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Panel II: The Attacks Upon Statutory Damages and the "Making Available" Right—The Possible After-Effects on Big and Small Business Litigation Strategies

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PANEL II: The Attacks Upon Statutory Damages and the “Making Available” Right – The Possible After-Effects on Big and Small Business Litigation Strategies

Moderator: David Opderbeck *

Panelists: Hugh C. Hansen †

Sherwin Siy ‡

Donald B. Verrilli, Jr. §

Mary S. Wong ¶

MR. LUNARDI: Hi, everybody. My name is Jason Lunardi. I’m the Managing Editor of the *Fordham Intellectual Property, Media & Entertainment Law Journal*. I would like to welcome you here to the second panel of the day.

The *Journal* is currently publishing its nineteenth volume. The past symposium issues are available outside on the desk. Please feel free to take one. The transcript for this Symposium will be published in our fourth book, available in the summer of 2009.

A PDF version of this Article is available online at <http://iplj.net/blog/archives/volumexix/book4>. Visit <http://iplj.net/blog/archives> for access to the IPLJ archive.

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I am pleased to introduce our moderator for the second panel, dealing with copyright law and the potential effects on big and small business.

Our moderator is David Opderbeck. He is a professor at Seton Hall, where he teaches classes in patent law, comparative and international intellectual property law. His writing focuses on law, norms, and economics of intellectual property and information. In addition to that, he is a musician, like myself.

Thank you for being here.

PROF. OPDERBECK: I will not sing for you. I'm sure you're glad of that.

We have an exciting panel, I think a very diverse panel, looking at a couple of issues that may at first blush strike us as a little bit arcane—statutory damages and “making available,” this question of the Copyright Act allowing statutory award of damages, and this question of what it means under U.S. copyright to make a work available in the sense that it's infringement. These sort of arcane bits of copyright law come together in an interesting legal, cultural, social milieu of digital distribution—the question of what it means for people, for example, who are sharing or distributing music online, digitally, on networks, to make something available. When is it infringement? When, if ever, should statutory damages be assessed for that sort of conduct?

These very abstruse issues come down into this very interesting context.

We have a great group of speakers. I will introduce each person as they prepare to talk.

Mary Wong is a professor of law at Pierce Law. She has a wealth of academic and practice experience in the U.S. and internationally, has practiced in Singapore and Brussels and various other places. She specializes in digital technology and the Internet, and the legal and regulatory challenges that this raises.

I will turn it over to Mary.

PROF. WONG: Thanks, David. Thank you to the editors, Professor Hansen, and everyone at Fordham for having us here. And don't worry, I'm not about to sing either.

[Slide] I was last here in this auditorium, with Hugh, I believe, about eight months ago, for his big international IP conference, speaking on a practically identical topic.¹ Eight months ago was March 2008, which was after the trial in the Jammie Thomas peer-to-peer file-sharing decision,² but before the three district court opinions came down—not a full trial, but preliminary motions—regarding the “making available” right.³ Obviously, I have had a lot of work to do since then.

At that time, I believe Hugh asked quite a few of us on the panel what we thought was going to happen in the courts. I declined to take a guess, being the risk-averse lawyer that I was. Now I’m just going to have to deal with the consequences.

Essentially, I’m going to focus my talk, in the brief time I have available, not on going through each case, but trying to summarize them, to see where the general state of U.S. law is in relation to the international context, which, as I think everybody knows, are the WIPO Internet treaties of 1996.⁴ I will focus my remarks—this is a copyright panel, and I don’t really want to get into broadcasting, performers, and performances—on the WIPO Copyright Treaty,⁵ or the “WCT.”

[Slide] My favorite thing at this point is always to ask people, when they ask me to do a talk like this, what do you understand by the “making available” right? Everyone goes, “Well, maybe it’s distribution, and wherever it appears in the treaty.” My response to that is that it appears in the treaty in two places, in Article 6 and Article 8. We normally speak of Article 6 as the distribution right.⁶ You will notice in wording I have reproduced of Article 6

¹ The Challenges and Opportunities of Copyright in the Web 2.0, in 10 FORDHAM INTELLECTUAL PROP. INST., INTELLECTUAL PROPERTY LAW AND POLICY, Ch. V.C.1 (Hugh Hansen ed., Hart Publishing, forthcoming 2009).

² Capitol Records, Inc. v. Thomas, 579 F. Supp. 2d 1210 (D. Minn. 2008).

³ Elektra Entm’t Group, Inc. v. Barker, 551 F. Supp. 2d 234, 245 (S.D.N.Y. 2008); London-Sire Records, Inc. v. Doe 1, 542 F. Supp. 2d 153 (D. Mass. 2008); Atlantic Recording Corp. v. Howell, 554 F. Supp. 2d 976 (D. Ariz. 2008).

⁴ WIPO Copyright Treaty, Dec. 20, 1996, S. Treaty Doc. No. 105-17, 36 I.L.M. 65 (1997); WIPO Performances and Phonogram Treaty, Dec. 20, 1996, S. Treaty Doc. No. 105-17, 36 I.L.M. 76 (1997).

⁵ WIPO Copyright Treaty, *supra* note 4.

⁶ *Id.* art. 6.

the word “distribution” does not appear, which always creates an interesting issue for U.S. lawyers.⁷ The second place that it appears is in Article 8, which is a communication-to-the-public right.⁸

So what the WIPO treaty does is, it deals with two different rights, in Article 6 and Article 8, but the language of “making available” appears in both places.

There’s a long history to the WIPO treaties that I don’t have time to get into, but I think I should note here that they were meant to update copyright law for the digital age. If you look back at the Berne Convention,⁹ you will notice that, obviously, dating from 1886 down to the 1971 revision, nothing really spoke to the digital era. The Berne Convention also did not have a specific distribution right, and the broadcasting rights were pretty patchy and fragmented. So the WCT tried to bring it together, to fill in some gaps, and to update international copyright norms.

The last thing I want to say before moving on to the U.S. position about the WCT is that, recalling the two separate rights in the two separate articles, one of the observations that commentators have made about this is that there was, and there still is, a division of sorts between the U.S. or common-law approach to digital rights and those of the civil-law countries, primarily many of the European countries. If I can just generalize, in countries such as France and Germany, with regard to exploitation, they really distinguish between exploitation of works in a tangible way—hence Article 6—and the exploitation of works in an intangible, such as communication, performances, and transmissions—hence Article 8. In U.S. law, as you know, we

⁷ *Id.* art. 6(1) (“Authors of literary and artistic works shall enjoy the exclusive right of authorizing the making available to the public of the original and copies of their works through sale or other transfer of ownership.”).

⁸ *Id.* art. 8 (“[A]uthors of literary and artistic works shall enjoy the exclusive right of authorizing any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them.”).

⁹ Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, revised Paris, July 24, 1971, amended Sept. 29, 1979, 25 U.S.T. 1341, 828 U.N.T.S. 221 (last revised July 24, 1971).

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don't necessarily today have that distinction. Hopefully, I will come back to some of these divisions and pointers as I go through what the law is.

I'm trying really hard to stick to the time. I notice that there isn't one of those exploding timers that Professor Hansen is so fond of. If I run out of time, too bad; if I have enough time, then we can have more discussion.

[Slide] The basic question, if we are looking at copyright law in the United States in an international context, with respect to the WCT, is, are we in compliance? As everybody knows, back when the diplomatic conference of the WCT was under way, which was between 1994 and 1996, or thereabouts, the U.S. delegation took the view that U.S. copyright law would comply with the requirements as ultimately agreed of the WCT. That was twelve years ago. As we know, there have been cases and developments since.

So I want to look at that position twelve years later, in light of the three or four cases we have, and see if the answer is still yes.

First, as a reminder, this is a section well-known—possibly not terribly beloved—to everybody. We all know what it is. We have that word "distribution," and not the words "making available," in the U.S. Copyright Act, in section 106(3).¹⁰ You will also notice that in 106(3) we have reference to copies.¹¹ So a question arises as to whether or not copies have to be fixed, tangible objects. Or can they be electronic, intangible copies?

Thirdly, the transfer, in terms of the distribution, has to be, in the words of the statute, through sale or other transfer of ownership, and so forth.

So the question is, how do these provisions operate in the digital context, and how do they operate in the context of the WCT?

¹⁰ 17 U.S.C. § 106(3) (2006).

¹¹ *Id.* (providing that the owner of a copyright has exclusive rights "to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending").

I will then conclude my remarks with a brief observation on the other rights I have noted here, which are the rights of public performance and display. Where the right to distribute in our law goes to Article 6, the others go to the Article 8.

[Slide] Here's my attempt at a summary. This is like a thirty-second walkthrough, four cases. I know that some of my fellow panelists will be speaking to some of those cases and specific points. What I have tried to do is to really bring together the end result. Here are the bullet points:

It wasn't so clear in early March 2008, because the argument then was still ongoing, but it seems quite clear after these cases that many of the district courts in the United States seem to be displaying a trend towards holding that for the distribution right to be impacted in the United States, an actual dissemination of copies is required. In other words, the question that we were asking eight months ago—does merely making available on your shared folder on your computer a series of copies, of copyrighted works—just the fact that you put them there in your publicly accessible folder, the “making available” in that way—is that good enough to trigger the 106(3) right?

As many of us know, those who were proposing this view were relying on older pre-digital cases, such as the Fourth Circuit *Hotaling* case.¹² These obviously were cases that the courts, coming up, had to discuss. But it seems quite clear, as I said, that having discussed prior precedent, the legislative history, as well as the statutory language, what's really interesting is that a number of these district court opinions go into these various points at some length.¹³ It seems clear that we need a dissemination of actual copies.

There are good things about clarity. There are good things for peer-to-peer downloaders, sharers, and so forth, that we now know what the law requires. But there are a couple of things that I think

¹² *Hotaling v. Church of Jesus Christ of Latter-Day Saints*, 118 F.3d 199 (4th Cir. 1997).

¹³ *See, e.g., Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701, 718–19 (9th Cir. 2007); *Resnick v. Copyright Clearance Ctr., Inc.*, 422 F. Supp. 2d 252, 258–59 (D. Mass. 2006).

are still slightly open-ended—for example, the next couple of points.

