *en banc* decision pending, 785 F.3d 565 (Fed. Cir. 2015); *First Sale Under Title 17: Hearing Before the Subcomm. on Courts, Intellectual Property, and the Internet*, 113th Cong. (2014), <http://judiciary.house.gov/index.cfm/2014/6/hearing-first-sale-under-title-17>.

²⁵ *Lenz v. Universal Music Corp.*, No. 13-16106 (9th Cir. Sep. 14, 2015); *Section 512 of Title 17: Hearing Before the Subcomm. on Courts, Intellectual Property, and the Internet*, 113th Cong. (2014), <http://judiciary.house.gov/index.cfm/2014/3/section-512-of-title-17>.

²⁶ See *Section 512 of Title 17: Hearing Before the Subcomm. on Courts, Intellectual Property, and the Internet*, 113th Cong. (2014) (statement of Maria Schneider, GRAMMY-winning Composer and Member of the Recording Academy's New York Chapter), http://judiciary.house.gov/_cache/files/7aa84910-171e-4f3e-82fc-b2cef9a43c3e/031314-testimony---schneider.pdf; *Id.*, (statement of Paul Doda, Global Litigation Counsel, Elsevier, Inc.), http://judiciary.house.gov/_cache/files/f7b04ad0-a650-4ca1-a811-1152801a292a/031314-testimony---doda.pdf; Kate Tummarello, *Movie industry: with online piracy, takedown 'must mean staydown'*, The Hill, March 21, 2014, <http://thehill.com/policy/technology/201400-movie-industry-with-online-piracy-takedown-must-mean-stay>.

required to seek out and prevent infringement by users *ex ante*, rather than responding to known infringements. Enforcement actions should not presume secondary liability from an online service provider's failure to implement expensive and often unreliable filtering mechanisms, nor from an Internet service provider's failure to terminate accounts merely upon receiving multiple unsubstantiated complaints of infringement.

2. First Sale and Exhaustion

Even after the Supreme Court's decision in *Kirtsaeng v. John Wiley & Sons*,²⁷ rights holders have attempted to use other forms of intellectual property to prevent secondary markets and control resale prices on their goods. For instance, the Federal Circuit recently heard oral argument *en banc* in *Lexmark v. Impression Products*, a case in which Lexmark alleges that products containing patented inventions cannot be imported without its permission, even after the product has been legally sold to a buyer in another country.²⁸ While this case is being decided, and given the state of international exhaustion in copyright law, enforcement agencies should prioritize actions against fraudulent goods, rather than merely unauthorized importations of legitimately produced products.

3. Anticompetitive Uses of Anticircumvention Law

The anticircumvention provisions of the Digital Millennium Copyright Act²⁹ remain one of the more problematic aspects of copyright law today. Even ignoring whether the provisions are themselves good policy, the scope of what is allowed under the statute changes periodically. As these comments are being filed, the Library of Congress is expected to issue its rules on what circumventions will be considered lawful. This landscape changes from year to year, and agencies can avoid inefficient allocation of enforcement resources by focusing on much clearer instances of infringement.

In particular, agencies should avoid restricting circumventions that prevent anticompetitive behavior. For instance, many types of manufacturers have attempted to use section 1201 to prevent third party products from being used with their own products and services.³⁰ While some of these attempts have failed in courts and in Congress,³¹ other attempts persist.³²

²⁷ 133 S.Ct. 1351 (2013).

²⁸ *Lexmark Int'l, Inc. v. Impression Products, Inc.*, No. 14-1617 (Fed. Cir.) *en banc decision pending*, 785 F.3d 565 (Fed. Cir. 2015)

²⁹ 17 U.S.C. § 1201.

³⁰ *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 387 F.3d 522 (6th Cir. 2004); *Chamberlain Group, Inc. v. Skylink Techs., Inc.*, 381 F.3d 1178 (Fed. Cir. 2004); *Comments of CTIA—The Wireless Association*, Notice of Proposed Rulemaking, Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies, U.S. Copyright Office, Library of Congress, Docket No. RM 2008-8 (Feb. 10, 2012), http://copyright.gov/1201/2012/comments/Bruce_G._Joseph.pdf

Furthermore, other manufacturers will attempt to stymie independent repair or research on their products.³³ Rather than preventing the commercial-scale reproduction and distribution of the copyrighted works at issue (in this case, firmware embedded in the devices that has no commercial value when separated from the physical goods), section 1201 in these cases acts simply to extend the copyright monopoly beyond its statutorily intended bounds.

