28 July 2017

Karyn Temple
Acting Register of Copyrights
U.S. Copyright Office
101 Independence Avenue, SE
Washington, DC 20559-6000

Via email: copyinfo@loc.gov

RE: Public Draft for the Compendium of U.S. Copyright Office Practices

To the Register of Copyrights:

Intellectual Property Owners Association (IPO) appreciates the opportunity to provide comments on the Copyright Office's Draft for the Compendium of U.S. Copyright Office Practices.

IPO is an international trade association representing companies and individuals in all industries and fields of technology who own, or are interested in, intellectual property rights. IPO's membership includes around 200 companies and more than 12,000 individuals who are involved in the association either through their companies or as inventor, author, law firm, or attorney members. IPO membership spans more than 30 countries. IPO advocates for effective and affordable IP ownership rights and provides a wide array of services to members, including supporting member interests relating to legislative and international issues; analyzing current intellectual property issues; information and educational services; and disseminating information to the general public on the importance of intellectual property rights.

IPO has previously strongly supported Copyright Office proposals for modernization. IPO appreciates the Copyright Office's continued efforts to provide guidance and insight to owners of intellectual property. We believe that the draft changes to Compendium III in many cases provide meaningful and appropriate guidance to the public regarding Copyright Office procedures and policies. IPO notes, however, that certain changes seem inconsistent with existing United States copyright law and practice, and suggests some changes that would provide additional support and guidance to those that hold or wish to register copyright rights, especially with respect to computer software. Comments are provided on a section-by-section basis, though there is some overlap and interaction among these issues.

I.   Revisions impacting registration of derivative works that include previously published material owned by the same copyright claimant.

Several sections of the draft Compendium contain changes relating to the scope of a registration for a derivative work and the benefits resulting from such registration that IPO believes should not be adopted. Key issues are discussed below.

- **Chapter 500 (Identifying the Work(s) Covered by a Registration), Section 507.2 (The Scope of the Copyright in a Derivative Work).**

Courts have interpreted copyright law to permit the owner of a copyright in both a derivative work and previously published underlying work(s) on which the derivative work is based to bring suit where only the derivative work is registered with the Copyright Office. This is different than the situation where there are different owners of a derivative work and the previously published underlying work(s).

Section 507.2 ("The Scope of a Copyright in a Derivative Work") of the current Compendium (Third) (2014) recognizes these different approaches. The proposed revisions to Section 507.2 add language inconsistent with the guidance of the current Compendium, treating previously published underlying materials in the same manner whether or not they are owned by the derivative-work claimant. IPO believes the approach in the current version of the Compendium should be retained, as this approach both aligns with the majority view of courts that have considered the issue and is the most practical approach, especially (but not exclusively) in the context of computer programs.

Section 507.2 currently provides:

> *Derivative works often contain previously published material, previously registered material, public domain material, or material owned by a third party, because by definition they are based upon one or more pre-existing works. If a derivative work contains an appreciable amount of unclaimable material, the application should generally limit the claim to the new material that the author contributed to the work, and the unclaimable material should be excluded from the claim. ...* ***By contrast, there is generally no need to limit the claim if the derivative work is solely based on or derived from unpublished material, unregistered material,*** <u>***or copyrightable material that is owned by the claimant named in the application.***</u>*"*

(emphasis added). The proposed draft would modify this approach by adding language stating that any appreciable amount of previously published or previously registered material should also be disclaimed, even if owned by the same claimant.

IPO urges the Copyright Office to reconsider and reject this approach. Many courts have considered this issue in the context of whether a registration for a derivative work is sufficient to meet the statutory requirement of 17 U.S.C. § 411(a) for filing a copyright infringement lawsuit as to infringement of an underlying work. Most of these courts have recognized that a registration certificate for a version of a work that includes underlying material owned by the same copyright claimant, including previously published underlying material, is sufficient to support an infringement claim as to the underlying work to the extent included in the registered derivative work. *See, e.g.*, *R.W. Beck, Inc. v. E3 Consulting, LLC*, 577 F.3d 1133, 1143-44 (10th Cir. 2009);

Xoom, Inc. v. Imageline, Inc., 323 F.3d 279, 283 (4th Cir. 2003); *Streetwise Maps, Inc. v. Vandam, Inc.*, 159 F.3d 739, 747 (2d Cir. 1998); *Apple Comput., Inc. v. Microsoft Corp.*, 35 F. 3d 1435, 1447-48 (9th Cir. 1994). Even most courts that have found the rule inapplicable in a particular case have recognized and accepted the underlying principle. The Copyright Office's proposed rule would be directly contrary to the weight of authority.

