Nelson & McCulloch LLP
Intellectual Property Litigation
New York | District of Columbia

The Chrysler Building
405 Lexington Avenue, 25th Floor
New York, New York 10174
F: (646) 308-1178

Dan Nelson*
dnelson@nelsonmcculloch.com
(646) 704-4900

Kevin P. McCulloch+
kmcculloch@nelsonmcculloch.com
(646) 704-2278

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Maria A. Pallante
Register of Copyrights
U.S. Copyright Office
101 Independence Ave., SE
Washington, DC 20559-6000

**RE: Remedies for Small Copyright Claims: Response to Third Notice of Inquiry (78 F.R. 13094)**

Dear Register Pallante:

## Introduction

This firm is counsel for numerous professional photographers and copyright owners – including Academy Award winning director, Louis Psihoyos; photographer and author Ellen Senisi, and many others – who have a significant interest in protecting their copyrighted works from unauthorized uses. These comments, submitted on behalf of our clients, respond to the Copyright Office's Third Notice of Inquiry regarding Remedies for Small Copyright Claims (78 F.R. 13094).

Our clients primarily are professional photographers who license their photographs for "Rights Managed" uses, either directly or through third-party "stock" photo licensing agencies. Our clients include current and former contributors to Getty Images and current and former members of the American Photographic Artists (APA), the American Society of Media Photographers (ASMP), and the Picture Archive Council of America (PACA), each of which submitted responsive comments.

Effective protection of copyrights, which includes the efficient prosecution of small copyright claims, is a vital concern to our firm's clients.

## Comments

### 1. Nature and Benefits of the Proposed Alternative Process

*Proposed Amendments*

Like many other commenters, we submit that copyright owners would be best served by maintaining federal court jurisdiction over all copyright claims rather than creating a sub-category of claims that should be brought in a tribunal or arbitration process. The importance of copyright protection is recognized in the United States Constitution and codified in federal statute under the Copyright Act, 17 U.S.C. § 101, et seq. Copyright claims, regardless of the amount of the potential damages award, thus are issues of federal concern and the infringement claims arise under federal law. As such, it is appropriate to maintain federal court jurisdiction over these types of claims.

Moreover, federal courts possess enforcement and oversight authority that an arbitrator or mediator does not have, including the ability to adequately enforce quarantines or restraining orders during the pendency of the adjudication process, to issue permanent injunctions, to resolve non-infringement disputes such as ownership rights, etc. Creating a separate adjudication process for so-called "small" copyright claims creates an imbalance in the substantive and procedural rights for copyright owners in these cases that is unfair and arbitrary. Creating a sub-class of claims with inferior enforcement procedures also may raise very serious due process and equity concerns.

Rather than create a separate adjudication process for claims that meet an ill-defined or arbitrarily chosen definition of "small" claims, we propose that Congress amend the Copyright Act to (i) delete 17 U.S.C. § 412 and thus remove the need for pre-infringement registration of copyright as a prerequisite for the claim being eligible for statutory damages; and (ii) amend 17 U.S.C. § 507(b) to make the award of full costs and attorneys' fees to the prevailing party mandatory rather than discretionary.

*Benefits of Proposed Amendments*

The amendments proposed herein are far easier to accomplish than most of the radical reforms proposed by other commenters and would create a more effective and efficient copyright enforcement system for copyright owners. As discussed herein, the alternative proposals by some commenters that such claims should be brought in arbitration proceedings or before a non-judicial tribunal are not practical, do not address the root issues, and would do a grave disservice to copyright owners.

First, more than any other factor, Section 412's statutory restriction on eligibility for recovering statutory damages under Section 504 and costs under Section 505 is what distinguishes a "small" copyright claim. In such cases, even the infringer's willful misconduct does not permit a court or

jury to impose heightened damages, and thus the crucial punitive and deterrent goals of the Copyright Act cannot be achieved.

Second, the current statutory framework allows for claims involving nearly identical works that are infringed in identical ways by the same defendant to result in dramatically different damages awards based merely on the date on which the copyright owner registered the infringed work. This framework is arbitrary, especially today when the copying of digital imagery is so easy and pervasive and registration status is difficult to determine and thus does not provide an effective means of deterring potential infringers. Removing this arbitrary barrier would provide courts and juries a more effective mechanism to enforce copyrights and deter infringements in cases involving "small" claims.

