

Statement of

**MARIA A. PALLANTE**

**UNITED STATES REGISTER OF COPYRIGHTS AND  
DIRECTOR OF THE U. S. COPYRIGHT OFFICE**

BEFORE THE

**SUBCOMMITTEE ON THE LEGISLATIVE BRANCH  
COMMITTEE ON APPROPRIATIONS**

**UNITED STATES HOUSE OF REPRESENTATIVES**

Fiscal 2017 Budget Request for the U.S. Copyright Office

March 2, 2016

**Statement of Maria A. Pallante  
United States Register of Copyrights and  
Director of the U. S. Copyright Office**

**Before the  
Subcommittee on the Legislative Branch  
Committee on Appropriations**

**United States House of Representatives**

**Fiscal 2017 Budget Request for the U.S. Copyright Office**

**March 2, 2016**

Chairman Graves, Ranking Member Wasserman Schultz and Members of the Subcommittee:

Thank you for the opportunity to present written testimony in support of the Fiscal 2017 Budget Request of the United States Copyright Office. Thank you as well for your previous support and recognition of the importance of the Copyright Office to the U.S. copyright system.

Before addressing the Office's budget request, I want to take the opportunity to briefly highlight the vital role the Copyright Office plays in supporting the vibrant and growing creative economy. The Copyright Office administers the Nation's copyright laws, and through its legal and policy experts provides assistance throughout the government on both domestic and international copyright matters. To highlight just a few of the Office's varied responsibilities:

- Examining copyright claims in a broad range of creative works, including software, movies, music, books, and websites.
- Registering copyrights to preserve full legal protections for creative works.
- Maintaining authoritative records on authorship and ownership of creative works so that companies can properly license them.
- Providing Congress and Executive Branch agencies with impartial, expert advice on matters of domestic and international copyright law.

The businesses we support—from video game developers to mobile device manufacturers, from movie studios to internet streaming companies, from music creators to online music services—are worth trillions of dollars to the global economy. The challenge today is ensuring that the U.S. Copyright Office can meet the future needs of these essential industries.

That challenge is highlighted by the evolving role of technology in creative enterprises. At the time work began on the current online copyright registration system in the early 2000s, high-speed internet access was not yet widespread, smartphones were an uncommon sight, and Pandora had yet to launch its music service. To take one example, if you were a musician, it was unlikely that you would use a phone to capture a newly created song.

Today, it is commonplace for musicians to record songs on a smartphone or tablet, capturing in real time all the data needed to satisfy copyright registration requirements. It therefore makes no sense to require a musician to put down her smartphone, log on to the Copyright Office website, and complete a lengthy online process just so she can protect her work. Instead—with the press of a button in her music recording app—she should be able to seamlessly send her song and the associated data to the Copyright Office for examination and registration. By the same token, a digital music service trying to license that song and millions of others shouldn't have to slog through the Office's website, searching for songs one at a time. Instead, the service should be able to connect its servers directly to the Copyright Office via an API and search our data in real time. It is thus clear that making incremental improvements to our existing systems will not be enough. We must shift the approach entirely, and provide a flexible platform that others can build upon for the effortless protection and licensing of copyrighted works.

And this is just one example of our comprehensive vision for a modern Copyright Office. Since I was appointed to the position of United States Register of Copyrights on June 1, 2011, I have focused on developing the details of that vision, as evidenced by the many studies and reports mentioned below. In this work, I am indebted to my talented staff who every day support the copyright system that Congress enacted, while also assisting Congress and the Executive Branch with expert advice about legal revisions to or interpretation of the copyright laws.

Turning to our budget request, the USCO has three line items, as follows:

- (1) Copyright Basic budget, which funds most USCO operations — \$66.870 million
- (2) Copyright Licensing Division, which is a fiscal operation that disperses royalty income after statutory distribution proceedings and is funded by fees from private parties — \$ 5.531 million
- (3) Copyright Royalty Judges, who report to the Librarian but are included by the Library under the Register's budget for administrative convenience — \$ 1.625 million

We have provided budget justifications for all of the above items through the agency appropriations process. The justifications are available on the Library of Congress's website.<sup>1</sup> The first item, Copyright Basic, is the focus of my testimony today.

Our appropriations request is tied directly to the U.S. Copyright Office Strategic Plan for 2016-2020, *Positioning the United States Copyright Office for the Future*, published on December 1, 2015.<sup>2</sup> The Strategic Plan draws on four years of deliberative assessment and public review regarding current and future services, including all aspects of administration of copyright registration and recordation, legal requirements, and IT needs. This groundwork was carried out by staff at all levels, and involved a number of internal committees, public meetings and public reports. These significant efforts include a completely revised Compendium of Copyright Office practices, published on December 22, 2014,<sup>3</sup> a major report that informs the legal parameters of transforming and automating the copyright recordation system, published on January 7, 2015,<sup>4</sup> and a report recommending technological upgrades to the registration and recordation functions, published on February 18, 2015.<sup>5</sup> The Strategic Plan not only sets a path for copyright administration in the twenty-first century, but also provides a flexible basis for supporting such further statutory duties, databases, and regulatory programs that Congress may choose to assign to the Office going forward.