One question was if the person doing the download is an agent of the plaintiff/copyright owner. As we all know, in many of the music cases, it is a company called MediaSentry¹⁴ that works for the music companies.¹⁵ If that company is an agent of the plaintiff/copyright owner and they do the downloads, that's not really an unauthorized download, so that doesn't trigger 106(3).

In an order in the Jammie Thomas case,¹⁶ which, as many of you know, was in September 2008, the judge ordered a new trial, which was somewhat of a victory for many of the counsel and advocates in favor of the defendant in that case. It seems that if the defendant in question—and you could be an individual consumer, as Jammie Thomas was, an individual Internet user, making available by putting those copies in your shared P2P folder—if what you do is considered to substantially assist someone to copy at the other end, then it can constitute a download to trigger 106(3), even if the download at the other end is done by the plaintiff's agent.

The second point here is, going back to a case a couple of months prior to that, the *London-Sire Records* case out of Massachusetts,¹⁷ the judge there engaged in a fairly long and, I think, thoughtful discussion of all the issues that I have outlined. One of the things that he said was that on the record, depending on what the facts are, depending on what is presented to the court, even on a preliminary motion, a reasonable fact finder could infer that there is a distribution if what you have done, as the defendant,

¹⁴ MediaSentry is a company that provided "media companies with the most effective means available to globally detect, track and deter the unauthorized distribution of their digital content." MediaSentry, Inc.—Solutions, <http://www.mediasentry.com/solutions/index.html> (last visited Apr. 5, 2009). "As of March 30, 2009, MediaSentry, Inc. operates as a subsidiary of MediaDefender, Inc." Media Sentry Inc.—Private Company Information, BUSINESSWEEK, <http://investing.businessweek.com/research/stocks/private/snapshot.asp?privcapId=12072579>.

¹⁵ In January, 2009 the Recording Industry Association of America ("RIAA") stopped using MediaSentry's services. Sarah McBride, *Changing Track, RIAA Ditches Media Sentry*, WALL ST. J., Jan. 5, 2009, at B2.

¹⁶ See *Capitol Records, Inc. v. Thomas*, 579 F. Supp. 2d 1210, 1228 (D. Minn. 2008).

¹⁷ *London-Sire Records, Inc. v. Doe 1*, 542 F. Supp. 2d 153 (D. Mass. 2008).

is to have completed all the necessary steps for a public distribution.¹⁸ Again, another slight open-ended possibility.

The courts then went on to handle the prior precedent in a case like *Hotaling*, and they also went on in a number of cases to dismiss the argument based on the word “authorized” in section 106.¹⁹ I will not go into those, for lack of time. I think I have made my point.

[Slide] Where does U.S. law now stand? Here again, I have attempted to bring together the various cases, what was said, and in light of the question I started off with: Does U.S. law comply with the WTC? Where are we now?

I think the interesting thing here, as I said, is that there are a couple of places where the courts have left something open: Primarily, when do you complete all the necessary steps for a public distribution? Secondly, none of these cases really, clearly came out and said that in every case like this the defendant is never liable for distribution. In each case, it was always on the facts. For example, in the *Howell* case there was an issue of fact, at least at that point in time, as to whether Mr. Howell had actually put the music in his shared folder.²⁰ In the Jammie Thomas case, the order for the new trial was primarily based on the fact that, given the jury instructions that the judge then said were wrong, it wasn't quite clear whether the basis for the jury finding against the defendant was on the reproduction right or the distribution right.²¹

Ultimately, it means that in the U.S., if you make electronic copies available, it could be distribution in some circumstances, assuming that the transfer is by way of sale or other transfer of ownership. Here again, I point you to *London-Sire*. If we are talking about electronic copies, one of the biggest arguments is always that it's electronic; it's not tangible. When you transfer or

¹⁸ *Id.* at 169.

¹⁹ See *Venegas-Hernandez v. Asociación de Compositores, Editores de Música Latinoamericana (ACEMLA)*, 424 F.3d 50 (1st Cir. 2005) for an interesting discussion of the meaning of the words “to authorize” in 17 U.S.C. § 106(3).

²⁰ See *Atlantic Recording Corp. v. Howell*, 554 F. Supp. 2d 976 (D. Ariz. 2008). Howell alleged that a computer malfunction or third party was responsible for the copyrighted music in his shared folder. *Id.* at 986.

²¹ See *Capitol Records, Inc. v. Thomas*, 579 F. Supp. 2d 1210, 1214 (D. Minn. 2008).

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when you disseminate or when you download or share across the Internet, you, as the original holder of the copy, still retain your copy. It's just that another copy is made on the other side.

So in respect to traditional distribution, that doesn't work, because in traditional distribution of a book, let's say, when you dispose of your book, you dispose of your copy, that copy left your possession.

So a lot of argument in these cases centered on that difference. As I said, I point you to the *London-Sire* decision, which basically said, "Well, our focus, if we are going to make sense of the statutory language in the digital age, should be not on what the transferor keeps, but on what the transferee gets," which I think is an interesting possibility.²²

[Slide] At this point I just want to highlight a case that occurred in a completely different jurisdiction. The reason I want to do this is that there are really very few cases on electronic distribution, particularly in a peer-to-peer environment. But one other case that I think is interesting for U.S. law comparative purposes is the BitTorrent case in Hong Kong,²³ which was last year, where the final appeal resulted in conviction for the defendant because it was a criminal distribution case.²⁴

What I have done is picked up those parts in the Hong Kong Court of Final Appeals decision which I think echo or seem to work in parallel with what the U.S. courts are leaving open in the *Thomas* and the *London-Sire* decisions. The one question that I haven't quite gotten my mind around is, even though we know that distribution in the U.S. requires actual copies and those copies can be electronic copies, when has the defendant completed the necessary steps so that we can say distribution has taken place? As we can see from the Hong Kong decision, there seems to be a parallel in a different jurisdiction.

²² See *London-Sire Records*, 542 F. Supp. 2d at 173 ("[I]t is newly minted ownership rights held by the transferee that concern [17 U.S.C. § 106(3)], not whether the transferor gives up his own.").

²³ HKSAR v. Chan Nai Ming, [2005] H.K.C.U. 1469 (M.C.T.M.).

²⁴ Chan Nai Ming v. HKSAR, [2007] H.K.C.U. 849 (C.F.A.).

[Slide] Let me just conclude by showing you—this is just my summary—what other common-law countries have done. I'm not going to read this to you. I'm not going to give you a lecture on the different statutory provisions. But I want to show you the United Kingdom, being a major common-law jurisdiction, being an implementer of the European Union Copyright Directive,²⁵ which is very close in language to the WCT. You will notice that instead of a distribution right, they have a right to issue copies to the public,²⁶ which arguably is similar. In addition to a right of public performance, they have a right to communicate the work to the public—in this case, by electronic transmission.²⁷

So unlike the United States, where we have a bundle of rights that talk about distribution, public performance, public display, but do not mention communication to the public in any broader sense, the U.K. seems to do that.

[Slide] Similarly, Australia. I picked Australia because, as many of us know, Australia entered into a free-trade agreement with the U.S. in 2004 that went into effect in 2005.²⁸ The Australian copyright law has gone through a series of changes, kind of with the objective of the WCT-type goal in mind, which is to update for the digital age. Again, you see in Australia something similar—in different statutory language, but a similar structure—to the U.K.: a right to publish, not distribution (arguably narrower),²⁹ a right to perform in public,³⁰ and a public-communication right.³¹ Again, not quite the same as the U.S.

[Slide] Let me conclude by saying that I do think the U.S. distribution right, as interpreted by the cases this year, does comply with WCT Article 6. In fact, in the sense that Article 6 is confined only to tangible copies, because of the European history, our law

²⁵ Council Directive 2001/29, Harmonization of Certain Aspects of Copyrights and Related Rights in the Information Society, 2001 O.J. (L 167) 10 (EC).

²⁶ Copyrights, Designs and Patents Act, 1988, c. 48 § 16(1)(b) (Eng.).

²⁷ *Id.* § 19(4).

²⁸ U.S.-Austl. Free Trade Agreement, May 18, 2004, *available at* http://www.ustr.gov/assets/Trade_Agreements/Bilateral/Australia_FTA/Final_Text/asset_upload_file148_5168.pdf.

²⁹ Copyright Act, 1968, § 31(1)(a)(ii) (Austl.).

³⁰ *Id.* § 31(1)(a)(iii).

³¹ *Id.* § 31(1)(a)(iv).

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goes a little bit further, in that in our law, in the U.K., in Australia, and elsewhere, copies include electronic copies. So we are in compliance and we go a little bit further.

With regard to the other provision in the WCT where "making available" makes an appearance, the right of communication to the public,³² here's where we get into interesting questions of U.S. law that haven't been answered by the courts. This is our public performance and public display right.³³

As I said, we don't have a separate communication to the public the way the U.K. or Australia does, but we have a fairly broad public performance and display right. That includes, as I have highlighted on the slide, the right to transmit, and "transmit" means to communicate by way of a device or process to some place or people beyond the place it's sent.³⁴

So I think technically we can also say that our law is in compliance with WCT Article 8³⁵ as well. The one thing I want to note in this regard is that in our law we confine the right of transmission to a performance. It doesn't capture a case where you transmit a work or a copy of the work. You transmit a performance of the work.

Those of you who are familiar with the ringtones decision³⁶ from, I believe, last year will notice that there can be a limitation, because the transmission is of a performance and not a work.

With that, I hope that that little tour through current U.S. law and the international context generated some thoughts that we can explore in further discussion. Thank you.

PROF. OPDERBECK: We will proceed, I think, by having each person give their talk and then we will have some discussion and questions for everyone at the end.

³² "[A]uthors of literary and artistic works shall enjoy the exclusive right of authorizing any communication to the public of their works, by wire or wireless means, including the making available to the public of their works." WIPO Copyright Treaty, art. 8, Dec. 20, 1996, S. Treaty Doc. No. 105-17, 36 I.L.M. 65 (1997).

