NEWS MEDIA ALLIANCE

September 2, 2020

Ms. Regan A. Smith
General Counsel and Associate Register of Copyrights
Library of Congress
Copyright Office
101 Independence Avenue SE
Washington, DC 20559-6000

Re: News Media Alliance Comments Regarding Sovereign Immunity Study, Docket No. 2020-9.

Dear Ms. Smith:

The News Media Alliance (the "Alliance") is a nonprofit organization that represents the interests of more than 2,000 news media organizations in the United States and around the world. Our members range from large national news organizations to small local newspapers, all serving their communities by providing them with vital and trustworthy news and information. The Alliance diligently advocates for newspapers before the federal government on issues that affect today's media organizations, including protecting newspapers' intellectual property.

The Alliance welcomes the opportunity to provide these comments to the United States Copyright Office ("USCO" or the "Copyright Office") in response to the Notification of Inquiry on Sovereign Immunity Study, Docket No. 2020-9, 85 Fed. Reg. 34,252 (June 3, 2020).

News organizations play an important role in the U.S. economy and democracy. In 2018, the U.S. news media industry was estimated to have generated $25.3 billion in total revenue, while

reaching a weekly audience of approximately 129 million people in 2019.[1] Online, news organizations receive over 200 million unique visits and 6.7 billion page views per month.[2]

Despite the importance of news publishers and high-quality journalism to the health of our society and communities, both publisher revenues and newspaper circulations have plummeted over the last fifteen years. Between 2003 and 2018, overall print circulation dropped by approximately 48 percent from 55 million to an estimated 28.5 million, while combined newspaper circulation and advertising revenues have plummeted from approximately $57.4 billion in 2003 to an estimated $25.3 billion in 2018, leaving thousands of communities as news deserts. [3] At the same time, the audience for news content has increased considerably, particularly during the current COVID-19 pandemic, during which access to reliable and trustworthy news content has been particularly vital.[4] As digital advertising revenues are often not enough to offset the reduction in print advertising and subscription revenues, many news publishers rely on digital subscriptions and licenses in order to continue the production of high-quality content.

To survive in this changed environment, news organizations rely on robust copyright protections. The ability to monetize news content forms the backbone of a thriving news ecosystem that provides our communities with reliable and trustworthy information and keeps decision makers accountable. Therefore, it is particularly disheartening to see states and state instrumentalities – actors who rely on and benefit from a healthy public discourse – infringe news publishers' copyrights, while escaping liability due to sovereign immunity. The Alliance applauds the Office for undertaking this study to develop a record of incidents of state sovereign infringement, and hopes that the record can be used to support congressional abrogation of state sovereign immunity in copyright suits.

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[1] Pew Research Center, *Newspaper Fact Sheet*, http://www.journalism.org/fact-sheet/newspapers/; News Media Alliance, News Advertising Panorama 2020.
[2] News Media Alliance, News Advertising Panorama 2020.
[3] Pew Research Center, *Newspaper Fact Sheet*, http://www.journalism.org/fact-sheet/newspapers/; University of North Carolina at Chapel Hill, Hussman School of Journalim and Media, *The Expanding News Desert*, https://www.usnewsdeserts.com/.
[4] Rebecca Frank, *COVID-19 Drives Traffic to News Sites, But Will Publishers Benefit?*, News Media Alliance Blog, Apr. 8, 2020, https://www.newsmediaalliance.org/covid-drives-traffic-to-news-but-will-publishers-benefit/.

News Publishers Have Witnessed Large-Scale Infringement of Their Content by State Entities

In one of the most egregious examples of state infringement of protected news content, over 4,000 news outlets suffered from unauthorized copying and republication of their content by an instrumentality of the State of California over an eight-year period.

In June 2017, multiple news publishers and members of the News Media Alliance – including Dow Jones, The Washington Post, The New York Times, The Los Angeles Times, and McClatchy – became aware that the California Public Employee's Retirement System (CalPERS) was copying, republishing, and distributing thousands of protected news articles without having acquired a license or authorization from the publishers.[5] CalPERS is a state executive branch agency managing the pensions and health benefits of more than 1.6 million California public employees, retirees, and their families.[6] With almost $400 billion in assets, CalPERS is the nation's largest public pension fund.[7] The annual budget of CalPERS in Fiscal Year 2019-20 was approximately $1.9 billion, while the agency employed almost 3,000 employees.[8] The infringement, first reported by a blogger, reportedly started in August 2009, lasting approximately eight years.[9]

