ELECTRONIC FRONTIER FOUNDATION
Protecting Rights and Promoting Freedom on the Electronic Frontier

February 2, 2018

The Honorable Robert Lighthizer
U.S. Trade Representative
600 17th St. NW
Washington, DC 20006

Dear Ambassador Lighthizer,

2018 Special 301 Review—Docket number USTR-2017-0024

Thank you for the opportunity to participate in the 2018 Special 301 Review. The Electronic Frontier Foundation (EFF) is the leading nonprofit organization defending civil liberties in the digital world. Founded in 1990, EFF champions user privacy, free expression, and innovation through impact litigation, policy analysis, grassroots activism, and technology development. We work to ensure that rights and freedoms are enhanced and protected as our use of technology grows.

The Special 301 review aims to identify countries that deny adequate and effective protection of intellectual property rights (IPR) or deny fair and equitable market access to U.S. persons who rely on intellectual property protection. But most of the previous Special 301 Reports focus on the reliance of U.S. persons on certain provisions of intellectual property law only—mainly its strict enforcement provisions such as bans on the circumvention of technological protection mechanisms, camcording in movie theatres, and secondary infringement by platforms and manufacturers.

There are, however, other provisions of U.S. intellectual property law upon which American creators, innovators, and users also rely. These include the fair use exceptions in both copyright and trademark law, and the platform safe harbors that were introduced in the Digital Millennium Copyright Act ("DMCA") and in section 230 of the Communications Decency Act ("CDA 230"). In this comment, we focus on U.S. trading partners, with whom the U.S. is currently negotiating trade agreements, that fail to adequately and effectively allow for the operation of these doctrines with respect to U.S. persons.

Fair Use

Fair use in copyright law is one of the engines of American tech innovation and creativity, and an important foundation of its global success. According to the Computer & Communications Industry Association, fair use industries have contributed $2.8 trillion to the U.S. economy (about 16 of total current dollar GDP), which has increased by $1

815 Eddy Street • San Francisco, CA 94109 USA
voice +1 415 436 9333 fax +1 415 436 9993 web www.eff.org email information@eff.org

trillion in four years to 2014. Over that same period exports of goods and services related to fair use industries have increased 21% from $304 billion to $368 billion.[1]

Similarly, empirical economic research performed at American University across a range of jurisdictions demonstrates how user rights such as fair use benefit society, including fostering the development of high technology industries and scholarly publication. Importantly, the study did not find evidence that opening user rights caused harm to revenue of copyright intensive industries like publishing and entertainment.[2]

Some of our trading partners do not have a fair use right in their copyright law, and this makes it harder for U.S. companies to conduct business overseas. They may run the risk of committing copyright infringement for activities that create economic and social value, and would be fully legal in the United States. For example, basic technical processes such as indexing, linking, and temporary copying may be found to infringe copyright in countries that lack a fair use doctrine.

In current U.S. trade negotiations, Mexico stands out as a member country of NAFTA that lacks adequate fair use protection in its copyright law. Instead, Chapter II of Mexico's Federal Copyright Law contains a constrictive list of enumerated exceptions for cases such as quotation of texts, reproduction of parts of works for literary criticism and research, and reproduction by libraries for purpose of archival. These few limited exceptions do not authorize the innovative uses of copyright works that American tech and creative firms depend upon.

As a result, American businesses operating in Mexico suffer an elevated risk of inadvertently infringing copyright. Compounding this, Mexico has the world's longest copyright term—the life of the author plus 100 years—which means that even many works that are in the public domain in the U.S. cannot be safely used in Mexico. We therefore recommend that the United States include a recommendation in the Special 301 Report that Mexico amend its Copyright Law to include a broad exception analogous to fair use.

Beyond this, the USTR should also address this topic in NAFTA. There must be active and enforceable mechanisms to protect exceptions and limitations regimes, fair use/fair dealing and the public domain. Compared with clause 18.66 on copyright balance that had been included in the TPP (before the U.S. withdrew from that agreement), we seek a more expansive provision that would make balanced copyright limitations and exceptions compulsory—not merely optional.

Apart from being an important doctrine of U.S. copyright law, fair use is also a separate doctrine of trademark law. In this context, fair use permits use of another's trademark to describe one's own products or services in a descriptive context, and also permits the use

1 Computer & Communications Industry Association, Fair Use in the U.S. Economy: 2017 (2017). Available at: https://www.ccianet.org/wp-content/uploads/2017/06/Fair-Use-in-the-U.S.-Economy-2017.pdf.