³³ 17 U.S.C. § 106(4)–(5) (2006).

³⁴ See 17 U.S.C. § 101 (2006).

³⁵ WIPO Copyright Treaty, *supra* note 32.

³⁶ Mechanical and Digital Phonorecord Delivery Rate Determination Proceeding, 74 Fed. Reg. 4510 (Jan. 26, 2009) (to be codified at 37 C.F.R. pt. 385).

Our next speaker is Donald Verrilli. He is a partner at Jenner & Block. He is well-known in circles involving these sorts of issues as an attorney who argued before the United States Supreme Court the *Grokster*³⁷ case. He also teaches as an adjunct professor at Georgetown University, teaching First Amendment law.

Without further ado, Mr. Verrilli.

MR. VERRILLI: Thank you, David.

I want to follow on Mary's very helpful assessment of what's going on out there in the law and let you know at the outset that my focus on the "making available" issue arises directly from the fact that I was asked over the summer to argue the post-trial motion in this Jammie Thomas case³⁸—obviously with less than complete success, given the outcome there.

But I have spent some time in the last few months trying to think this issue through. So let me give you my perspective on it.

Let me start by saying that one place where I guess I would express a respectful disagreement with Mary is that I think the law is really still quite unsettled in this area, both for the reasons that Mary identified and by virtue of the fact that you have a few district court cases reaching this decision, and none of them, it seems to me, with the possible partial exception of the *Thomas* case, have come to grips with what I think is a very significant reality, which is that I think the Supreme Court has actually already spoken on this issue. I'll talk about that a little bit in a minute.

The "making available" issue—we talk about it as though the question is whether there is an exclusive right to make available your work under domestic law, as there may be under the treaties that Mary described. But, of course, the real question is actually a different one. It's whether a copyright owner's exclusive right to distribute works is infringed by actions such as putting works in your share folder on Kazaa or LimeWire or setting up a Web site where you can download works without authorization—whether

³⁷ Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 545 U.S. 913 (2005).

³⁸ Capitol Records Inc. v. Thomas, 579 F. Supp. 2d 1210 (D. Minn. 2008).

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that kind of action infringes the copyright owner's exclusive right to distribute.

I think that the argument against coming to the conclusion that such conduct violates the right to distribute starts from the wrong place. I think the argument against concluding that "making available" is distribution thinks about this as though what we were talking about here was a prohibitory statute, a statute that says, "Thou shalt not do X. That shalt not distribute without authorization." Then you think about "distribute" as though it's an element of a criminal offense and you say at most putting stuff in your share folder is like an attempt to distribute, and unless the statute penalizes attempt, there is no violation.

I think that argument starts at the wrong place, because what we are talking about here is something different. Section 106 grants a copyright owner an exclusive right to do and to authorize certain things, one of which is the distribution of works.³⁹ Then the violation here is whether someone else infringes your exclusive right to do the distributing. That's the question: Does the conduct here, "making available," infringe your exclusive right to do the distributing?

I think when you think about it that way, it's very hard to say that it doesn't, because, after all, if it's okay to put works in your Lime Wire share folder or your Kazaa share folder, where they are available for other people to download, then it's also okay to set up a Web site that is called "Comeandgetit.com," in which you upload copies of all your favorite music and videos and allow people to download them without that being a distribution. It's very hard to see why we would want to say that that conduct is okay up to the point at which somebody actually downloads, at which point it all becomes an unlawful act.

That seems to me, frankly—although obviously I was not able to persuade the judge in the *Thomas* case of this—like kind of a silly reading of the statute. It turns the whole thing into a game of cat-and-mouse. It's not a violation, not a violation, not a violation, and then the minute you can observe somebody downloading, it's a violation.

³⁹ 17 U.S.C. § 106(3) (2006).

So I think the question you have to ask yourself is, why would you have such an interpretation of the law? What sense does that make? It can't be right that you want to encourage people to put copyrighted works into their share folder so that they can be downloaded with authorization, just as it can't be right that you want to encourage people to set up Comeandgetit.com, where they can come and download copyrighted works. It can't be that. That just seems crazy.

So it has to be that there are some kinds of collateral consequences from recognizing making work available as a distribution. I think the answer there is that, yes, there may be some hard cases, but the law has done a pretty effective job, even before the digital era, in drawing distinctions between transmissions, which are not distributions, and distributions. I think, as long as you can figure that line out, there really aren't any collateral consequences that would force you to come to the conclusion that a result, on its own terms, seems at best highly counterintuitive as to where the law should be.

Apart from those policy issues, I think the big problem that the argument against finding liability based on "making available" faces is the Supreme Court's decision in *New York Times v. Tasini*.⁴⁰ As I prepared to do this argument in the *Thomas* case, it became quite clear to me that the *Tasini* case has a great deal to say on the topic that we are talking about today. This is a case, you remember, where the *New York Times* and the operators of the LexisNexis database were sued by authors for copyright infringement, works that were written for the *Times*, for example, part of a collective work. The *Times* gave a license to LexisNexis on the basis of its right to transfer rights in a collective work under section 201 of the Copyright Act,⁴¹ and then LexisNexis and another database made these articles available for download not only as a collective whole, but individually. The question was whether the individual downloads took them outside the privilege.

⁴⁰ N.Y. Times Co. v. Tasini, 533 U.S. 483 (2001).

⁴¹ *Id.* at 483–84.

The Court concluded that the individual downloads took them outside the privilege.⁴² But that's not what's key. What's key about the case is that the Supreme Court said over and over again, affirming the Second Circuit's final judgment, summary judgment, on this issue, that the authors' rights not only to control reproduction, but also to control distribution, were violated by reason of the fact that their articles appeared in the LexisNexis database and appeared in the other database that was at issue.⁴³ In fact, the *New York Times* in that case made a huge to-do, both in its cert petition, to get cert granted, and on the merits, of saying, "Look, there was not any evidence in this case that anybody ever downloaded any one of these articles that you are suing on. There's no evidence of that whatsoever."⁴⁴

They said, "Therefore, in the absence of that evidence, the most you could possibly sue us for is secondary copyright liability. The most you can sue us for is essentially aiding and abetting an unlawful act of direct infringement, which would be accomplished by the person who did the download."

They said, "Since there's no evidence in this case of direct liability, you can't hold us liable for secondary liability, so we walk off scot-free."

The Court rejected that argument quite expressly in the decision,⁴⁵ which, it seems to me, is exactly the same argument that's being made in the "making available" context with respect to Kazaa and LimeWire. The Court said that there is an unlawful distribution by virtue of the fact that these works appear in the database, where they are available to be downloaded, even in a

⁴² *Id.* at 493.

⁴³ *Id.* at 500-01.

⁴⁴ Petition for Writ of Certiorari, *Tasini*, 533 U.S. 483 (No. 00-201) (quoting respondents as representing that there were no claims that "end users have engaged in acts of direct infringement").

⁴⁵ *Tasini*, 533 U.S. at 504 ("The Publishers suggest that their Databases could be liable only under a theory of contributory infringement, based on end-user conduct, which the Authors did not plead. The Electronic Publishers, however, are not merely selling "equipment"; they are selling copies of the Articles. And, as we have explained, it is the copies themselves, without any manipulation by users, that fall outside the scope of the § 201(c) privilege.").

case in which there is not a scintilla of evidence that anyone actually downloaded it.

I think this really becomes clearly illuminated when one goes back to the Second Circuit's decision,⁴⁶ which the Supreme Court affirmed, where this issue was discussed at length in *Tasini*.

So in terms of where the law is headed on this issue, I think it is headed to a confrontation with *Tasini*, which is going to have to be worked out in the courts of appeals. How is it going to be worked out? Can *Tasini* be distinguished? Maybe. But it's very hard for me to see how it can, because this issue was actually briefed in *Tasini* and actually decided in *Tasini*. Therefore, it doesn't seem to me that a court of appeals, acting in good faith as an inferior court, has really got a lot of room to maneuver on this issue.

But getting past the precedent issue, what's really going on here? I think this is one of these issues where it seems to me that the concern here is about the damages that flow from finding liability based on the existence of these works in the share folder, as opposed to the logic that leads you to the conclusion that this is actually an infringement of the exclusive right to distribute. It's the concern, isn't it really, that if you have 800 works in your folder and you can get statutory damages for 800 of those works, that can be a gigantic number, and that doesn't seem right somehow.

But that seems to me to be an issue that ought to be addressed in terms of asking questions about whether you need fine-tuning of the damages regime, not by reaching what seems to be a borderline illogical conclusion about what it means to have an exclusive right to distribute, in what would have to be, really, a terribly tortured interpretation of the Supreme Court's *Tasini* decision.

I think one way, just to bring it to a close, is to think about, shouldn't you be able to get an injunction against Comeandgetit.com if you are a copyright owner and your stuff is up there available for download? Shouldn't you be able to go to court and get an injunction that says they have to stop this? Is it

⁴⁶ N.Y. Times Co. v. Tasini, 206 F.3d 161 (2d Cir. 1999).

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really the case that you couldn't get an injunction unless you caught them in the act of downloading, which, after all, is exceedingly difficult thing to do in this era of encryption, with such ease of evasion?

If you can get an injunction in that context, then it has to be that this is something that should not be allowed to happen. Then again it brings you back to the question—it really does seem to me that all it comes down to is the question, what are the appropriate damages that ought to be assessed in a situation like that one? Is there sufficient room in the statutory regime to accommodate that?

To me, I think that's what the question is here, really, not about whether this is an infringement of your exclusive right to distribute. It's very hard for me to see how it is.

With that, I'll turn over the podium.

PROF. OPDERBECK: Our next speaker is Sherwin Siy. He's a staff attorney and director at the Global Knowledge Initiative. He has significant experience in the policy aspects of these questions that we are dealing with.

I will turn it over to you, Sherwin.

MR. SIY: Thanks.

A lot of what I was going to say about "making available" was said by Prof. Wong, and as Mr. Verrilli kept going, I think more different, interesting things that I wanted to cover came up as well. So I apologize. This is going to be a little bit disjointed, at least at first, as I talk about the "making available" right.

