



Proposal For Small Copyright Infringement Claims

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on behalf of the
American Photographic Artists
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in response to a solicitation from the
United States Copyright Office

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OVERVIEW

The United States has evolved a highly sophisticated system of litigation, punctuated by detailed and nuanced rules for almost any contingency. Designed fundamentally to seek justice, its welter of requirements serve that goal well—when the stakes are high and both sides are financially prepared to enforce their rights to the hilt. Unfortunately, however, the concomitant reality is that those rules can actually serve to hinder justice when the stakes are relatively low, with one party more intent on erecting procedural roadblocks and multiplying expenses than on reaching resolution of the matter at hand. A frequent motivation to do so on the defense side is to increase the costs to a level that deters prospective plaintiffs from initiating suit, or at least making it essentially impossible for those plaintiffs to find an attorney willing to undertake a meritorious action on any viable fee basis.

Mindful of those pitfalls, the American Photographic Artists respectfully submit this Proposal to streamline the operation of copyright infringement cases in which the amount in controversy does not warrant take-no-prisoners litigation. Without endorsing the nomenclature, the APA uses the term “small infringement claims” in this Proposal to match the language in the Copyright Office’s request for “Remedies for Copyright Small Claims.” (Use of that term is not meant to refer or relate to the practice in many states where cases involving small amounts in controversy—usually a few thousand dollars or less—can be litigated without lawyers in special “small claims” courts devoted to hear such disputes.)

Copyright owners are restricted to the federal courts, which enjoy sole jurisdiction over all copyright matters arising under Title 17, United States Code, regardless of their size or complexity. The current Proposal sets forth a blueprint to allow all parties to reach quick resolution of smaller infringement claims in federal courts, with only the necessity for minimal changes to the governing statute, and the adoption of appropriate administrative guidelines akin to those already employed in many state courts with respect to commercial cases. Copyright owners will thereby be spared the Hobson's choice of either giving up their meritorious claims or else being forced to spend more to vindicate those claims than they are actually worth. Those charged with copyright infringement equally stand to benefit, by the promulgation of equitable standards that will quickly move many cases to settle fairly and resolve the balance economically, with a substantial savings of judicial resources. Finally, the nation as a whole should benefit by fulfilling its mandate to afford "equal justice under law" to citizens perched on all rungs of the economic ladder.

STATEMENT OF INTEREST

The American Photographic Artists (<http://www.apanational.com>) is a leading national organization run by and for professional photographers. With its culture that promotes a spirit of mutual cooperation, sharing and support, the APA offers outstanding benefits, educational programs and essential business resources to help its members achieve their professional and artistic goals. Headquartered in Atlanta, Georgia with chapters in Atlanta, Los Angeles, the Midwest, New York, San Diego, San Francisco, Charlotte, Colorado, the Northwest and Washington, DC, the APA strives to improve the environment for photographic artists and clear the pathways to success in the industry. Recognized for its broad industry reach, the APA continues to expand benefits for its members and works to champion the rights of photographers and image-makers worldwide.

The APA has a core value of advocacy for its members, as well as for the benefit of all photographers. The organization greatly appreciates the Copyright Office's request to submit comments on the issue of small infringement claims. Towards that end, the APA has participated with other visual art organizations in discussions on the subject of Remedies for Copyright Small Claims. Those organizations include Graphic Artists Guild (GAG), Professional Photographers of America (PPA), Picture Archive Council of America (PACA), North American Nature Photography Association (NANPA), Editorial Photographers (EP) and National Press Photographers Association (NPPA).

Some of those other organizations are anticipated to file their own comments with the Copyright Office, at times expressing divergent recommendations from those highlighted herein. Nonetheless, the APA shares with each of those entities the goal of protecting the copyright of every member, along with all copyright holders in general. The APA and the other trade organizations listed above are jointly committed to achieving a fair system that provides more opportunity for copyright holders whose rights are infringed to be able to vindicate their rights in a court of law.

SUMMARY OF PROBLEM

Photographers tend to be small business owners; most are sole proprietors earning \$50,000 dollars or less each year. The cost of doing business can be staggering for photographers, due to dramatic and constant improvements in the technology of the trade. When the traditional legacy workflow of photographers shifted from film and silver halide processes to digital capture and electronic devices for processing and moving images, a sea change occurred: The cost of staying current and competitive escalated astronomically.

While the intrinsic cost of doing business has increased for photographers, the advent of the digital age has, at the same time, engendered a dramatic increase in the volume of copyright infringement of graphic works. Purloining of such works, whether produced for use by multi-national corporations for advertising purposes, use on apparel, product packaging or reportage, has become routine. Infringers include, at times, large corporations with substantial resources, including legal counsel well versed in the ins and out of civil litigation, as well as the substance of copyright law. On the other hand, the creators of such works tend to be sole proprietors with limited financial resources and even less legal sophistication.

The Copyright Office's Notice of Inquiry for Remedies for Small Copyright Claims perceptively states:

. . . while a copyright owner may want to stop an infringement that caused a relatively small amount of economic damage, that owner may be dissuaded from filing a lawsuit because a potentially small award may not justify the potentially large expense of litigation.

The APA appreciates the insight that went into that formulation. Even when the possible rewards of statutory damages and attorney's fees are present, the process of initiating litigation, and its upfront costs, too often pose an insurmountable hurdle to prospective plaintiffs. Under the current system, it may take years to reach resolution of an infringement case. The result is that most photographers cannot even attempt to bring an action against an infringer. Potential defendants know that fact full well, and often do all they can to drag a plaintiff along until there is no recourse but to give up.

Litigators who represent photographers, illustrators, artists, and the like have observed that the current system deters authors from asserting their rights, renders these cases difficult for any attorney to take on, and encourages copyright infringement by all phases of society. Systems to tailor court resources to the complexity of the case before it are in effect in many busy state courts, such as the Supreme Court of the State of New York in New York County. The economic benefits to those already overloaded courts are substantial.

A MULTIPLICITY OF POTENTIAL SOLUTIONS

The best protection for low-economic-value claims would arise from making *automatic* the recovery of attorney's fees and statutory damages by prevailing plaintiffs. By contrast, current law affords those remedies only for the benefit of copyright proprietors

who, *prior to the commencement of infringement, have registered their work* in the records of the United States Copyright Office. Accordingly, under existing law, infringement of then-unregistered works remains beyond practical redress.