2 Flynn, Sean and Palmedo, Mike, The User Rights Database: Measuring the Impact of Copyright Balance (December 4, 2017). Available at SSRN: https://ssrn.com/abstract=3082371 or http://dx.doi.org/10.2139/ssrn.3082371

of another's trademark as a reference to the trademark owner's goods and services. Although of lesser importance than copyright fair use, American businesses also rely on trademark fair use when they do business overseas, for example in comparative advertising, and in marketing products that complement a trade mark owner's product.

Amongst parties to the NAFTA negotiations, Canada does not expressly recognize descriptive or nominative fair use in trademark law, and we have been unable to ascertain whether Mexico recognizes these doctrines either. To improve clarity and certainty for U.S. persons operating in Canada, we recommend that the USTR recommend in the Special 301 Report that Canada adopt such an exception, and also consider adding its inclusion in NAFTA as a negotiating objective of the agreement.

DMCA and Section 230 safe harbors and extraterritoriality

In addition to the DMCA safe harbor rules that apply to copyright, the safe harbor in S47 U.S.C. section 230 can also apply to protect U.S. platforms from liability under foreign intellectual property laws. Although section 230 is expressed to be without prejudice to "any law pertaining to intellectual property", this does not include liability under foreign intellectual property laws, for which section 230 does provide U.S. platforms with immunity.[3]

However, these protections are not being honored by some of our trading partners, who are purporting to give extraterritorial effect to their domestic laws, including intellectual property laws, with negative effects on U.S. companies. The most pertinent example of this is the Google v. Equustek case.

In that case, Canadian company Equustek Solutions sued Google for an injunction to prevent a group of Equustek distributors from selling counterfeit Equustek products online, based on a claim of trade secret misappropriation under Canadian law. Google had agreed to de-index the search results on its google.ca portal, but declined to do so globally. Equustek obtained an injunction from a lower court to stop Google from displaying any part of the Datalink websites on any of its search results worldwide, and this judgment was affirmed on appeal to the Canadian Supreme Court.

Google subsequently sought a declaratory judgment from a California district court that the Canadian court's order cannot be enforced in the United States, and default judgment was granted based on Google's plea under section 230. The court said:

> The Canadian order would eliminate Section 230 immunity for service providers that link to third-party websites. By forcing intermediaries to remove links to third-party material, the Canadian order undermines the policy goals of Section 230 and threatens free speech on the global internet

Although this resulted in a successful outcome in that case, similar cases are pending in other jurisdictions, including a reference to the European Court of Justice by France's

3 Order Granting Plaintiff's Motion for Preliminary Injunctive Relief in Google v. Equustek, No. 5:17-cv-04207-EJD (N.D. Cal, November 2, 2017), available at https://www.eff.org/document/google-v-equustek-nd-cal-order-granting-preliminary-injunction.

Conseil d'État which seeks an order requiring Google to globally implement the Right to Be Forgotten (or Right to be De-listed) under European data protection law, raising a potential conflict not only with Section 230 as in the Equustek case, but also with the First Amendment.

When American companies with fewer resources than Google at their disposal encounter similar overseas judgments, we cannot expect that they will always be able to appeal these decisions. As a result there is a considerable risk of some of our trading partners enforcing their speech-restrictive laws on American companies, not only within their own borders, but also outside of those borders, including within the United States where higher levels of constitutional protection for speech apply.

Unfortunately there is no international treaty that prevents these countries from enforcing their laws in this way. Although unwritten principles of international comity do, in theory, limit the extraterritorial application of foreign laws to the global activities of U.S. persons, those principles failed to persuade the Canadian Supreme Court.

Therefore, we encourage the USTR to use other avenues to limit the extraterritorial application of foreign laws, including intellectual property laws, on U.S. persons. Although we have doubts about the legitimacy of the Special 301 process in international trade diplomacy, it could at least be used to telegraph U.S. policy on this issue to our trading partners, and the issue could then be addressed on a bilateral or plurilateral basis in ongoing U.S. trade negotiations.

We are not alone in this concern. We note that the Internet Association has also advocated for the USTR to address the issue in the current negotiations over a modernized NAFTA, recommending in a June 2017 whitepaper that "NAFTA should be updated to prohibit global injunctions against a foreign non-party that is not connected to the underlying dispute."

Conclusion

If the Special 301 Report seeks to identify countries that deny adequate and effective protection of intellectual property rights (IPR) or deny fair and equitable market access to U.S. persons who rely on intellectual property protection, its review must include consideration of the ability of U.S. companies to avail themselves of the fair use and safe harbor protections that exist under U.S. law.

We encourage the USTR to address these two issues in the 2018 Special 301 Report.

Yours faithfully

ELECTRONIC FRONTIER FOUNDATION
Jeremy Malcolm