During the infringement period, CalPERS posted full news articles for the perusal of its staff on a publicly accessible website, in addition to sending specifically selected articles to senior executives and other relevant stakeholders in a daily email.[10] The public website was not password protected and published full-text articles, while the daily email provided links to the

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[5] Brief for Dow Jones & Company, Inc. as Amicus Curiae 4-5, *Allen v. Cooper*, 589 U.S. ___ (2020).
[6] Alexandra Alper, Aishwarya Nair, *CalPERS Investment Chief Steps Down at $400 Billion Pension Fund*, Reuters, Aug. 6, 2020, https://www.reuters.com/article/us-calpers-cio/calpers-investment-chief-steps-down-at-400-billion-pension-fund-idUSKCN2520V3.
[7] *Id*.
[8] CalPERS, *About CalPERS: Facts at a Glance for Fiscal Year 2018-19*, https://www.calpers.ca.gov/docs/forms-publications/facts-about.pdf.
[9] Yves Smith, *CalPERS Pays $3.4 Million to Dow Jones to Settle Massive Copyright Infringement That We Exposed*, Naked Capitalism, Jul. 26, 2018, https://www.nakedcapitalism.com/2018/07/calpers-pays-3-4-million-dow-jones-settle-massive-copyright-infringement-exposed.html.
[10] Brief for Dow Jones & Company, Inc. as Amicus Curiae 4-5, *Allen v. Cooper*, 589 U.S. ___ (2020).

articles hosted on the public website.[11] In total, during the eight-year period, CalPERS republished approximately 53,000 news articles from roughly 4,500 news organizations.[12] This included over 9,000 full-text articles from The Wall Street Journal, almost 6,900 from The New York Times, over 5,500 from The Los Angeles Times, almost 3,900 from The Sacramento Bee, and almost 2,000 from The Washington Post.[13] There was no indication that CalPERS had acquired a license to republish or distribute any of these articles.[14]

While all news publishers offer different terms and licenses to their clients, often depending on the type of client and license sought, the value of a license CalPERS should have acquired would have been considerable to many publishers, amounting to tens of millions of dollars in some cases. For example, in the case of Dow Jones, the publisher's standard fee for a full-text Wall Street Journal article reproduced in an email to 200 recipients was $360, while displaying an article for a year on a publicly accessible website would have cost $1,900.[15] Considering that the infringement was measured in thousands of articles, CalPERS avoided paying potentially tens of millions of dollars just to Dow Jones. The total amount owed to the publishers whose content CalPERS infringed would assumedly have been exponentially higher.

The infringement engaged in by CalPERS was not individual instances of reckless or accidental infringement. Rather, this was a case of systematic violation that lasted for years and concerned thousands of copyright owners and copyright-protected works. It is inconceivable that such widespread, prolonged infringement would have been anything but intentional, particularly

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[11] Yves Smith, *CalPERS Internal News Site Ignores Unfavorable Stories, Steals Copyrighted Material*, Naked Capitalism, Jun. 7, 2017, https://www.nakedcapitalism.com/2017/06/calpers-internal-news-site-ignores-unfavorable-stories-steals-copyrighted-material.html.

[12] *See, e.g.*, Yves Smith, *CalPERS Pays $3.4 Million to Dow Jones to Settle Massive Copyright Infringement That We Exposed*, Naked Capitalism, Jul. 26, 2018, https://www.nakedcapitalism.com/2018/07/calpers-pays-3-4-million-dow-jones-settle-massive-copyright-infringement-exposed.html; Brief for Dow Jones & Company, Inc. as Amicus Curiae 4-5, *Allen v. Cooper*, 589 U.S. ___ (2020).

[13] In total, CalPERS reportedly copied 9,011 full-text articles from Wall Street Journal, 257 from Barron's, 560 from other Dow Jones publications, 6,878 from The New York Times, 5,575 from The Los Angeles Times, 3,896 from The Sacramento Bee, and 1,975 from The Washington Post. *See* Yves Smith, *CalPERS Pays $3.4 Million to Dow Jones to Settle Massive Copyright Infringement That We Exposed*, Naked Capitalism, Jul. 26, 2018, https://www.nakedcapitalism.com/2018/07/calpers-pays-3-4-million-dow-jones-settle-massive-copyright-infringement-exposed.html.