Third, our proposed amendments more directly address the fact that the high cost of filing and litigating claims is the primary obstacle that prevents copyright owners from pursuing even the most righteous claims. In fact, the legitimate concern that litigation expenses will exceed any potential recovery is a bigger factor for copyright owners deciding whether to take action to protect their rights than the scope of the potential recovery. Merely shifting the adjudication process to a tribunal, mediation, arbitration, or state courts will not address this concern without additional amendments to the Copyright Act. In fact, the costs of initiating an arbitration are significantly higher than the fees required to file a claim in federal court, not to mention that the copyright owner claimant must incur the ongoing costs during the arbitration without any guarantee that those costs can be recovered under Section 505 because (i) such recovery is limited to claims involving works with pre-infringement registration and (ii) the award of costs is discretionary. Rather than just shift the same problems to an alternative forum, we propose that Congress address the actual factors that prevent copyright owners from pursuing "small" but righteous claims.

Finally, if the Copyright Office's goal is to find a practical solution, then our proposal has significant advantages over those relating to non-judicial alternatives. Because the current framework for bringing and litigating copyright claims remains unchanged, the Congress does not have to resolve the very difficult questions related to (i) the infringer's consent to proceed in a non-judicial forum; (ii) selection of adjudicator; (iii) identifying the threshold and requirements for excluding claims from a non-judicial forum; (iv) review of and appeals from the adjudicator's ruling; (v) representation by counsel; (vi) limitations on claims or defenses, etc. Any proposal that centers around shifting certain categories of copyright claims to a non-judicial form must confront and present workable solutions for each of these issues. By contrast, we propose that Congress simply amend Section 412 and Section 505 to achieve more balanced, effective, and efficient enforcement of even small copyright claims.

**2. <u>Voluntary Versus Mandatory Participation</u>**

In our proposal, this is not an issue of concern. Significantly, there is no need to achieve consent of both parties as there would be before such claims could be brought in a non-judicial forum, such as an arbitration or mediation. Given that most "small" copyright claims involve

nonresponsive and uncooperative infringers, this is a significant defect in proposal centered around moving such claims to an alternative, non-judicial forum.

**3. Arbitration**

There is no arbitration in this proposal, and we do not believe it should be an option.

**4. Mediation**

There is no mediation in this proposal, and we do not believe it should be an option.

**5. Settlement**

Since the proposed amendments increase the availability of statutory damages and make awards under Section 505 mandatory, the prospect for settlement will be significantly higher as both sides would confront the risk of paying the other party's costs and fees. These changes also would encourage infringers facing legitimate claims to make Offers of Judgment under FRCP 68, which also is an effective means of achieving a more prompt and cost-effective resolution of such disputes.

**6. Location of Tribunal**

This issue is not applicable to our proposal.

**7. Qualifications and Selection of Adjudicators**

This issue is not applicable to our proposal.

**8. Eligible Works**

This issue is not applicable to our proposal.

**9. Permissible Claims**

This issue is not applicable to our proposal. The claims that a copyright owner is permitted to bring would remain unchanged.

**10. Permissible Claim Amount**

This issue is not applicable to our proposal. The amount of the potential claim is not a factor in whether a claim can brought or whether the claim is eligible for statutory damages or recovery of costs.

We believe that creating a sub-category of claims with different procedural enforcement mechanisms based on a "claim amount" is not feasible. Not only would the "claim amount" be arbitrary, it also would be difficult to define.

First, under the current statutory framework, different damages are allowed based on registration status and whether heightened damages are appropriate is a fact-bound analysis. Thus, determining whether a claim falls below the "claim amount" threshold would be impossible at the initial stage of any proceeding and would require the adjudicator to delve into merits issue in order to determine jurisdiction.

Second, even setting aside the concerns about the availability of statutory damages, the amount of actual damages often cannot be ascertained until discovery. Because the Copyright Act entitles a copyright owner to recover both lost license fees and the infringer's profits attributable to the infringement, 17 U.S.C. § 504(b), determining potential damages requires a copyright owner to know the full scope of the infringement and what revenues were earned by the infringer, both of which are difficult to ascertain without discovery.

**11. Permissible Defenses and Counterclaims**

This issue is not applicable to our proposal. We do not propose any changes to the laws and rules regarding the defenses or counterclaims that defendants are permitted to plead in copyright cases brought in federal court.

**12. Registration**

Other than amending the Copyright Act to delete 17 U.S.C. § 412, we do not propose any other changes with respect to the operative law regarding registration.

**13. Filing Fee**

This issue is not applicable to our proposal. We do not propose any changes to the standard $350 filing fees for bringing a claim in federal court.

**14. Initiation of Proceeding**

This issue is not applicable to our proposal. We do not propose any changes to the standard process for initiating a suit in federal court.