As for why you want to have this line that people can walk up to and yet not cross, I think a lot of that does have to do with the fact that copyright infringement is a strict liability crime, a strict liability offense, and that for something where you have such bright lines in drawing the offense, you are going to want to have a bright-line way of distinguishing what is and isn't an infringement as well.

As for Comeandgetit.com, I don't think that anybody is arguing that the existence of a site and the lack of actual direct evidence of a download is the end of the inquiry. I think it's pretty clear—for example, just looking at copying, you can infer copying.

There is circumstantial proof of copying, even if you can't sit there and say, "I saw you copy that score from George Gershwin." You can say, "It's substantially similar. You had access to the work." You can infer that. The fact that you didn't have an eyewitness sitting there watching the copying occur is not a complete bar. It's not even necessarily a particularly hard bar to meet.

I think the same idea wouldn't be illogical to apply in this case. The fact that somebody sticks it out on the Web and it has been up for days and they have had site traffic, I think, can lead to a very reasonable inference.

As for the unintended consequences, and why this matters—initially, I was going to talk about the "making available" right in a couple of ways. There are two questions, really. Question 1 is, does it matter? Does it matter in the context of whether or not the United States is compliant with WTC or Berne? The reason I'm asking if it matters is that while it is a very interesting question and a relevant question, at the level of international law and compliance with international law, at the ground level, if you are talking about the individual record label, if you are talking about the individual file sharer, the question really is, as Mr. Verrilli said, is this a violation of the distribution right? So we look only at the distribution right and how that has been interpreted.

The second reason why I would ask if it matters is that, actually, in the cases we are talking about here and in these sort of nightmare scenarios of *Comeandgetit.com*—the blatant infringer—or even just talking about the file sharers that we are trying to see that the law applies to in this situation, there is always going to be a direct infringement somewhere along the line. You are talking about either the infringement created when that individual first made a copy of that work or the infringement that occurs when that copy gets shared. The process of that sharing, I think, as has been covered, does much more closely resemble a reproduction.

That does sort of get towards the idea that this might be appropriately dealt with, if we are talking about the second reproduction, with secondary infringement. Again, that does require somebody showing that there is a direct infringement occurring, just as if we assume that distribution requires somebody to actually have transferred ownership of a copy, we need to have

some evidence, direct or circumstantial, of that having happened. The fact that expanding the distribution right to encompass "making available" seems to get around both of those is what makes me nervous. It seems to be an attempt to either work around the need for a direct infringer on the secondary liability side or to work around the need to show an actual distribution on the direct infringement side.

As for why we don't want to do this, I think these bad cases—where the rights of transmission and the rights of distribution, the rights for public performance and display have been mingled—aren't isolated outliers. These are actually situations that crop up time and time again. We saw it happen when XM was sued for making a satellite radio receiver that could actually record the broadcasts they received.⁴⁷ They had a license, of course, for the public performance of the works. They didn't have a license for the distribution of the works. That suit ended up settling.⁴⁸

We have disputes for licensing terms among online music retailers and rights holders. There was a case a couple of years ago out of the consent decree in the Southern District of New York talking about whether or not buying a song from Yahoo! Music or iTunes or Amazon could also be a public performance, because as it's being downloaded, I could also play it simultaneously.⁴⁹

Even though that came out in the right way, it keeps happening over and over again. We have *Cablevision*.⁵⁰ We have constant battles over section 115⁵¹ and the limits of what a digital phonorecord delivery is and whether or not you are going to also implicate performances in that.⁵² So it's a question that is not

⁴⁷ *Atlantic Recording Corp. v. XM Satellite Radio, Inc.*, 81 U.S.P.Q.2D 1407 (S.D.N.Y. 2007).

⁴⁸ Associated Press, *XM, Universal Music Reach Settlement*, MOTLEY FOOL, Dec. 17, 2007, <http://www.fool.com/news/associated-press/2007/12/17/xm-universal-music-reach-settlement.aspx>.

⁴⁹ *United States v. Am. Soc'y of Composers, Authors & Publishers (ASCAP)*, 485 F. Supp. 2d 438 (S.D.N.Y. 2007).

⁵⁰ *Cartoon Network L.P., v. CSC Holdings, Inc.*, 536 F.3d 121 (2d Cir. 2008).

⁵¹ 17 U.S.C. § 115 (2006) (providing for compulsory licensing which allows the making and distribution of physical phonorecords and digital phonorecord deliveries).

⁵² See *ASCAP*, 485 F. Supp. 2d at 446–47.

going to go away. It's a question that still hasn't been completely settled. It's a question that, I think, mucking about with the boundaries of the 106 rights is going to make much worse, much more unsettled, and much harder to deal with.

Following on from that, one of the things Mr. Verrilli said that I do really agree with is that a lot of this is based around statutory damages. I have particular concerns with "making available" in and of itself, but I think a lot of the reason we have a lot of concern in a lot of cases is because of how statutory damages work. There has been a fair amount of news recently about how there is going to be a challenge to the constitutionality of high statutory damages in *Tenenbaum*.⁵³ There are a number of good arguments that could be made in that context. The due process considerations of high damages might not just apply to punitive damages, but might also apply to certain statutory damages.⁵⁴ In the end, though—I'm not going to claim expertise in constitutional due process law (I'll leave the intricacies of those arguments to the experts)—from a policy standpoint, the question is, even if there are structural differences between punitive damages and statutory damages, isn't the problem still the same? We are still facing a situation where actual damages totaling around \$54 are awarded \$222,000 in damages instead.⁵⁵ That's even an order of magnitude less than the maximum allowable under the statutory-damages schedule.⁵⁶

I think it's worthwhile to see how that range of statutory damages got to where it is. It is a large range. It goes from \$750

⁵³ See David J. Goodman, *Legal Jujitsu in a File-Sharing Copyright Case*, N.Y. TIMES LEDE BLOG, Nov. 18, 2008, <http://thelede.blogs.nytimes.com/2008/11/18/legal-jujitsu-in-a-file-sharing-copyright-case>; see also Tenenbaum: Are Copyright Law's Statutory Damages Unconstitutional for NonCommercial File Sharers?, GROKLAW, Mar. 16, 2009, <http://www.groklaw.net/article.php?story=20090310172906129>.

⁵⁴ See *Capital Records, Inc. v. Thomas*, 579 F. Supp. 2d 1210, 1212 (D. Minn. 2008) (noting that Thomas' argument is "that the amount of the statutory damages award is excessive and in violation of the due process clause").

⁵⁵ *Id.* at 1227.

⁵⁶ See 17 U.S.C. § 504(c)(1) (2006). Under the statutory-damages schedule, an owner can recover at a maximum \$30,000, unless there is willfulness, for any one work. *Id.* § 504(c)(1)–(2). Because *Thomas* involved the infringement of twenty-four songs, 579 F. Supp. 2d at 1227, *Thomas* could have been potentially liable for up to \$720,000.

to \$30,000.⁵⁷ That's without even considering willfulness, up to \$150,000, or the innocent infringer, down to \$200.⁵⁸

But I think the reason we have such a wide range has to do with the fact that there is only one award of statutory damages per work infringed.⁵⁹ A commercial pirate making thousands and thousands of copies of one work—if statutory damages are sought, the maximum amount is \$150,000.⁶⁰ If you have a casual file sharer downloading one track, the maximum amount is \$150,000.⁶¹

This is a bit strange. But it seems that this was enacted to counteract a different strangeness that was present in the 1909 Act. In 1909, the statutory damages were calculated via this extraordinarily detailed, complex schedule.⁶² But the general rule was that you had a range of statutory damages and that you could multiply that range by the number of copies made.⁶³

This led to extreme complications for innocent infringers, for example. If an infringer just makes one misjudgment as to the state of the law or there is a mistake in the licensing process somehow, suddenly he can find himself bankrupted, depending upon the breadth of the circulation. The multipliers meant that innocent infringers actually ended up finding themselves paying a lot more than willful infringers or deliberate infringers, or at least non-innocent infringers, who just made a few copies.

The eventual solution to that, legislatively, was—and this was due to an outcry from, among others, the motion picture and the recording industry⁶⁴—was that there would be one award of damages per work infringed, but that award would be within a

⁵⁷ 17 U.S.C. § 504(c)(1).

⁵⁸ *Id.* § 504(c)(2).

⁵⁹ *Id.* § 504(c)(1).

⁶⁰ *Id.* § 504(c)(2).

⁶¹ *Id.*

⁶² Copyright Act of July 30, 1947, ch. 391, § 101(b), 61 Stat. 652, 661 (1947) (codifying the amended Copyright Act of March 4, 1909, ch. 320, § 25(b), 35 Stat. 1075, 1081 (1909)).

⁶³ *Id.*

⁶⁴ Register of Copyrights, Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law 104 (H. Comm. Print 1961).

larger range, a range which was, actually, at the high end, nearly doubled, so that you could deter a mass infringement that a non-innocent infringer would be making.⁶⁵

This change that happened between the 1909 and the 1976 Act—if we look at how it applies to digital works—it's actually fairly helpful, at least along one axis. After all, if we count the number of times that a work gets copied if I email an article from my computer to somebody else's, then, just by the nature of how computers work, more copies of that get made than would happen in an analog context if I were to simply mail a clipping or mail a photocopy. Copies get made in terms of the RAM. Copies get made in various places in the hard drive cache. If I'm working off of a Web mail server, there are intermediary servers in which copies get made, and then a whole host of copies made on the recipient's computer as well. If we were using 1909-style statutory damages, then anytime something was digital, you would automatically have a multiplier.

So it's a good thing we don't count the number of copies alone. It's a good thing that that is not the key factor in multiplying statutory damages.

But in moving away from that, the range went from \$250-to-\$5,000 to \$250-to-\$10,000,⁶⁶ and through a couple of other amendments since then, to our current range, \$750-to-\$30,000.⁶⁷

That still leaves us, as I said before, with a commercial infringer placed in the same boat as a high school student. Why has that happened? Where is that coming from?

