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October 19, 2012

**Submitted By Online Submission Procedure**

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 Notice of  
Inquiry (77 F.R. 51068) (Docket No. 2011-10)**

Dear Register Pallante:

**I. Introduction**

We are writing to express the views of the American Bar Association's (the "Association") Section of Intellectual Property Law ("the Section") responding to the Copyright Office's August 23, 2012 Second Notice of Inquiry concerning adjudicating small copyright claims in alternative forums. These views have not been submitted to the American Bar Association's House of Delegates or Board of Governors, and should not be considered the views of the Association.

The Section appreciates the Copyright Office's inquiry regarding small copyright claims and supports the goal of assessing and mitigating the hindrances that currently exist in preventing copyright owners from pursuing copyright claims of relatively small economic value. In its response, the Section addresses the Office's inquiries under four primary areas of consideration as follows: 1) Nature of the Tribunal and Process; 2) Attorney Representation; 3) Remedies for Small Copyright Claims; and 4) State Court Alternatives.

**II. Nature of the Tribunal and Process**

The Section recommends that the Small Claims Tribunal be virtual, allowing the parties to submit and respond to claims electronically without the need for personal appearances and that claims be decided by experienced copyright professionals specifically trained to administer and decide these claims. With respect to the Copyright Office's Second Notice of Inquiry, these responses address sections 2, 6, 7, and 16.

## **- Inquiry No. 2: Voluntary Participation**

The Section recommends that the process be voluntary with the parties agreeing to waive their right to a jury trial in federal district court to proceed in the Copyright Office's Small Claims Tribunal. While all parties to a dispute involving a low monetary award should benefit from a less costly and streamlined process, additional incentives may need to be incorporated to encourage parties to adjudicate their claims using an alternate system to the federal courts.

The Section recommends that the Copyright Office provide appropriate public guidance that requests federal courts to consider a party's willingness or lack of willingness to voluntarily participate in the small claims process as one of the many factors a federal court weighs in determining whether to award a prevailing party attorney fees under 17 U.S.C. § 505.

This may not be a strong incentive ultimately, but the Section recommends that the Copyright Office consider additional, meaningful incentives for an otherwise reluctant party to consent to the Small Claims Tribunal, while preserving the right to elect a jury trial in district court.

## **- Inquiry No. 6: Virtual Location of Tribunal**

In keeping with a goal of fashioning a more efficient, faster and less expensive process for adjudicating small claims, the Section recommends that there be no requirement for personal appearances by any party, to eliminate the delay and expense of traveling to an inconvenient jurisdiction. All claims and responses could be submitted electronically, with appropriate proofs and declarations submitted in electronic format. If the adjudicator requires a hearing, the hearing could be conducted on a more informal basis and use generally available technology such as teleconferencing or videoconferencing technology to avoid the necessity of personal appearances.

## **- Inquiry No. 7: Qualifications of the Adjudicators**

The Section recommends that the Small Claims Tribunal consist of adjudicators who have copyright experience and are trained in this type of dispute resolution, unlike generalist state court judges. Similar to a roster of mediators or arbitrators that are identified by expertise, the Small Claims Tribunal could have access to the names of various industry experts who have experience in copyright law and dispute resolution. Parties could mutually elect or the Copyright Office may assign an adjudicator from a roster of experts in copyright law, one who is knowledgeable about the types of works in question. Therefore, the Section recommends that the adjudicators in the Small Claims Tribunal should be lawyers with some copyright knowledge and experience in order to make the process effective.

### **- Inquiry No. 16: Conduct of the Proceedings**

The Section proposes that the proceedings could be handled in a manner similar to ICANN Uniform Domain Name Dispute Resolution (“UDRP”) which provides a good example of an effective alternative to federal litigation. The UDRP allows papers to be filed online or by email. The UDRP complaint must reflect that: 1) the domain name is confusingly similar to complainant’s trademark; 2) the registrant has no legitimate interest in the domain name; and 3) the domain name was registered and is being used in bad faith. The defendant then has the opportunity to file an answer. There are no personal appearances, amendments, discovery, motions or trials and this decreases the cost of the UDRP. If no party files additional submissions, the matter then goes to an arbitrator or an arbitration panel experienced in trademark law. The UDRP process functions well to resolve domain name disputes and is an example that the Copyright Office could model a Small Claims Tribunal after.