Moreover, from the perspective of those who seek to register copyrights for computer programs, there are major practical difficulties with the Copyright Office's proposed position. Many companies release new versions of software that contain some amount of copyright-protected authorship at monthly, weekly, or even more frequent intervals. In fact, currently a practice of "continuous delivery" is the norm for many software companies. (Continuous delivery (CD) is a software engineering approach in which teams produce software in short cycles, daily or even hourly, ensuring that the software can be reliably released at any time. *See, e.g.,* https://en.wikipedia.org/wiki/Continuous_delivery)

As a result, any given version of a software product might contain underlying materials owned by the same copyright claimant that were first made available on many different dates. For example, a developer might create many major versions of a product (for example, versions 1.0, 2.0, 3.0, etc.), and might register those major versions. Often a developer will also release intermediate (or "minor") versions (for example, versions 1.1, 1.2, and 1.3) as well as individual updates (which could correspond to versions 1.1.1, 1.1.2, and so forth) and bug fixes (which could correspond to versions 1.1.0.1, 1.1.0.2, and so forth). All of these might contain new copyright-protected authorship. A procedure that would require registration and assertion of all published, intermediate updates between major versions 1.0 and 2.0 to protect all material added between versions 1.0 and 2.0 would be impractical and burdensome to copyright owners, as well as being contrary to the weight of authority that allows a copyright claimant to bring a lawsuit on previously published material included in a registered derivative work.

The proposed approach would create a windfall for even admitted infringers, who might seize on an opportunity to avoid liability by litigating whether copied code was first delivered in a bug fix, rather than in a major release. The litigation complexity that could result were a court to adopt the Copyright Office's position is also at odds with the guidance provided by Congress in 17 U.S.C. § 504(c)(1), which by stating that "all the parts of a . . . derivative work constitute one work" for statutory damages purposes counsels against requiring that rightsholders plead both a derivative work and its underlying works.

The position proposed in the new draft Section 507.2 will unnecessarily increase the complexity of registering and enforcing copyrights in computer programs, and would likely have the effect of discouraging rather than encouraging registrations for software due to the burden of complying with this approach.

Recommendation: Retain the current language of Section 507.2 without modification.

● **Chapter 1500 (Deposits), Section 1509.1(C)(2) (Derivative Computer Programs).**

The Copyright Office has added new language to this section that IPO believes is beyond the scope of issues that should be addressed in the Compendium and is questionable given the case law on adequacy of registrations discussed above.

The proposed revised version of Section 1509.1(C)(2) starts by repeating language from Section 721.8 to the effect that previously published versions are excluded from the scope of coverage of later registrations (on which IPO also has comments – below), and then adds the following new language:

> *This may be critical if the program contains previously published material and if that portion of the program has been infringed. Because a registration for a derivative computer program does not cover any portion of the work that has been previously published, the copyright owner may not be able to claim statutory damages and attorney's fees unless that material has been separately registered with the U.S. Copyright Office.*

The proposed revision is contrary to the guidance provided by the current Compendium (III) (2014) as discussed above with regard to Section 507.2. Moreover, it goes beyond the scope of what IPO understands is the purpose of the Compendium by appearing to give advice about litigation strategy and remedies (see the regulation governing the Compendium, 37 C.F.R. § 201.2(b)(7), which states that the Compendium is intended to explain "the practices and procedures concerning the Office's mandate and statutory duties under title 17 of the United States Code.") IPO believes the guidance is also questionable given the case law on copyright registration cited above.

Recommendation: Retain the current language of Section 1509.1(C)(2) without modification.

- **Chapter 500, Sections 503.5 (Does the Work Contain Unclaimable Material?).**

The Copyright Office has added new language to this section that IPO believes is beyond the scope of issues that should be addressed in the Compendium. Proposed Section 503.5 introduces a significant amount of what appears to be advice about litigation strategy and remedies in bulleted sections titled "Legal remedies," "Legal defenses," and "Statutory presumptions."

The proposed revision is contrary to the guidance provided by the current Compendium (III) (2014) as discussed above with regard to Section 507.2. Moreover, as discussed above with regard to Section 1509.1(C)(2), the proposed changes to this Section are not within the purpose of the Compendium. IPO believes the guidance is also questionable given the case law on copyright registration cited above.

Recommendation: Retain the current language of Section 503.5 without modification.

