

January 17, 2014

Office of Policy and External Affairs United States Patent and Trademark Office Mail Stop External Affairs P.O. Box 1450 Alexandria, VA 22313-1450

Via email to CopyrightComments2013@uspto.gov

RE: Request for Comments on Department of Commerce Green Paper, Copyright Policy, Creativity, and Innovation in the Digital Economy. Docket No. 130927852-3852-01

I. Introduction

Writers Guild of America, West Inc. (WGAW) is pleased to submit the following comments in response to the Department of Commerce Green Paper on Copyright Policy, Creativity and Innovation in the Digital Economy. WGAW represents more than 8,000 writers of television, film and online video content. Virtually all of the entertainment programming and a significant portion of news programming seen on television and in film are written by WGAW members and the members of our affiliate, Writers Guild of America, East (jointly, "WGA").

Our members are the creators of copyrighted works and as such, have a strong interest in the protection of copyright. In 2012, professional writers represented by the WGAW received almost \$350 million in residual payments for the reuse of their material on DVD, in international sales, syndicated on broadcast and cable channels, sold on iTunes, streamed online and viewed in many other markets. These residual payments constitute roughly 25% of total writer compensation. Residual payments have continued to grow, increasing approximately 5% per year over the last five years. The growth in residuals demonstrates the long term value that copyrighted works create and the importance that preventing copyright theft has for the entire entertainment community.

Residual payments derived from the reuse of content sustain careers and support industry health and pension plans. These payments serve as R&D for the entertainment industry, allowing writers to develop new material while waiting for their next employment opportunity. Any devaluation of copyrighted content could significantly diminish the ability of writers to spend time developing new content. Strong enforcement of copyright law benefits society as well. The ability to generate revenue through the exploitation of intellectual property provides funds that can be reinvested and fuel further innovation in many industries, including entertainment.

While many of the most pirated works are created by WGA members, we believe that copyright must be balanced with the preservation of an open, competitive Internet and protection of consumers' rights to access the lawful content, services and applications of their choice. Achieving this balance requires the creation of guiding principles for the development of piracy detection and prevention tools in laws and industry agreements that do not infringe on free speech and the right to privacy. We take the opportunity to address some of the specific questions raised by the Federal Register Notice, including the appropriate calibration of statutory damages, improving the notice and takedown system of the Digital Millennium Copyright Act (DMCA) and first sale in the digital environment. We also raise concerns about voluntary agreements that have been developed to address copyright infringement.

II. The Appropriate Calibration of Statutory Damages

While penalties for copyright infringement are an important tool for deterring piracy, the massive statutory damages currently allowed under copyright law have become unmoored from the actual damages caused by copyright infringement. Plaintiff's demands in some cases have reached hundreds of millions and even billions of dollars without any evidence of the real magnitude of harm. Viacom's \$1 billion suit against YouTube has dragged on for six years and has cost the streaming site over \$100 million in legal fees. High statutory penalties are not only often unreasonable but unpayable. Recently, in its case against the torrent site isoHunt, the MPAA requested nearly \$600 million in statutory damages despite admitting that \$5 million at most would be enough to bankrupt the defendants. Whether a statutory penalty bankrupts infringers once or a hundred times over probably has little additional deterrent effect. In fact, empirical research by economists suggests that lawsuits do not increase legal sales because infringers' willingness to pay is generally lower than the market price.² Rather, the threat of such large damages and the cost of litigation may deter further investment in web sites that serve as venues for independent production and allow users to upload content without gatekeeper permission for fear of liability. Such venues are critical to the promotion of independent content and are only available online because television and film are controlled by a handful of media companies who decide what content consumers have access to. We suggest further study of the effectiveness of statutory damages in protecting copyright.

Streaming copyrighted material

It is important to assess the role of statutory damages in limiting copyright infringement particularly because of the Green Paper's proposal to make streaming unauthorized works a felony. The extension of a policy that may not actually limit piracy or result in recouped monies to content creators has troubling implications for artistic expression. A broad interpretation of such a law could chill innovation through the use of copyrighted works in remixes, cover versions of songs and fair use. For example, artists like Justin Bieber have used YouTube

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¹ O'Neill, Megan. "Google CFO Reveals Viacom's Lawsuit Cost YouTube \$100 Million." SocialTimes.com, July 16, 2010. Available at http://socialtimes.com/google-cfo-reveals-viacom%E2%80%99s-lawsuit-cost-youtube-100-million_b17615

² Maffioletti A. and G. Ramello. Should we put them in jail? Copyright infringement, penalties and consumer behaviour: Insights from experimental data. *Review of Economic Research on Copyright Issues*, 2004, vol. 1(2), pp. 81-95.

videos of themselves singing covers as a way to gain exposure. Allowing felony charges for such activities could have a chilling effect on artists who use such independent forums and may harm sites that allow streaming of user generated content by driving away contributors.

