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House Committee on the Judiciary
Subcommittee on Courts, Intellectual Property and the Internet”

Hearing On:
“Copyright Remedies”

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Chairman Coble, Ranking Member Nadler, and Members of the Subcommittee,

Thank you for inviting me to testify on the issue of copyright remedies today. Though it may seem natural to consider remedies at the end of a trial, the nature and extent of remedies typically affect the course of a lawsuit from its beginning, or even before. The potential for suits to result in massive, disproportionately large damages, or to begin with a preliminary injunction that halts a party’s activity before a decision is ever reached can chill legitimate activities and incentivize frivolous litigation and encourage copyright trolls. Furthermore, the various methods by which items or entities accused of facilitating infringement are seized or forfeited run the risk of swallowing up innocent parties, providing them with little guidance as to how to seek recourse or contest the seizure.

Statutory Damages

Whenever I introduce copyright law to a new audience, two things in particular tend to strike them as shockingly disproportionate to their goals: the length of copyright terms and the magnitude of statutory damages.

Section 504 of Title 17 specifies that plaintiffs can choose between actual damages and statutory damages at any point before final judgment. The statute also specifies that statutory damages will in most cases range from $750 to $30,000 per work infringed, and up to $150,000 per work where the infringement is found to be willful. There are several problems inherent to this formulation that have become clear in the years since its creation.

The first is that the range of values is so wide that it creates tremendous uncertainty as to liability. The second is that the values themselves are disproportionately high in many cases where only a few copies of a few works have been made on a non-commercial scale, or for good-faith uses. A third is that the lack of relationship between statutory and actual damages can raise constitutional due process questions.

First, with a range of values spanning almost three orders of magnitude, juries have issued awards that totaled tens of thousands of time more than the estimated actual
damages caused.\(^1\) An innovator introducing a new technology that might, like the VCR, rely upon fair use to make copies of thousands of works, could face liability exposure in the hundreds of millions of dollars—enough to scare away many potential innovators and investors from the space entirely.

Second, the actual minimums and maximums set by the statute are also very high. This is particularly troubling in the case of individual defendants. Even when using the standard minimum, liability for infringement can add up swiftly; uploading a home video with an infringing song as a background track could cost an individual up to $150,000 for a simple click of the mouse; a mashup that incorporates ten different songs could result in a student being sued for at least thousands of dollars in damages, and potentially $1.5 million.\(^2\) Such damages neither deter bad-faith activity any more than more reasonable damages would, while also chilling legitimate creativity.

Statutory damages also exacerbate the problem of orphan work. Publishers, museums, and others faced with large, uncertain damages will hesitate to provide the public with access to copyrighted works whose authors cannot be found and asked for permission.

Furthermore, the magnitude and uncertainty attached to statutory damages creates an incentive for the copyright laws to be abused in a number of ways by bad actors. Plaintiffs can advance frivolous copyright suits in order to silence criticism; the threat of large damages, even discounted against a slim chance of the suit’s success, can encourage legitimate speakers to be silenced. Other plaintiffs may engage in “copyright trolling” in an attempt to game the legal system for profit. By filing suits against thousands of unspecified internet users indiscriminately, these lawyers can subpoena the records of internet subscribers and demand settlement payments from them. Faced with the choice of uncertain litigation and potentially ruinous damages on one hand, and a “settlement” payment in the range of $2,000 to $10,000 on the other, many defendants pay the lower amount to make the suit go away, regardless of its merits or the merits of their defense.\(^3\)

Third, the relationship of statutory damages to actual harm also creates problems. The Supreme Court has suggested that, in the area of punitive damages, awards more than ten times the actual harm caused are likely to violate the Constitution’s Due Process Clause by failing to provide potential defendants with fair warning of the consequences

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\(^1\) See Pamela Samuelson and Tara Wheatland, Statutory Damages in Copyright Law: A Remedy in Need of Reform, 51 Wm. & Mary L. Rev. 439 (2009), available at [http://scholarship.law.berkeley.edu/facpubs/1151](http://scholarship.law.berkeley.edu/facpubs/1151) (noting that in one file-sharing case, the statutory minimums would have resulted in a 320:1 ratio of statutory to actual damages; the jury initially awarded $1.92 million, against an estimated $50 of actual damages, representing an award: damages ratio of 38,400:1).

\(^2\) For reference, the 2010 album “All Day” by Girl Talk sampled 372 different sound recordings in its 12 tracks.