Consonant with the ideal of formulating the ideal solution, some sister organizations intend to champion before the Copyright Office a change to existing law, such that antecedent registration will no longer serve as a pre-requisite to recovery of attorney's fees and statutory damages. In principle, the APA supports those efforts. When the final language of the various proposals is formulated, the APA expects to align itself with those groups supporting an amendment to existing U.S. law that would allow such recovery, even absent registration predating the commencement of infringement. The considerations set forth below starting on page 24 further underscore the desirability of that approach, as the ideal way to proceed.

At the same time, opposition to such an amendment to the Copyright Act can be anticipated, given how deeply embedded into the structure of U.S. copyright law the various registration formalities have become. Even if limited to small claims, any dispensation of the pre-existing registration requirement will be viewed, in some quarters, as a significant change to be opposed. For that reason, the instant Proposal sets forth a less sweeping approach to redressing current problems. Specifically, it retains current registration strictures, and crafts relief around existing law in that regard. The APA hopes thereby to blunt opposition to more fundamental amendments to U.S. law, making this Proposal appealing to a broader range of voices within the U.S. copyright community.

In any event, this Proposal and all the others to be submitted will form part of an ongoing dialogue. The APA looks forward to reactions from other interested parties to the stance offered herein, even as it intends to offer constructive feedback to other proposals that will be offered. While committed to the details below as a minimum baseline, the APA supports even more fundamental reform, to the extent that such reform proves politically feasible. On that basis, the APA joins with its sister organizations in supporting effective remedial options for small infringement claims. It focuses on a limited Proposal, as more fully formulated below, in order to avoid the specter that relief might be forestalled entirely, if opponents succeed in preventing alteration to copyright registration strictures.

SUMMARY OF PROPOSAL

The essence of the instant Proposal is to set forth an alternative vehicle to traditional full-scale litigation, applicable to simple copyright infringement cases that seek to recover no more than \$80,000. Consenting parties can have their positions quickly evaluated by a Magistrate Judge sitting in the appropriate United States District Court in which the case is pending. At the outset, every effort will be made to bridge the financial gap between the parties, such that the case can settle expeditiously.

If immediate resolution proves impossible, then the case itself is tried with a minimum of procedural wrangling and delay. The party that made a reasonable proposal to settle is rewarded through judicious recovery of its attorney's fees; the party that blocked reasonable efforts at settlement finds itself without the means to recover its own attorney's fees. These twin features facing all parties at the end of the process are designed to impel

each to make a sober assessment of the strength of its position at the beginning. The goal is to maximize incentives to settle the dispute early in the process; by its very existence, the new structure encourages parties to settle without the need to file suit at all.

This Proposal does not change operative law with regard to registration. Only those claimants who have timely registered their works will be allowed to take advantage of the new procedural standards specified in this Proposal. The APA is redoubling efforts to inform its members of both the ease of copyright registration and the considerable benefits that flow from undertaking that step. At the same time, the APA would also like to continue to work with the Copyright Office, to streamline the procedures for electronic filing and ensure that they operate in the most user-friendly fashion for the benefit of photographers.

The Proposal presented below is forward-thinking but easily achievable. It offers real solutions to an ever-present and increasing problem facing photographers and all copyright holders—the ability to undertake litigation of a copyright infringement case when the magnitude of the infringement does not warrant full-bore civil litigation as it typically unfolds in federal court.

MECHANISM OF OPERATION

The Proposal works basically as follows: Let's say that Photographer sees her protected work reproduced without her consent in a book put out by Publisher. Photographer took the subject shot in 2005 and registered it in that year. She just discovered the target book, which was published in 2011.

Under traditional standards, Photographer could file suit in federal court against Publisher for its unauthorized use of her photo. She has various remedies available to her, including actual damages, disgorgement of profits, statutory damages up to \$150,000, plus an injunction and an order to destroy unsold copies of the subject book. The case might take several years to wend its way through District Court. Nothing in the Proposal forces Photographer to act differently. She could still choose that same course of action.

At present, the District Court is a “one size fits all” system when it comes to copyright cases. The Proposal departs from that framework by allowing Photographer, if she so elects, to have this cause of action treated under the Proposal. To do so, she would style her complaint as one for an eligible small infringement claim. She would have to cap her prayer at \$80,000, and give up any request for preliminary equitable relief. She would also waive her right to jury trial and consent to the case proceeding on an expedited timeline before a Magistrate Judge.

It is then up to Publisher to decide how to react. It could assent that this is a relatively minor matter. At that point, the stage is set for both parties to move towards speedy resolution. The matter will be set for trial before a Magistrate Judge, who will use “rocket docket” procedures to expedite the case's progress. Those procedures are already crafted to allow expeditious discovery, limited to reasonable contours.

A key feature of the Proposal is that *both the plaintiff and the defendant* will be obligated to make an offer of judgment. In fact, as the process unfolds, they may make

successive offers that progressively narrow the gap between them. Let's say that Photographer initially evaluates her entitlement at \$60,000; she would offer to settle for that amount. At that point, Publisher might conclude that the case is worth no more than \$5,000; it would counteroffer to settle for that lesser amount.

If the parties mutually decide to resolve their dispute for an intermediate amount, the eligible small infringement claim is over. Otherwise, the case moves quickly to trial. The Magistrate Judge will enter appropriate judgment at its conclusion. The critical question is how that judgment will stand vis-à-vis the parties' demands:

- If Photographer obtains \$60,000 or more, then she will also recover her attorneys' fees.
- If Publisher prevails, or even if it loses but has to pay less than \$5,000, then it will recover its attorney's fees.
- If the court rules in the plaintiff's favor, but awards her somewhere between \$5,000 and \$60,000, then the case will be treated as it is under existing law, in which the Magistrate Judge will have discretion to award the plaintiff her attorney's fees, should circumstances warrant.

The process of each side formulating a settlement offer, akin to an Offer of Judgment under Rule 68 of the Federal Rules of Civil Procedure, is necessarily dynamic. That is, given that Photographer will wish to recover her fees, she has every incentive to demand less, in order to maximize her odds in that regard. Therefore, even if she is convinced that her claim is worth \$60,000, prudence might dictate she demand only \$45,000, in the event that the Magistrate Judge is persuaded, when all the evidence comes in, to award less than the plaintiff's own evaluation. By the same token, Publisher will wish to recover its own fees. The same considerations would therefore move it, even if convinced that the plaintiff's claim is worth no more than \$5,000, to offer \$20,000, lest the Magistrate Judge take a different view of where the evidence leads. Thus, to the extent that the parties each formulate an amended offer of judgment, then the new state of affairs is as follows:

- If Photographer obtains \$45,000 or more, then she will also recover her attorneys' fees.
- If Publisher prevails, or even if it loses but has to pay less than \$20,000, then it will recover its attorney's fees.
- If the court rules in the plaintiff's favor, but awards somewhere between \$20,000 and \$45,000, then again the case is treated as it would be under current law without reference to passage of the Proposal.

