COPYRIGHT PRINCIPLES AND PRIORITIES TO FOSTER A CREATIVE DIGITAL MARKETPLACE

*Sandra Aistars, Devlin Hartline & Mark Schultz*

INTRODUCTION

Over the course of the last two years, Congress has engaged in a comprehensive review of the Copyright Act. This is the first such review in nearly two generations, and it lays the groundwork for further inquiries and proposals regarding how the law might be amended and how the institution responsible for its administration, the U.S. Copyright Office, might be modernized and restructured to better support a thriving digital marketplace of unprecedented creativity and innovation.\(^1\) A robust, well-functioning, and up-to-date Copyright Act, along with a modern, appropriately resourced Copyright Office, are important to all stakeholders, especially the general public, which is the ultimate beneficiary of the copyright system.

We propose the following organizing principles for any further work reviewing or revising the Copyright Act:

1. Stay True to Technology-Neutral Principles and Take the Long View
2. Strengthen the Ability of Authors to Create and to Disseminate Works
3. Value the Input of Creative Upstarts
4. Ensure that Copyright Continues to Nurture Free Speech and Creative Freedom
5. Rely on the Marketplace and Private Ordering Absent Clear Market Failures

---

\(^{1}\) *Register’s Perspective on Copyright Review: Hearing Before the H. Comm. on the Judiciary, 114th Cong. 7-8, 14 (2015) (statement of Maria A. Pallante, Register of Copyrights, Director, U.S. Copyright Office).*

* Sandra Aistars is Senior Scholar and Director of Copyright Research and Policy, Center for the Protection of Intellectual Property, and Professor, George Mason University School of Law. Devlin Hartline is Assistant Director, Center for the Protection of Intellectual Property. Mark Schultz is Senior Scholar and Director of Academic Programs, Center for the Protection of Intellectual Property, and Professor, Southern Illinois University School of Law. The authors would like to thank Adam Mossoff and Matthew Barblan for their valuable comments and feedback.
(6) Value the Entire Body of Copyright Law

These principles in turn suggest that Congress prioritize the following areas for action:

(1) Copyright Office Modernization

(2) Registration and Recordation

(3) Mass Digitization and Orphan Works

(4) Small Claims

(5) Notice and Takedown

(6) Streaming Harmonization

A focus on and respect for authorship and creativity reflects the values our country was built on, rooted in our Constitution. The public benefits from the resulting intellectual and cultural diversity, from the innovation that is possible through collaboration with the technology industries, as well as from the promotion of a sustainable and innovative economy.

I. CONSTITUTIONAL ORIGINS OF COPYRIGHT

A brief overview of the constitutional origins of copyright protection is helpful in framing the current review.

A. The Framers Recognized that Copyright Protection for Authors Was Morally Justified and that It Would Spur Creativity and Benefit Society

The Copyright Clause of the U.S. Constitution grants Congress the power “To promote the Progress of Science . . . by securing for limited Times to Authors . . . the exclusive Right to their respective Writings.” As one of the few constitutionally enumerated powers of the federal government, this grant of authority reflects the Framers’ belief that copyright pro-

---

2 Id. at 9.
3 U.S. CONST. art. I, § 8, cl. 8.
tection is a significant governmental interest and that ensuring appropriate
rights to authors drives creativity— to the benefit of society.4

Consistent with the dominant, natural-rights philosophy in the early
American Republic, the premise of our copyright system is that authors’
rights and the public good are complementary.5 By properly securing all
individual rights, including the right to property, the government makes
possible the happiness of individuals and a flourishing society.6 For this
reason, James Madison noted the truism in his day in the Federalist Papers
that “[t]he public good fully coincides . . . with the claims of individuals”
when it comes to the protection of copyright.7 Like other individual rights,
the property rights secured to authors are not at the expense of the public
interest.8 And as with all property rights, this recognition and protection is
instead essential to promoting the public interest.9

In The Wealth of Nations, Adam Smith famously invoked the meta-
phor of an “invisible hand” to explain that individuals promote public in-
terests by pursuing private ones.10 Smith argued that individual effort to pursue
one’s own interests often benefits society more than when one sets out to
benefit the interests of the public.11 It is the unplanned and uncoordinated
actions of individuals pursuing their own agendas that generally lead to
positive effects for the community as a whole.12

Copyright works the same way: by empowering authors to pursue their
own private interests through the exercise of their exclusive rights, the pro-
gress of science is promoted through the proliferation of knowledge to the
public.13 In ensuring the protection of authors’ rights, the focus of copyright

4 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 1.03[A] (rev. ed. 2015).
5 See Eldred v. Ashcroft, 537 U.S. 186, 212 n.18 (2003) (“Rewarding authors for their creative
labor and ‘promot[ing] . . . Progress’ are thus complementary.” (alteration in original) (quoting The
FEDERALIST No. 43, at 272 (James Madison) (Clinton Rossiter ed., 1961))).
6 See THE DECLARATION OF INDEPENDENCE para. 2 (U.S. 1776) (recognizing that governments
secure “unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness”); see also
THE FEDERALIST No. 10, at 73 (James Madison) (Clinton Rossiter ed., 1961) (recognizing that “the
rights of property originate” from the “diversity in the faculties of men” and that the “protection of these
faculties is the first object of government”).
8 NIMMER & NIMMER, supra note 4, § 1.03[A].
9 Id.
10 2 ADAM SMITH, AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS
160-61 (P. F. Collier & Son 1902) (1776).
11 Id. at 161.
12 Id. at 160.
the profit motive, recognizing that the incentive to profit from the exploitation of copyrights will re-
dound to the public benefit by resulting in the proliferation of knowledge. . . . The profit motive is the
game that ensures the progress of science.’” (quoting Am. Geophysical Union v. Texaco Inc., 802 F.
Supp. 1, 27 (S.D.N.Y. 1992))); Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975)
law has properly been first on authors, but the ultimate effect is a benefit to society at large.\textsuperscript{14} As Justice Reed so eloquently put it for the Supreme Court in 1954:

> The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in “Science and useful Arts.” Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered.\textsuperscript{15}

Copyright is a unique form of property grounded in an author’s own creativity, productive labor, and talent.\textsuperscript{16} In many ways, it epitomizes the American Dream. Countless copyright owners in the United States are neither famous nor wealthy. These individuals and small businesses are found in nearly every community in the country. They include graphic artists, photographers, songwriters, filmmakers, and authors who make or supplement a middle-class living from their creative works. Copyright rewards them for their efforts in order to benefit us all.

In \textit{Two Treatises of Government}, John Locke provided the often-cited philosophical justification for property rights based in an individual’s value-creating, productive labor.\textsuperscript{17} As is well known, Locke’s political theory generally, and his property theory specifically, were common currency in the Founding Era.\textsuperscript{18} In a short essay published in the \textit{National Gazette} in 1792, James Madison evidenced this basic truth when he asserted as a foundational premise that “property” “embraces every thing to which a man may attach a value and have a right,” which includes intangibles like one’s “opinions” and “rights.”\textsuperscript{19} Copyright, consistent with the views of the Fram-
ers, recognizes both that an author deserves a property right for her value-creating, productive labors and that this property right will in turn be benefi-
cial to society.20

This justification of property rights is particularly strong in regards to
the fruits of intellectual labors.21 This is likely the reason Locke explicitly
recognized in 1695 that writings are the “property” of authors.22 This moral
justification for all intellectual property (“IP”) rights was commonly un-
derstood in the early American Republic.23 For instance, focusing on produc-
tive labor as the basis for property, Circuit Justice Levi Woodbury ex-
plained in 1845, “[W]e protect intellectual property, the labors of the mind,
productions and interests as much a man’s own, and as much the fruit of his
honest industry, as the wheat he cultivates, or the flocks he rears.”24

This moral justification is further strengthened by Locke’s derivative
moral requirement that productive labor should not take away or infringe
upon another’s property.25 With tangible property, like land, it is easy to see
how taking something for oneself would mean that others could not have it.
The number of tangible things that can be owned is finite.

However, the same does not hold true for intangible property, like
copyrights. As some constitutional scholars have noted, “[T]he field of cre-
ative works is infinite, and one person’s expression of an idea does not
meaningfully deplete the opportunities available to others; indeed, it ex-

Based Vision of the First Amendment, 63 U. CHI. L. REV. 49, 56 (1996) (“Madison believed that indi-
viduals possessed a property right in their ideas and opinions just as surely as they possessed a property
right in the material goods they fashioned.”).

24 Id.
25 LOCKE, supra note 17, at 295.
26 Clement, Dinh & Harris, supra note 21, at 2.
(“Intellectual property systems, however, do seem to accord with Locke’s labor condition and the
‘enough and as good’ requirement. In fact, the ‘enough and as good’ condition seems to hold true only
B. The Framers’ Belief that Protecting Property Rights in Works of Authorship Would Spur Creative Innovation Was Prescient

Today, copyright drives innovation in the creative industries and in other industries as well, providing tremendous economic benefits to our economy.29 The outputs of the creative industries serve as the inputs that spur the creation of many innovative goods and services.30 Authors collaborate with technology partners not only to distribute their works, but often to create them. Sometimes storytelling itself leads to scientific discoveries and technological innovation. More and more frequently, the presumed distinction between creators and innovators is vanishing as individuals and firms simultaneously generate creative works and innovative technology.31

Examples of this symbiotic relationship between creative and innovative industries are abundant. For the recent film Interstellar, director Christopher Nolan collaborated with physicist Kip Thorne to convincingly depict how light travels near black holes.32 The mathematical analysis and computer programs produced in order to render imagery for the film resulted in discoveries regarding black holes that Thorne intends to publish in scientific journals.33

James Cameron spent years and millions of dollars developing the technologies required to bring his vision for the movie Avatar to the
screen.\textsuperscript{34} His work required a number of groundbreaking, state-of-the-art technologies, such as new types of cameras, leaps forward in 3-D imaging, and great advances in performance-capture technology, which are continuing to benefit professional filmmakers as well as other businesses.\textsuperscript{35} Before \textit{Avatar}, Cameron developed patented technology to assist with underwater filming for the movies \textit{The Abyss} and \textit{Titanic}.\textsuperscript{36} George Lucas similarly invented to create, pioneering such technology as the THX sound systems now common in movie theaters.\textsuperscript{37}

Such advances also benefit amateur creators. As then Chief Executive Officer of the Copyright Alliance and current Professor, Sandra Aistars, stated in testimony before Congress, “[M]any of the techniques and technologies now used by amateur filmmakers and musicians on sites like YouTube were originally motivated, created for . . . tested[,] and perfected by professional filmmakers and musicians.”\textsuperscript{38}