- **Chapter 700 (Literary Works), Section 721.8 (Copyrightable Authorship n a Derivative Computer Program).**

Section 721.8 states that the registration for a derivative computer program does not cover any of the unclaimable material that might appear in the program, and defines unclaimable material to include previously published material. The Copyright Office has not proposed changes to this Section, but IPO urges the Copyright Office to take this opportunity to align this section with the current Section 507.2 and the weight of authority from case law, as discussed above.

Recommendation: Revise this Section in accordance with the comments provided above with regard to other sections above.

II.   Non-executing comments in source code.

- **Chapter 700 (Literary Works), Section 721.7 (Copyrightable Authorship In a Computer Program).**

Section 721.7 imposes new requirements to add "nonexecuting comments" to the registration claim if the intent is to obtain the benefits of registration for such comments. IPO believes the proposed changes is contrary to common understanding among software developers and prior registration practice, serves no practical purpose, and will only further complicate the registration process for computer programs.

IPO's view is that this proposed change is not in the best interest of software copyright rightsholders. Most software developers would consider non-executing comments to be part of a computer program when submitting a work for registration. When a programmer codes, he or she often will write executable code, then put in non-executable comments to help others who later read the code understand what the computer program is supposed to do. Some programming teams will use the opposite approach: starting with non-executable comments creating the structure for a program, and then having individual programmers create executable code to carry out those functions.

Courts have consistently found that copyright registrations for computer software extend to both the source code and the comments within that software. *See, e.g.*, *Media.net Advertising FZ-LLC v. NetSeer, Inc.*, 156 F. Supp. 3d 1052, 1066 (N.D. Cal. 2016) (discussing protectability of HTML comments, and citing to Compendium III (2014 ed.)); *Engenium Solns., Inc. v. Symphonic Techs., Inc.*, 924 F. Supp. 2d 757, 784 (S.D. Tex. 2013) (finding "identical lines of code, including identical comments and variable names" to be probative of substantial similarity); *see Oracle Am., Inc. v. Google Inc.*, 750 F.3d 1339, 1351, 1378 (Fed. Cir. 2014) (discussing jury instruction regarding Java code and comments). Both non-executable comments and executable code are literal elements of a computer program protected by copyright law.

IPO believes software owners will generally want to protect such non-executing comments, which have value and can be significant elements of evidence in a copyright infringement action. In the unlikely scenario where a claimant wants to disclaim comments, the claimant can do so expressly. IPO sees no justification or advantage to requiring that non-executing comments in source code be specifically identified in a registration in order to obtain the benefits of registration for such comments. IPO is further concerned that the proposed, significant shift in registration practice will increase tension between what the Copyright Office believes the scope of a registration to be and what courts believe the scope of a registration to be.

Recommendation: In the third paragraph of Section 721.7, replace the as-modified last four sentences with the following:

> To register a claim in executable code and non-executing comments, the applicant should state 'computer program' in the application. The applicant should avoid using the term 'text,' either alone or in combination with the

term 'computer program,' when referring to executable code or non-executing comments. For guidance in completing this portion of the application, see Section 721.9(F).

- **Chapter 700 (Literary Works), Section 721.9(F) (Asserting a Claim to Copyright in a Computer Program).**

Section 721.9(F) contains proposed revisions related to those in 721.7. IPO believes these proposals should also be deleted, for the same reasons set out with regard to Section 721.7.

The proposed draft deletes an existing paragraph addressing executable code and nonexecuting comments and data, and replaces it with the following:

> As discussed in Section 721.7, an applicant may assert a claim in executable code as well as the nonexecuting comments or data that appear in the source code for a computer program. Both claims may be registered with the same application. To register a claim in executable code, the applicant should check the box marked 'computer program' in the Author Created field. To register a claim in non-executing comments, the applicant should state 'nonexecutable comments' in the field marked 'Other.'

Recommendation: Omit the new paragraph referred to in the immediate paragraph above; retain the proposed deletion of the existing paragraph.

- **Chapter 600 (Examination Practice), Section 618.4(C) (Recommended Terminology for Asserting a Claim to Copyright).**

The issues discussed above with regard to Sections 721.7 and 721.9(F) appear to arise because of ambiguity in the definition of "computer program" set out in Section 618.4(C). The definition should be revised to eliminate any ambiguity on this issue.

Recommendation: Revise Section 618.4(C) to state that the term "computer program" includes any nonexecuting comments included with the source code.

