May 25, 2011

The Honorable Patrick J. Leahy
Chairman
United States Senate
Committee on the Judiciary
437 Russell Senate Building
Washington, DC 20510

The Honorable Chuck Grassley
Ranking Member
United States Senate
Committee on the Judiciary
135 Hart Senate Office Building
Washington, DC 20510

Dear Chairman Leahy and Ranking Member Grassley:

The undersigned below support the goals of S. 968, the PROTECT IP Act, to enforce intellectual property rights effectively by addressing rampant infringement by web sites designed and operated to promote and profit from illegal activities. While we each share that goal, and each continue to have concerns with various specific provisions in the legislation, our purpose in this letter is to express in clear terms our serious concerns with the private right of action provisions included in S. 968. The private right of action should be removed from the legislation.

Under the current version of the PROTECT IP Act, an owner of a copyright or trademark could bring an action against a domain name associated with a website dedicated to infringing activity. It is reasonable to expect that a very large number of such actions will be brought, and in many cases, especially with non-U.S. domain names, the domain name owner will not respond to the complaint. It is very likely in such cases with only one party present that courts will enter default judgments and declare that the targeted websites are dedicated to infringing activity. The IP owner will then be able to ask the court to issue an order directed at two categories of services providers. First, a payment system could be required to stop processing transactions between the website and U.S. customers. Second, an advertising network could be directed to stop placing ads on the website.

We believe that the currently proposed private litigation-based process will, however unintentionally, become a one-sided litigation machine with rights owners mass-producing virtually identical cases against foreign domain names for the purpose of obtaining orders to serve on U.S. payment and advertising companies. Not only do we believe that this will be a significant driver of new litigation in federal courts, and will result in an endless stream of court orders imposing duties on U.S.-based companies, but we also believe that this litigation-based regime will significantly reduce the incentive that rights owners have to participate in a cooperative manner in the processes created by

payment and advertising companies to address illegal activities by third parties. We are confident that upon further review you will not support creating a private litigation regime that appears so open to abuse and which will undermine the prospects for private sector cooperation.

Along with the fact that the private right of action regime will likely lead to a new litigation industry aimed at obtaining court orders related to websites whose owners will not appear in U.S. courts, we also believe that the regime will lead to private actions against US payment and advertising companies. It is likely that the operators of websites that are the target of court decisions and therefore the court orders aimed at payment and advertising companies will respond by attempting to circumvent the "blocks" imposed by payment systems and advertising networks. S. 968 authorizes the IP owner to bring private enforcement action against the payment and advertising service providers to compel compliance with an order, and the service provider could find itself enmeshed in litigation based on the actions of the suspected infringers of which it has no knowledge.

To prevail in an enforcement action against a service provider, the IP owner would have to demonstrate that the service provider knowingly and willfully failed to comply with an order. The IP owner could argue that the service provider knew that its blocks could be circumvented, and thus that its failure to monitor the site and respond on its own to each act of circumvention constituted a violation of the order.

Regardless of the validity of this argument, the cost of litigation, including discovery about the service provider's operations and its awareness of the activities of the website at issue, might be sufficient to force the service providers to settle the claim on terms very favorable to the IP owner. Several law firms representing IP owners such as publishers of pornography have learned how to "game" the copyright system, and the private right of action under S. 968 provides them with an additional weapon.

Moreover, even if most IP owners do not use the threat of enforcement actions to extort payments from service providers, the IP owners can employ such actions to shift the burden of monitoring websites subject to orders to the service providers. Given the large number of IP owners and infringing websites, and the relatively small number of major payment systems and advertising networks, the service providers' monitoring costs could be significant.

Last year's version of this legislation allowed only an action by the Attorney General. S. 968, by contrast, allows both an AG action and a private action. To prevent the abuses described above while still accomplishing the bill's legitimate objectives, the private right of action should be removed, leaving the AG action.

Respectfully,

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cc: Senate Judiciary Committee Members