Similarly, Getty Images, a leading creator and distributor of still imagery, video footage, and music, was the first company to license digital imagery online.\textsuperscript{39} Investing more than $450 million, it has developed and deployed tools to allow users to intuitively search for, license, and download images for use online and in traditional publishing and broadcasting settings.\textsuperscript{40} Getty licenses over 200,000 images a day (more than 2 images per second) and serves over one million customers.\textsuperscript{41} This thriving commercial marketplace is possible because Getty has developed the technological tools to efficiently set license terms via automated digital transactions.\textsuperscript{42}

This sort of innovation is simply part of everyday business in the creative industries. For example, “[t]he publishing industry invests millions of dollars in [research and development], infrastructure, skilled labor, and other resources to create, publish, distribute[,] and maintain scholarly articles on the internet.”\textsuperscript{43} Publisher Reed Elsevier began development of its online

\begin{itemize}
\item \textsuperscript{34} Anne Thompson, \textit{How James Cameron’s Innovative New 3d Tech Created Avatar}, \textit{POPULAR MECHANICS} (Jan. 1, 2010), http://www.popularmechanics.com/culture/movies/a5067/4339455/.
\item \textsuperscript{36} See Gene Quinn & Steve Brachmann, \textit{Hollywood Patents: Inventions from 12 Celebrity Inventors}, \textit{IPWATCHDOG} (Mar. 3, 2014), http://www.ipwatchdog.com/2014/03/03/hollywood-patents-inventions-from-12-celebrity-inventors/id=48201/.
\item \textsuperscript{38} \textit{Innovation in America (Part I and II): Hearings Before the Subcomm. on Courts, Intellectual Prop., and the Internet of the H. Comm. on the Judiciary}, 113th Cong. 18-19 (July 25, 2013) (statement of Sandra Aistars, Executive Director, Copyright Alliance) [hereinafter Aistars Testimony].
\item \textsuperscript{39} Id. at 50-51 (statement of John Lapham, Senior Vice President and Gen. Counsel, Getty Images, Inc.).
\item \textsuperscript{40} Id. at 52.
\item \textsuperscript{41} Id. at 50.
\item \textsuperscript{42} Id. at 51.
\item \textsuperscript{43} Aistars Testimony, supra note 38, at 20.
\end{itemize}
publishing platform, ScienceDirect, in 1995, rolling it out in 1999.\textsuperscript{44} The company initially invested $26 million in development costs and made a further investment of $46 million to create the digital archives.\textsuperscript{45}

Since then, Reed Elsevier has spent hundreds of millions of dollars transitioning to digital production and publication.\textsuperscript{46} This includes “paying developers to code, scan, and beta test platforms, purchasing hardware and machinery, [research and development,] and ongoing maintenance and enhancements.”\textsuperscript{47} Currently, it maintains “over 90 terabytes of digital storage capacity from which an average of 10 million active users from 120 different countries download nearly 700 million articles per year.”\textsuperscript{48} To understand the impact this kind of innovation has—leveraged across a large number of publishers—consider that “[m]ore than 1.5 million articles in science, technical and medical fields were published in 2009 alone.”\textsuperscript{49}

Creative businesses are developing new tools for their readers as well. The \textit{New England Journal of Medicine} employs “a full time staff of medical illustrators to redraw and recompose all images submitted by authors.”\textsuperscript{50} A recent feature the journal pioneered is “a 3D video animation of all of the medical images that allows the images to be rotated on multiple axes for different perspectives. The benefits to medical and biochemical researchers for their own innovative work are obvious.”\textsuperscript{51}

Creative communities contribute greatly to the U.S. economy. In 2010, the U.S. Patent and Trademark Office found that copyright-intensive industries provided 5.1 million jobs in the United States and that every two jobs in these industries supported an additional one job elsewhere in the economy.\textsuperscript{52} Education levels, wage levels, and the ability to lead economic recovery in copyright-intensive industries outpaced those in non-IP-intensive industries.\textsuperscript{53}

Globally, copyright is a driver of economic benefits. Analyzing forty-two national studies of the economic contributions of the copyright industries, the World Intellectual Property Organization (“WIPO”) found in 2014 that countries with an above-average share of gross domestic product attributed to the copyright industries have rapid economic growth and above-

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{44} Id.
\item \textsuperscript{45} Id.
\item \textsuperscript{46} Id.
\item \textsuperscript{47} Id.
\item \textsuperscript{49} Aistars Testimony, \textit{supra} note 38, at 20 (citing Mossoff, \textit{How Copyright Drives Innovation}, \textit{supra} note 48, at 960 n.12, 977).
\item \textsuperscript{50} Id.; accord Mossoff, \textit{How Copyright Drives Innovation}, \textit{supra} note 48, at 982.
\item \textsuperscript{51} Aistars Testimony, \textit{supra} note 38, at 20-21.
\item \textsuperscript{52} Id. at 21.
\item \textsuperscript{53} Id.
\end{itemize}
\end{footnotesize}
average national employment.\textsuperscript{54} This should not be surprising, given the important role property rights play in creating efficient markets, encouraging product differentiation and competition, enabling division of labor, and spurring investments by entities beyond the original creator.

