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Submitted Online via http://www.copyright.gov/docs/smallclaims

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

Re: Notice of Inquiry re Remedies for Small Copyright Claims, 77 Fed. Reg. 51,068 (2012)

Dear Register Pallante:

I am the Executive Director of the Kernochan Center for Law, Media and the Arts and a Lecturer in Law at Columbia University School of Law. I submit this comment in response to the Copyright Office Notice of Inquiry cited above, regarding the adjudication of "small copyright claims," i.e., copyright infringement claims with a relatively small economic value. I have not attempted to answer all of the questions posed in the notice; those that I have commented on are grouped as indicated below.

Nature of the tribunal and attributes of the process (Questions 1, 6, 16, 28, 30)

Recommendations as to the nature of the tribunal have to be tempered by pragmatism in several respects. In my view, the best approach would be to create an alternative process with a right of review by Art. III courts. As a political matter, it may be unrealistic to adjudicate small copyright claims by means of a streamlined process within the existing system of Art. III courts. There has traditionally been resistance in the federal judiciary to creating "specialized courts." While the copyright small claims procedure would not require a "specialized court" within the existing federal system, it would require a specialized process. Judges and legislators might fairly question why small copyright claims should have access to such a process, while other small federal claims do not. Moreover, significant additional funding from the government is unlikely in the current economic climate, so this approach could impose added expenses on Art.

III courts that they would be reluctant to absorb. One might argue that under the new regime small copyright claims could be resolved more efficiently and would require fewer court resources, but clearly one object of the small claims initiative is to provide a lower-cost forum for copyright small claims currently not being asserted. If it is effective in doing that, the additional costs resulting from an increase in filings could easily outrun any cost savings that resulted from greater efficiency.

Providing an opportunity to litigate in state small claims courts by altering the parameters of exclusive federal jurisdiction seems problematic in several respects. Since 1978 all federal copyright claims have been reserved to federal courts, so the state courts have no particular expertise in copyright matters. And as a practical matter, such claims would then be heard in a multiplicity of different systems with different rules. State small claims recovery limits are not uniform; would the access to state courts effectively be different in different states? Or would the modification of exclusive federal jurisdiction involve only cases where the amount at issue is no greater than that of the state with the lowest recovery limit in its small claims court?

Accordingly, having an alternative process managed by the federal government (probably, but not necessarily, by the Copyright Office) seems like the best alternative. Of course serious concerns about funding inevitably remain; it seems unrealistic to expect that the parties who use the small claims procedure will, through filing fees or other payments, completely cover the costs of the system. Such a requirement could well defeat the goal of a small claims process.

Any small claims process must be as simple and straightforward as possible so that parties are encouraged to take advantage of it, and the cost of running the system is not prohibitive. Accordingly, dispute resolution based entirely on papers, perhaps with the possibility of long-distance proceedings through the use of widely available mechanisms such as Skype, seem the likeliest means to keep costs down. Discovery should be permitted to allow for those cases in which critical information resides with the opposing party, but it should be very limited in time and scope.

Conditions for participating in the small claims process (Questions 2, 8, 12)

Plaintiffs with eligible claims should be permitted, but not required, to bring claims in the small claims system. As I discussed in my earlier comments, by so doing a plaintiff may be deemed to have waived his/her Seventh Amendment rights. The plaintiff may not thereby waive defendant's rights, however. One possibility is to make the use of the new procedure entirely voluntary, so that defendant may transfer to federal court in a timely manner. However, if there is concern that defendants will thwart plaintiffs' attempts to use the small claims procedure in every instance, it seems that defendants' Seventh Amendment rights can be accommodated by a robust right of appeal to a federal court where a jury trial is available. In either case, it may be

possible to provide incentives for defendants to remain in the small claims system. For example, transfer by a defendant might be discouraged by providing that the cap on damages that plaintiff acceded to in seeking relief in the small claims system will not be applicable in federal court, nor could plaintiff's initial recourse to the small claims system be used as evidence of plaintiff's damages. Similarly, provisions concerning an award of attorneys' fees and costs could be designed to encourage resolution in the small claims system. For example, it might be possible to craft a rule that if defendant appeals to federal court after disposition of the matter through the small claims regime, and fares no better, then defendant will be responsible for plaintiff's attorneys' fees and costs on the appeal. See the further discussion of incentives to use the small claims regime, below.