Following the UDRP model, a plaintiff in an action alleging copyright infringement should be required to identify the work and verify ownership of a copyrightable work. While a copyright registration in a work is useful to clarify ownership and to identify the work at issue, it is acknowledged that many copyright owners may not have registered the allegedly infringed work prior to utilizing the Small Claims Tribunal. Because the expedited registration process is costly and may be prohibitive to those copyright owners who would benefit from this alternative, the Copyright Office might consider incorporating simultaneous submission of a copyright application on an expedited basis, but at the standard filing fee, as part of the claim process. The Copyright Office would then provide the tribunal with the Copyright Office’s evaluation. Should the Copyright Office refuse to register the claimant’s application, then the claim would no longer be eligible for the small claims treatment.

The Section also recommends that the Copyright Office plan to provide a guide for the Small Claims Tribunal, much like the WIPO Guide to the UDRP. The guide would include instructions on how to file a claim as well as explain the necessary elements of a claim, and possible defenses in order to facilitate the process. Sample claim forms and responses would be useful in creating a more streamlined process. Plaintiffs could be required to declare that they have read and understood the guide before filing a claim.

### **III. Attorney Representation**

#### **- Inquiry 15: Representation**

The Section recommends that the Small Claims Tribunal allow, but not require, an attorney to represent any of the parties.

Given that one of the very reasons for considering an alternative forum for resolving small copyright disputes is to avoid the expense of traditional proceedings, it would be

counterproductive to require a party to incur the substantial expense of legal representation.

However, there may be situations where a party cannot avoid the expense of counsel, because, for example, a corporation or other business entity may appear in federal court only through legal counsel. Although a voluntary proceeding akin to arbitration avoids this problem in many states, it does not do so everywhere. In some jurisdictions, a corporate officer, director, or employee who is not an attorney licensed in that state engages in the unauthorized practice of law when he or she represents a corporation in an arbitration proceeding even if the arbitration rules do not prohibit such representation.<sup>1</sup>

Presumably, the parties would submit their positions for ruling to the tribunal, virtually based in Washington, D.C. Unfortunately, it is not clear that the unlicensed advocate would be subject only to the DC rules concerning unauthorized practice and not subject to the rules in force in the jurisdiction where he/she is physically located or where his/her client is physically located or domiciled. Absent clarification, business entities may feel compelled to use legal counsel to avoid potential concerns of engaging in the unauthorized practice of law.

Therefore, although the Section recommends that the Small Claims Tribunal allow the parties to decide for themselves whether they would like to proceed with or without legal counsel, there may be some instances in which representation is desirable or unavoidable.

#### **IV. Remedies for Small Copyright Claims**

##### **- Inquiry No. 29: Empirical Data**

The Section's comments on the subject of the permissible claim amount have been informed by two sources of empirical data. First, the Section consulted the *Report of the Economic Survey 2011* of the American Intellectual Property Law Association (the "AIPLA Report"). Second, the Section conducted a poll of the members of its Copyright Division by e-mail as described below.

##### The AIPLA 2011 Economic Report

With respect to the AIPLA 2011 Report, the data described and analyzed there is based on an email survey of 14,524 AIPLA members and non-members, with 2,577 (17.7%) responding. The survey was conducted in early 2011, gathering data from respondents' experiences in 2010.