Additionally, WIPO found that there are strong and positive relationships between the contributions of the copyright industries to GDP and many indicators of socio-economic performance.\textsuperscript{55} For example, countries with greater GDP attributed to the copyright industries have greater government effectiveness, more freedom from corruption, and greater innovation and competitiveness.\textsuperscript{56}

Empirical and comparative research examining how artists respond to copyright incentives (or to the lack thereof) confirm these insights.\textsuperscript{57} Jiarui Liu, a fellow at Stanford’s Center for Internet and Society, conducted an empirical study of market incentives and the intrinsic motivations of musicians in China—a country with one of the highest piracy rates in the world—in order to ascertain how musicians respond to copyright incentives and how markets are transformed where copyright protection essentially does not exist.\textsuperscript{58} Based on analysis of industrial statistics and extensive interviews with individuals in the Chinese music industry, Liu concludes that “copyright incentives do not function as a reward that musicians consciously bargain for and chase after but as a mechanism that preserves market conditions for gifted musicians to prosper, including a decent standard of living, sufficient income to cover production costs and maximum artistic autonomy during the creative process.”\textsuperscript{59}

Liu’s interviews reveal how piracy has distorted the Chinese music industry, much to the detriment of musicians and audiences alike. These experiences offer a glimpse of how the marketplace for music might look in the United States if copyright protection was weaker. Liu reports that, in China, royalties have ceased to be a meaningful source of income to musicians.\textsuperscript{60} As a result, musicians have to focus on other income sources to make ends meet, such as ringback tones, overseas sales, live performances, jingle-writing, merchandizing, and second jobs.\textsuperscript{61}


\textsuperscript{55} Id. at 6.

\textsuperscript{56} Id. at 10-12, 28.


\textsuperscript{58} Id. at 471.

\textsuperscript{59} Id. at 473.

\textsuperscript{60} Id. at 482.

\textsuperscript{61} Id. at 472, 484, 492-93.
Liu notes that pop artists in China often have their creativity stifled by the demands of their patrons. Many commercial sponsors focus more on celebrity appeal than on artistic merit, and in some cases this leads to replacing musicians in bands with models judged to be more attractive and commercially viable. While the influence of commercial sponsors is not so fully expressed in the United States, many other changes observed by Liu in China are already beginning to take hold here as well. As musicians are less able to rely on royalties to make a living, they spend less time on their craft and more time searching for alternative sources of income—much to the detriment of audiences.

II. PRINCIPLES FOR THE COPYRIGHT REVIEW PROCESS

Against this backdrop, it is useful to set forth some organizing principles for any further work Congress might take in reviewing or updating the Copyright Act.

A. Stay True to Technology-Neutral Principles and Take the Long View

Copyright law should remain rooted in technology-neutral principles. As noted above, the fundamental premise of copyright law is that ensuring appropriate rights to authors will drive creative innovation and benefit society as a whole. The evidence from WIPO and other sources demonstrates that innovative businesses in a variety of sectors benefit when authors are able to create and collaborate with other experts in different fields. Hence, it is important to take a long-term perspective (or “approach” maybe?) of copyright and innovation policy. To undermine copyright protection on the theory that this will spur additional innovation in certain subsectors of our economy simply amounts to gambling with our nation’s overall economic health and cultural heritage.

---

62 Id. at 487.
63 Liu, supra note 57, at 513.
65 See supra Part I.A.
B. **Strengthen the Ability of Authors to Create and to Disseminate Works**

Since its inception in the United States in 1790, copyright law has operated under the premise that both creators and the public benefit from the commercial marketplace that copyright law enables.\(^67\) To benefit society, copyright law must create a framework that encourages both the creation of copyrighted works and their commercial distribution to the public.

While many focus on the incentive to create copyrighted works as the primary purpose of copyright law, the incentive to disseminate those works is crucial as well—without works entering into the marketplace of ideas, progress would not be promoted. As the Supreme Court observed in 2012:

> Nothing in the text of the Copyright Clause confines the “Progress of Science” exclusively to “incentives for creation.” Evidence from the founding, moreover, suggests that inducing dissemination—as opposed to creation—was viewed as an appropriate means to promote science. Until 1976, in fact, Congress made “federal copyright contingent on publication[,] thereby providing incentives not primarily for creation,” but for dissemination. Our decisions correspondingly recognize that “copyright supplies the economic incentive to create and disseminate ideas.”\(^68\)

In considering changes to copyright law, Congress should therefore seek to maximize creative outputs and to ensure that creators of all disciplines and economic means are able to commercialize their works if they so desire. Because rights are not self-executing, Congress will have to focus on changes that safeguard the exclusive rights of authors as others make use of their copyrighted works. Copyright best fulfills its constitutional purposes by establishing a favorable environment for authors to create and market their works.

C. **Value the Input of Creative Upstarts**

Creative upstarts are commercial, yet independent, creators and producers who operate outside of the larger creative industries. They are a source of innovative ideas and solutions, often being the first to adopt new technologies that transform the means of producing creative works.\(^69\)

---

\(^67\) See, *e.g.*, Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539, 558 (1985) (“By establishing a marketable right to the use of one’s expression, copyright supplies the economic incentive to create and disseminate ideas.”).


Creative upstarts include a diverse array of authors, such as writers, filmmakers, musicians, artists, and photographers. Among the most pressing concerns of such creators is that the institutions of the copyright system (e.g., registration and enforcement) should be affordable and practical for them to access.70

Creative upstarts and the more established copyright industries both drive creative innovation by using tools in new ways, thus providing technology producers the impetus to create new products and services to meet their needs. At the same time, creative upstarts are perhaps most harshly affected by gaps in the copyright law, and their experiences and challenges are often least heard by policymakers.71 When reviewing the Copyright Act, it is important to evaluate whether a proposed change would have a different, and potentially detrimental impact, on these developing creative businesses. Examining copyright law from the perspective of creative upstarts can also temper otherwise polarized debates.