Copyright statutory damage-to-harm ratios can easily reach the tens of thousands, creating exactly the same problems by springing massively disproportionate penalties upon defendants. In one case where the damages award vastly exceeded the harm, the Chief Judge of the District of Minnesota explicitly implored Congress to amend the statute:

Thomas not only gained no profits from her alleged illegal activities, she sought no profits. Part of the justification for large statutory damages awards in copyright cases is to deter actors by ensuring that the possible penalty for infringing substantially outweighs the potential gain from infringing. In the case of commercial actors, the potential gain in revenues is enormous and enticing to potential infringers. In the case of individuals who infringe by using peer-to-peer networks, the potential gain from infringement is access to free music, not the possibility of hundreds of thousands -- or even millions -- of dollars in profits. This fact means that statutory damages awards of hundreds of thousands of dollars is certainly far greater than necessary to accomplish Congress’s goal of deterrence.5

While statutory damages have a necessary role to play in enforcing copyrights, the current method of their calculation no longer reflects their proper purpose in a wide variety of situations. The existing method for calculating statutory damages makes less sense in an environment where ordinary users of technology can make copies of hundreds or thousands of works, incidentally or not, in noncommercial settings and with no profit motive. In fact, the current per-work limitation was originally created at the request of broadcasters and the film industry, which feared that an infringement on their part might result in a massive multiplier if a single work was infringed many times.6 In contrast, the scenarios that typically lead to disproportionate damages today result from a large number of works being reproduced a small number of times—something that would have required a much more deliberate, sustained, and likely profit-motivated effort in past decades.

This suggests the calculation of statutory damages should be altered to reflect today’s realities, where many more individuals and institutions face potential copyright liability, where technology makes it more likely that copies of multiple works are not made with malicious or commercial motives, and where secondary liability can increase exposure rapidly.

Some potential solutions include removing statutory damages for good-faith, reasonable efforts to make non-infringing uses. Currently, such an exception applies to nonprofit educational institutions and public broadcasting entities, but expanding it would also allow journalists, artists, and others to rely on fair use without unreasonable fear.

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Congress could also ensure that statutory damages be limited to a reasonable multiplier of actual harm. In cases where harm cannot be precisely assessed, courts could require the presentation of readily available evidence, accessible via subpoena power and other discovery tools.

Congress could also adjust the existing minimum and maximum awards amounts, or set caps on awards. These adjustments could be tied to particular fact patterns, such as cases involving personal, noncommercial uses of works, or scenarios like secondary liability.

Finally, courts and juries seem to suffer from a lack of guidance in awarding statutory damages. Congress could add guidelines to the statute to increase the predictability of awards. Courts could be instructed to consider a number of relevant factors, including the severity of the infringement, the actual harm, the infringer’s good faith, and others.

**Preliminary Injunctions**

Another substantial remedy available in copyright litigation is the preliminary injunction. Preliminary injunctions have the power to stop an entire enterprise in its tracks pending the outcome of litigation. In many cases, a plaintiff getting a preliminary injunction to issue may, for all practical purposes, decide the outcome of the case before the merits stage is even reached.

The courts appear to be in the process of working out these errors in the wake of *eBay* and its progeny, and it seems unlikely that Congress should need to act in this area. Still, this provides a telling example of how a seemingly small change in the approach to an aspect of civil procedure can have a significant effect upon litigation and pre-litigation conduct.

For too long, many courts treated preliminary injunctions for copyright and patent cases under a substantially different standard than other cases—issuing them almost as a matter of course, instead of treating them as the extraordinary remedies that they are.

The Supreme Court, in a series of cases dating back to *eBay, Inc. v. MercExchange, L.L.C.*[^547|547 U.S. 388 (2006)|] has fortunately put a stop to this trend, and a number of circuit courts have explicated and applied its rulings in a number of different copyright

[^547|547 U.S. 388 (2006)|]
contexts.\textsuperscript{8} However, district courts will on occasion still cite back to no-longer-valid precedent in asserting that copyright cases are to be treated differently.\textsuperscript{9}

Typically, the mistake comes from a misreading of the required factors for issuing a preliminary injunction. In order for an injunction to issue, a plaintiff must demonstrate: (1) a likelihood of success on the merits; (2) that it will suffer irreparable harm in the absence of an injunction; (3) the balance of hardships favors the issuance of an injunction; and (4) that the public interest, including the interests of nonparties, would be served by an injunction.

These factors have in the past been read in a number of ways so as to make the issuance of injunctions nearly automatic in copyright, patent, and trademark cases. Courts have made the automatic presumption that any infringement of a copyright is an irreparable harm, for example, ignoring the fact that in many cases the infringement of commercial works can be compensated for with money damages.