The vital aspect of the status just recounted is that only \$25,000 now separates the parties. Rather than litigate the matter to trial, it might be possible to bridge that gap through another amended round of offers. More and more cases will hopefully settle as a consequence of adopting this Proposal.

The considerations above were premised on Publisher’s assent to treating Photographer’s complaint as an eligible small infringement claim. Alternatively, Publisher might withhold its assent. It has the constitutional right to insist on trial by jury, and therefore could refuse to have the matter adjudicated by a Magistrate Judge. In that sense, any small claims system remains optional. The result of Publisher’s declination to treat the matter as an eligible small claim is that the normal rules of civil procedure and discovery will apply to the case. But, once resolution is reached, the Proposal will still govern eventual award of attorney’s fees:

- If Photographer obtains judgment in any amount—even only \$1,000—then she will also recover her attorneys’ fees.
- If Publisher prevails, then it will not be able to recover its attorney’s fees.

If the plaintiff’s case strikes Publisher as clearly non-meritorious and simple to deflect, then its loss of the potential ability to recover its fees might occasion little concern. Publisher could refuse to accept the case as an eligible small infringement claim in that event. But, if the defense is that straightforward, it might be wondered why Publisher would not simply rely on the Magistrate Judge to summarily reject the plaintiff’s claim.

In short, the incentives created by the Proposal are for plaintiffs to be able to obtain counsel and to designate their complaints as eligible small infringement claims without risking their life savings to do so, and for defendants to accept that characterization. Once both parties have so agreed, then further incentives push the case to settle on reasonable terms. In that fashion, the Proposal respects the rights of plaintiff copyright owners, without countenancing extortionate demands from them, at the same time that judicial resources are conserved. By “shrinking” the forum to the size of the case, the need for United States District Judges and their staff to be involved in such cases is substantially reduced.

INELIGIBLE CLAIMS

Of course, not all causes of action are fit to be treated as eligible small infringement claims. A significant part of the Proposal draws the applicable boundaries. In summary fashion, to be eligible for that status, a case must be brought solely for federal copyright infringement and/or final injunctive or other equitable relief in support thereof, as to a work that was timely registered (as discussed starting on page 24 below), in which the plaintiff seeks a maximum of \$80,000. A case is not eligible for small infringement claim status if it seeks preliminary equitable relief. If the defendant wishes to counterclaim along identical lines, then the case may still qualify as an eligible small infringement claim.

Those limitations place many cases outside the framework of eligible small infringement claims. The case does not so qualify if the plaintiff includes a Lanham Act cause of action; if the defendant counterclaims for an antitrust violation; if either party prays for more than \$80,000 total; if any of the plaintiffs or any of the defendants refuse to assent; or if other specified circumstances are present.

In all those events, the Proposal governs how to treat the resulting non-eligible claim. That inclusion is essential, for if a defendant could avoid the strictures of the Proposal

simply by adding a non-meritorious counterclaim, then the Proposal could effectively be set at naught. Sample cases, and their resolutions, are as follows:

- If Photographer designates her complaint as an eligible small infringement claim, but Publisher responds by suing her for trespass to chattels, which counterclaim the jury roundly rejects, then Photographer would be eligible to recover her attorney's fees expended on the copyright claim, even if the jury only awarded her a nominal amount on her copyright infringement claim.
- Conversely, if Publisher prevailed on its trespass to chattels counterclaim, then there was manifestly more to the parties' dispute than a simple eligible small infringement claim. In that event, Photographer would not be presumptively entitled to recover her attorney's fees on the copyright claim, even if she recovered her full prayer for relief.
- If Photographer's case arose against Publisher and nine Book Stores, and all parties agreed to its status as an eligible small infringement claim except for one of the stores, then the case as a whole would not acquire that status. If Photographer was forced to litigate the case to completion and prevailed against all parties, then she should recover her attorney's fees from the one non-consenting defendant.

Obviously, hundreds of permutations may arise. It is impossible to detail all of them in advance; but the analysis below runs through a number of examples. Suffice it to conclude that the Proposal as a whole is designed to be open-ended, allowing the judicial officer who hears the pertinent case sufficient latitude to apply the Proposal's strictures and to achieve justice in the process.

STATUTORY AMENDMENTS

To implement these proposals, Congress would need to amend limited portions of the governing Copyright Act. The matters set forth below show existing portions of Title 17, United States Code, with proposed additions added in context set forth in italic typeface.

§ 101. Definitions

Except as otherwise provided in this title, as used in this title, the following terms and their variant forms mean the following:

“State” includes the District of Columbia and the Commonwealth of Puerto Rico, and any territories to which this title is made applicable by an Act of Congress.

A “small infringement claim” is a case filed in United States District Court alleging infringement and arising exclusively under this Title, in which there are no claims for preliminary equitable relief and the total amount of monetary damages sought by all plaintiffs does not exceed \$150,000. In the event of a counterclaim, the case may still qualify as a small infringement claim, so long as the total amount of monetary damages sought by all counterclaimants likewise does not exceed \$150,000.

§ 505. Remedies for infringement: Costs and attorney's fees

In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs. *In any case initially filed as a small infringement claim, the court in its discretion may award the recovery of full costs and a reasonable attorney's fee by or against any party other than the United States or an officer thereof, pursuant to the regulations established for those claims by the Register of Copyrights, as provided in this Title.*

§ 702. Copyright Office regulations

(a) The Register of Copyrights is authorized to establish regulations not inconsistent with law for the administration of the functions and duties made the responsibility of the Register under this title. All regulations established by the Register under this title are subject to the approval of the Librarian of Congress.

(b) *The Register of Copyrights shall establish regulations setting forth procedures for the treatment and handling of small infringement claims. Those procedures shall be binding on all affected parties, as well as on courts trying such claims (to the extent consistent with those courts' governing rules).*

REGULATORY AMENDMENTS

To implement these proposals, it is also necessary to adopt implementing regulations. The Library of Congress is commended to consider the following new Part to be incorporated into Title 37 of the Code of Federal Regulations.