D. Ensure that Copyright Continues to Nurture Free Speech and Creative Freedom

Weak copyright protection limits free speech and creative freedom by forcing authors to rely on state or corporate patronage that can exert coercive and limiting influences. The Framers “intended copyright itself to be the engine of free expression,”72 yet in recent years, commentators have focused inordinately on proposals that seek to limit the rights of authors.73 Some argue that strong protections for authors have chilling effects on others, particularly amateur creators, and they suggest that disintermediated creators are abused and stifled by the enforcement of authors’ rights.74 Such a narrow and negative focus misses the purpose of copyright as an engine of free expression.

The House Judiciary Committee’s review process has wisely and largely sidestepped the battling narratives that have characterized copyright

---

72 Harper & Row, 471 U.S. at 558.
74 See Debora Halbert, Mass Culture and the Culture of the Masses: A Manifesto for User-Generated Rights, 11 VAND. J. ENT. & TECH. L. 921, 955-60 (2009) (surveying proposals); Pager, supra note 70, at 1035 n.89 (“Scholars have proposed expanding the limits of fair use doctrine, crafting new safe harbors, reforming notice-and-takedown procedures, limiting statutory damages, as well as a host of related proposals.” (citing id.)).
policy discussions in recent years.\textsuperscript{75} Instead, it has focused on exploring the health of the Copyright Act.\textsuperscript{76} It should continue this thoughtful approach in any legislative action, considering how copyright nurtures free speech and creative freedom as the Framers intended.\textsuperscript{77} If the structure, complexity, and administration of the Copyright Act are refined, it should be to make it more navigable so that it is welcoming to uninitiated creative upstarts and commercial actors alike.

E. \textit{Rely on the Marketplace and Private Ordering Absent Clear Market Failures}

Like all forms of private property, copyright presents an invitation to a transaction and an opportunity to bargain. The great virtue of property rights is that they push decisionmaking and power down to the lowest level possible, empowering owners to decide what uses best support their needs to succeed and flourish in life. Property rights also put decisions in the hands of those with the best information and biggest stake in getting things right: the owner of the right and her customers and trading partners. These features make property rights both efficient and liberating.

An appreciation of the virtues of copyright-as-property highlights the possibilities for a different type of copyright revision—the continuous updating of business models that results from private action. As property, copyright is incredibly malleable, allowing tremendous choice and freedom for owners and users to reach their own arrangements. And, in fact, they do.\textsuperscript{78} The Creative Commons system of licensing and the Open Source movement are excellent examples of how certain creators have shaped the ways that copyright protection applies to their works without the need for legislative and regulatory interventions.\textsuperscript{79}

Copyright largely reforms itself, given sufficient market incentives and the freedom to pursue them.\textsuperscript{80} While such market-based reforms may not be as deep or far-reaching as some advocates prefer, they do a superb job of

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{75} See generally David Nimmer, \textit{A Riff on Fair Use in the Digital Millennium Copyright Act}, 148 U. PA. L. REV. 673, 716-17 (2000).
\item \textsuperscript{76} See Joshua L. Simmons, \textit{The Next Great Copyright Office}, LANDSLIDE, July-Aug. 2015, at 23, 25-26.
\item \textsuperscript{77} See Harper & Row, 471 U.S. at 558.
\item \textsuperscript{80} See generally Kristelia A. Garcia, \textit{Private Copyright Reform}, 20 MICH. TELECOMM. & TECH. L. REV. 1 (2013) (discussing why risk-averse licensors and licensees contract around compulsory licensing regimes by opting for privately determined valuations).
\end{itemize}
\end{footnotesize}
meeting the needs and desires of creators and their audiences. Copyright practices and copyright-based business models change greatly and frequently, and this is precisely because of the control afforded by property rights. Absent clear market failure, the government should be reluctant to impose its judgment over that of the marketplace.81

F. Value the Entire Body of Copyright Law

When considering copyright, it is important to value the entire body of law, including exceptions and limitations such as fair use. Copyright owners are authors as well as users of others’ copyrighted works, and they rely on these provisions as much, if not more, than those who simply consume the works created by others. These exceptions and limitations must remain robust, but they cannot be made to swallow the rights afforded to authors by the Copyright Act. To generate the greatest benefits for society, exceptions and limitations should be applied in areas where they produce public benefits—not where they simply act as a transfer of wealth from one industry to another.

III. PRIORITIES FOR CONGRESSIONAL ACTION

“When people hear that Congress is reviewing the copyright laws, the tendency is to think that the focus [must] be on revising Title 17” of the United States Code, better known as the Copyright Act.82 But some of the most important work that Congress can do has nothing at all to do with rewriting the Copyright Act. Rather, the House Judiciary Committee “can use its oversight role to encourage law enforcement to take seriously criminal [copyright] violations . . . , and it can encourage all stakeholders in the Internet ecosystem to proactively take commercially reasonable, technologically feasible measures to reduce the theft of intellectual property.”83

In fact, as Aistars noted in her congressional testimony, law enforcement is already moving in this direction:

Law enforcement has stepped up in recent years to address IP crime. The creation of the [National Intellectual Property Rights Coordination Center], the success of Operation In Our Sites, and the Megaupload indictment are just three of the many law enforcement initi-

81 See Schultz, supra note 78.
82 Aistars Testimony, supra note 38, at 10.
83 Id.
atives that have [signaled to] the public—and the criminals—that the U.S does not consider IP theft to be mere nuisance crimes.\(^{84}\)

Congress can play an important role to ensure that these efforts continue in an appropriate fashion. Likewise, privately negotiated, voluntary initiatives between rightholders and online intermediaries have already begun to have an impact in this arena, and Congress should be actively encouraging such efforts.