**15. Representation**

This issue is not applicable to our proposal. We do not propose any changes to the standard rules and laws regarding representation in civil cases proceeding in federal court.

**16. Conduct of Proceedings**

This issue is not applicable to our proposal. We do not propose any changes to the standard rules and laws regarding the conduct of proceedings in federal civil cases.

**17. Discovery, Motion Practice, and Evidence**

This issue is not applicable to our proposal. We do not propose any changes to the standard rules and laws regarding discovery, motions practice, or evidence in federal civil cases.

**18. Damages**

We propose that Congress amend the Copyright Act to delete 17 U.S.C. § 412 and thus remove the need for pre-infringement registration of copyright as a prerequisite for the claim being eligible for statutory damages. The significant advantages of this proposed amendment is discussed fully above.

**19. Equitable Relief**

This issue is not applicable to our proposal. We do not propose any changes to the equitable relief available to parties in copyright cases proceeding in federal court.

**20. Attorneys' Fees and Costs**

We propose that Congress amend 17 U.S.C. § 507(b) to make the award of full costs and attorneys' fees to the prevailing party mandatory rather than discretionary. The significant advantages of this proposed amendment is discussed fully above.

**21. Record of Proceedings**

This issue is not applicable to our proposal. We do not propose any changes to the laws and rules regarding the record of proceedings in federal civil cases.

**22. Effect of Adjudication**

This issue is not applicable to our proposal. We do not propose any changes to the laws and rules regarding the effect of an adjudication of a civil claim in federal court.

**23. Enforceability of Judgment**

This issue is not applicable to our proposal. We do not propose any changes to the laws and rules regarding the enforceability of a judgment issued by a federal court.

**24. Review/Appeals**

This issue is not applicable to our proposal. We do not propose any changes to the laws and rules regarding appeals from rulings and judgments by lower federal courts.

**25. Group Claims**

This issue is not applicable to our proposal. We do not propose any changes to the laws and rules regarding the availability of group claims in federal court.

**26. Frivolous Claims**

This issue is not applicable to our proposal. We do not propose any changes to the laws and rules regarding frivolous claims. The enforcement mechanisms provided in the Federal Rules of Civil Procedure and federal statute are sufficient and effective.

**27. Constitutional Issues**

Our proposal has the advantage of not raising any Constitutional issues.

**28. State Court Alternative**

There is no state court alternative in this proposal, and we do not believe it should be an option. We believe that copyright claims should not be brought in state courts because such claims raise issues of federal concern and arise under federal statute. State courts are not the proper forum for adjudicating questions of federal law. If certain categories of copyright claims were to proceed in state court, that would create serious issues regarding the precedential effect of prior federal court rulings and the import and effect of state court rulings in federal suits.

**29. Empirical Data**

Because we propose procedural changes that do not require a "claim amount" threshold, the empirical data discussed in other proposals is not necessary here. Nevertheless, we would direct the Copyright Office's attention to cases such as *Psihoyos v. John Wiley & Sons, Inc.*, No. 11-cv-1416 (JPO) (S.D.N.Y.). This case is noteworthy in this context because the defendant argued to the jury that the case was so insubstantial that it should be brought in small-claims court, including defense counsel's opening remarks:

> Why are we here if this case is less than $400? $175; $219. We're here because Congress decided, in its wisdom, that copyright infringement cases must be tried in federal court, no matter how small. There is no small-claims court for copyright infringement. That's just the way it is. Talk to Congress.

*See id.*, Trial Tr. at 41:4-10. In the end, though, the defendant was held liable for willful infringement and the jury awarded $130,750 in statutory damages, which the Court subsequently approved as reasonable and supported by the evidence.

This case highlights the sort of serious problems that would be associated with any effort to create a "claim amount" threshold for so-called "small" copyright claims. Not only is it difficulty prior to discovery or even trial to determine what the actual "claim amount" would be in any given case, but the parties often disagree sharply on that point.

This case also highlights the importance of making statutory damages more available to copyright owners. In this case, if the jury did not have the ability to impose heightened damages, then the goals of the Copyright Act would have gone unfulfilled and the conduct of a willful infringer would not have been adequately punished. Indeed, it is only because statutory damages were available that bringing such claims was feasible.

**30. <u>Funding Considerations</u>**

This issue is not applicable to our proposal. We do not propose any changes that would require funding.

**31. <u>Evaluation of Small Claims System</u>**

A full evaluation of our proposal is included above.

Very truly yours,

Kevin P. McCulloch