Part 213: Treatment and handling of eligible small infringement claims

213.1: General

(a) *Scope*

(1) The provisions of this part apply to a small infringement claim under Section 702(b) of title 17, United States Code.

(2) Whenever a case is filed as an eligible small infringement claim, then section 213.2 below shall apply to it. Whenever all the parties to that case agree that it shall be treated for all purposes as an eligible small infringement claim, then section 213.3 below shall also apply to it.

(b) *Designation of an eligible small infringement claim*

(1) When one or more plaintiffs files a complaint in any United States District Court, then those plaintiffs, by their unanimous agreement, may designate the case as an eligible small infringement claim, provided that

(A) the complaint alleges one or more counts of copyright infringement under Title 17, United States Code;

(B) those counts are eligible for recovery of statutory damages and attorney's fees pursuant to 17 U.S.C. § 412;

(C) the complaint does not allege any causes of action other than copyright infringement under Title 17, United States Code;

(D) the complaint seeks no preliminary equitable relief; and

(E) the total amount of monetary damages sought by all plaintiffs does not exceed \$80,000.

(2) If the defendants to that case unanimously so agree, they may accept the case as an eligible small infringement claim, in which case it will be treated pursuant to section 213.3 below (subject to the existence of any counterclaim, which is treated in paragraph (c) below);

(3) If the defendants to that case fail to agree unanimously to its treatment as an eligible small infringement claim, then it will be treated pursuant to section 213.2 below.

(c) *Effect of counterclaim*

(1) When one or more defendants in a case designated above in paragraph (b)(1) above shall file a counterclaim, the case is still eligible to qualify as an eligible small infringement claim, provided that

(A) the counterclaim alleges one or more counts of copyright infringement under Title 17, United States Code;

(B) those counts are eligible for recovery of statutory damages and attorney's fees pursuant to 17 U.S.C. § 412;

(C) the counterclaim does not allege any causes of action other than copyright infringement under Title 17, United States Code;

(D) the counterclaim seeks no preliminary equitable relief; and

(E) the total amount of monetary damages sought by all counterclaimants does not exceed \$80,000.

(2) If all defendants accept the case as an eligible small infringement claim and any counterclaims fall within the parameters of paragraph (c)(1) above, then the case as a whole will be treated as an eligible small infringement claim pursuant to section 213.3 below.

(d) *Consent of all parties*

(1) When a complaint is filed, if all plaintiffs so agree, they shall designate it as an eligible small infringement claim by so marking in the document's caption.

(2) When the answer is filed to a complaint, if all defendants so agree, they shall designate it as an eligible small infringement claim by so marking in the document's caption.

(3) In the event of the filing of a counterclaim, if all counterclaimants so agree, they shall designate it as an eligible small infringement claim by so marking in the document's caption.

(4) If further cross-claims are filed, in each instance the pertinent complaint and answer are subject to the same rules.

(5) In the event that further parties are added to the case as complainants and respondents, they shall be afforded the same opportunity to signal their preference whether to treat the case as an eligible small infringement claim.

(6) The case shall be treated as an eligible small infringement claim to the extent that it meets the criteria for eligibility set forth above and all parties so consent. Any later amendments that deprive a case of its eligibility as a small infringement claim may be granted only upon a showing of good cause and prejudice to the moving party that is not attributable to the lack of diligence of the moving party in determining at the commencement of the case the existence of the facts or claims sought to be pled.

(e) *Definitions*

(1) *Small infringement claim.* For the purposes of this part, the term *small infringement claim* has the meaning set forth in section 101 of Title 17.

(2) *Eligible small infringement claim.* For the purposes of this part, the term *eligible small infringement claim* means a small infringement claim that satisfies the criteria of paragraphs (b) and (c) above.

(3) *Offer of judgment.* For the purposes of this part, the term *offer of judgment* means an offer to allow judgment on specified terms, including costs then accrued.

(4) *Parties.* For purposes of this part, the terms *plaintiff* and *defendant* refer to the parties who play those roles respectively in the case-in-chief filed in the complaint. The terms *counterclaimant* and *counterdefendant* refer to the parties who play those roles respectively in any counterclaim filed in the case. The term *complainant* refers to those who play either the role of plaintiff or of counterclaimant, and the term *respondent* refers to those who play either the role of defendant or counterdefendant.

213.2: Rules and procedures governing a case filed as an eligible small infringement claim, which status is rejected

(a) If all the plaintiffs to a case eligible under section 213.2(b)(1) designate the case as an eligible small infringement claim, but any defendant declines to accept that designation or files a non-eligible counterclaim, then the case as a whole shall not be treated as an eligible small infringement claim.

(b) When paragraph (a) above is applicable, then except as provided by paragraph (c) below, the following dispositions shall govern:

(1) To the extent that all plaintiffs obtain a final judgment of liability in their favor, regardless of amount, then those plaintiffs are presumptively entitled to recover their reasonable attorney's fees.

(2) To the extent that all defendants obtain a judgment of liability in their favor, then no party is presumptively entitled to recover their reasonable attorney's fees.

(3) To the extent that at least one plaintiff obtains a final judgment of liability against at least one defendant, but not all plaintiffs prevail against all defendants, then regardless of amount, the court in its discretion may allow the recovery of reasonable attorney's fees, to any prevailing party.

(c) (1) If all plaintiffs to a case eligible under section 213.2(b)(1) designate the case as an eligible small infringement claim, but any defendant files a counterclaim, then the case as a whole shall not be treated as an eligible small infringement claim, to the extent that:

(A) a counterclaim arises for a cause of action other than copyright infringement under Title 17, United States Code;

(B) a counterclaim arises for copyright infringement under Title 17, United States Code, for which the prayer for relief exceeds \$80,000; or

(C) a counterclaim arises for copyright infringement under Title 17, United States Code, for which the prayer for relief is less than \$80,000, but

one or more defendants still decline to treat the case as a whole as an eligible small infringement claim.

(2) When paragraph (1)(A) above is applicable, then

(A) to the extent that any such counterclaim results in a final judgment of liability in favor of the counterclaimant, then the court shall not take into account of any award of costs and attorney's fees the fact that the plaintiffs initially designated the case as an eligible small infringement claim;

(B) otherwise, the provisions of paragraph (b) above shall apply.