To cite but a couple of examples, commercial copyright owners and user-generated content (“UGC”) sites have established certain “UGC Principles,”\(^{85}\) and rightholders have made agreements with payment processors, Internet service providers, and ad networks.\(^{86}\) Ideally, future private efforts will involve the participation of all affected rightholders and will address the needs of creators, such as photographers, graphic artists, authors, and songwriters, who thus far have not been participants in these privately led initiatives.

Where Congress does choose to act, it should do so in a fashion that maximizes benefits and seeks to ensure the success of as many different creative individuals and businesses as possible. The suggestions that follow do not propose specific solutions for any single industry sector or creative discipline. Rather, these suggestions seek to close gaps in the law that either affect all stakeholders negatively, thus distracting them from creative or innovative work, or that are necessary in order to prevent the copyright regime from becoming a class-based system where only certain authors have the means to succeed. Our suggestions thus focus less on the scope of substantive rights, and more on questions of procedure, institutional design, and real-world practice.


A. Copyright Office Modernization

“If Congress wishes to leave a lasting and meaningful legacy on the development of copyright law, it [should] consider options that remove practical, structural and constitutional impediments to more efficient law-making and regulation in copyright.”87 The current structure and funding of the Copyright Office is inadequate to serve the needs of the public in both administering the copyright law and facilitating the innumerable transactions the public wishes to undertake involving copyrighted works.88 Before engaging in a legislative rewrite of the Copyright Act, Congress should examine how the Copyright Office currently operates and is funded, ensuring that it has the infrastructure and critical resources necessary for it to serve the public good.

A number of discussion drafts and outlines of possible legislative reforms are currently circulating in Congress.89 While the approaches differ in terms of the institutional design they propose for the Copyright Office, all of the proposals recognize that in order for the Copyright Act to be administered in an effective and efficient manner, some change to the current structure of the office is needed.90

Various challenges to efficient and effective copyright legislation have been identified by scholars. Chief among these is the lack of any regulator with comprehensive authority and expertise to address the many nuanced, technical matters currently at the intersection of copyright and technology law.91 This often results in detailed, industry-specific legislative compromises expressed in complicated language hardwired directly into the Act, or in the Copyright Office being asked to undertake studies and issue recommendations, with no further action taken by Congress.92 Ensuring that the Copyright Office is led by a political appointee who is appropriately accountable to Congress and/or the Executive Branch, and that the Register has appropriate regulatory and adjudicatory authority to serve the needs of all stakeholders would avoid such problems.

88 Id. at 341; see also Maria A. Pallante, The Next Great Copyright Act, 36 COLUM. J.L. & ARTS 315, 326 (2013).
91 See Aistars, supra note 87, at 341.
92 Id. at 340-41.
B. **Registration and Recordation**

As Professor Aistars argued in an earlier article, the Copyright Office must endeavor to maintain a reliable and efficient registration and recordation system as one of its core functions. She describes the rationale:

While registration has been voluntary since passage of the Copyright Act of 1976, authors have important incentives to register their works. Doing so also provides public benefits, such as reducing transaction costs, limiting the risk of unintended infringement, facilitating commercial transactions, providing prima facie evidence of the validity of a copyright and constructive notice to third parties of the facts stated in a recorded document, and aiding transferees in perfecting claims where the underlying work has been registered. As a result of these benefits, and despite the voluntary nature of registration, the United States attracts more registrations annually than all other major countries with public registries combined.\(^{93}\)

Notwithstanding the obvious importance of this core function to stakeholders, inefficiencies adhere in the current system. These inefficiencies persist in both the registration and recording functions. Aistars notes the surprising state of affairs:

Despite the central role that registration and recordation play in the efficient and accurate operation of the marketplace for copyrighted works, the Copyright Office lacks autonomous decision-making power over the planning and implementation of the systems used to facilitate registration. The Copyright Office has testified that the current electronic registration system, implemented in 2008, is not optimal for the needs of its stakeholders and is merely an adaptation of “off-the-shelf software” that “was designed to transpose the paper-based system of the 20\(^{th}\) Century into an electronic interface.” Moreover, the recordation system by which transfers, licenses and security interests in copyrights are recorded has not been updated for many decades, and [it] relies on manual examination and data entry.\(^{94}\)

Inadequate funding and high rates of vacancy in the registration and recordation staffs amplify these infrastructural shortcomings.\(^{95}\) As one might expect, the result is less-than-optimal service, prompting stakeholder pleas for improvement. At the end of 2014,

the waiting times for processing copyright registrations [were] 8.2 months for paper applications and 3.3 months for electronic applications. Recordation time lags [were] even long-

---


\(^{94}\) *Id.* (footnote omitted) (quoting *U.S. Copyright Office: Hearing Before the Subcomm. on the Courts, Intellectual Prop., and the Internet of the H. Comm. on the Judiciary*, 113th Cong. 34 (2014) (statement of Maria A. Pallante, Register of Copyrights, Director, U.S. Copyright Office) [hereinafter Pallante Statement]).

er, averaging 17 months, due to the fact that the work is performed manually and is not online. Backlogs of this magnitude are incompatible with modern digital commerce.