[14] Brief for Dow Jones & Company, Inc. as Amicus Curiae, *Allen v. Cooper*, 589 U.S. ___ (2020).

[15] *Id.*

considering that many of the articles and news sources were behind paywalls or paid news databases. The infringement continued for years, and although it was witnessed by potentially thousands of employees and other stakeholders, only came to light after a blogger learned about the activity. Although clearly intentional, it is unlikely that the infringement was pursuant to a state policy, considering that the State of California has issued guidance requiring its agencies to respect copyrights.[16]

In response to the infringement, multiple Alliance members contacted the agency to draw their attention to the infringing activity. In response to at least some of these approaches, CalPERS responded through the office of the Attorney General, indicating that it had taken down the public website on June 17, 2017, and that the agency was asserting sovereign immunity for all copyright claims. As far as the Alliance is aware, none of the affected publishers filed a lawsuit against CalPERS, although some threatened to do so and at least one indicated that they had filed a claim with the California Department of General Services, Office of Risk Management, that was discontinued following an alternative resolution to the dispute. While the affected publishers may have been able to bring a breach of contract claim against CalPERS, at least three Alliance members decided to settle the claims. The settlement amounts reportedly varied between low six figures and low seven figures, with Dow Jones settling for $3.4 million.[17]

State Remedies Are Often Non-Existent or Not Adequate to Compensate for Lost Revenue and Discourage Further Infringement

As the 9th Circuit noted in *BV Engineering v. University of California*, 858 F.2d 1394, 1396 (9th Cir. 1988), California, like many other states, has not waived its sovereign immunity when it comes to copyright claims, even though it has done so for some tort actions.[18] Such waiver has to

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[16] *See* U.S. Copyright Office, *Copyright Liability of States and the Eleventh Amendment: A Report of the Register of Copyrights* 6 (June 1988), App. C at CRS-5, available at http://files.eric.ed.gov/fulltext/ED306963.pdf (citing 65 Op. Att'y Gen. Cal. 106 (1982) and 71 Op. Att'y Gen. Cal. 16 (1988)).
[17] Brief for Dow Jones & Company, Inc. as Amicus Curiae, *Allen v. Cooper*, 589 U.S. ___ (2020).
[18] Other states that have not waived sovereign immunity as to copyright claims include Texas. *Univ. of Hous. Sys. v. Jim Olive Photography*, 580 S.W.3d 360, 366 (Tex. App. 2019). One should also note that "[c]opyright infringement, whether common law or statutory, is a tort." *Porter v. United States*, 473 F.2d 1329, 1337 (5th Cir. 1973); *Ted Browne Music Co. v. Fowler*, 290 F. 751, 754 (2d Cir. 1923).

be explicit as a general waiver for suits in state courts does not create a waiver of the Eleventh Amendment in federal courts.[19] The resulting standard is hard to meet with the Sixth Circuit noting that a waiver is effective only "where stated by the most express language or by such overwhelming implication from the text as will leave no room for any other reasonable construction."[20] This could potentially leave copyright owners without remedies even if, theoretically, the state had made a blanket waiver of its sovereign immunity as copyright claims can only be heard in federal courts. Further, as at least one California has noted, equitable monetary relief is also barred under the 11th Amendment.[21] Therefore, often, the only realistically available avenue for copyright owners, including the news publishers in the CalPERS case, is to reach a settlement with the infringing state entity or to find other, alternative state law claims for which the state can be sued and that may provide some remedy for the infringement.

The publishers' decision to settle the CalPERS case is particularly understandable taking into account both the lack and the inadequacy of alternative remedies in California, as in many other states. Even when a copyright owner would be able to bring alternative claims under state law in theory, courts often interpret Section 301 of the Copyright Act to preempt most state claims related to copyright infringements. As a result, in CalPERS, while at least some of the publishers may have been able to pursue a case under state laws governing contracts, conversion, or other claims, these alternative remedies may often be preempted or too uncertain and untested to make litigating them realistic or cost-effective for the plaintiffs.