The data reported in the table below are for copyright cases with less than \$1 million at risk. Presented are the costs of prosecution/defense by sellers (litigators) and

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<sup>1</sup> See e.g., *Nisha, LLC v. Tribuilt Construction Group, LLC*, No. 11-927, 2012 WL 1034641 (Ark. 3/29/2012) (noting that Florida and Ohio also follow the same rule).

buyers (corporate counsel) of copyright litigation services. The survey instructions asked participants to respond only if they had personal knowledge of the costs incurred for the type of work to which the question pertains. The question which produced the data relevant to our inquiry was the following:

*45. What is your estimate of the total cost of a copyright infringement suit (i) through the end of discovery, and (ii) inclusive of discovery, motions, pre-trial, post-trial, and appeal?*

Responses were as follows:

<b>Costs through the end of discovery</b>					
<b>Location</b>	<b># of Respondents</b>	<b>Mean</b>	<b>1<sup>st</sup> Quartile</b>	<b>Median</b>	<b>3<sup>rd</sup> Quartile</b>
<b>Boston</b>	3	\$135K	ISD	\$100K	ISD
<b>New York City</b>	10	\$161K	\$88K	\$175K	\$250K
<b>Philadelphia</b>	5	\$234K	\$135K	\$250K	\$325K
<b>Wash. DC</b>	8	\$174K	\$50K	\$118K	\$200K
<b>Other East</b>	10	\$181K	\$50K	\$150K	\$281K
<b>Metro Southeast</b>	6	\$201K	\$74K	\$200K	\$325K
<b>Other Southeast</b>	6	\$450K	\$250K	\$350K	\$750K
<b>Chicago</b>	12	\$260K	\$105K	\$225K	\$388K
<b>Minneapolis</b>	4	\$400K	ISD	\$250K	ISD
<b>Other Central</b>	27	\$145K	\$50K	\$110K	\$200K
<b>Texas</b>	11	\$256K	\$100K	\$250K	\$300K
<b>Los Angeles</b>	6	\$292K	\$175K	\$250K	\$413K
<b>Other West</b>	10	\$191K	\$100K	\$150K	\$250K
<b>Total*</b>	118	\$216K	\$100K	\$200K	\$271K
<b>All costs through appeal</b>					
<b>Location</b>	<b># of Respondents</b>	<b>Mean</b>	<b>1<sup>st</sup> Quartile</b>	<b>Median</b>	<b>3<sup>rd</sup> Quartile</b>
<b>Boston</b>	3	\$270K	ISD	\$300K	ISD
<b>New York City</b>	10	\$257K	\$119K	\$238K	\$363K
<b>Philadelphia</b>	5	415K	\$263K	\$500K	\$525K
<b>Wash. DC</b>	8	261K	\$89K	\$200K	\$388K
<b>Other East</b>	10	320K	\$96K	300K	\$513K
<b>Metro Southeast</b>	7	345K	\$200K	300K	500K

<b>Other Southeast</b>	6	658K	\$450K	\$575K	\$1000K
<b>Chicago</b>	12	525K	\$163K	\$500K	\$775K
<b>Minneapolis</b>	4	725K	ISD	\$500K	ISD
<b>Other Central</b>	26	283K	<b>\$108K</b>	250K	\$405K
<b>Texas</b>	11	429K	\$200K	\$400K	\$500K
<b>Los Angeles</b>	6	517K	\$338K	\$525K	\$675K
<b>Other West</b>	9	344K	\$165K	\$300K	\$350K
<b>Total*</b>	117	384K	\$175K	\$350K	\$500K

\* San Francisco logged two responses, but that was deemed insufficient data to report and so those results were omitted from this table.

By definition, this data emanates from cases that are substantial enough for the parties to have engaged in litigation, but presumably they are at the bottom end of the scale. One can see that the first quartile in several regions around the country is at or below \$50K in costs through discovery; and at or below \$100K in total costs through trial (data points highlighted in the table above, this range incorporates 45 of the 118 responses, or 38%).

#### The Email Poll of Copyright Division Members<sup>2</sup>

Inasmuch as the data provided in the *AIPLA Report* provides cost information on only those copyright cases that were big enough to litigate and inasmuch as it sweeps together costs for the smallest of cases and costs for cases with up to \$1MM at risk, the Section sought to gather data more precisely targeted at identifying the range below which litigation is commonly not an economically viable option.