Copyright owners and users alike have requested that the Copyright Office improve its registration and recordation system to ensure that, at a minimum, it can offer a searchable database with accurate, interactive and easily accessible information about registrations and renewals. Such a system could potentially link to private databases of information about copyrighted works on a voluntary basis through the use of Application Program Interfaces . . . Improvements like this could be leveraged commercially by businesses operating in the digital space and would ameliorate some of the policy challenges Congress is currently considering in its review of the Copyright Act such as licensing, enforcement and avoiding the creation of so called ‘orphan works.’

These problems continue today, and the need for infrastructural improvements at the Copyright Office remains unabated. Improving efficiency through the funding and installation of a searchable database could assist Congress in focusing on today’s other emerging copyright problems.

C. **Mass Digitization and Orphan Works**

The recent Second Circuit decision in the Google Books case demonstrates the limits of seeking to resolve issues such as those involving orphan works and mass digitization through litigation and reliance on fair use alone. These issues are too complex and affect too many interested parties to be efficiently resolved through litigation. Furthermore, relying on fair use results in overly narrow solutions that do not meet the needs of authors (to be compensated for the use of their works) or of readers (to gain access to full texts of works, rather than mere snippets).

The Copyright Office is currently pursuing a pilot program to examine better solutions to the challenges inherent in the mass digitization of works for socially beneficial purposes. The proposed extended collective licensing (“ECL”) pilot program appropriately recognizes the limits of fair use as a solution and takes a flexible approach in balancing the rights of creators with the needs of the public.

The ECL program has the potential of realizing the benefits of private ordering in addressing IP issues. First, it brings the right parties to the table and allows them all to have a voice. For example, it includes the Authors

---

96 Aistars, supra note 87, at 344 (footnotes omitted).
97 See Authors Guild v. Google, Inc., 804 F.3d 202, 229 (2d Cir. 2015) (finding “no basis in the record to impose liability on Google” and legitimizing its digital copying through a lengthy fair-use analysis).
Guild, which represents a large cross-section of authors.\footnote{See id. at 85-86; The Authors Guild, Inc., Initial Comments Submitted in Response to U.S. Copyright Office’s Oct. 22, 2012 Notice of Inquiry 1 (Feb. 4, 2013) (submitting comments on behalf of the Authors Guild’s “more than 8,500 members who are published book authors and freelance journalists”).} It brings them into contact with entities that wish to embark on mass digitization projects for socially beneficial reasons.\footnote{ORPHAN WORKS, supra note 99, at 18-19.} It also ensures that authors who do not wish to participate can opt out of the program.\footnote{Id. at 6.} The parties can agree to broader or different uses than are currently possible relying on fair use alone. Authors are compensated for such uses, a responsible entity assumes the task of ensuring payments reach the intended authors, and perhaps most importantly, legal certainty and increased flexibility with respect to how mass-digitization projects will operate and evolve is possible for all parties concerned.

While orphan-works issues and mass-digitization issues are distinct problems, an effective solution for the challenges of rights-clearance with mass digitization will tend to reduce the likelihood that works are deemed orphaned. Coupled with the much-needed improvements to the registration and recordation functions of the Copyright Office discussed above, an ECL program that designates an appropriate representative to collect and deliver licensing fees to authors will tend to ensure that searches for authors are conducted for the primary purpose of identifying authors and rightholders so that their works do not fall into orphan status (as opposed to deeming works orphaned or adding works to a list of orphaned works for licensing or other purposes).

The Copyright Office can also play a very important role in promoting the identification of authors of works and limiting the number of works which fall into orphan status by (1) establishing officially recognized registries for various types of works, and (2) defining standards for conducting a reasonably diligent search for the author of a work. Happily, the Authors Guild already has experience in administering royalties collected on behalf of U.S.-based authors when their works are licensed through various ECL systems in the United Kingdom and numerous European countries.

D. Small Claims

Among the most serious obstacles for authors in commercializing their works is the daunting and costly exercise required for such creators to protect their rights when they are infringed.\footnote{U.S. COPYRIGHT OFFICE, COPYRIGHT SMALL CLAIMS 1 (2013), http://copyright.gov/docs/smallclaims/usco-smallcopyrightclaims.pdf.} The promise of exclusive rights for authors goes unfulfilled when it is not practical to enforce those rights.
This problem is particularly acute for creative upstarts because copyright claims can only be brought in federal courts where the costs and legal obstacles are substantial, often outweighing the licensing fees that can be recovered as damages. Individual creators typically do not seek damages in the six-plus digit range, unless such damages are their only option for redress as the sole way to obtain the representation of effective counsel.

The Copyright Office has recommended an alternative forum that would be more accessible to the average person: a small claims court for copyright cases. The proposal suggests a simplified adjudication process conducted by a tribunal within the Copyright Office itself. It provides incentives for both parties to consent to jurisdiction, including damages caps and the possibility of foregoing the need for counsel. This voluntary system is constitutional because it allows recourse to the federal judiciary if either party wishes the dispute to be decided by an Article III court. Ideally, adopting such a proposal would not only provide an efficient forum for resolving copyright claims of limited monetary value, but it would likewise limit the need for many parties to resort to the statutory damages provisions of the Copyright Act.

