

CONCERNS WITH COPYRIGHT STATUTORY DAMAGES IN ACTA

The recently leaked draft text for the Anti-Counterfeiting Trade Agreement (ACTA) indicates that the U.S. and Japan proposed inclusion of language mandating that ACTA parties allow for the award of statutory damages for copyright infringement as an alternative to actual damages. We object to this provision for three reasons: 1) it could limit the ability of Congress to amend the statutory damages framework in the Copyright Act; 2) it could increase the exposure of U.S. companies operating overseas to significant damages liability; and 3) it does not accurately reflect the statutory damages provisions in the U.S. Copyright Act.

The U.S.-Japan proposal for Article 2.2.2 concerning damages provides:

At least with respect to works, phonograms, and performances protected by copyright or related rights, and in civil cases of trademark counterfeiting, in civil judicial proceedings, each Party shall establish or maintain a system that provides: a) pre-established damages; or b) presumptions for determining the amount of damages sufficient to constitute a deterrent to future infringements and to compensate fully the right holder for the harm caused by the infringement.

Subsection b) contains a footnote stating that

[s]uch measures may include the presumption that the amount of damages is (i) the quantity of the goods infringing the right holder's intellectual property right and actually assigned to third parties, multiplied by the amount of profit per unit of goods which would have been sold by the right holder if there had not been the act of infringement or (ii) a reasonable royalty.

I. Preventing Future Amendments

While section 504(c) of the U.S. Copyright Act does allow copyright owners to seek statutory damages instead of actual damages and profits, the high upper limit on such damages (\$30,000 per work infringed, increasing to \$150,000 in cases of willful infringement) has enabled copyright owners to seek, and courts to grant, draconian awards grossly in excess of any actual harm. This, in turn, has encouraged frivolous litigation and unfair settlements. Additionally, the threat of statutory damages in cases involving intermediaries such as Internet service providers and device manufacturers has chilled innovation.

Because of these problems, Congress has begun to reconsider section 504(c). H.R. 1201 in the 110th Congress would have amended 17 U.S.C. § 504(c) to permit statutory damages only in instances of direct infringement. The PRO-IP Act, as

introduced, would have repealed a sentence in section 504(c) that allows only one award of statutory damages for the infringement the works contained in a compilation or derivative work. Repeal of this sentence would have enabled even more exorbitant damage demands by copyright “trolls.” After vigorous lobbying by a wide range of entities, the House IP subcommittee dropped the provision, while recognizing the need to revisit the entire statutory damages framework.

Moreover, in several recent copyright cases, judges have adjusted downwards the statutory damages awarded by juries, and have called on Congress to amend section 504(c).

In light of the controversy surrounding copyright statutory damages, the U.S. should not seek to incorporate them in ACTA. By inserting statutory damages in ACTA, the Executive Branch will make it more difficult for Congress to amend section 504(c) in the future to reduce its adverse impact on innovation.

II. Increasing the Exposure of U.S. Companies

Although the existing statutory damages framework has a chilling effect on innovation and follow-on creativity, its negative impact in the U.S. is somewhat mitigated by the existence of strong exceptions such as the fair use doctrine. Other countries, however, do not have these exceptions. And the U.S. in ACTA has not demanded the adoption of these exceptions. In other words, the U.S. seeks the export of our strong enforcement mechanisms but not our strong exceptions.

This asymmetric export of our laws could be particularly harmful to U.S. Internet companies as they attempt to expand their operations overseas. For example, U.S. courts have treated the copying of copyrighted material by search engines as permitted by fair use. In contrast, courts in Europe have found Google and other search engines liable for copyright infringement for engaging in similar activities. If ACTA is adopted, and European countries enact statutory damages, the potential exposure of U.S. search engines will increase exponentially for conduct considered lawful in the U.S. They will be liable not just for the actual damages they cause, but the level of damages set by statute.

III. Inconsistency with Section 504(c)

The proposed statutory damages language in Article 2.2.2 differs from section 504(c) in several critical respects. First, section 504(c)(2) directs the court to reduce statutory damages in cases of innocent infringement. If the court finds that the infringer was not aware and had no reason to believe that its acts constituted infringement, the court can reduce the award to \$200. And the court can remit statutory damages altogether if a library, archives, or educational institution believed that its copying was a fair use. In contrast, Article 2.2.2 make no

provision whatsoever for innocent infringement. By mandating statutory damages without relief for innocent infringement, ACTA could subject U.S. entities to significantly greater damages overseas than in the U.S., thereby discouraging international expansion.

Second, section 504(c) does not contain standards analogous to the language concerning the presumptions for determining damages contained in subsection b) and the accompanying footnote. Instead, section 504(c) permits a court to award statutory damages within a broad range (\$750 to \$30,000) “as the court considers just.” The court has the “discretion” to increase the award to \$150,000 in cases of willful infringement, and decrease the award to \$200 in cases of innocent infringement. ACTA’s language concerning presumptions thus deprives courts of the discretion granted them under section 504(c). Furthermore, it deprives Congress of the ability to provide courts with additional direction in the future concerning the award of statutory damages.

For these reasons, the U.S. should take Article 2.2.2 off the ACTA table.

American Association of Law Libraries
Computer & Communications Industry Association
Consumer Electronics Association
Electronic Frontier Foundation
Home Recording Rights Coalition
Library Copyright Alliance
NetCoalition
Public Knowledge

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