I think at least part of the reason is that in 1976—given that it is far more recent than 1909, but it's still 1976—we were talking about a different class of defendants that were appearing in the courts than those that we see today with P2P litigation.

I remember, I was attending an anniversary of a tech law society a couple of years ago. People kept talking about how just fifteen years ago, we would have an IP society or an IP journal and

⁶⁵ H.R. Rep. No. 94-1476, at 162–63 (1976).

⁶⁶ 17 U.S.C. § 504(c)(1) (1976).

⁶⁷ 17 U.S.C. § 504(c)(1) (2006).

we would have just a handful of people show up. It was sort of this arcane thing. People were interested in very specific aspects of it. People were interested in publishing or people were interested in entertainment law. But now copyright touches a lot more people. It affects a lot more people, and a lot more people are exposed to how copyright applies on the Internet.

While private individuals were capable of technically committing copyright infringement in 1909 and 1976, they weren't in the crosshairs of the copyright holders. This isn't the sort of thing that was really considered by the legislature or by the courts as much. Copying a book out line by line, by hand, on the typewriter, photocopying pages—it's not something that caught the attention or required the attention of the copyright holder to the extent that file sharing is capturing the attention of copyright holders today.

That system works if you are dealing with a world where infringers are largely sophisticated entities, where you are dealing with people who are in the business of publishing, in the business of putting out copyrighted works; and secondly, where you are dealing with an activity that addresses one work at a time.

But now we are dealing with a damage structure meant to account for many, many copies of one work, only multiplied by the number of works involved. Now what we are talking about in a number of cases—and not just in the peer-to-peer file-sharing cases—is about one or two copies of a work made, or at least one or two functional copies of a work made, accounting for the digital environment, and one or two copies of many works made. We are talking about an activity for each work that doesn't implicate thousands of copies, that isn't going to implicate thousands of dollars of actual damages. Yet we are talking about a large number of works.

If we look at that structure and we look at what is happening, we have to ask if this range of damages—if the statute as it has been constructed is serving its purpose. I don't think it is. On the one hand, if we are talking about using higher numbers to account for the possibility of massive multiple infringers of a work, that's

fine. That's what it was there for. But that's not how the larger end of the damages scale was used in the *Thomas* case.⁶⁸ It's not how it's used in settlement letters that are sent to individual file sharers,⁶⁹ where they say, "Under the statute, you could be liable for \$150,000 per track. We'll go somewhere in the middle. You know what? We'll give you a great deal. You pay us a few thousand dollars for a few hundred tracks. You're getting off lightly."

If we are talking about using these larger numbers purely as a deterrent effect, I think that that is actually not working very well to stop file sharing. There is certainly a percentage of users that aren't sharing files because of the feared suit, but I think \$750 per track, at the minimum, is a more than sufficient deterrent. It's a more than sufficient deterrent for me. At \$750 a track or \$500 a track, even \$200, I would be bankrupt if I was engaging in file sharing. Having somebody liable for over \$1 million isn't going to have a significantly larger deterrent effect.

That's assuming that it was purely deterrence that was the reason for them being inched up higher. I don't think that's the case. If you look at some of the jury statements made after the *Thomas* case,⁷⁰ they talked about, "Well, we think she lied to us," which would go to her credibility, which would go to whether or not she was actually liable.⁷¹ But it seems that there is a punitive aspect to that as well.

So there are some problems with statutory damages. I think the follow-on problem from them is the fact that—the fact that statutory damages are so high—they serve as the engine by which we find a number of abuses and inefficiencies and losses of information due to the chilling effect that they have upon uses of copyrighted works.

⁶⁸ *Capital Records, Inc. v. Thomas*, 579 F. Supp. 2d 1210, 1227 (D. Minn. 2008).

⁶⁹ For an example of a settlement letter, see Letter from Donald J. Kelso, Attorney, Holme Roberts & Owen L.L.P., (Feb. 28, 2007), available at <http://net.educause.edu/ir/library/pdf/CSD4832.pdf>.

⁷⁰ See generally *Thomas*, 579 F. Supp. 2d 1210 (D. Minn. 2008).

⁷¹ David Kravets, *RIAA Juror: 'We Wanted to Send a Message'*, WIRE, Oct. 9, 2007, <http://blog.wired.com/27bstroke6/2007/10/riaa-juror-we-w.html>.

In the patent panel this morning, they were talking about how, pre-*eBay*, the presumption of an injunction was this hammer that could be used to bring trolls out of the woodwork.⁷² By the same token, having extraordinarily high statutory damages can act as a hammer in the copyright context.

There are several chilling effects that people have mentioned.

We have takedown notices that are backed up by the threat of an infringement suit.⁷³ We have filmmakers very hesitant in approaching the use of incidental IP in movies.⁷⁴ We have orphan works.⁷⁵ There are a lot of other activities that walk along the line of what may or may not be infringement. Sometimes they cross that line. But the more that statutory damages are brought to bear, the higher these penalties are, the further people are going to back away from that line, leaving sort of this no-man's land of actually extraordinarily useful and good activities.

I think the idea of what copyright clearances are required, forcing licensing payments or preventing works from reaching the public—I think there are a number of examples of that.⁷⁶ In the interest of time, I will skip over that.

The question of orphan works, the fact that large statutory damages can prevent somebody from bringing a work whose author can't be located to the public—they can't get a reasonable

⁷² Symposium, *Cross-Licensing and Injunctions—the Interplay Between Big Business, Small Business, and Non-Practicing Inventors*, 19 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 925, 962–63 (2009).

⁷³ See, e.g., Ryan Singel, *Universities Baffled by Massive Surge in RIAA Copyright Notices*, *WIRED*, Apr. 30, 2008, <http://blog.wired.com/27bstroke6/2008/04/riaa-sends-spik.html>.

⁷⁴ See generally Jen Swanson, *Beg, Borrow, or Steal? Deciphering Fair Use for Filmmakers*, *INDEPENDENT*, Feb. 10, 2009, <http://www.aivf.org/magazine/2009/02/fairuse>; CTR. FOR SOC. MEDIA, *DOCUMENTARY FILMMAKERS' STATEMENT OF BEST PRACTICES IN FAIR USE* (2005), http://www.centerforsocialmedia.org/files/pdf/fair_use_final.pdf.

⁷⁵ See generally REGISTER OF COPYRIGHTS, *REPORT ON ORPHAN WORKS* (2006), <http://www.copyright.gov/orphan/orphan-report-full.pdf>.

⁷⁶ See Volunteer Lawyers & Accountants for the Arts (VLAA)—The Clearance Culture, http://www.vlaa.org/filminfo_theclearanceculture.asp (last visited Nov. 14, 2009) (referencing *Eye on the Prize* and other documentary films that had problems with copyright clearances).

license because they can't find the author, and yet they are not willing to run the risk of statutory damages to bring that forward.

I think both of these topics actually—I have gone on, I think, with the idea that these are two sort of separate areas. They are both of concern. I think one of the reasons they are both of concern is that they both seem to be a little bit kludgy. For the “making available” question, we have reproduction rights;⁷⁷ we have public performance rights;⁷⁸ we have display rights;⁷⁹ we have the distribution right.⁸⁰ They all fit together. So it's not necessary to expand distribution out so that it overlaps with these others, because it leads to some of these other effects.

By the same token, I think the statutory-damages provisions, as they were drafted, end up being kludged into a much different technological and factual situation.

I think what we need to do is respect the nuances and distinctions drawn in section 106,⁸¹ and at some point in the future, hopefully, we can address the need for nuance in the structure of 504(c).⁸²

PROF. OPDERBECK: Thank you.

Our last speaker is Hugh Hansen, well-known to you all here, on the faculty here at Fordham Law School. He teaches intellectual property law, international IP.

We'll turn it over to Hugh.

PROF. HANSEN: This so far has been a reasonable discussion of what constitutes “making available,” and what is the proper role for statutory damages. I hope I won't change that.

Do we need a “making available” right?

⁷⁷ See Copyright Act of 1976, 17 U.S.C. § 106(3) (2006); see also *Motown Record Co. v. DePietro*, Civ. No. 04-2246, 2007 WL 576284, at *3 n.38 (E.D. Pa. Feb. 16, 2007); William Patry, *A Making Available Right?*, <http://williampatry.blogspot.com/2007/03/making-available-right.html> (Mar. 2, 2007, 11:39 EST).

⁷⁸ 17 U.S.C. § 106(4).

⁷⁹ *Id.* § 106(5).

⁸⁰ *Id.* § 106(3).

⁸¹ *Id.* § 106.

⁸² 17 U.S.C. § 504(c) (2006).

There is a spectrum of opinion on how much protection works should have in general and online, in particular. The Electronic Frontier Foundation ("EFF"),⁸³ for instance, is over at one end, and has made an argument to the effect that in the digital world there is no "distribution" for copyright purposes,⁸⁴ leaving people free to do many things with copyrighted works without constraints. The district court rejected that position.⁸⁵ Some copyright owners might be described as hyper-protective, leaving little room for any unauthorized use of works online.

Is the "making available" right a crucial component of protection or is it just something to plug a hole in the peer-to-peer downloading scenario? And do we need it even for that? We could do without it if we used a broad commonsense construction of distribution. We could reach downloading explicitly through a Copyright Act amendment, although that would be very unlikely. As Sherwin indicated, maybe the reproduction right, by itself, can provide the protection. It seems as if whatever the doctrinal problems, the courts are cognizant of the dilemma copyright owners are in with regard to peer-to-peer downloading.

Mary demonstrated that a lot of district courts had trouble with the "making available" right being construed as part of the distribution right. But even if the courts had trouble with it, they let the cases continue. They didn't dismiss the cases.⁸⁶ This is important because letting the case continue is a pragmatic victory for the copyright holder. Going through discovery and trial preparation is expensive for defendants who generally have much less money than the copyright owners. And then the case is left up to the jury, and juries might be less inclined than judges in parsing the doctrinal niceties of the making available right. If the defendant is viewed as a "bad guy" or liar, he or she will generally lose.

⁸³ Electronic Frontier Foundation, <http://www.eff.org> (last visited Nov. 14, 2009).