These questions are not limited to civil actions, either. The Department of Justice recently reached a plea agreement with a defendant accused of not only selling infringing vehicle diagnostic software, but also for circumvention.³⁴ These issues are being actively considered in the courts and in Congress³⁵ and therefore represent a poor vehicle for enforcement actions, given the likelihood of imminent changes in the law.

C. Improving Existing Voluntary Private-Sector Initiatives and Recommendations for Establishing New Voluntary Initiatives

A relatively nascent practice in 2013, private-sector voluntary initiatives aimed at reducing intellectual property infringement now play a growing, powerful role in Internet and intellectual property policymaking. While private-sector voluntary initiatives can be an attractive tool for targeting and reducing online intellectual property infringement, they also can, if poorly implemented, undermine the balance inherent in intellectual property law, as well as important interests in transparency and competition.

³¹ Unlocking Consumer Choice and Wireless Competition Act, Pub. L. No. 113-144 (2014).

³² *Comments of Stratasys, Ltd.*, Notice of Proposed Rulemaking, Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies, U.S. Copyright Office, Library of Congress, Docket No. RM 2014-07 (March 27, 2015), http://copyright.gov/1201/2015/comments-032715/class%2026/STRATASYS_Class26_1201_2014.pdf.

³³ See *Ford Motor Co. v. Autel US Inc.*, No. 14-13760, (E.D. Mich. Sep. 30, 2015); see also Comments in Proposed Classes 21, 22, and 27, Notice of Proposed Rulemaking, Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies, U.S. Copyright Office, Library of Congress, Docket No. RM 2014-07, <http://copyright.gov/1201/2015/comments-032715/>

³⁴ *Auto Parts Distributor Pleads Guilty to Manufacturing and Selling Pirated Mercedes-Benz Software*, Department of Justice, U.S. Attorney's Office, Eastern District of Louisiana, September 10, 2015, <http://www.justice.gov/usao-edla/pr/auto-parts-distributor-pleads-guilty-manufacturing-and-selling-pirated-mercedes-benz>.

³⁵ See Brian Naylor, *Amid VW Scandal, Critics Want Access to Carmakers' Computer Code*, NPR, Sep. 29, 2015, <http://www.npr.org/sections/alltechconsidered/2015/09/29/444520161/amid-vw-scandal-critics-want-access-to-carmakers-computer-code> (quoting Sen. Richard Blumenthal: "There should be access to the source code, that is to the software, so that consumers and researchers are able to protect the public against this kind of deceptive action.").

1. Voluntary Agreements Can Exclude Public and Consumer Participation, to Consumers' Detriment

Private-sector voluntary initiatives can achieve outcomes that could not easily or practicably be reached through formal legislative or administrative processes.³⁶ While they may provide some speed and flexibility, however, as private agreements, the tradeoff can be the lack of open, transparent, and democratically accountable forums. Often, there is no opportunity for public debate over, or participation in, shaping the terms of the agreements.³⁷ Almost universally, these initiatives are negotiated behind closed doors and without the participation of public interest groups or consumer advocates.³⁸ Further, the terms of the agreements are rarely fully released to the public, and, often, the ways in which the initiatives will impact or harm ordinary Internet users, as well as fundamentally important privacy and freedom of expression interests, is left unclear.³⁹ Finally, these initiatives may not provide sufficient meaningful opportunities for those accused of intellectual property infringement to challenge allegations and seek meaningful review.⁴⁰

The IPEC should ensure adequate opportunities for public interest and consumer advocates to participate in negotiations on new and existing voluntary initiatives. Internet and online service providers cannot adequately represent the distinct interests of consumers and Internet users in developing these initiatives. Indeed, structural incentives often place the interests of Internet users and Internet and online service providers at odds. As one expert observed, “intermediaries have a particularly fragile commitment to the speech they facilitate.”⁴¹ A single Internet user or source of Internet content generates very little benefit for a service provider,⁴²

³⁶ See Derek E. Bambauer, *Against Jawboning*, 100 Minn. L. Rev. (forthcoming 2015) at 24 (describing attempts to include mandatory graduated-response language in the Anti-Counterfeiting Trade Agreement); see also Annemarie Bridy, *Graduated Response American Style: ‘Six Strikes’ Measured Against Five Norms*, 23 Fordham Intell. Prop. Media & Ent. L. J. 1, 15; In addition, enforcement goals originally sought through the Stop Online Piracy Act are currently served by private-sector voluntary initiatives whereby payment processors and advertisers agree to withdraw support from websites engaged in intellectual property infringement. See U.S. Intellectual Property Enforcement Coordinator, *2013 Joint Strategic Plan on Intellectual Property Enforcement*, 36 (July 2013).