Courts also have presumed that the balance of harms should always tip in a plaintiff’s favor, reasoning that the harm suffered by a defendant by not being able to infringe is not cognizable. This reasoning, however, neglects the fact that a court should be measuring the harm to defendant assuming that an injunction is issued in error, and that presuming the defendant’s liability basically eliminates the point of having the balancing prong of the test in the first place.

As for the fourth factor, a number of courts have assumed that the public interest is always in enforcing copyright law. While it may be true that enforcement of the law is in the public interest, it again presumes the outcome of the case to assume that the law will in fact be enforced by an injunction. After all, enforcing an injunction upon what turns out to be a noninfringer would not be enforcing the law. Furthermore, courts have neglected the effects of injunctions upon non-parties or upon interests apart from those specifically in the copyrighted work. In cases where individual consumers’ information maybe stored on a defendant’s service, or where First Amendment speech may be curtailed by an injunction, significant interests outside of the parties’ will apply.

**Seizures and Forfeitures**

Finally, I would like to touch briefly on the issue of seizures and forfeitures. A number of different processes exist by which infringing items, or items accused of

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\textsuperscript{8} In the Second Circuit, in *Salinger v. Colting*, 607 F.3d 68, 76 (2d Cir. 2010); in the Fourth Circuit, in *Christopher Phelps & Assoc., LLC v. Galloway*, 492 F.3d 532 (4th Cir. 2007) and *Bethesda Softworks, L.L.C. v. Interplay Entertainment Corp.*, 2011 U.S. App LEXIS 21711 (October 26, 2011); in the Ninth Circuit, in *Perfect 10, Inc. v. Google, Inc.*, 653 F.3d 976 (9th Cir. 2011) and *Flexible Lifeline Sys., Inc. v. Precision Lift, Inc.*, 654 F.3d 989 (9th Cir. 2011).

facilitating or enabling infringement, can be taken by authorities. In recent years, this has extended beyond physical items to more abstract concepts, like domain names.

A number of problems and concerns surround issues of seizure and forfeiture, both relating to due process for allegedly infringing items and to the possibility of innocent parties being affected by these actions.

The process by which the owner of allegedly infringing material may contest a seizure is not always clear. In 2010, a hip-hop blog, dajaz1, had its domain seized by Immigration and Customs Enforcement (“ICE”) in an ex parte proceeding, over what turned out to be links to four tracks hosted on a file-sharing site. ICE seized the domain name despite the fact that the blog complied with an earlier DMCA takedown notice addressed to those tracks. The site remained seized for over a year, subject to a series of extensions filed by the government under seal, before charges were ultimately dropped and the domain returned to its owners. Throughout the process, dajaz1’s legal representation was apparently not afforded the opportunity to view or contest the requests for the extensions. The due process problems with civil asset forfeiture are not limited to copyright actions, drawing recent attention in cases where pretextual claims of drug dealing are used to seize innocent parties’ assets with little practical recourse. The use and potential abuse of civil forfeiture here, as elsewhere, deserves further scrutiny by Congress.

Procedural problems can be compounded with technological ones, especially when “tools of infringement” include not just specialized equipment, but general-purpose items like servers that may host legitimate sites, storefronts, content of other parties, or even more abstract informational structures such as domain names, which can also be shared between completely different parties (for example, two completely unrelated bloggers might both have a wordpress or a tumblr domain). This can create problems with smaller or lesser-known hosting services that use a shared domain name. Actions taken against allegedly infringing domains have, in the past, also affected innocent parties. In 2011, authorities targeting child pornography that was hosted on subdomains at mooo.com also took down over 84,000 other subdomains, including many personal sites that had no illegal or infringing content on them. Given the interlinked nature of...


many online services and internet addressing, it is extremely easy for actions targeting one alleged bad actor to affect thousands of innocent users. For example, a recent legal action by Microsoft against an alleged botnet resulted in over 5,000,000 subdomains being inadvertently taken down.\textsuperscript{14}

The combined technical and due process issues involved in seizure and forfeiture make it easy for error to occur and for innocent parties to face a difficult and unclear process to make things right. In its continuing review, Congress should ensure that these tools are used responsibly and transparently, and are structured to prevent mistake and abuse.

**Conclusion**

Remedies are a critical facet of any legal regime, and few would doubt the need for effective remedies for copyright infringement. However, in providing remedies, it is important that due process is available and provided to all concerned. There is a clear need for reform in some areas, such as statutory damages, and there is a distinct need to assess the potential for mistake and abuse in seizures and forfeitures. As we have seen in the example of preliminary injunctions, remedies must take into account not only their effects on a wide variety of types of parties, but also their effects on members of the public at large. Thank you for your time, and I look forward to answering your questions.