(3) When either paragraph (1)(B) or paragraph (1)(C) above is applicable, then

(A) to the extent that any such counterclaim results in a final judgment of liability in favor of the counterclaimant, with an award on all such successful counterclaims to the counterclaimant in excess of \$40,000, then the court shall not take into account of any award of costs and attorney's fees the fact that the plaintiffs initially designated the case as an eligible small infringement claim.

(B) otherwise, the provisions of paragraph (b) above shall apply.

(d) The presumptive entitlement to recover attorney's fees described above may be rebutted for good cause.

213.3: Rules and procedures governing an eligible small infringement claim that proceeds to judgment

When a case proceeds as an eligible small infringement claim with the consent of all parties, then the following rules and procedures shall govern:

(a) *Magistrate Trial.* All parties waive their right to trial by jury and agree that all aspects of the case through final judgment shall be adjudicated by a Magistrate Judge duly appointed to hear cases in the pertinent district.

(b) *Speedy disposition.* The Magistrate Judge is encouraged to apply rules designed to streamline and hasten resolution of cases pending within that district.

(c) *Offer of judgment.* At such times set by the Magistrate Judge, each party must exchange one or more offers of judgment:

(1) Each complainant must serve an offer of judgment on the pertinent respondent.

(2) Each respondent must serve an offer of judgment on the pertinent complainant.

(3) If, within 7 days after being served, the party receiving an offer of judgment serves written notice accepting the offer, either party may then file

the offer and notice of acceptance, plus proof of service. The clerk must then enter judgment.

(d) *Costs and attorney's fees after liability is determined*

(1) If the judgment that the complainant finally obtains against the respondent is equal to or more favorable than the offer of judgment that the complainant served on the respondent, the complainant shall be declared the prevailing party.

(2) If the judgment that the complainant finally obtains against the respondent is between the amounts offered by the parties, then the Magistrate Judge shall have the discretion to recognize the complainant as the prevailing party, taking into account all the circumstances, by virtue of having won a determination of liability in its favor.

(3) If the judgment that the complainant finally obtains against the respondent is equal to or less than the offer of judgment the respondent served on the complainant, the respondent shall be declared the prevailing party.

(4) A prevailing party is presumptively entitled to its reasonable attorney's fees. For purposes of determining a prevailing party, a party's costs of suit after the offer of judgment is served, and its reasonable attorney's fees, shall not be included in comparing the judgment a party finally obtains to its offer of judgment.

(5) When no party is determined to have prevailed, then presumptively no attorney's fees should be awarded in the case.

(e) *Presumption rebuttable.* The presumptive entitlement to recover attorney's fees described above may be rebutted for good cause.

DETAILED ANALYSIS

Statutory additions

The statutory revisions of the Proposal affect only three sections of the Copyright Act. One adds a definition of “small infringement claim” to the Act (§ 101), another authorizes the Register of Copyrights to promulgate supporting regulations (§ 702(b)). Those regulations contain the essence of the Proposal; the reason that their substance is omitted from the statutory amendments themselves is to avoid a contentious battle in the halls of Congress.

In addition, the hope is to avoid any need to revert frequently to Congress for additional amendments. For that reason, the Act defines a “small infringement claim” with a ceiling of \$150,000, notwithstanding that the supporting regulations limit eligibility at present to the \$80,000 level. The intent is to build leeway into the regulatory framework; if experience proves that more cases should be included than those maxing out at \$80,000 (or if future inflation so warrants), then the Copyright Office can simply adopt new regulations for that purpose, without the need to obtain further congressional approval. Of course, the Office could also lower the ceiling in the future, if circumstances so warrant.

The third proposed statutory change (§ 505) adjusts the eligibility for recovery of attorney’s fees. As will be explained below, that change is necessary to preserve the Proposal’s incentive structure.

Regulatory additions—Part 213.1

Filing of claims

Turning to the regulations, they start by setting forth the criteria for what qualifies as an eligible small infringement claim (§ 213.1(b)). A straight claim for copyright infringement is the paradigm case. Current law allows the plaintiff to elect to recover either statutory damages or actual damages (plus the defendant’s profits not included in that computation). Under the Proposal, the plaintiff would retain that same ability. But, to qualify as an eligible small infringement claim, the plaintiff would have to disclaim recovery over \$80,000 in damages, however denominated.

To appreciate the contours that render a given case into an eligible small infringement claim, the following examples list cases that fail to qualify:

- *Suit against government.* Let us say that the plaintiff files for copyright infringement against multiple defendants, including an agency of the federal government. Exclusive jurisdiction of that claim lies in the United States Court of Claims. Inasmuch as the complaint is not filed in a United States District Court, it fails to qualify as an eligible small infringement claim (§ 213.1(b)(1)).
- *Exclusion order.* Let us say that the plaintiff files for copyright infringement and on that basis seeks exclusion of the subject goods from importation into the United States. Jurisdiction of that case lies before the International Trade

Commission, rather than a United States District Court. On that basis, it fails to qualify as an eligible small infringement claim (§ 213.1(b)(1)).

- *Declaratory relief.* Let us say that the plaintiff files suit to establish that he qualifies, along with the defendant, as a joint author of a composition that the two supposedly wrote in collaboration. The case requires construction of the Copyright Act. But, inasmuch as its gravamen is for something other than copyright infringement, it fails to qualify as an eligible small infringement claim (§ 213.1(b)(1)(A)).
- *Sound recording infringement.* Let us say that the plaintiff files for copyright infringement of sound recordings created in the 1960s and 1970s, as occurred in the famous *Grokster* and *Napster* cases. As to recordings fixed after February 15, 1972, the cause of action arises under federal law; as to prior sound recordings, by contrast, the cause of action arises under state law. Inasmuch as the complaint includes a copyright infringement cause of action not arising under Title 17, United States Code, it fails to qualify as an eligible small infringement claim (§ 213.1(b)(1)(A)).
- *Late registration.* Let us say that the plaintiff files for copyright infringement of work W, created in 2005, which the defendant is alleged to have infringed in 2010, and which the plaintiff registers for protection in the records of the United States Copyright Office in 2012, prior to filing suit. Given belated registration of W, the plaintiff cannot recover statutory damages or attorney's fees in this case. On that basis, the case fails to qualify as an eligible small infringement claim (§ 213.1(b)(1)(B)).
- *Combined violation.* Let us say that the plaintiff files for copyright infringement and trademark infringement, arising out of the same nucleus of common facts. One count of the complaint alleges something other than copyright infringement. Therefore, the case fails to qualify as an eligible small infringement claim (§ 213.1(b)(1)(C)).
- *Application for preliminary injunction.* Let us say that the plaintiff files for copyright infringement under federal law, and on that basis requests entry of a preliminary order enjoining that infringing conduct. Inasmuch as the complaint requests preliminary equitable relief, it fails to qualify as an eligible small infringement claim (§ 213.1(b)(1)(D)).
- *High damages.* Let us say that plaintiff files suit in United States District Court, solely for copyright infringement under federal law, and requests monetary damages—but in the amount of \$100,000 total. Inasmuch as the complaint requests damages in excess of \$80,000, it fails to qualify as an eligible small infringement claim (§ 213.1(b)(1)(E)).