³⁷ See Bridy at 37-38 (stating “the private nature of CAS means that there will be no public forum for debate over the terms of the MOU” and describing that the Copyright Alert System “was presented to the public as a *fait accompli* and will be offered for the public’s assent as a contract of adhesion for broadcast service.”)

³⁸ See *Id.* at 37-38 (noting that, while the Center for Copyright Information’s advisory board involved public interest advocates, including former Public Knowledge president Gigi B. Sohn, the advisory board was not appointed until after the terms were set, “had no role in the design of the protocol, and [was] not empowered to make recommendations about implementation that bind the CCI executive committee.”).

³⁹ See Stoltz, Mitch, “*Six Strikes’ Copyright Alert System Can’t Be The Future of Copyright Enforcement Without More Transparency and Accountability*,” EFF Deeplinks Blog (June 2, 2014), <https://www.eff.org/deeplinks/2014/06/six-strikes-needs-transparency-accountability>.

⁴⁰ See Bridy at 58.

⁴¹ Seth F. Kreimer, *Censorship By Proxy: The First Amendment, Internet Intermediaries, and the Problem of the Weakest Link*, 155 U. Pa. L. Rev. 11, 28.

⁴² See *Id.*; see also Bambauer at 10.

and that benefit is easily outweighed by the risks of reputational harm from attacks by the content industry or costly litigation.⁴³ Therefore, where content or actions are even questionable, service providers have an incentive to limit their risk by removing the content or taking action against the user.⁴⁴ The IPEC should thus endeavor to ensure that the public interest is adequately represented when shaping these agreements and overseeing their implementation.

2. Voluntary Agreements Can Be Used to Regulate Non-Parties

Absent a more structured regulatory or legislative process, “voluntary” agreements can become voluntary in name only. While parties to an agreement may negotiate similar terms to what might be reached in more formal situations, voluntary agreements allow participants to pursue a divide-and-conquer strategy, whereby more compliant opposite parties are brought into negotiations. Once an agreement is reached, non-participating parties can be demonized as not meeting a newly invented “industry standard.”⁴⁵

One example of this can be seen in the interactions between pharmaceutical companies and domain name registrars. After a number of registrars reached agreements of best practices with pharmaceutical trade associations, those registrars who did not participate were singled out as “notorious markets” for infringement in submissions to the Special 301 process. This resulted in the oddity of a Canadian domain name registrar—neither a physical location nor a marketplace for goods itself—being listed as a “notorious market.”⁴⁶

This year, rights holders have again prominently identified several domain name registrars as “notorious markets” for copyright and trademark infringement for failing to monitor registrants’ activities beyond the requirements of law or their ICANN agreements.⁴⁷ It seems no coincidence that these particular registrars are the ones who did not accede to the rights holders’ terms in a voluntary agreement.⁴⁸

⁴³ *Id.* See, e.g., PayPal’s withdrawal of payment processing services from Mega. Aimee Chanthadavong, *PayPal Terminates Services to Mega*, ZDNet, (Mar. 2, 2015, 3:12 GMT), <http://www.zdnet.com/article/paypal-terminates-services-to-mega/>.

⁴⁴ Bambauer at 32 (“The cost-benefit calculus is clear: it makes sense to censor anything questionable.”).

⁴⁵ Increasing levels of market concentration and vertical integration can make this problem even worse. A rights holder who also owns an online service provider, for instance, can establish “best practices” with its own affiliated business, and then use the existence of those practices to pressure competing service providers into making anticompetitive concessions.

⁴⁶ See U.S. Trade Rep., *2014 Out-of-Cycle Review of Notorious Markets* at 16 (Mar. 5, 2015) available at https://ustr.gov/sites/default/files/2014%20Notorious%20Markets%20List%20-%20Published_0.pdf.

⁴⁷ See *Comments of the Association For Safe Online Pharmacies* (ASOP Global), comments on the USTR’s 2015 Out-of-cycle Review of Notorious Markets at 3, Fed. Reg. Docket No. USTR-2015-0016 available at <http://www.regulations.gov/#!documentDetail;D=USTR-2015-0016-0004>; See also *Comments of the Motion Picture Association Of America* (MPAA) at 13 (listing the Public Domain Registry as a Notorious Market available at <http://www.regulations.gov/#!documentDetail;D=USTR-2015-0016-0007> (listing the Public Domain Registry as a Notorious Market).