III.   **Limitation of claims – "Appreciable" vs. "Substantial" amount.**

- **Chapter 700 (Literary Works), Sections 712.3, 715.3, 717, 717.2, 718, 721.9(G), and 727.3(D); Chapter 1500 (Deposits), Section 1509.1(C)(2).**

In these Sections, the trigger for the requirement to disclaim various categories of material has been changed from a "substantial amount" to an "appreciable amount." No guidance is provided as to the meaning of "appreciable amount" in the sections to which this phrase has been added. Some guidance comes from Section 1509.1(C)(4)(d), which defines the phrase "appreciable amount of original computer code" to mean "sufficient original computer code." *See* Section 1509.1(C)(4)(d) (citing 37 C.F.R. § 202.20(c)(2)(vii)(A)(2)). Similarly, the Release Notes issued with the draft Compendium define "[a]n appreciable amount of original computer code" to mean only "sufficient original computer code to constitute recognizable copyrightable expression." 2017-06-01

Compendium III Release Notes at 86 (https://www.copyright.gov/comp3/docs/compendium-release-notes.pdf).

Scope of disclaimer is an important registration issue. General practice has been to identify material being disclaimed only if it is a significant amount of the program. Replacing references to a "substantial" amount of code with an "appreciable" amount of code would appear to create a new, lower threshold for requiring disclaimer. Moreover, because any more than *de minimis* amount of code may "constitute recognizable copyrightable expression," and a very high percentage of computer programs contain some third-party material or other types of disclaimable material, a lower standard could be interpreted to suggest that almost all computer program registrations should consider including such a limitation.

Recommendation: Do not replace references to "substantial" amounts of material to "appreciable" amounts.

IV.   Trade secret redaction.

- **Chapter 1500 (Deposits), Section 1509.1(C)(4)(b) (Computer Programs That Contain Trade Secret Material).**

The proposed Section 1509(C)(4)(b) contains a revision that gives the Copyright Office inappropriate discretion to cancel a registration as a penalty for a non-compliant deposit, and creates a situation that is likely to provoke complex and costly, but non-substantive, ancillary disputes as a matter of litigation strategy.

The draft of this section includes the following new statement: "If a court determines that an applicant submitted redacted source code or object code that does not contain trade secret material, the Office may cancel the registration for failure to comply with the relevant deposit requirements. *See* 37 C.F.R. § 201.7(c)(4)." However, the cited regulation does not expressly support cancellation for misidentification of a trade secret on the deposit. To the contrary, the example grounds for cancellation present in the regulation involve much more clear-cut bases on more objective issues essential to registration.

Moreover, whether material is trade secret or not is a legal issue dependent on many factors not easily and objectively determined, might be the subject of reasonable dispute, and might change over time. Whether particular portions of the sample materials required for a deposit do or do not have trade secret status is not likely to be a significant issue in any situation that IPO is aware of, and is not determinative of the trade secret status of the work as a whole that is the subject of the dispute. As well, trade secret status is not typically determined on a granular, phrase-by-phrase or line-by-line basis; a determination that a few words or characters are not a trade secret (and thus should not have been redacted) would be a new and unwelcome litigation task.

IPO believes that inclusion of the proposed provision will invite complex and costly disputes in litigation that do not further the substantive inquiries in a case. In addition to requiring entities in litigation years after submitting a registration deposit to evaluate trade secret redactions through the lens of hindsight, there is no practical benefit resulting from this proposed revision.

Recommendation: Delete the following proposed statement: "If a court determines that an applicant submitted redacted source code or object code that does not contain trade secret material, the Office may cancel the registration for failure to comply with the relevant deposit requirements. See 37 C.F.R. § 201.7(c)(4)."

- **Chapter 1500 (Deposits), Section 1509.1(C)(4)(d) (Appropriate Method for Blocking Out Source Code that Contains Trade Secret Material).**

The proposed revisions create ambiguity as to an applicant's obligations to redact source code deposits. The ambiguity is particularly significant given the proposed consequences for improper source code redaction set forth in Section 1509(C)(4)(b) discussed above.

The current Compendium (III) (2014) includes the following statement: *"The applicant should not block out any portions of the source code that do not contain trade secret material."* The proposed draft changes "should not" to "may not" in this sentence. But this change is contradicted by the next paragraph (in both the current 2014 edition and the proposed draft) which states that a registrant may in fact submit a deposit that has portions of non-trade secret material blocked out in the course of blocking out a "strip" of code:

> *The applicant may block out entire words or phrases that are trade secret. In the alternative, the applicant may block out entire pages of the code containing trade secrets, provided that the applicant leaves a vertical or diagonal strip on each page that is sufficient to show that the page contains copyrightable authorship.*

This language makes clear that non-trade secret elements may be blocked out as part of the process of protecting the trade secret nature of the deposit as a whole.