It should be noted that some of the defects catalogued above can be easily remedied, at the plaintiff's option. For instance, in the case of *Sound recording infringement*, the plaintiff could voluntarily craft the complaint to allege infringement solely of post-1972

recordings. By the same token, in the case of *High damages*, the plaintiff could unilaterally limit the prayer for monetary relief to \$80,000; in the case of *Preliminary application to enjoin infringing conduct*, the plaintiff could drop the request for a preliminary injunction and seek only a permanent injunction as a form of final equitable relief; and in the case of *Combined infringement*, the plaintiff could limit itself to causes of action arising solely under copyright law. It is even possible that the case of *Suit against government* could be made to conform, assuming that the plaintiff could drop the governmental defendant without falling afoul of the rules of mandatory joinder.

On the other hand, some complaints may lie beyond remediation into eligible small infringement claims. In the case of *Late registration*, there is nothing that the plaintiff can do to qualify (although the plaintiff can still pursue the matter as a regular case, not governed by this Proposal). Into the same category falls the case of *Declaratory relief*. Because co-owners of copyright by definition cannot infringe on each other's rights, there is no way that the plaintiff can style the case as a qualifying one for copyright infringement.

On the other hand, if the plaintiff were to seek a declaration that the work he composed in collaboration with the defendant amounted to solely his own property under a judicious construction of the work made for hire doctrine, and if the defendant has been actively copying that work, it might be possible for the plaintiff to restyle his claim as one for copyright infringement. If that device holds, then the case would thereby qualify as a small infringement claim.

Filing of counterclaims

Once the plaintiff has filed its complaint, the defendant has the right to file a counterclaim. The same rules apply here. In other words, if the counterclaim contains a count for antitrust violation or trademark infringement, it becomes ineligible. Even if it is for copyright infringement, it is likewise ineligible to the extent it is pled along the lines of *Sound recording infringement* or *High damages*.

On the other hand, if the plaintiff sued the defendant solely for federal copyright infringement and requested up to \$80,000 in damages, to which the defendant counterclaimed against the plaintiff for federal copyright infringement and likewise requested up to \$80,000 in damages, then the case can still qualify as an eligible small infringement claim (§ 213.1(c)(1)).

To qualify as such a claim under the Proposal, all parties must consent. All plaintiffs must so agree when filing their complaint. All counterclaimants must so agree when filing their counterclaim. Thus, even if the counterclaim sets forth one count for federal copyright infringement and requests \$20,000 in damages alone, the counterclaimant still has the option of declining to characterize it as an eligible small infringement claim (§ 213.1(c)(2)).

A party's consent is required only one time. If the plaintiff files a qualifying complaint and designates the case as an eligible small infringement claim, to which the defendant files a qualifying counterclaim and designates the case as an eligible small infringement claim, then the case as a whole is so treated—there is no opportunity for the

plaintiff (in its role as counterdefendant) to reject the case’s status at that juncture as an eligible small infringement claim (§ 213.1(d)(6)).

Filing of cross-claims and addition of parties

Even the complaint and counterclaim do not exhaust the procedural postures that may arise. A given defendant may implead additional parties through cross-claims. Another party may join as a plaintiff-intervenor. Additional postures may arise. (§ 213.1(d)(5)).

The principle applicable throughout the Proposal is that unanimity is required. (§ 213.1(d)(1)). If all parties to the case so agree, and if all claims appropriately qualify, then the case as a whole may be treated as an eligible small infringement claim. (§ 213.1(d)(6)).

At times, a party may attempt to defeat that characterization by adding in new plaintiffs or defendants. If undertaken in good faith for an appropriate reason, there is nothing untoward about adopting those procedural mechanisms. If undertaken to defeat the Proposal, by contrast, then the court has the power to ensure that the recalcitrant parties fail to gain from their gamesmanship, as described below on page 21.

Under existing rules in many districts, a plaintiff or defendant who wishes to safeguard its rights under the Seventh Amendment to the United States Constitution must prominently label the Complaint or Answer with the phrase “Jury Trial Requested.” Conversely, the Proposal mandates that those who wish to adopt its framework—and thereby waive the right to jury trial—must label their pleadings as an “Eligible Small Infringement Claim.” When the initial complaint is so labeled, then the court has the power to adjust ultimate awards of attorney’s fees accordingly, even if the case as a whole loses that designation (whether through non-consent of various parties or otherwise), as described below on pages 22-24.

Regulatory additions—Part 213.3

Simple claims

The heart of the proposal is its treatment of an eligible small infringement claim. Those cases are tried to a Magistrate Judge rather than a United States District Judge. (§ 213.3(a)). The Magistrate Judge is urged to apply rules that expedite trial (§ 213.3(b)). Certain districts, such as the Eastern District of Virginia, already incorporate “rocket docket” rules; it is the intent of the Proposal that rules along those lines be applied to all eligible small infringement claims. To the extent that the district in which the case arises already has such rules on the book, their application is straight-forward. To the extent that the case arises in a district that currently lacks such rules, the Magistrate Judge may adopt such standards for the purpose of trying eligible small infringement claims.

Much of the Proposal’s heavy lifting emerges from its adoption of rules mandating offers of judgment from both sides (§ 213.3(c)(1)-(2)). In the happy event that those figures converge, then the case is resolved (§ 213.3(c)(3)). Otherwise, each party is encouraged to make multiple offers narrowing the gap between them. At the end of the day, each party’s

best offer forms the basis for the case's ultimate disposition. The matter is best appreciated through some examples.