⁴⁸ The Association for Safe Online Pharmacies’ (ASOP Global) comments to the USTR list the registrar members of the Center for Safe Internet Pharmacies (CSIP) as registrars whose polices should “be commended,” and

3. Enforcement By Private Actors Suffers From Skewed Incentives

Rights holders' attempts to police infringement through ICANN highlight another difficulty with private enforcement of intellectual property: turning registrars into enforcers of intellectual property rights (or into targets of enforcement actions) through their relationship with ICANN poses a serious risk to freedom of expression online. Like other Internet service providers, registrars have an incentive to be overly aggressive with regard to questionable content, and will likely over-enforce in order to preserve their accreditation in the face of complaints, resulting in suppression of legitimate and lawful speech.⁴⁹ In addition, it is unclear how registrants can defend against allegations of infringement, if at all, when targeted for suspension or other penalties. These policies pose an even greater risk on a global scale, where, by virtue of their relationship with ICANN, registrars may be pressured to suspend domains that host politically critical content, or that support marginalized viewpoints, by governments hostile to free expression, or by private companies who wish to silence criticism. Subjecting domain registrars to such arbitrary enforcement will have vast consequences on freedom of expression and association and access to information worldwide. Because of these consequences, any move to subject registrars to liability should occur in transparent forums that provide for public scrutiny and participation, as well as accountability for those who set the policy.

In light of their broad reach and profound consequences for Internet users, the IPEC must ensure that current and new private-sector voluntary initiatives are undertaken transparently, subject to public scrutiny, and open to participation by public interest and consumer advocates.

III. Data-Driven Governance

This year, the IPEC requested that parties submit recommendations for “possible areas for enhanced information sharing and access, including the identification of relevant data sets, and how best to improve open access to such data.”⁵⁰ We appreciate the IPEC’s emphasis on increasing public access to information regarding enforcement actions, voluntary initiatives, and the impacts of infringement and enforcement. Access to this information can improve transparency and accountability in both state and private enforcement actions, and can help the public evaluate and contribute to intellectual property policy development. Policy choices must reflect an accurate understanding of the harms and benefits of both intellectual property infringement and enforcement, and the IPEC must ensure that the data on which it relies is accurate, complete, unbiased, and subject to sufficient scrutiny.

recommend “top five rogue registrars” (who are not CSIP members) for placement on the Notorious Markets List. ASOP Global is an ex-officio member of the CSIP. *See Id.*

⁴⁹ *See Kreimer* at 28; *see also Bambauer* at 32.

⁵⁰ Request of the U.S. Intellectual Prop. Enforcement Coordinator for Pub. Comments: Development of the Joint Strategic Plan on Intellectual Prop. Enforcement, 80 Fed. Reg. 169 (Sep. 1, 2015).

The IPEC should investigate and publicly disclose the methodologies by which identified data is collected and analyzed. Statistics regarding the value of intellectual property economies and the harm resulting from infringement can be misleading, and conclusions regarding the value of intellectual property to domestic economic benefit may rest on false assumptions about the actual dependence of that benefit on intellectual property.⁵¹ For example, several reports addressing the importance of intellectual property rights to “economic growth and...innovation” have been criticized as “unsupported by any evidence linking job creation and intellectual property,” and for “fail[ing] to address many aspects of [that] complex issue.”⁵²

Estimations of the economic harms caused by infringement may likewise rest on unreliable methodologies or assumptions. As one report explains: “Such loss estimates are generally based on the full retail price of the product and the full number of estimated units pirated, providing a total based on a one-to-one rate of substitution of legal goods for illegal goods. However, this turns out to be a highly improbable assumption.”⁵³ As we addressed in our comments before IPEC’s 2013 Joint Strategic Plan, such estimates can be subject to manipulation, exaggeration, or pure error: a 2008 study supported by the Motion Picture Association of America originally estimated that 44% of the motion picture industry’s losses were attributable to college students illegally downloading movies. The study’s authors later admitted that only 15% of the losses could be attributed to college students.⁵⁴

Data purporting to reflect the cost of intellectual property infringement is incomplete without an assessment of the costs of particular enforcement actions or policies. Stronger protections and more enforcement are not always economically or socially beneficial. For example, the cost of enforcement actions targeted at counterfeit luxury goods may exceed the social benefits gained from those actions: trademarks add value to the economy insofar as they prevent consumer confusion. Where such confusion is absent, enforcement actions may do no more than tax enforcement resources and force taxpayers to subsidize private interests.⁵⁵ And, in

⁵¹ As a recent Mercatus Center report explains, even industries characterized as “IP-intensive” are not necessarily IP-dependent: “If some industries resemble blogging—for example, if copyrights are automatically awarded but not relied on, or if patenting is done primarily for defensive purposes, or if trademarks exist but are rarely relied on by consumers—then [USPTO and Economics and Statistics Administration’s report, *Intellectual Property and the U.S. Economy: Industries in Focus*] and other reports that rely on simplistic counts of IP grossly overstate the number of jobs due to intellectual property. For these industries, IP intensity is not a reliable indicator of IP dependence.” Eli Dourado, Ian Robinson, *How Many Jobs Does Intellectual Property Create?*, Mercatus Ctr., George Mason Univ., 8 (Aug. 6, 2014), <http://mercatus.org/sites/default/files/Dourado-IP-Jobs.pdf>.