Accordingly, on September 26, 2012, the Section polled by email the approximately 500 members of its Copyright Division, asking a single question. The poll requested responses in two days. Twenty-seven responses were received, a response rate of just over 6%. However, although the email poll was distributed to all members of the Division who had provided an email address and authorized its use for communications from the Division, responses were invited only from a subset of distributees whose practice has included the litigation of copyright claims. So the Section does not have an accurate measure of the number who responded in relation to the total population of Division members whose practices include litigation of copyright claims. Presumably, the actual response rate was higher than 6%, but the Section does not know how much higher.

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<sup>2</sup> Time constraints forced this poll to be conducted with a very short turnaround time, which was certainly a factor in the response rate. If the Office would consider additional data, the Section would be willing to re-run this poll under more favorable conditions and would also be willing to poll Section members on other questions that might be of interest to the Office.

The question posed by email was as follows:

*At what value of likely recovery (and disregarding the potential for also recovering attorneys' fees) would you consider litigation of an uncomplicated copyright claim economically justifiable (please check the range that most closely reflects your experience in evaluating potential recovery against the cost of proceeding):*

*A-- a likely recovery of some amount less than \$10,000*

*B-- a likely recovery of \$10,000 to \$19,999*

*C-- a likely recovery of \$20,000 to \$29,999*

*D-- a likely recovery of \$30,000 to \$39,999*

*E-- a likely recovery of \$40,000 to \$49,999*

*F-- a likely recovery of \$50,000 to \$59,999*

*G-- it would take a likely recovery of more than \$60,000*

The 31 responses were arrayed as follows:

Choice	Range	# of Responses	
A	< \$10K	3	A-C = the 1/3 that would accept a case with an under \$30,000 recovery.
B	\$10K-\$19,999	3	
C	\$20K-\$29,999	4	
D	\$30K-\$39,999	2	A-F = the 2/3 that would accept a case with an under \$60,000 recovery.
E	\$40K-\$49,999	4	
F	\$50K-\$59,999	3	
G	>\$60K	12	G = the 1/3 who would turn away a case with a projected recovery less than \$60,000.
<b>Total</b>		31	

Approximately one-third of the respondents would turn away a copyright case where the likely recovery would be less than \$60,000. But about two-thirds of the respondents would accept an uncomplicated case with a likely recovery of less than \$60,000. Only about one-third of respondents would accept an uncomplicated case with a likely recovery of less than \$30,000.

**- Inquiry No. 10: Permissible Claim Amount**

In setting a jurisdictional limit for an alternative Small Claims Tribunal focused on speedy, low cost resolution of claims, the limit needs to be low enough so that the adopted procedural compromises are palatable and high enough so as not to leave too big a gap between, on the one hand, those cases that fall within the jurisdictional limits of the alternative tribunal, and on the other, those cases that are practically speaking big enough to litigate.

If, then, there are parts of the country where copyright cases can be, and are being, resolved, by settlement, summary judgment, or trial, for between \$50K-\$100K

(representing 45 out of 118 respondents to the AIPLA Survey), and if two-thirds of respondents to the Section's poll of Copyright Division members would accept an uncomplicated copyright case with a likely recovery of \$60,000, then it seems that a jurisdictional limit in the \$25,000-\$30,000 range would not leave too big a gap between the small claims limit and the bottom end of economically viable litigation.

Moreover, a cap at \$30,000 would have the additional advantage of encompassing the entire available range of statutory damages for infringement that is not willful.

Finally, as an additional point of reference, the Section notes that twelve states have small claims limits of \$10,000 or more and one state, Tennessee, has a small claims limit of \$25,000.<sup>3</sup>

Wherever the jurisdictional limit might finally be set, it is of no consequence whether it is applicable to one claim or to multiple claims asserted in the same proceeding. Counterclaims should be permitted, but should not be compulsory, especially if they exceed the jurisdictional limit.