- *High recovery.* Let us say that the plaintiff's complaint requests damages in the amount of \$80,000, but its last offer of judgment before trial was for \$45,000, as opposed to the defendant's simultaneous offer to pay \$25,000. If the Magistrate Judge awards the plaintiff \$50,000, then the plaintiff recovers not only that amount but also its attorney's fees (§ 213.3(d)(1)). That upshot obviously represents a large victory for the plaintiff.
- *Low recovery.* Let us say, in the above instance, that the Magistrate Judge instead awards the plaintiff \$20,000. In that instance, the plaintiff recovers that amount, but the defendant concomitantly recovers its attorney's fees (§ 213.3(d)(3)). That upshot obviously represents a partial victory for the defendant.
- *Intermediate recovery.* Let us say, in the above instance, that the Magistrate Judge awards the plaintiff \$30,000. In that instance, the plaintiff recovers that amount, which falls between the two parties' respective demands. Under current law, the plaintiff is deemed the prevailing party, but only can recover its attorney's fees within the court's discretion. The Proposal retains that aspect of current law (§ 213.3(d)(2)).

It should be noted that the above represents a partial departure from existing standards. Let us start with the case of *High recovery*. Under current law, the plaintiff's recovery of \$50,000 renders it the "prevailing party." As such, the court has discretion to award the plaintiff its attorney's fees. Nonetheless, standards vary from circuit to circuit, and even among districts, when to award such fees. The innovation of the Proposal is that the award of the plaintiff's attorney's fees should be presumptive (§ 213.3(d)(4))—in other words, it will occur in almost all instances (subject to overcoming the presumption in favor of that proposition, as discussed below on pages 20-21).

The case of *Low recovery* represents an even more pronounced departure from existing standards. In that instance, the plaintiff's recovery of \$20,000 renders it the "prevailing party." As such, it is eligible under current law to recover its attorney's fees, within the court's discretion. Although existing "offer of judgment" rules justify the imposition of costs incurred after the offer has been rejected, those costs do not include attorney's fees. Therefore, existing standards in the case of *Low recovery* might force the plaintiff to pay for such relatively minor matters as the defendant's deposition costs incurred after the offer of judgment has been made—but would *not* warrant the significant matter of the defendant's recovery of its attorney's fees. In order to implement new governing standards, the Proposal has included the amended language in 17 U.S.C. § 505 regarding recovery of attorney's fees.

As indicated above, there is no operative change from existing law in the case of *Intermediate recovery*. In that instance, the plaintiff's recovery of \$30,000 likewise renders it the "prevailing party" under current law, eligible to recover its attorney's fees, within the court's discretion. The Proposal continues that state of affairs (§ 213.3(d)(2)).

Addition of counterclaims

The same considerations apply in the presence of a counterclaim. Each complainant and respondent must exchange offers of judgment (§ 213.3(c)(1)-(2)). What matters here is the aggregate status after each party has made its final offer, after being given the opportunity for successive amendments.

- Let us imagine, in addition to the cross offers of \$45,000 versus \$25,000 on the case in chief, that the counterclaimant demands \$20,000, to which the counterdefendant responds with a maximum offer of \$10,000. Gauged against those standards, if the plaintiff recovers more than \$35,000 (\$45,000 - \$10,000), it also deserves its attorney's fees. If the defendant is ordered to pay less than \$5,000 (\$25,000-\$20,000), then it conversely deserves its own attorney's fees. If the award to the plaintiff falls between \$5,000 and \$35,000, then the case is treated the same way that current law dictates.
- To take a different example, we can preserve the cross offers of \$45,000 versus \$25,000 on the case in chief, but posit that the counterclaimant demands \$70,000, to which the counterdefendant responds with a maximum offer of \$10,000. At this point, the plaintiff has put forward an aggregate demand of \$35,000 (\$45,000 - \$10,000), for its benefit, and the defendant has put forward an aggregate demand of \$45,000 (\$70,000 - \$25,000), for its own benefit. If the Magistrate Judge awards the plaintiff more than a balance of \$35,000 (let us say, by awarding the plaintiff \$50,000 on the case in chief and charging it \$12,000 for the counterclaim), then the plaintiff qualifies as the prevailing party. By contrast, if the Magistrate Judge awards the defendant more than a balance of \$45,000 (let us say, by awarding the plaintiff nothing on the case in chief and charging it \$50,000 for the counterclaim), then the defendant is the prevailing party. Any other intermediate award—such as an aggregate of \$30,000 to the plaintiff or an aggregate of \$40,000 to the defendant—warrants no presumptive award of attorney's fees, but rather an award within the Magistrate Judge's discretion (§ 213.3(d)(2)).

Rebutting presumption

In the instances noted above, the award of attorney's fees is made presumptive (§ 213.3(e)). Accordingly, for good cause shown, the Magistrate Judge may decline to award fees. A further word is indicated about the various levels that could apply to the award of fees.

- In theory, the award of attorney's fees could be *automatic*. The so-called British rule frequently follows that approach. Neither current U.S. copyright law nor the Proposal adopts that expedient.
- One level down, the award of attorney's fees could be *presumptive*. Under current U.S. copyright law, some circuits adopt a standard that seems close to that norm, but others reject it. The essence of the Proposal is to adopt that standard nation-wide, limited to the realm of eligible small infringement claims.

- A further level down, the award of attorney’s fees could be *discretionary*. That standard is the one imposed by the current statute. *See* 17 U.S.C. § 505. In other words, at present, a court may, in its discretion, award attorney’s fees to the prevailing party in a copyright infringement case, but the prevailing party is not presumptively entitled to such fees.
- At the lowest level, the award of attorney’s fees could be *prohibited*. Neither current law nor the Proposal embody that strict application of the so-called American rule.

To revert to the simple claim in which the plaintiff’s and defendant’s demands were respectively \$45,000 and \$25,000, the Magistrate Judge could award the plaintiff its fees, assuming a substantive award of more than \$45,000. Nonetheless, if the plaintiff engaged in litigation abuse or otherwise unnecessarily prolonged the proceedings, the judicial officer could deem the presumption rebutted, and thereupon decline to award the plaintiff its fees.

Coordinately, the Magistrate Judge could award the defendant its fees, assuming a substantive award of less than \$25,000. Again, if the defendant withheld discovery or otherwise acted in bad faith, she could deem the presumption rebutted, and thereupon decline to award the defendant its fees.

Under the regulations, the Magistrate Judge lacks absolute discretion to act however she deems appropriate under the circumstances. In the former case, for instance, although she could deny the plaintiff its fees, she lacks authority to award the defendant its fees, given that the plaintiff prevailed. By the same token, in the latter case, she lacks authority to award the plaintiff its fees, given that the defendant held the plaintiff below the amount that the defendant had initially offered to pay.