III. Improving the Operation of the DMCA Notice and Takedown System

The notice and takedown system of the Digital Millennium Copyright Act is an important component of online copyright enforcement. It is not a perfect solution to the problem of online piracy, but no such solution exists. Rather, the notice and takedown system in conjunction with the safe harbor provisions of the DMCA strike a balance between the interests of copyright owners and ISPs and sites that allow users to upload content without permission. It has allowed sites like YouTube, where artists may distribute content without permission, to flourish while providing copyright owners a method for removing their own content from such sites. The WGAW believes that efforts should be made to improve this system, both for copyright owners and online sites and services, rather than more drastic measures that would fundamentally alter the nature of the Internet by requiring affirmative policing of content. We echo the comments made by the Future of Music Coalition regarding The Stop Online Piracy Act (SOPA).³ SOPA moved too far from the balance struck by the DMCA and would have had significant implications for free speech, due process and a competitive online market.

The administration should consider how to improve the notice and takedown system for smaller copyright owners. Having a common template for DMCA notices would streamline the process for smaller copyright owners and the companies that process them. Host companies must also make their DMCA agent easily identifiable both on their websites and through Copyright Office registration. Such action would benefit independent creators.

Another important improvement for the DMCA would be to prevent mistaken or abusive notices that target fair use of copyrighted works. In addition, as the volume of DMCA takedown requests has increased, so have the number of requests that target legitimate sites. For example, a Microsoft anti-piracy contractor recently sent out erroneous notices against the Wikipedia entry for Office 2007 and even some of Microsoft's own webpages.⁴ Additionally, in some cases requests fail to take into account fair use and end up removing sites that constitute legal speech.

IV. The First Sale Doctrine in the Digital Environment

WGAW does not support the adoption of a digital first sale doctrine because it could aggravate the problem of piracy without any significant advantage to consumers. Unlike previous technologies such as magnetic tape, digital copies allow for perfect and unlimited reproductions. Extending the first sale doctrine to the digital environment would make it all but impossible to distinguish between legitimate resale of a purchased digital content and the unauthorized

³ See comments of The Future of Music Coalition, *In the Matter of the Inquiry on Copyright Policy, Creativity and Innovation in the Internet Economy,* Docket Number: 130927852-3852-01, November 13, 2013, pp. 8.

^{2013,} pp. 8. ⁴ Torrentfreak.com "Microsoft Wants Google to Censor Its Wikipedia Page." September 27, 2013. Available at http://torrentfreak.com/microsoft-wants-google-to-censor-its-wikipedia-page-130927/

distribution of pirated copies. Further, numerous business models have developed in the online world that provides a variety of consumption options including purchase, rental and subscription services. As such, the current market already makes available a variety of digital licenses for content that vary in length and price while protecting copyrighted work from further piracy.

For example, consumers can rent a movie through sites like Amazon Instant Video and the iTunes Store for a period of a few days or purchase an indefinite license if they choose (see images below). A survey of the top 100 movies by box office in 2013 shows that 77% are available for digital or disc purchase and 53% are already available for digital rental (See appendix). Consumers can also choose between standard definition and high definition versions at different prices and 24 or 48 hour rental periods. With the development of Ultraviolet, consumers can also watch their licensed content on various devices both in and outside the home. Services like Netflix and Amazon Prime offers consumers access to thousands of hours of television and film content for a low monthly price. The lack of a digital first sale doctrine has not limited the development of robust consumer offerings.

iTunes Store Examples





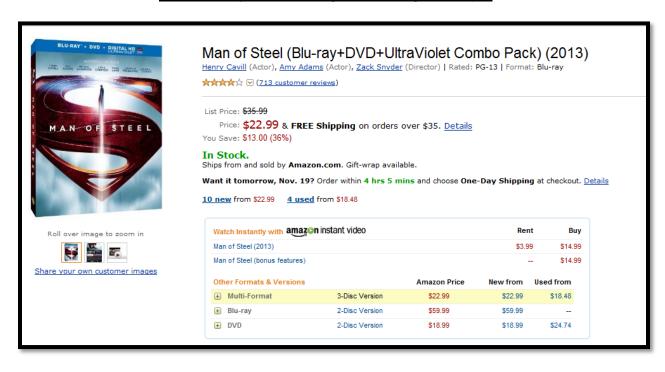
⁵ All screenshots taken November 18, 2013.