The uncertainty of state law remedies in California and elsewhere is highlighted by numerous recent court decisions. In *Marketing Information Masters v. Cal. State Univ.*, 552 F. Supp. 2d 1088 (S.D. Cal. 2008), the plaintiff argued that the California State University System had not only violated the plaintiff's copyrights but also that the state had engaged in conversion,

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[19] *See Pennhurst State Sch. & Hosp. v. Halderman*, 465 U.S. 89, 99 n.9 (1984).
[20] *VIBO Corp., Inc. v. Conway*, 669 F.3d 675, 691 (6th Cir. 2012) (quoting *Port Auth. Trans-Hudson Corp. v. Feeney*, 495 U.S. 299, 306-307 (1990)).
[21] *Am. Shooting Ctr., Inc. v. Secfor Int'l*, Case No.: 13cv1847 BTM(JMA), at *4-5 (S.D. Cal. July 22, 2016) ("Whether Plaintiffs' disgorgement claim is "equitable," or not, it seeks a monetary award that will be paid from state funds, not Kurokawa personally. Therefore, the state is the real party in interest, and Plaintiffs' claim for retroactive monetary relief is barred by the Eleventh Amendment.").

misappropriation of trade secrets, and unfair business practices under California state law. The court promptly dismissed the conversion and misappropriation claims as they "implicate rights that are equivalent to the rights federal copyright law protects."[22] The unfair competition claim was not dismissed as the defendant failed completely to address it in their motion. However, while unfair competition claims have been allowed in some copyright-related cases, other courts have found them to be preempted.[23] The Ninth Circuit held in *Kodadek v. MTV Networks, Inc.*, 152 F.3d 1209, 1212 (9th Cir.1998) that an unfair competition claim based on the defendants "publishing and placing on the market … products bearing the images subject to … copyright" was preempted. Similarly, state courts approach claims for conversion of intangible property differently from state to state, and California cases involving the right of publicity are a highly fact-specific mixed bag.[24] The patchwork of holdings and the fact-intensive nature of the claims make litigating such cases costly and uncertain.

Claims for breach of contract are one of the only widely available remedies available to copyright owners against state entities. As the Ninth Circuit noted in *Ryan v. Editions Ltd.*, 786 F.3d 754, 761 (9th Cir. 2015), that court, along with other circuit courts, has "long recognized that a contractually-based claim generally possesses the extra element necessary to remove it from the ambit of the Copyright Act's express preemption provision."[25] However, although contractual claims may remain a possibility in some cases, the remedies available in such cases do not necessarily justify the costs. As one affected publisher noted following the CalPERS case,

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[22] *Marketing Information Masters v. Cal. State. Univ.*, 552 F. Supp. 2d 1088, 1098 (S.D. Cal. 2008).

[23] For cases allowing unfair competition claims, *see, e.g.*, *Dr. Seuss Enters., L.P. v. Comicmix LLC*, Case No.: 16-CV-2779-JLS (BGS), at *6 (S.D. Cal. June 21, 2018) (finding the unfair competition claim related to trademark, not copyright); *Blanqi, LLC v. Bao Bei Maternity*, No. 3:17-cv-05759-WHO, at *7 (N.D. Cal. Feb. 15, 2018) ("UCL claim focuses on defendants' use of these materials close in time to Blanqi's use in a manner designed to confuse consumers."). Cases where unfair competition claims were found preempted include *Issaenko v. Univ. of Minn.*, 57 F. Supp. 3d 985, 1022 (D. Minn. 2014); *PQ Labs, Inc. v. Yang Qi*, No. C 12-0450 CW, at *22 (N.D. Cal. June 7, 2012); *Defined Space, Inc. v. Lakeshore E., LLC*, 797 F.Supp.2d 896, 901–03 (N.D.Ill.2011); *Costar Grp. Inc. v. Loopnet, Inc.*, 164 F.Supp.2d 688, 714 (D.Md.2001).

[24] For a discussion on conversion of intangible property, *see Glass Egg Digital Media v. Gameloft, Inc.*, No. 17-cv-04165-MMC, at *12 (N.D. Cal. Aug. 2, 2018); for right of publicity, *see, e.g.*, *Maloney v. T3Media, Inc.*, 853 F.3d 1004, 1016 (9th Cir. 2017) ("In sum, our cases clarify that a publicity-right claim may proceed when a likeness is used non-consensually on merchandise or in advertising. But where a likeness has been captured in a copyrighted artistic visual work and the work itself is being distributed for personal use, a publicity-right claim is little more than a thinly disguised copyright claim because it seeks to hold a copyright holder liable for exercising his exclusive rights under the Copyright Act.")