⁸⁴ Amicus Curiae Brief of the Electronic Frontier Foundation in Support of Defendant's Motion to Dismiss the Complaint, *Elektra Entm't Group, Inc. v. Barker*, 551 F. Supp. 2d 234 (S.D.N.Y. 2008) (No. 05-7340), 2006 WL 738703.

⁸⁵ *Elektra Entm't Group, Inc. v. Barker*, 551 F. Supp. 2d 234, 245 (S.D.N.Y. 2008).

⁸⁶ *See, e.g.*, *London-Sire Records, Inc. v. Doe 1*, 542 F. Supp. 2d 153 (D. Mass. 2008); *Atlantic Recording Corp. v. Brennan*, 534 F. Supp. 2d 278 (D. Conn. 2008); *Atlantic Recording Corp. v. Howell*, 554 F. Supp. 2d 976 (D. Ariz. 2008).

For instance, the jury in the *Thomas*⁸⁷ case did not seem to have much trouble finding the defendant liable. In fact, they were upset with what she did. She was a sophisticated person who in college had written an article on Napster, and had supposedly downloaded thousands of files. They only litigated twenty-four downloads,⁸⁸ because no judge would allow time for doing much more than that. Moreover, she clearly lied about a number of things in making her defense, and some jurors afterward were particularly incensed about that.

At the end of the day, she's not going to pay a cent. It might be a pyrrhic victory, at least in financial terms, for the RIAA. She, practically speaking, is judgment-proof. Whether it's \$220,000⁸⁹ or \$8,000 or \$750, she is going to end up paying nothing.

While statutory damages are very important in copyright litigation, in peer-to-peer litigation they play less of a role, at least in terms of actually getting damages, for the reasons just discussed. Whether they provide a disincentive to download, by themselves, is doubtful. Bringing actions might provide a disincentive to download if there are enough of those actions to make downloaders feel at risk. In fact, the large possible statutory damages might hurt the cause of the record industry and provide unfavorable PR.

I don't think that the statutory damages regime is at risk. It has a long history. The Statute of Anne had a statutory-damage provision.⁹⁰ At least three state laws before 1790, before the federal statute, had statutory damage.⁹¹ The first copyright statute in 1790 had statutory damages.⁹² Various revisions by Congress maintained or increased statutory damages over the years. One

⁸⁷ *Capitol Records Inc. v. Thomas*, 579 F. Supp. 2d 1210 (D. Minn. 2008).

⁸⁸ *Id.* at 1227.

⁸⁹ *Id.*

⁹⁰ Statute of Anne, 1710, 8 Ann., c. 19, § 2 (Eng.).

⁹¹ *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 351 (1998) (citing U.S. COPYRIGHT OFFICE, COPYRIGHT ENACTMENTS: LAWS PASSED IN THE UNITED STATES SINCE 1783 RELATING TO COPYRIGHT, Bulletin No. 3, 4 (rev. ed. 1963)) (noting that state law in Massachusetts, Rhode Island and New Hampshire provided for statutory damages before Congress passed the 1790 Act).

⁹² Copyright Act of May 31, 1790, ch. 15, § 2, 1 Stat. 124, 125 (amended 1831, 1909, 1962, 1976, 1998).

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revision did take the maximum down from \$10,000 to \$5,000,⁹³ but that was at the request of someone who was worried he was going to lose cases because there was too much possible exposure and they would, thus, not find liability.

There is a long felt need for statutory damages in copyright cases because it is difficult to prove copyright damages, and very expensive. And we have a long tradition in the U.S. against speculative damages.⁹⁴

So from the beginning, it has been, "Okay, proof is going to be a problem. But there is certainly harm that needs to be addressed. So we'll use statutory damages."

I think Sherwin did a good job of trying to get at what the possibilities are for innocent infringers. But the reality is, there aren't going to be innocent infringers. The RIAA is not going to waste a lot of money on a lawsuit against somebody who innocently downloaded or even intentionally downloaded but only did a little. It's just not worth it financially. They are going to go after whom they want to deter—the people who have done it on a relatively large scale. And Thomas did a tremendous amount. As noted, she was only accused in the litigation of 24 downloads but that's simply the reality of case management and what judges will allow.

So I'm just wondering if we are really even facing the reality of this. Don says, "Can it be all right, Comeandgetit.com?" Yes, a lot of people think it is all right, Comeandgetit.com. That's really what is coming on here. We have a lot of people for whom downloading in the digital environment is OK or for some it is almost philosophically a right. If technology makes it possible to do it, you should be allowed to do it. Of course, technological advances can't be used by copyright owners. It is a one-way street.

For various reasons very few people come out publicly and say downloading is wrong. I imagine that Sherwin thinks that it is

⁹³ Copyright Act of Mar. 4, 1909, ch. 320, § 25, 35 Stat. 1075, 1081 (amended 1962, 1976, 1998).

⁹⁴ See, e.g., 25 C.J.S. *Damages* § 38 (2008) ("The rule, applicable in actions of contract and in actions of tort, is that uncertain, contingent, or speculative damages may not be recovered.").

wrong but he had a long talk and did not once say it is wrong. More people need to say it's wrong. We need fewer excuses and justifications and more criticism.

Part of the problem is that the RIAA and record companies have a horrible reputation. In fact, many people from both sides of the copyright debate think that record companies have been horrible to their own, to others—everybody. So unauthorized downloading of music is probably the worst-case scenario on which to base a test of digital uses of copyrighted works.

Nevertheless, I think the courts all the way up to the Supreme Court will be supportive of ways to stop a practice that can destroy industries for no better reason than the instant gratification of the downloader. When the Supreme Court and lower courts have faced new technology, they have been open to finding ways to assess the development of the technology. So piano rolls,⁹⁵ cable television,⁹⁶ videocassette recorders⁹⁷—were all examples where the courts in effect nurtured new technology that produced a new revenue stream for the copyright owners. It limited the need for that technology to pay for the copyrighted works that it carried or used. On the other hand, when courts have been faced with a new technology that does not produce a new revenue stream and can decimate the industry, they have come up with approaches that required licensing. One example is Justice Brandeis and the multiple-performance doctrine. He was actually a populist who was generally anti-intellectual property, yet he came up with the doctrine that made multiple music-industry players pay a license fee for the same broadcast of a musical work.⁹⁸ A second example

⁹⁵ *White-Smith Music Pub. Co. v. Apollo Co.*, 209 U.S. 1 (1908). A piano roll is a roll of paper with perforated holes that is used in the operation of player pianos. For more background on the mechanics of the piano roll and its place in the development of copyright, see Wikipedia—Piano Roll, http://en.wikipedia.org/wiki/Piano_roll (last visited Nov. 14, 2009).

⁹⁶ *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390 (1968) (superceded by statute).

⁹⁷ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

⁹⁸ *Buck v. Jewell-LaSalle Realty Co.*, 283 U.S. 191 (1931). For discussion on Multiple Performance Doctrine, see 2-8 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 8.18 (2007).

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is *Grokster*.⁹⁹ Had the Court in *Grokster* followed the precedent set in *Sony*¹⁰⁰ it would have wreaked havoc on the music industry by greenlighting predatory, peer-to-peer venues. The U.S. Supreme Court, however, in effect shot down the precedent in *Sony* in order to stop *Grokster*.¹⁰¹

I think what ultimately the courts are going to do is ask what is the problem and what is the solution? What is right and what is wrong? If they think this peer-to-peer making available is the source of a lot of problems, they will construe distribution or reproduction to cover this practice. If they think, on the other hand, such an approach would present danger to innocent infringers and/or advancement of technology, they won't.

I think that's really the debate. The debate isn't the WCT, the WIPO Copyright Treaty, whether we are in conformance with it or not. Nobody cares. So I don't think whether we are or are not in conformance with it is going to have much effect. I think, ultimately, it's technology, morality, the role of copyright, creativity, all these things rolled into one. That's how the case has to be argued.

I think, actually, if more of these cases go to juries, the downloaders will continue to lose.

Some academics and NGOs thought: "The RIAA is bad. So, if we just get good old regular American folks to decide these questions, they're going to see that this practice should be permitted." Well they got regular American folk in Minnesota,¹⁰²—and what did they do? They came down hard on her—not as hard as the statutory range permitted but very hard indeed. They were not sympathetic to Jamie Thomas.

I think we have a disconnect from some in the blogosphere and some NGOs, who, for various reasons, are directly or indirectly supportive of downloading. I think the real world, unless better

⁹⁹ *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005).

¹⁰⁰ *Sony*, 464 U.S. 417, 456 (finding the manufacturer of home videocassette recorders not liable for contributory infringement of the plaintiff's copyrighted television programs).

¹⁰¹ *Grokster*, 545 U.S. 913.

¹⁰² *Capitol Records Inc. v. Thomas*, 579 F. Supp. 2d 1210 (D. Minn. 2008).

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arguments are made, both as to statutory damages and as to “making available,” is going to come down on the side of some protection.

PROF. OPDERBECK: Mary, I think, has some comments she wants to make in response.

PROF. WONG: I will keep them very brief and very quick.

It’s really to pick up on some points that my fellow panelists have made, first on the “making available” right and secondly on statutory damages, which I didn’t really have a chance to get to.

First of all, I don’t think Don and I are really that far apart in terms of where this is going to go. The trend that I was describing really is at the district court level. As Hugh says, there are very many reasons why it is the way it is. As Don and I both highlighted, essentially there is an open door still. None of the cases said, “You’re definitely not going to be liable.”

I do agree with the panelists that ultimately what’s going to happen in the U.S. is that the United States has to decide what the scope of its distribution right is. As my presentation showed and as Hugh said, the WCT doesn’t matter in this. We are in compliance. Nobody cares about it. We are actually a little bit ahead of it. So the international side of it, from the WCT angle, doesn’t really affect this really important question, which in the U.S. is an economics-based question: how broad is your distribution right going to be?

I think it is interesting, although maybe not necessarily relevant, that in the other countries, some of which I have shown to you, the distribution right is actually somewhat restricted. This is because the history of the distribution right in a number of countries is a first-publication right.¹⁰³ Again, we’re going back to the era of books and so forth. You could decide to publish a book, meaning that the public could read your book, and once you had the right of first publication, that was it; it was gone.