Amazon Instant Video Examples





Amazon Physical and Digital Offerings Example





V. WGAW Concerns about Voluntary Agreements to Enforce Copyright

In recent years, the enforcement of copyright has expanded to include voluntary agreements such as the Copyright Alert System (CAS) between major media companies and Internet Service Providers. While these agreements have yet to prove their effectiveness in limiting copyright infringement, they have raised concerns regarding their lack of consumer protections. For example, the CAS appeals process places the burden of proof on alleged infringers and requires the payment of a fee to the arbitrator, although the fee is refundable if the challenge is upheld. Several other aspects of the process are problematic: appeals are not allowed until the mitigation stage, where Internet throttling or landing pages are implemented, and there is no further appeal after a review.

Similarly, the voluntary ad network agreement encourages networks to suspend a website until verifying that it is non-infringing; once again placing the burden of proof on accused infringers. Private agreements must not become a way of circumventing due process when an essential forum for free speech and commerce is at stake. If the government is going to endorse private agreements it should also promote transparency and comprehensive stakeholder participation in these initiatives.

Another concerning aspect of the CAS is that it could negatively impact the availability of open Wi-Fi networks. Many small businesses such as independent cafes may not have business class Internet service that is exempt from the CAS and as a result may have their service throttled or preemptively shut down their networks to avoid sanctions. Residential customers and home businesses with regular accounts will also have to think twice before opening their networks to guests. Voluntary initiatives should balance the threat of infringement with the valuable and non-infringing uses provided by open networks. Industry agreements that are enacted outside of legislation must be carefully designed to respect both the First and Fourth Amendments.

VI. Conclusion

Copyright protection is an important public policy goal. It is necessary to sustain the livelihoods of WGAW members. We are encouraged by the attention paid to diminishing piracy and look forward to continued discussions about how to improve copyright enforcement. However, we also believe that the most effective remedy to piracy may be the development of robust legal options for viewing content online. The increasing popularity of legal online video services such as Netflix can be seen in its growing share of internet traffic. According to network management company Sandvine, Netflix now accounts for 32% of internet downloading during peak evening hours in North America. This has increased from about 30% in the spring of 2011. Netflix now has over 30 million domestic streaming subscribers and over 9 million international subscribers.

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⁶ Sandvine. The Global Internet Phenomena Report: 1H 2013. Available at http://www.sandvine.com/downloads/documents/Phenomena_1H_2013/Sandvine_Global_Internet_Phenomena_Report_1H_2013.pdf

Netflix also continues to expand overseas but similar online VOD services are now widespread internationally.

At the same time, BitTorrent traffic is declining in most regions. North American BitTorrent traffic dropped from 18.9% of total daily traffic to 11.1% between fall of 2011 and spring of 2013. In Asia, BitTorrent traffic during peak hours declined from 27.2% to 21.7% between 2012 and 2013. Meanwhile, Europe saw a decline from 20.3% to 17.4% in the same period. Latin American BitTorrent use increased marginally from 9.2% to 10.2%.

While much of piracy occurs outside the United States, the international market has now become a major source of growth for the media companies. According to the MPAA, the 2012 international box office was 32% higher than five years ago. Despite the widespread availability of pirated versions of movies, more international consumers are going to see films in the theater than ever before. While there is still room for improvement in reducing copyright infringement, copyright policy should continue to protect the openness and innovation that has made the Internet an engine of economic growth.