Concerning eligible works: works of visual art, including photographs, are often used as examples of types of works whose rightholders would benefit from a small claims regime, because the license fee for certain uses of such works can be little more (and sometimes less) than the filing fee for a federal court action. However, they are not the *only* such works, so it's hard to justify making a distinction among categories of works. Instead, the availability of the small claims mechanism should depend on the nature of the claim and the amount sought.

Requiring that a plaintiff wait for a registration certificate to be issued or denied before bringing an action (rather than demonstrating that the Copyright Office has received a complete registration application) would seem to run counter to the goals of a small claims proceeding. Many potential plaintiffs would have to choose between a significant delay or a significant payment (for faster processing of its application) before commencing an action. Easing this requirement for small claims proceedings could encourage plaintiffs to resort to the small claims regime rather than the federal courts. At the same time, the differing requirements could lead to a strategy whereby defendant seeks a transfer to federal court (assuming such a transfer is available) precisely to require defendants to make this choice.

Willingness to use the small claims process (Questions 15, 19, 22)

For many parties trying to decide whether or not to invoke (or remain in) the small claims regime, the determination will be governed by their assessment of the relative costs of dispute resolution in the two systems, and the potential downside risk of using the small claims process.

For a defendant evaluating whether to transfer to federal court, the potential downside risk might appear to be whatever recovery limit exists in the small claims proceeding. (The potential recovery limit is discussed below.) However, other things could also sway the decision. For example, if the small claims decision has precedential value, then the potential downside risk could ultimately be significantly greater. That is also true if equitable relief is available within the small claims proceeding.

I would be cautious to rule out any possibility of equitable relief – more specifically, an injunction – in the small claims proceeding. Perhaps consideration could be given to providing for the possibility of at least limited injunctive relief (prohibiting defendant from engaging in the same infringing activities with respect to the specific works that were the subject of the proceeding) or other mechanisms to ensure that damages awarded under the small claims procedure do not simply translate into costs of doing business.

The decisions in the small claims proceeding should not have precedential value, except as between the parties to the proceeding in which the ruling was made. Otherwise, the recovery limit is not a realistic assessment of the potential risk to a defendant, and defendants will be more likely to resort to federal court.

Assuming that the small claims procedure permits but does not require representation by an attorney (a position which I advocate), either party may find that attractive. While it is generally assumed that these costs fall more heavily on individuals than they do on businesses, potential attorneys' fees necessarily figure into most defendants' assessment of how to proceed in an infringement action; those costs go right to the bottom line.

Permissible claims (10, 18, 20)

Any limit on recovery has to be high enough to make the small claims proceeding a desirable dispute resolution mechanism for plaintiffs, but not so high that the risk to defendants outweighs the potential benefits. For purposes of a pilot program, I would set the permissible claim amount in the $20,000-$30,000 range. It would be wise to begin with a pilot program and evaluation before launching a full scale small claims process. It is difficult to anticipate and address at the outset all of the possible issues that could arise in implementing such a system.

In my view, only actual damages and not statutory damages or attorneys' fees should be available in a small claims proceeding. If there is a limit on recovery, one might well argue that it should not make any difference what the basis for the award is. But concerns about statutory damages relate not only to the amount available in absolute terms, but also to perceived disparity between actual damages and the amount of statutory damages awarded. The availability of statutory damages that might significantly outstrip actual damages (even if those statutory damages are capped) could discourage use of the small claims procedure. Moreover, the examples raised in support of a small claims system are those in which the cost of an infringement action in federal court outstrips the potential recovery. This is less likely to be a

problem where the copyright in plaintiff's work has been timely registered and plaintiff is eligible for statutory damages and attorneys' fees.

Respectfully submitted,

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