¹⁰³ See, e.g., *Harper & Row, Publishers, Inc. v. Nation Ents.*, 471 U.S. 539, 552 (1985) (“The Copyright Act . . . recogniz[es] for the first time a distinct statutory right of first publication, which had previously been an element of the common-law protections afforded unpublished works.”).

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We have moved on in the twentieth and twenty-first century, since then, to expand it not to first publication, but to publication, as in Australia,¹⁰⁴ to distribution, as in the U.S., and to issue copies to the public, in the U.K.,¹⁰⁵ whatever that means.

So there is room for a broad distribution right, way beyond first publication. I think that's where the U.S. needs to decide—and it's probably going to happen at the higher-courts level—what is the appropriate route here?

On statutory damages, I think some airing—and the discussion we have had today, I think, is really useful—what is the role of statutory damages in copyright law and, more generally, in U.S. law? Going to an international context, I should say that in countries like the U.K. and in Hong Kong, they don't have a statutory-damages provision. They have something called an additional-damages or an equitable-damages provision that works quite differently from our statutory-damages provision.¹⁰⁶

I just should say that there is not universal agreement as to what statutory damages should do. Should they be a compensatory mechanism for the plaintiff, where it is difficult to prove infringement in the regular compensatory manner? Or should they be punitive in nature? I think that is a discussion that we need to have in this country.

PROF. OPDERBECK: I have a question that I want to throw out to the panel. Let's assume for a moment that Hugh is right about the sort of morality of music file sharing. Just assume it for a moment. If we do assume that, are there other activities that we might be concerned about a broad "making available" right capturing that we might say aren't necessarily wrong? What do you think those might be?

PROF. HANSEN: I think that's a good question. If that can be identified, then I think more thought has to go into the implications of the "making available" right. I think that's part of what Sherwin was saying. I think that's legitimate. To catch this person—if the jury just has the reproduction right, they are going to nail Thomas.

¹⁰⁴ Copyright Act, 1968, c. 3, § 31(1)(a)(ii) (Austl.).

¹⁰⁵ Copyright, Design and Patents Act, 1988, c. 48, §§ 16(1)(b), 18 (U.K.).

¹⁰⁶ *Id.* § 97(2)(b); Copyright Ordinance, No. 15 (2007) 2 O.H.K. § 108(2).

They don't need "making available" to do it. We may be making more of this than we have to, about "making available." If you get a reproduction right and you have all this evidence, they are pretty much going to be doing the same thing.

So it may be that we don't need it. But I'm just not sure. I think if, in fact, there are legitimate situations where innocent people are going to be caught, then it's worth considering a different solution. But so far at least, I haven't seen them.

MR. SIY: Very briefly, first of all, we are dealing not just with litigation, but also pre-litigation settlement questions. That matters when we are talking about people who have licenses for, perhaps, a display or a performance right who might still be open to litigation or further negotiation pressure on a distribution right.

Again, as I mentioned, it is a strict liability crime. We don't want to expose people who simply have poor computer security to a "making available" charge.

MR. VERRILLI: Can I interrupt you on that, Sherman? Tell me one example of any case, ever, where somebody who just had poor computer security and didn't intend to have this material be in a share folder was actually sued and subjected to liability. That's what Ms. Thomas claimed,¹⁰⁷ but the evidence in that case was so overwhelming, as Hugh said, that the jury was furious at her because she was lying like a rug about that. Where is there one case where that has actually ever happened?

MR. SIY: If we see the theory developed further, there might be—

MR. VERRILLI: So the answer is, there isn't one.

MR. SIY: Why create more problems that aren't necessary?

MR. VERRILLI: Because you are taking away the prospect of people who have valid copyrights being able to defend a statutory right to control distribution. And if there isn't a problem on the other side, why are you taking it away?

¹⁰⁷ Defendant's Memorandum in Support of Her Three Docket 67 Motions in Limine, *Virgin Records Am., Inc. v. Thomas*, 579 F. Supp. 2d 1210 (D. Minn. 2008) (No. 06-1497).

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MR. SIY: I don't think we are taking anything away, actually. Keeping distribution defined according to its plain language doesn't remove anything from the arsenal but a way to avoid another step of evidence. I think that's a simple procedural step that avoids all the problems that expanding the definition reaches.

PROF. OPDERBECK: How about an example like this? Let's see what the panel thinks. People mentioned that I'm a musician. Let's say I record a song. I'm not intending to infringe, but I have in my mind a melody of somebody else's song, and as you listen to my song, somebody could make an argument—I had access and somebody could make an argument that it's substantially similar and could make an argument that I'm infringing. It's available on my computer for sharing. Should the "making available" right cover that sort of thing?

Maybe a better example: I have a work that I believe to be in the public domain. It turns out that my belief is wrong. It's just mistaken. I leave it on a shared folder in my computer. Should that be something "making available" considers?

PROF. HANSEN: Congress has considered "innocent" infringers. In statutory damages, a court may reduce the normal statutory minimum of \$750 minimum to \$200. Even then the court does not have to reduce the minimum. This indicates perhaps Congress' skepticism that anyone who is actually sued would be unaware that their acts are infringing. Why? Because people in that situation do not continue the practice when they are informed it is illegal and they are not sued.

The Internet is largely a copyright-free zone. Has anyone ever seen a notice saying, "I would like to upload this work, but I am not able to find the author to get permission"? No. People just do it. Most of the time these are not commercially problematic.

But downloading is a different animal. This is not collective social innovation and creativity on YouTube.¹⁰⁸ This is something which dramatically reduces the ability to market. It hurts creators

¹⁰⁸ Examples of such innovations are "mashups," see Wikipedia—Mashup (Digital), [http://en.wikipedia.org/wiki/Mashup_\(digital\)](http://en.wikipedia.org/wiki/Mashup_(digital)) (last visited Nov. 14, 2009), and "remixes", see Wikipedia—Remix, <http://en.wikipedia.org/wiki/Remix> (last visited Nov. 14, 2009).

when record companies don't have a money that lets them take chances on new acts. It has a real impact on the small bands.

PROF. OPDERBECK: Can I push back on that a little bit? One of the reasons some people hate the record companies is because of this problem of a distribution bottleneck and control over creative content. So the argument people will make is that, in fact, loosening restrictions on copyright actually frees up people to use stuff and remix it, use it more creatively. Actually, it kind of broadens culture and makes more things available, rather than allowing one entity with a lot of money and clout to be able to sort of control what goes up, and then to decide when they want to enforce.

I hear this theme: who is going to sue on that? But do we want to leave that up to this one entity, to decide what gets enforced?

MR. VERRILLI: May I say something about that? I represent these folks, and I'm today talking about my own views, not theirs. Obviously there is something to what you're saying, David, but that argument seems to me to be stated at too high a level of generality. Yes, there ought to be a vigorous debate about fair use and how much reprocessing of the creative corpus ought to be allowed, to ensure new creativity. There absolutely should be. Some copyright owners whom I represent are pretty aggressive about trying to extract revenue from that. Other copyright owners I represent are not. They freely allow their works to be used.

But that seems to me to be different and not connected to the "making available" argument very well. That's sort of a question of whether this is fair use or not.¹⁰⁹

With respect to this set of issues about the record companies being a bottleneck, that was a much better argument, I think, ten years ago than it is now. I think now the Internet is an alternative distribution channel that is there. Actually, creators do have a choice that they didn't have ten years ago. They can make their works available to the public in lots of different ways that don't require them to go through the traditional major record companies,

¹⁰⁹ U.S. copyright law provides for fair use for works that are reproduced with the intent to assist in "criticism, comment, news reporting, teaching . . . scholarship, or research . . ." 17 U.S.C. § 107 (2006).

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and a lot of them do. People can make choices. They can make choices to allow their works out to be freely copied by anyone, anywhere, anytime for free. Some artists do that.¹¹⁰ And that's good. If that's what they want to do, that's good.

But the problem, it seems to me, with that way of thinking is that you deprive the artists who don't want to have that happen to their works of the opportunity to protect their works and to generate revenue from them, by fostering a set of legal rules that make it virtually impossible for people who want to enforce their rights to do so. If you are a major record company, it's one thing. At least you have the resources to put into the enforcement effort. But if you are not, if you are an individual creator, you don't have the resources to put into this effort.

So to my mind, you are just deprived of the choice in that situation. You are given only one choice, which is to let your work out for free, whether that's what you want or not. That seems very troubling to me.

PROF. WONG: Can I jump in here and just go back to the examples you offered, David? I think those issues are probably issues that impact more on the right of reproduction, as well as the right to prepare a derivative work. Of course, that brings in fair-use questions. Maybe we do need to have a discussion as to the extent of that and, clearly, in terms of remix culture, what transformativeness¹¹¹ means.

I don't necessarily think that that has as much connection to the right of distribution. Really, we are looking at it as a very economics-based right: how much can you control at least the initial market for your work?

I think, in conjunction with just focusing on the distribution right, and without getting into the social value of remixed content and transformativeness, one thing that we do need to also think about—and this is something that the WCT negotiations really could not get consensus on—is, with respect to distribution,

¹¹⁰ Ethan Smith, *This Compilation CD Is Meant To Be Copied and Shared*, WALL ST. J., Sept. 20, 2004, at B1.

¹¹¹ 17 U.S.C. § 107 (2006).

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economic control of markets, what do you do about the first-sale doctrine?¹¹²

MR. SIY: I actually want to jump in on an earlier point that was made. I don't think we are talking about giving a free pass to infringers in any of these discussions, on these particular narrow topics. I'm certainly not advocating that we eliminate statutory damages. I will actually say that downloading an unauthorized work that is in copyright is going to be an infringement.

I think what are involved in these cases here are the mechanisms by which these cases are litigated. We are talking about litigation tactics or strategies that do actually cause collateral damage. There is potential for collateral damage on both sides. I guess we are now used to a paradigm of war that's more asymmetrical. But I think litigation is a little bit more symmetrical sometimes.