E. Notice and Takedown

The “notice and takedown [provisions] of the Digital Millennium Copyright Act [are] not working for any of [their] intended beneficiaries,” whether authors, artists, copyright owners, or Internet service providers. Rightholders are faced with a never-ending need to send repeated notices of infringement. As soon as they get an infringing copy of their work taken down, other copies pop up elsewhere, or even at the same site. This creates a vicious cycle that distracts all involved from the creative and innovative work they could be doing instead. To give a sense of the scope, Google

---

104 Id. at 8.
105 See id. at 1-3.
106 Id. at 3.
107 Id. at 39.
Search alone receives takedown notices for over 80 million links per month.\textsuperscript{110} Rather than incentivizing sites to develop solutions to prevent the immediate reposting of infringing works by repeat offenders, the Digital Millennium Copyright Act ("DMCA") as applied has spurred this perverse, costly, and senseless Whac-A-Mole game of endless notice sending. Sites that may otherwise be willing to take action to stem infringing activity are often advised by their counsel to do nothing until notified by a copyright owner for fear of being subjected to greater obligations under the DMCA.\textsuperscript{111}

A level playing field with clear obligations is needed for all sites to reduce infringement without suffering heightened obligations by virtue of imputed knowledge. To achieve this, this Essay recommends two solutions:

- First, notice and takedown should mean notice and stay-down, and service providers should be rewarded for taking steps to limit the flagrant reposting of works already taken down pursuant to takedown notices.

- Second, the red-flag provisions should be strengthened by codifying a strong version of the willful blindness doctrine, but with a specific acknowledgement that sites should not be penalized for seeking to stem infringement by users.

Together, these solutions should reduce the enormous volume of takedown notices while also strengthening copyright enforcement and making it meaningful in the modern, digital marketplace.

F. Streaming Harmonization

Numerous government officials, including senior lawyers at the Department of Justice, the Intellectual Property Enforcement Coordinator, and the Register of Copyrights, have called for harmonizing the penalties applicable to large-scale criminal enterprises engaged in copyright infringement so that the penalties are the same regardless of whether the technology used to infringe is downloading or streaming.\textsuperscript{112} However, thus far the “remedies


\textsuperscript{111} O’Connor Testimony, supra note 108, at 12.

for criminal infringement have not been updated to reflect the realities of how copyrighted works are frequently misappropriated these days."\(^\text{113}\)

Whether criminal infringement of copyrighted works can be prosecuted as a “felony or a misdemeanor depends on whether the defendant offers downloads or streams.”\(^\text{114}\) Someone who wrongfully uploads works to the internet for others to download can be charged with a felony.\(^\text{115}\) But someone who streams those same works over the internet can only be charged with a misdemeanor.\(^\text{116}\) This disparity in potential remedies results in a lack of attention to cases involving streaming technology and allows many large-scale infringers to escape criminal prosecution.\(^\text{117}\)

This loophole is particularly troubling given the rising popularity of streaming. Nowadays, many people prefer to stream copyrighted works over the internet on-demand rather than download them or buy physical copies. “Legal streaming services such as Netflix, Hulu, Amazon, Spotify, and Pandora are used by millions to stream content in real-time with just the click of a mouse.”\(^\text{118}\)

Unfortunately, illegal streaming sites have become popular as well, and cyberlockers abound where users can find illicit versions of just about any content.\(^\text{119}\) These illegal streaming sites harm not only the creators of copyrighted works, but also the technology innovators who have developed

---


\(^{114}\) Id.

\(^{115}\) See 17 U.S.C. § 506(a)(1)(A) (2012); 18 U.S.C. §§ 2319(b)(1)-(2), 3571(b)(3), 3559(a)(3) (2012) (establishing misdemeanor and felony penalties for certain reproductions and distributions, including a fine up to $250,000 and imprisonment up to five years; for subsequent convictions, imprisonment can be up to ten years).

\(^{116}\) See 17 U.S.C. § 506(a)(1)(A); 18 U.S.C. §§ 2319(b)(3), 3571(b)(5), 3559(a)(6) (establishing misdemeanor penalties for certain public performances, including a fine up to $100,000 and imprisonment up to one year; there are no increased penalties for subsequent convictions).


\(^{118}\) Hartline & Barblan, supra note 113, at 4.

\(^{119}\) See, e.g., NETNAMES, BEHIND THE CYBERLOCKER DOOR 1 (2014), https://media.graclusions.com/3144a5a5a94abb8b5e8bd824cf47c46ef489d3a768854660c1bbb4166aa20-2d9f9898ecf.pdf (“Analysis of a sampling of the files on . . . thirty cyberlocker sites found that the vast majority of files were clearly infringing. At least . . . 83.7 percent of files on streaming cyberlockers infringed copyright.”).
popular legal streaming platforms to meet consumer demands. Congress should heed the repeated calls to harmonize the criminal remedies for bad actors that enable infringement of works via streaming with those who enable infringement via downloads.

CONCLUSION

The Framers understood that copyright protection was morally justified for authors and artists who labor to create new works, and they also had the foresight to recognize that the public ultimately benefits when this protection is secured by law. Over the two centuries since the writing of the Constitution, the prescience of the Framers’ vision has proved astounding, and we have a robust and flourishing democracy built on property rights of authors and artists. The creative innovation in the United States is the envy of the world. We hope these principles and priorities will help Congress as it navigates through the copyright revision process, keeping history and first principles in mind as it paves the way to our creative future.