The Strategic Plan is conditioned upon having a clear IT plan and corresponding funding strategy. At the Committee's request,<sup>6</sup> the Copyright Office has completed a provisional IT Plan,<sup>7</sup> and posed questions to the public about the funding and

---

<sup>1</sup> LIBRARY OF CONGRESS, FISCAL 2017 BUDGET JUSTIFICATION 109, *available at* <https://www.loc.gov/portals/static/about/reports-and-budgets/documents/budgets/fy2017.pdf>.

<sup>2</sup> <http://copyright.gov/reports/strategic-plan/USCO-strategic.pdf>.

<sup>3</sup> *See* U.S. COPYRIGHT OFFICE, COMPENDIUM OF U.S. COPYRIGHT OFFICE PRACTICES (3d ed. 2014).

<sup>4</sup> *See* U.S. COPYRIGHT OFFICE, TRANSFORMING DOCUMENT RECORDATION AT THE UNITED STATES COPYRIGHT OFFICE (Jan. 2015).

<sup>5</sup> *See* U.S. COPYRIGHT OFFICE, REPORT AND RECOMMENDATIONS OF THE TECHNICAL UPGRADES SPECIAL PROJECT TEAM (Feb. 2015).

<sup>6</sup> In the House Report accompanying the FY2016 appropriations bill, the Committee stated:

The Committee fully understands the importance of the Copyright Office as it relates to creativity and commercial artistic activity not only within the United States but also on a world-wide basis. In order to serve the copyright owners and the copyright community in the 21st century, a robust modern information technology (IT) operation will be necessary. . . . [T]he Committee directs the Register of Copyrights to report, to the Committee on Appropriation and relevant Authorizing Committees of the House on a detailed plan on necessary IT upgrades, with a cost estimate, that are required for a 21st century copyright organization. In addition to the cost estimate, the Register shall include recommendations on a funding strategy and a time frame for completion of a new IT system that is necessary to better serve the public in the digital age. The Register should seek public comments to help inform the Copyright Office with the funding strategy and implementation timeline.

H. Rep. No. 114-110 (2015).

<sup>7</sup> *See* [www.copyright.gov/reports/itplan/](http://www.copyright.gov/reports/itplan/).

timeline for implementation of that plan.<sup>8</sup> As set forth in the IT Plan, comprehensive IT modernization requires upfront capital investments as well as ongoing operating expenses. The Copyright Office projects that the modernization effort will cost in the range of \$165 million over a five-year implementation timeframe. Thereafter, operating costs would require approximately \$25 million annually. To accommodate appropriations cycles and ensure adequate time to engage in restructuring of fees with appropriate public input, the IT Plan would commence in FY2018.

In general, the IT plan recommends a clean slate approach, in which the Copyright Office is responsible for building new mission critical applications within a dedicated enterprise architecture, and retiring rather than migrating legacy systems. The IT plan leverages flexible cloud technologies, while minimizing the need for an unwieldy and capital-intensive data center. This approach will allow the Office to remain nimble, and adapt to the ever-evolving needs of the copyright marketplace. We will report back to the Committee as we move forward.

In FY 2017, for Copyright Basic, the Copyright Office requests (1) authority to spend \$33.619 million of offsetting collections, *i.e.*, fees collected from customers for services during that fiscal year; (2) authority to utilize \$6.147 million from the Office's reserve account, *i.e.*, unobligated fees collected during prior fiscal year(s); and (3) \$27.104 million in taxpayer support.

The request prioritizes an increase in FTEs because, as noted in the Strategic Plan, the Copyright Office needs to ramp up transition and planning for its modernization efforts, while ensuring we have sufficient staffing to meet our current responsibilities under the Copyright Act. Accordingly, some of these FTEs would be devoted to planning and project supervision related to modernization activities, for example, a Chief Information Security Officer to lead the evaluation of necessary security protocols for future IT hosting environments. Others, however, would be dedicated to improving existing services, for example, technicians to speed the production of certified copies of copyright deposits and other materials.

The Office is prepared to recalibrate the 2017 request for FTEs at the further direction of the Committee, if necessary to proceed with the larger modernization effort. In such a case, we would eliminate FTEs that assume the continuation of the current IT organization, and would ensure that all FTEs are tied to the future IT plan. Similarly, we would align all funding requests related to the website, data management and architecture to the future state.

The Office's 2017 request represents an increase in the basic budget of \$14.967 million over FY 2016. The great majority of the \$13.634 million in programmatic increases, \$9.766 million, would be covered by fees collected in FY 2017 or prior fiscal years, should the Committee authorize increased spending authority. As

---

<sup>8</sup> See <http://copyright.gov/policy/itupgrade/index.html>.

explained in the budget justification,<sup>9</sup> we have aligned the request for increased spending authority with those program changes that support copyright owners paying fees into the copyright system, *e.g.*, increased staffing in our copyright registration and recordation groups. The remaining increase, \$5.201 million, would require taxpayer support. We have aligned the latter increase to program changes that serve the general public or businesses taking advantage of public data, such as increased staffing of the legal and policy departments and public information office. While the general public may access Copyright Office data for free, copyright owners pay fees to register their works and record information about those works. Accordingly, services to copyright owners should be given priority in terms of how fees are spent. Again, we are prepared to recalibrate these requests at the Committee's direction, as we recognize that 2017 may well be a transition year for operational expenses.

---

<sup>9</sup> LIBRARY OF CONGRESS, FISCAL 2017 BUDGET JUSTIFICATION at119.