We have litigation strategies that involve sending subpoenas based upon IP addresses, which can be easily spoofed.¹¹³ We have had pre-settlement negotiation letters sent to laser printers and so on.¹¹⁴

I think the driving debate behind this discussion is not what is and isn't infringement. I think there is an infringement there. It's how we go about enforcing that.

MR. VERRILLI: It's a little tricky. Sherwin, I'm not trying to attribute this to you. But the way the argument goes actually is a little different. It's, "Well, all that stuff in my share drive actually consists of copies of my own CDs, which I've uploaded onto my computer. That's not an infringing act. That kind of copy is either fair use or it's not actionable." Then the fact that it's there and available for other people to take it isn't an infringing act either,

¹¹² ROBERT P. MERGES ET AL., *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* 511 (4th ed. 2007).

¹¹³ Brad Hicks, *Child Porn Case Moves Forward*, *TIMES-TRIBUNE* (Corbin, KY), Dec. 2, 2008, available at http://thetimestribune.com/local/local_story_337090905.html (quoting an FBI agent who stated that "spoofing . . . is an attempt by one person to mask their identity by using the location or IP address location of another person").

¹¹⁴ MICHAEL PIATEK ET AL., *UNIV. OF WASHINGTON, CHALLENGES AND DIRECTIONS FOR MONITORING P2P FILE SHARING NETWORKS—OR—WHY MY PRINTER RECEIVED A DMCA TAKEDOWN NOTICE* 2, 3 (2008), http://dmca.cs.washington.edu/dmca_hotsec08.pdf.

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because there is no proof that anybody has actually taken it. So there is no infringing act on the front end and there is no infringing act on the back end.

That's why I would, I think, probably differ a little bit from both of you in the notion that the reproduction right can take care of this effectively. It seems to me that you are just creating another kind of cat-and-mouse game over on the reproduction side, if you think about it that way.

MR. SIY: I don't think it's a cat-and-mouse game. On the front end, if I just rip it and keep it on my hard drive and I don't put it in a shared folder and I don't share it—walk through the fair-use steps. I think one of the ones that really puts it in my favor as being a fair use is the effect on the market.¹¹⁵ When I put it into a shared file after I have ripped it, the effect on the market is very different.

PROF. OPDERBECK: We just have a few minutes left for a question or two, if anybody in the audience has a question they want to ask.

MR. PAYNE: My name is Britton Payne. I'm from Foley & Lardner, and I'm also a Fordham graduate.

You were talking about shifting the burden of enforcement, ultimately. You look at the recent cases, like *Grokster*, finding that assisting someone in an infringing act is a secondary infringement, placing liability on a distributor. You look at *Tiffany v. eBay*,¹¹⁶ where, although it found in eBay's favor in trademark, it said that the person facilitating the distribution of these goods has an obligation that eBay met to make sure that counterfeit products weren't distributed. In the PRO-IP Act,¹¹⁷ we see increased penalties for aiding in the distribution of counterfeit goods. There is sort of a movement towards shifting the enforcement of IP rights from the owner of the IP right to the redistributor of the IP, or people who have the ability to facilitate that infringement.

¹¹⁵ See MERGES ET AL., *supra* note 112, at 523.

¹¹⁶ *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463 (S.D.N.Y. 2008).

¹¹⁷ Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, 112 Stat. 4256 (codified in scattered sections of 15 U.S.C., 17 U.S.C., 18 U.S.C., and 42 U.S.C.).

How do you reconcile that also with increased statutory damages, where you might argue that those increased statutory damages are appropriate to compensate IP owners for their efforts in enforcing their own IP rights?

MR. VERRILLI: Let me jump in. I'll start with an observation, if I may.

As somebody who brings these kinds of cases, as a lawyer for copyright owners, when you sue the person who operates the network that's doing the distributing, their defense is, "It's not my fault. Sue the user." When you sue the user, the argument is, "You really can't pin this on me. You should be going and suing the network operator."

You get that kind of dissonance. I think copyright owners sue users because of the actual difficulty of establishing liability against network operators. What the Supreme Court held in *Grokster* was that when copyright owners can show that the person operating a network or a system intended to promote copyright infringement by virtue of operating the system, then you can impose liability on them.¹¹⁸ They didn't hold anything more than that.

I have to say, in a situation in which one can demonstrate, as was demonstrated in *Grokster*, that the people running the system did intend to promote copyright infringement and made their millions of dollars almost exclusively by virtue of the promotion of copyright infringement, why shouldn't you be at the high range of statutory damages? There are millions and millions of dollars to be made there, in that circumstance.

To my mind, I don't think we are in a world that is shifting the enforcement responsibility onto the intermediaries. Secondary liability, which has been around since we have had the copyright laws and has been endorsed by the Supreme Court for more than a

¹¹⁸ Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 545 U.S. 913, 936 (2005) ("[A]ctive steps . . . taken to encourage direct infringement such as advertising an infringing use or instructing how to engage in an infringing use, show an affirmative intent that the product be used to infringe, and a showing that infringement was encouraged overcomes the law's reluctance to find liability when a defendant merely sells a commercial product suitable for some lawful use . . .").

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century,¹¹⁹ has always been about the respective responsibilities of the intermediaries versus the direct infringers. There are circumstances in which it's appropriate to impose liability on intermediaries. The one the Supreme Court reinforced in *Grokster* is that when the intermediary is promoting the infringement and making lots of money off of it, that seems a pretty easy case.

The harder cases are when you can't show intent. Where is the line when you can't show intent? That still remains, I think, to be worked out. *Sony*¹²⁰ is obviously the powerful precedent there. But *Sony* cuts against the point you are making, I think. The point of *Sony* is that, no, actually, there isn't a comprehensive obligation on the part of people who disseminate technology to bear that burden. There are only some circumstances in which you bear it.¹²¹

QUESTIONER: But the difference in the actions of the people distributing the facilitating technology—VCRs in one case, *Grokster* in the other case—the difference, as I see it at least, between *Sony* and *Grokster*, the actions that were taken—the affirmative action whereby we see that someone intended to facilitate illegal copying—in *Sony*, it was that it was offered for sale, and in *Grokster* it was offered for sale, plus three winks and nudges, as articulated by the unanimous decision in *Grokster*—were really thin. It really took very little.

Now, I agree that the damage, in fact, that was being done was pretty big. But what they actually hung the hat on was, "We can read intent by—we are marketing to the same people, who were bad guys. We talked about it internally, that this was something that we could benefit from." It just seems like it is moving towards shifting responsibility—

MR. VERRILLI: So you are in the sue-the-individuals camp, then, right?

¹¹⁹ See, e.g., *Kalem Co. v. Harper Bros.*, 222 U.S. 55 (1911).

¹²⁰ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

¹²¹ *Id.* at 442 ("Accordingly, the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes.").

QUESTIONER: You sue the individuals to sort of make the point that everyone understands—

MR. VERRILLI: That's your point, right? The intermediaries are off the hook, so your option is to go after the individuals.

MR. SIY: I don't think the intermediaries are off the hook. There is a vast gulf in the culpability of a Grokster and of an eBay. I think, despite the existence of *Grokster* and its take on secondary liability, people are still pushing for filtering mandates on intermediaries.¹²² That is something that actually I'm very concerned about.

PROF. HANSEN: It's whose ox is gored? Actually, the Supreme Court case was *Gore*.¹²³ Many people who are for due process restraints on statutory damages are not for due process restraints on jury verdicts against tobacco companies or for personal injury cases. The irony is that critics of statutory damages in copyright are perfectly happy with the unrestrained verdicts against big business and insurance companies, which could certainly be considered excessive, and on the other hand, they are trying to limit damages in copyright which historically have been confined to protect defendants who will never pay them in any case.

One last thing on due process. The Supreme Court in *Gore* was talking about a jury verdict unconstrained by any statutory oversight. Congress for over 200 years has considered statutory damages and they have always had an upper limit.

The second part of that is unlike the defendants in those cases, who can be exposed to multiple lawsuits for the same activity. *Gore*,¹²⁴ with statutory damages against a copyright defendant—that defendant is not going to be subject to any more lawsuits and damage verdicts. It's a one-off deal. You don't have this

¹²² Eric Bengeman, *Viacom's True Desire: One Copyright Filter to Rule Them All*, ARS TECHNICA, Oct. 22, 2007, <http://arstechnica.com/old/content/2007/10/viacoms-true-desire-one-copyright-filter-to-rule-them-all.ars> (“Viacom—and many other media conglomerates—would love to see something along the lines of The One Filter emerge—something that would instantly swat any video on any site on the Internet that Big Content's filters believe is infringing.”).

¹²³ *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559 (1996).

¹²⁴ *Id.* at 567.

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multiplier effect.¹²⁵ So all the things that the Court is concerned about in basic due process cases concerning jury verdicts aren't present with regard to statutory damages in copyright cases.

PROF. WONG: Can I just add one thing, on a somewhat different but related note? We talk a lot about intermediaries. A lot of that is dealt with under secondary liability, which I think is not just in the U.S., but elsewhere. On the individual or user side, outside of secondary liability, some jurisdictions in their civil law provisions—not criminal liability, but civil liability provisions—make a distinction between the basic primary rights we have talked about—reproduction, publication, and so forth—and those kinds of acts in relation to large-scale commercial dealings with the copyrighted work, such that even in civil liability cases, you have the same rights, reproduction, distribution, and so forth, but under a different provision that is aimed directly at large-scale commercial piracy.

We don't have that in this country. We are dealing with a number of issues under the same heading of liability.

PROF. OPDERBECK: Thank you very much, everyone.

MR. CAREY: Thank you, Copyright Panel, for representing the many issues on an obviously difficult doctrine in current copyright law. I think we can all agree that Web traffic to Comeandgetit.com is sure to increase after today's discussion.

For those of you that are registered, lunch will be served in the Atrium momentarily. We invite you to stay around for the conclusion of our symposium today at 2:30, with our trademark panel. Thank you very much.

¹²⁵ *Id.* at 582, 586 (holding that the \$2 million in punitive damages was 500 times the amount of actual damage and thus the ratio "transcend[ed] the constitutional limit").