

November 28, 2011

Maria A. Pallante
Register of Copyrights
United States Copyright Office
Washington DC 20004

Re: Comments on the Proposed Revisions to 37 CFR §201.38

These comments are submitted by:

- The Electronic Frontier Foundation (EFF), <https://www.eff.org>. EFF is a non-profit, member-supported civil liberties organization working to protect rights in the digital world. EFF and its more than 14,000 dues-paying members have a strong interest in assisting the courts and policymakers in striking the appropriate balance between intellectual property rights and the public interest.
- Jason Schultz, Assistant Clinical Professor of Law and Director of the Samuelson Law, Technology & Public Policy Clinic at UC Berkeley School of Law. He has taught and researched in the area of online copyright law for over ten years and represented many individuals, non-profits, and small companies that depend on fair administration of the Section 512 safe harbors.
- Eric Goldman, Associate Professor and Director of the High Tech Law Institute, Santa Clara University School of Law. He has taught and researched in the area of Internet copyright law for over 15 years.

We write to express our concerns regarding certain parts of proposed Sections 201.38(b) and 201.38(e) that would modify current practice and cause a service provider that has validly designated an agent for service of notice (a “designation”) to lose that designation by the passage of time or inadvertence. Once a service provider initially makes a valid designation, we believe the designation should remain effective in the Copyright Office unless and until the provider has modified it.. We offer three principal objections to the Copyright Office’s proposal:

- 17 U.S.C. §512(c)¹ already has too many requirements;
- Section §512’s requirements already inhibit small service providers from enjoying the safe harbor; and
- Section §512 already penalizes service providers who do not accurately maintain their designations.

I. §512(c) Already Has Too Many Requirements.

A service provider wishing to qualify for §512(c)’s safe harbor must:

- 1) Qualify as a “service provider”;
- 2) Show the material was stored at direction of a user;

¹ All subsequent statutory references are to Title 17 unless otherwise specified.

- 3) Adopt a policy to terminate repeat infringers;
- 4) Reasonably implement that policy;
- 5) Communicate that policy to users;
- 6) Accommodate “standard technical measures”;
- 7) Designate an agent to receive §512(c)(3) notices;
- 8) Post its agent’s contact info on its website;
- 9) Not have actual knowledge of infringement or an awareness of facts/circumstances that infringement apparent (no “red flags”);
- 10) Not have the right/ability to control infringement;
- 11) Not have a direct financial interest in the infringement; and
- 12) Expediently respond to §512(c)(3) notices.

The proposed 37 C.F.R. §201.38 would create a *thirteenth* requirement for service providers seeking a successful §512(c) defense to a copyright claim—that service providers successfully renew and maintain their agent designations. We object to adding yet another service provider requirement for two reasons.

First, the new requirement would impose disproportionately severe consequences for simple service provider mistakes. Under the proposed change, an otherwise-compliant service provider could be exposed to a massive—and potentially business-ending—damage award that could reach millions (or even billions) of dollars for forgetting to renew or maintain the agent designation on time. A major forfeiture like this should result from significant culpable conduct, not mere inattention or a clerical error.

Second, because copyright owners already can contest so many elements of the safe harbor, §512 litigation can be expensive for both parties. A new thirteenth requirement will increase the cost and time both defendants and plaintiffs must spend to adjudicate §512 cases. *See, e.g., Perfect 10, Inc. v. Amazon.com*, 2009 WL 1334364 (C.D. Cal. 2009) (litigation over the sufficiency of Amazon’s designation as applied to its subsidiary A9).

II. Section 512’s Requirements Already Inhibit Small Service Providers from Enjoying its Safe Harbor.

Thousands of service providers have filed designations, but this represents only a small fraction of service providers who might benefit from §512. Many large service providers know of the statutory requirements and have complied with them, but many smaller service providers have not. This is not because they do not want §512’s protections; rather, it is because they either do not know of the requirements, find them too complicated or onerous to meet, or cannot afford legal counsel to advise them on compliance.

For example, a recent litigation campaign over newspaper article repostings brought against small blogs, forums and nonprofit websites revealed that many smaller user-generated content sites had not satisfied the designation requirement. *See, e.g., Jonathan Bailey, How \$105 Can Help You Avoid a Copyright Lawsuit*, Plagiarism Today, Mar. 28, 2011, <http://www.plagiarismtoday.com/2011/03/28/how-105-can-help-you-avoid-a-copyright-lawsuit/>.

The fact that so many user-generated content sites were ineligible for the §512 safe harbors suggests that the existing formalities already pose a significant barrier to small service providers. Increasing the formalities only increases the difficulties that small service providers face to qualify for and retain their safe harbor qualification. Given the number of small service providers who do not have a valid designation, the Copyright Office should make the designation requirements as simple and accessible as possible.

III. Section 512 Already Penalizes Service Providers Who Do Not Accurately Maintain Their Designations.

As the Copyright Office's Notice of Proposed Rulemaking acknowledges, service providers who do not maintain updated designations—and thereby provide copyright owners with inaccurate contact information—may lose the §512 safe harbor by the statute's own terms. *Ellison v. Robertson*, 357 F.3d 1072 (9th Cir. 2004). Like *Ellison*, these situations should be adjudicated in court; *Ellison* concluded the jury should decide the consequences of AOL's failure to properly maintain its designation. The Copyright Office should not usurp this legal question by categorically stripping a service provider of the safe harbor for failing to maintain its designation.

Put another way, the proposal looks like a solution in search of a problem. The statute already requires service providers to post valid contact information on their website, and no evidence shows that outdated designations have harmed copyright owners or undermined §512's notice-and-takedown mechanism at all—let alone at a level that justifies the additional burden.

Conclusion

Overall, the Copyright Office's proposed designation maintenance requirements do not promote Congress' purposes in enacting the §512 safe harbors. Congress expected service providers to comply with formalities initially, but Congress did not indicate that it wanted legitimate businesses to forfeit the safe harbor due to simple mechanical mistakes or inattention to ongoing formalities. Proposing that service providers could be divested of their safe harbor eligibility over time, even though they successfully satisfied the formalities initially, would not fulfill Congress' mandates.

We appreciate the opportunity to submit these comments.

Regards,

Corynne McSherry, Intellectual Property Director, Electronic Frontier Foundation
Jason Schultz
Eric Goldman