**- Inquiry No. 18: Damages**

Apart from establishing a jurisdictional limit, the Section identified no reason or purpose that would justify otherwise altering existing law and policy on recoverable damages. Both actual damages proved and statutory damages at the discretion of the tribunal should be allowed, subject to the cap. Because the process is voluntary and contractually based, no statutory changes are needed if the Copyright Office limits monetary awards and other relief.

**- Inquiry No. 19: Equitable Relief**

The Section recommends that the Small Claims Tribunal be limited to adjudication of claims for damages. The Section is concerned that under some circumstances, certain forms of equitable relief might well have an economic impact that far exceeds the jurisdictional limit ultimately established for this alternative tribunal-- e.g., a seizure and destruction order for inventory of the accused work with a value that exceeds the established cap or an order to remove or change material in a completed production. There does not seem to be any justification for permitting a party to evade the jurisdictional limit by requesting equitable relief. The expedited and streamlined procedures likely to be incorporated in a Small Claims Tribunal are antithetical to the sort of evidentiary inquiry and record necessary to support an award of equitable relief.

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<sup>3</sup> Tenn. Code Ann. §16-15-501; \$10,000 in Alaska [Alaska Stat. §22.15.040], California [Cal. Code §116.221], Illinois [705 Ill. Comp. Stat. §90], New Mexico [N.M. Stat. Ann. §34-8A-3], Texas [Texas Gov't Code Ann. §28.003], Utah [Utah Code Ann. §78A-102], and Wisconsin [Wis. Stat. §799.01(1)]; \$12,000 in Pennsylvania [42 Pa. Const. Stat. §1123] and South Dakota [S.D. Codified Laws §16-12C-13]; \$15,000 in Delaware [Del. Code Ann. tit. 10, §9301] and Georgia [Ga. Code Ann. §15-10-1§.

The Section does not envision that the tribunal would have the power to enforce equitable orders.

**- Inquiry No. 20: Attorneys' Fees and Costs**

As with damages generally, the Section identified no reason that would justify altering existing law or policy with respect to the award of attorneys' fees and costs, subject of course to the jurisdictional cap.

As discussed earlier, the Section recommends that the Copyright Office issue guidance encouraging federal courts to consider a party's willingness or lack thereof to participate in the Small Claims Tribunal as a factor in awarding attorney fees to a prevailing party. This may encourage plaintiffs to participate in the Small Claims Tribunal, but it might not encourage defendants to participate if the plaintiff has not previously registered the work at issue in sufficient time to make attorney fees available as required under 17 U.S.C. § 412.

The Section considered a statutory change that would entitle a party in federal court to attorney fees if the other party refused to voluntarily participate in the Small Claims Tribunal and ultimately lost in federal court. The Section did not adopt this recommendation because: (1) a legislative change may significantly delay the implementation of the Small Claims Tribunal and (2) the assurance of attorney fees in that instance may be too great a deviation from existing law for multiple stakeholders to embrace.

**V. State-Court Alternatives**

**- Inquiry Number 28: State Court Alternative**

The Section recommends against asking state courts to address copyright issues whether in established Small Claims Tribunals or otherwise. As federal courts have exclusive jurisdiction over copyright issues, the state courts have not had the opportunity to develop sufficient expertise to handle these cases. The Section is skeptical that state courts would uniformly welcome a request to now address a new specialized area given the demands that state judges at all levels be familiar with an array of civil and criminal matters.

Further, as the notice of inquiry states, statutory changes would be necessary to change the jurisdiction of the courts over copyright issues. The Section's recommendation to first attempt a voluntary process that offers incentives for the parties to participate is attractive in that it avoids or minimizes the implementation of statutory changes.

**VI. Conclusion**

The Section appreciates the opportunity to comment on the Copyright Office's inquiry regarding the creation of a possible new adjudication process for small copyright

claims. The Section's recommendations are based on the vast experience of its many members as well as empirical data that exists, and the Section believes that its comments will provide the Copyright Office with better insight in its efforts to create a much needed avenue for small copyright claims adjudication.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Joseph M. Potenza". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

Joseph M. Potenza  
Section Chair  
ABA Section of Intellectual Property Law