IPO's members and others often utilize the option of redacting portions of source code when submitting a deposit. Under current practice no effort is made – and none should be required – to parse each page to determine what might or might not be trade secret on a line by line or even page by page basis. Trade secret status is not determined on a granular, phrase-by-phrase basis as the proposed revision seems to contemplate. Attempts to comply would pose an insurmountable challenge in most cases.

 Because the current Compendium states only that an applicant "should" not block out any trade secret material, the tension between the first and second paragraphs of this Section is not particularly problematic. However, changing the word "should" to "may," combined with the overbroad remedy for improper redaction under the proposed changes to 1504.1(C)(4)(b) presents significant concerns. Although this might not have been the Office's intent, IPO is concerned that these changes would be interpreted to create a new standard that would greatly (and perhaps insurmountably in some cases) increase the complexity of preparing a deposit, and would be fodder for ancillary disputes in litigation. Moreover, it would do so without resolving any current issue or furthering any goal of registration that IPO is aware of. The net result would be further discouraging owners of computer programs from trying to register their works and obtain the benefits that the U.S. copyright registration system is intended to provide.

Finally, it is not clear whether the Copyright Office intends this new cancellation policy to be retroactive, permitting the cancellation of registration based on deposits filed under the preexisting rules. Doing so would be incredibly prejudicial to those copyright holders that reasonably relied on existing Copyright Office practice. Moreover, to make such a change without the benefit of a notice of proposed rulemaking would raise serious administrative procedure and due process concerns.

Recommendation: Do not change "should not" to "may not" in Section 1509.1(C)(4)(d).

V.   Selection of code for deposit

- **Chapter 1500 (Deposits), Section 1509.1(C)(2) (Derivative Computer Programs).**

The proposed draft includes language relating to the selection of pages for the required source code that is unclear as to the intended impact.

The current Compendium (III) (2014) includes the following instruction with regard to selection of source code pages for the deposit:

> *If the new material or revised material does not appear in the first and last twenty-five pages, the applicant should submit any fifty pages of source code that contain new or revised material.*

The proposed draft changes this section to add the clause "that represents the version that is being registered".

The proposed change appears to impose some additional requirement as to what must be deposited. The language in the current Compendium is clear and addresses the purpose of the deposit. IPO sees no need for the additional language and is concerned about the impact of the ambiguity it creates.

Recommendation: Delete the proposed clause "that represents the version that is being registered." The recommendation above applies equally to Section 1509.1(C)(4)(b), in which the same "represents the version" language is proposed.

- **Chapter 1500 (Deposits), Section 1509.1(C)(4)(b) (Computer Programs That Contain Trade Secret Material).**

The proposed draft includes a new paragraph that creates the same issue with regard to the selection of source code pages for the deposit as described above.

The proposed draft includes the following new paragraph:

> If the source code does have a precise beginning, middle or end, the applicant may submit an appropriate number of pages (using one of the options described above) that reasonably represent the specific version that the applicant intends to register.

The inclusion of the clause "that reasonably represent the specific version" has the same ambiguity discussed above.

Recommendation: Replace "that reasonably represents the specific version" with "that contains new or revised material."

VI.   Continued applicability of 2014 edition of *Compendium III*

Many of the proposed changes discussed above, if maintained, would result in significant shifts to existing registration practice. IPO believes that, if these proposed changes are enacted, the 2014 edition of *Compendium III* should continue to be controlling as to the time period between its effective date and the effective date of the proposed new edition, just as "*Compendium I* continues to be the controlling manual for registrations, renewals, and recordations issued by the Office prior to January 1, 1978, and for the registration requirements for works published before January 1, 1978 that were never registered for the original copyright term" and "[a]s a general rule, Compendium II continues to be the relevant administrative manual for registrations, renewals, and recordations issued by the Office between January 1, 1978 and the effective date of the Third Edition". *See Compendium III* (2014), Introduction at 5. To retroactively apply the Copyright Office's newly proposed positions and approaches discussed above to registrations issued and applications submitted prior to the effective date of the proposed new edition would only exacerbate the already significant challenges that would arise from adoption of these proposals.

We thank you for considering IPO's comments, and would welcome any dialogue or opportunity to provide further input that would assist the Office's efforts on these matters.

Sincerely,

Mark W. Lauroesch
Executive Director