[25] For other cases, *see, e.g.*, *Altera Corp. v. Clear Logic, Inc.*, 424 F.3d 1079 (9th Cir. 2005); *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1454 (7th Cir.1996).

the damages for a claim of breach of contract are both lower and less certain than those available under the Copyright Act.[26]

The issue of inadequate state remedies is and has been a persistent problem for decades. A report by the Government Accountability Office published in 2001 noted that "[i]ntellectual property owners appear to have few proven alternatives or remedies against state infringement available if they cannot sue the states for damages in federal court," and that "[s]tates are not likely to waive their immunity voluntarily…"[27] The GAO's findings were based on an analysis of 58 lawsuits filed against states for unauthorized use of intellectual property.

This unavailability of and variance in remedies has significant consequences for both copyright owners and the federal copyright system in general. First, differences in case law and state statutory law make the availability of remedies completely dependent on the location of the infringer, creating substantial uncertainty to copyright owners while also contradicting the central tenet of the Constitution's Copyright Clause. The federal copyright system is built upon the idea that creative works have inherent value to the society that should be protected federally across the country. However, the current situation enables certain actors to infringe such works with impunity, with states setting their own sets of rules. The system also disincentives state actors from both seeking licenses, as well as arguably engaging in good-faith settlement negotiations when they are found to be engaging in large-scale infringement. Settlements reached without the threat of statutory or other damages under the Copyright Act or adequate state alternatives are likely smaller, leaving the wronged party incomplete. The availability of these damages would likely incentivize states and state entities to license copyrighted content and, where state actors infringe such content, to reach more equitable settlements with the copyright owners, including with the news publishers whose content CalPERS misappropriated.

Meanwhile, with regards to injunctive relief, the Alliance believes that while the availability of injunctive relief is important, it is inadequate and incomplete as it does not help publishers regain

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[26] Brief for Dow Jones & Company, Inc. as Amicus Curiae 8-9, *Allen v. Cooper*, 589 U.S. ___ (2020).
[27] Government Accountability Office, *Intellectual Property: State Immunity in Infringement Actions*, GAO-01-811 (Sep. 25, 2001).

the revenue, or any part thereof, lost due to the infringing activity, thereby threatening the provision of high-quality journalism to our communities.

Congress Should Adopt Carefully Considered Legislation to Abrogate State Sovereign Immunity in Copyright Suits

The Alliance commends Senators Thom Tillis (R-NC) and Patrick Leahy's (D-VT) for their focus on the issue and their request for a comprehensive study on sovereign immunity in copyright infringement cases, as well as the Copyright Office's efforts to create a comprehensive record of such incidents. Copyright is essential for a thriving creative community that enriches our nation and strengthens our culture – a function recognized by the Constitution. It is essential, therefore, that the government does not create or support a two-tiered system where some parties are allowed to misappropriate and infringe copyrighted content at the expense of the creators. The Alliance therefore strongly believes that the Congress should, following the conclusion and publication of this important study, adopt legislation validly abrogating state sovereign immunity, taking into account the requirements and indicators laid out by the Supreme Court in *Allen v. Cooper*.

Such legislation should, at the very least, be aimed at addressing instances where a state entity is engaging in willful infringement, which is the sort that causes substantial harm and loss of revenue to copyright owners, including decreased demand for their works. While it is not uncommon for news publishers to receive reports of isolated instances of assumedly reckless small-scale infringement by individuals, it is the systematic, willful state behavior, as exhibited by CalPERS between 2009 and 2017, that poses the greatest risk and lost opportunity to publishers. Although such instances may be rarer, they are more consequential to publishers, higher in monetary value, and can encourage small-scale infringement by state employees that can develop into something bigger as time goes on, justifying the high cost of a federal lawsuit.

Large-scale republishing of protected news articles on state or agency intranets can also have considerable ripple-effects with state employees becoming less likely to subscribe to their local newspapers if they are able to access the same content for free. This is particularly concerning

today when news publishers around the country are struggling to stay afloat. The lack of legal liability also causes publishers to lose control over their content, allowing state agencies to associate themselves with reputable news content as well as to use such content to promote their own agendas regardless of the publisher's views.

The Alliance hopes that the record compiled by the Copyright Office will support and encourage the Congress to adopt legislation leveling the playing field between state entities engaging in willful copyright infringement and news publishers and other creators who invest time, money, and energy into creating engaging and valuable works. We look forward to working with the Office on this important issue and we stand ready to provide further information as needed throughout the process.

Sincerely,

David Chavern
President & CEO
News Media Alliance

Danielle Coffey
SVP & General Counsel
News Media Alliance