⁵² *Id.* at 6, 16.

⁵³ *Id.* at 16.

⁵⁴ Associated Press, *Revised MPAA Piracy Study Puts Less Blame on Students*, L.A. Times, Jan. 23, 2008, <http://articles.latimes.com/2008/jan/23/business/fi-download23>; Andy Guess, *Downloading by Students Overstated*, Inside Higher Ed, Jan 23 2008, <https://www.insidehighered.com/news/2008/01/23/mpaa>.

⁵⁵ See Dourado, *How Many Jobs Does Intellectual Property Create?* at 11 (“firms can gain *at the expense of consumers* if they enforce trademarks even in cases in which there is no customer confusion.”).

the private sector, enforcement of patent rights by non-practicing entities, or “patent trolls” imposes substantial economic and social costs, with little corresponding benefit.⁵⁶ The IPEC should endeavor to identify and share data that reflects these costs.

The conclusions drawn from inaccurate or misleading data sets can shape policy decisions that are at best less effective and at worst actively harmful. The MPAA study discussed above was used to support legislation that targeted universities and colleges for intellectual property enforcement.⁵⁷ Therefore, the IPEC should ensure that data identified in response to its request is subject to sufficient scrutiny, that the methodologies behind that data are disclosed and evaluated, and that the data itself is accurate and unbiased.

The IPEC requests “identification of possible areas for enhanced information sharing.”⁵⁸ We believe that information relevant to public policy initiatives like enforcement should not only be shared among agencies and policymakers, but also with the affected stakeholders, including most notably the public.

However, some caution is also in order. Proposals for enhanced information sharing have dominated recent legislative attempts to deal with cybersecurity threats, and have drawn staunch criticism from advocates concerned with the impacts on consumer privacy and civil liberties, as well as those who doubt the efficacy of those policies.⁵⁹ To the extent that information sharing proposals seek to provide law enforcement with greater access to consumer information and communications from service providers or other companies, where they would otherwise require a warrant or court order, they can violate users’ privacy expectations, and run afoul of constitutional protections and laws protecting consumer and user privacy.⁶⁰

IV. Conclusion

We believe that the IPEC should engage a nuanced, systematic, and data-driven review of the intellectual property enforcement landscape that keeps in mind the balance that intellectual property rights are intended to strike between private and public benefits. Overly

⁵⁶ See James Bessen, Michael Meurer, *The Direct Costs of NPE Disputes*, 99 Cornell L. Rev. 387, 388. Bessen and Meurer state that NPE patent litigation was responsible for \$29 billion in direct costs in 2011. *Id.* at 422.

⁵⁷ See Guess, *supra*,

⁵⁸ Request of the U.S. Intellectual Prop. Enforcement Coordinator for Pub. Comments: Development of the Joint Strategic Plan on Intellectual Prop. Enforcement., 80 Fed. Reg. 169 (Sep. 1, 2015).

⁵⁹ See Eli Dourado, Andrea Castillo, “*Information Sharing*”: *No Panacea for American Cybersecurity Challenges*, Mercatus Ctr., George Mason Univ., 2-4 (June 2015), <http://mercatus.org/sites/default/files/Dourado-Information-Sharing-Cybersecurity-MOP.pdf>.

⁶⁰ See *Coalition Letter Opposing the Current Form of the Cybersecurity Information Sharing Act of 2015*, (Mar. 2, 2015) available at <https://www.aclu.org/coalition-letter-opposing-current-form-cybersecurity-information-sharing-act-2015?redirect=national-security-technology-and-liberty/coalition-letter-opposing-current-form-cybersecurity-inform>; see also Andy Greenberg, *CISA Security Bill: An F For Security But an A+ for Spying*, Wired, (Mar. 20, 2015, 7:00 AM), <http://www.wired.com/2015/03/cisa-security-bill-gets-f-security-spying/>.

broad enforcement actions that fail to respect that balance will only serve to discredit the intellectual property system rather than strengthen it. Therefore, in reviewing the where and how the government can support and improve enforcement efforts, we hope the IPEC will remember that more is not always better.

Respectfully submitted,

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