Respectfully Submitted,

/s/

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Appendix⁷

2013 Movie Digital Rental and Sale Availability											
Rank	Movie Title	Amazon	iTunes Store	Google Play	Vudu	You- Tube	Redbox Instant	M-GO	Target Ticket	Digital Sale	Disc Sale
1	Iron Man 3	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes
2	The Hunger Games: Catching Fire	No	No	No	No	No	No	No	No	No	No
3	Despicable Me 2	No	No	No	No	No	No	No	No	Yes	Yes
4	Man of Steel	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5	Monsters University	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
6	Gravity	No	No	No	No	No	No	No	No	No	No
7	Fast & Furious 6	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
8	Oz The Great and Powerful	No	No	No	No	No	No	No	No	Yes	Yes
9	Star Trek Into Darkness	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
10	World War Z	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
11	Thor: The Dark World	No	No	No	No	No	No	No	No	No	No
12	Frozen (2013)	No	No	No	No	No	No	No	No	No	No
13	The Croods	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
14	The Heat	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
15	We're the Millers	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
16	The Great Gatsby (2013)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
17	The Conjuring	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
18	Identity Thief	No	No	No	No	No	No	No	No	Yes	Yes
19	Grown Ups 2	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
20	The Wolverine	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
21	The Hobbit: The Desolation of Smaug	No	No	No	No	No	No	No	No	No	No
22	G.I. Joe: Retaliation	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
23	Now You See Me	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
24	Lee Daniels' The Butler	No	No	No	No	No	No	No	No	Yes	No
25	Cloudy with a Chance of Meatballs 2	No	No	No	No	No	No	No	No	No	No
26	The Hangover Part III	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
27	Epic	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
28	Captain Phillips	No	No	No	No	No	No	No	No	No	No
29	Pacific Rim	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
30	This is the End	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	Jackass Presents: Bad Grandpa	No	No	No	No	No	No	No	No	Yes	No
32	Olympus Has Fallen	No	No	No	Yes	No	No	Yes	Yes	Yes	Yes
33	42	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
34	Elysium	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
35	Planes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes

⁷ Most films released in the fourth quarter of 2013 will not be available in the home video market until 2014.

36	The Lone Ranger	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
37	Oblivion	No	Yes	Yes							
38	Insidious Chapter 2	Yes	No	Yes	Yes						
39	Turbo	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
40	2 Guns	Yes									
41	White House Down	Yes									
42	Mama	No	Yes	Yes							
43	Safe Haven	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes
44	The Smurfs 2	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
45	The Best Man Holiday	No									
46	Percy Jackson: Sea of Monsters	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
47	A Good Day to Die Hard	No	Yes	Yes							
48	Warm Bodies	No	Yes	Yes							
49	Jack the Giant Slayer	No	Yes	Yes							
50	The Purge	Yes									
51	Last Vegas	No									
52	Prisoners	Yes									
53	Ender's Game	No									
54	After Earth	Yes									
55	Escape From Planet Earth	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
56	Hansel and Gretel: Witch Hunters	No	Yes	Yes							
57	Evil Dead (2013)	No	Yes	Yes							
58	Free Birds	No									
59	Red 2	Yes									
60	Tyler Perry's Temptation: Confessions of a Marriage Counselor	No	Yes	Yes							
61	The Call	No	Yes	Yes							
62	Pain and Gain	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes
63	Gangster Squad	No	Yes	Yes							
64	Jurassic Park 3D*	No	Yes								
65	The Internship	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
66	Instructions Not Included	No									
67	Snitch	No	Yes	Yes							
68	Riddick	No	Yes	No							
69	A Haunted House	Yes	Yes	Yes	No	Yes	No	Yes	No	Yes	Yes
70	Anchorman 2: The Legend Continues	No									
71	12 Years a Slave	No									
72	The Family (2013)	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes
73	Carrie (2013)	No									
74	Texas Chainsaw 3D*	No	No	No	No	No	No	Yes	No	No	Yes
75	R.I.P.D.	No	Yes	No	No	No	No	Yes	No	Yes	Yes
76	Blue Jasmine	No									

77	Kevin Hart: Let Me Explain	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
78	Side Effects (2013)	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
79	Scary Movie 5	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
80	The Mortal Instruments: City of Bones	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes
81	Delivery Man	No									
82	One Direction: This is Us	Yes									
83	Kick-Ass 2	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
84	Tyler Perry's A Madea Christmas	No									
85	Rush (2013)	No									
86	The Host (2013)	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
87	The World's End	Yes									
88	21 and Over	Yes	Yes	Yes	No	Yes	No	Yes	No	Yes	Yes
89	Escape Plan	No									
90	Don Jon	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
91	The Incredible Burt Wonderstone	No	Yes	Yes							
92	The Big Wedding	No	Yes	Yes							
93	Mud	No	Yes	Yes							
94	Baggage Claim	No									
95	The Way, Way Back	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
96	The Place Beyond the Pines	No	Yes	Yes							
97	American Hustle	No									
98	Homefront	No									
99	Broken City	No	Yes	Yes							
100	Beautiful Creatures (2013)	No	Yes	Yes							
* Jurassic Park 3D and Tayas Chainsaw 3D were available as 3D Blu-ray discs but not digitally. However											

^{*} Jurassic Park 3D and Texas Chainsaw 3D were available as 3D Blu-ray discs but not digitally. However, 2D digital versions were available.