Regulatory additions—Part 213.2

A vital feature of the Proposal is its reaching out to exert influence even when the subject case is not tried as an eligible small infringement claim. Without those safeguards, parties could simply “game the system” to avoid those aspects of the Proposal that might otherwise exert control over their behavior.

Consider first an unscrupulous defendant. Charged with violating the plaintiff’s copyright via a complaint setting forth an eligible small infringement claim, the defendant wishes to stiff-arm the plaintiff’s legitimate case; cause the plaintiff undue delay and headache in the process; but without exposing itself to ultimate responsibility for paying the plaintiff’s attorney’s fees thereby incurred.

The defendant could respond to the copyright infringement complaint by refusing to go along with its characterization as an eligible claim. Or it could nominally consent to that status, but at the same time allege its own counterclaim setting forth a different cause of action—from interference with prospective economic advantage to trademark infringement to copyright infringement itself in an amount more than \$80,000. The presence of such a counterclaim would remove the case as a whole from treatment as an eligible small infringement claim. If those courses of action ended the Proposal’s application, its strictures

would be toothless. For that reason, the Proposal includes elaborate procedures that govern cases initially filed as an eligible small infringement claim, notwithstanding that the characterization fails to stick.

Consider next an unscrupulous plaintiff: Party X worked as an employee for Company Y, with a signed agreement that all work product would constitute works made for hire belonging to Y. X left Y's employ and founded a rival business, based on copyrightable work product made during the course of employment. On that basis, X earned over \$1 million. Knowing that Y is going to sue him for copyright infringement, X takes the initiative and sues Y first. He files his complaint as an eligible small infringement claim, in the hopes that the magnitude of the case as a whole will be limited to \$80,000. If this course of action guaranteed that dollar amount as a ceiling, then the new scheme could serve as an engine to avoid rightful liability.

Accordingly, the Proposal is crafted to undermine strategic behavior aimed at frustrating the orderly administration of justice. Some examples illustrate.

- *Successful small claim.* Let us say that the plaintiff has a valid case of copyright infringement against the defendant, which the plaintiff voluntarily agrees to limit to \$80,000. The defendant refuses the characterization as an eligible small infringement claim, in order to render the plaintiff's ultimate recovery so expensive as to be cost-prohibitive. Therefore, the plaintiff is forced to slog through the entire litigation process, at the conclusion of which it prevails on liability. Regardless of the magnitude of its recovery, the plaintiff should also recover its attorney's fees (§ 213.2(b)(1)). Thus, the fact that the case was originally filed as an eligible small infringement claim is decisive, notwithstanding that the case was not ultimately so resolved.
- *Failed small claim.* By contrast, let us say that the plaintiff fails to prevail on liability. There is no monetary liability here, and no transfer of attorney's fees, either (§ 213.2(b)(2)).
- *Complex small claim.* Let us say that the case arises by multiple plaintiffs against multiple defendants. At least one plaintiff prevails against at least one defendant, proving that the case itself was meritorious—but at least one defendant likewise prevails against at least one plaintiff. Obviously, the permutations here could be endless. To avoid the fruitless task of trying to conceptualize every possibility, the Proposal simply allows the court to award any prevailing party its attorney's fees (§ 213.2(b)(3)). In this way, those parties who acted in good faith (whether in prosecuting or resisting the allegations of copyright infringement) have the opportunity to explain to the court the basis on which they should recover their fees.
- *Successful non-copyright counterclaim.* Let us say that, in response to the plaintiff's allegation of copyright infringement, the defendant interposes a counterclaim for something other than copyright infringement, as to which the defendant succeeds. Given that the defendant possessed a legitimate bone of contention against the plaintiff, it was presumptively reasonable for the defendant

to countersue, even though the result was to disqualify the case as a whole as an eligible small infringement claim. As such, the defendant should in no way be penalized. For that reason, the Proposal draws no adverse inference against the defendant (§ 213.2(c)(2)(A)). Instead, antecedent law controls here; to the extent that such law militates towards award of fees to one party, that result continues under the Proposal. Conversely, to the extent that such law militates against award of fees to either party, that result likewise continues to govern.

- *Unsuccessful non-copyright counterclaim.* Now let us posit that, in the above scenario, the defendant's counterclaim fails to prevail. This case is treated identically to cases in which there was no counterclaim (§ 213.2(c)(2)(B)). In other words, to the extent that the plaintiff's copyright infringement case in chief succeeds, the case as a whole is treated as the above case of *Successful small claim*. Conversely, to the extent that the plaintiff's copyright infringement case in chief fails, the case as a whole is treated as the above case of *Unsuccessful small claim*.

Now, let us alter the scenario to posit that, in response to the plaintiff's allegation of copyright infringement, the defendant interposes its own counterclaim for copyright infringement. If this were a circumscribed situation, in which the total amount at issue was \$50,000, then both the plaintiff's case in chief and defendant's counterclaim could have been tried together as an eligible small infringement claim. There is every reason to encourage defendants, in that context, to consent to that treatment.

On the other hand, if the scenario matches that described above regarding Party X who worked as an employee for Company Y, in which Y has a legitimate claim against X for \$1 million, there is every reason to support the defendant's decision *not* to consent to treatment of the case as a whole as an eligible small infringement claim. The Proposal for that reason distinguishes between the following two situations.

- *Successful copyright counterclaim.* Let us say that the defendant prevails against the plaintiff on the copyright infringement counterclaim for more than \$80,000. Plainly, that circumstance retroactively validates the defendant's election to decline treatment of the case as a whole as an eligible small infringement claim. Alternatively, let us posit that the defendant legitimately evaluates the value of the counterclaim at \$100,000, but the jury ultimately discounts that figure. For these purposes, the Proposal adopts a cut-off of \$40,000 (admittedly an arbitrary figure, as would any other amount that could be selected). To the extent that the counterclaimant recovers more than that amount, then its efforts are deemed successful (§ 213.2(c)(3)(A)). In that event, this case is treated the same way as the case of the *Successful non-copyright counterclaim*.
- *Unsuccessful copyright counterclaim.* Now, let us imagine that the defendant recovers less than \$40,000 on its counterclaim for copyright infringement. In that case, its efforts are deemed unsuccessful (§ 213.2(c)(3)(B)). As a consequence, this case is treated the same way as the case of the *Unsuccessful non-copyright counterclaim*.

It must be added that the determinations as to cases filed as eligible small infringement claims, but which ultimately lose that status, rely on rebuttable presumptions, in the same manner as applies when the case retains that status throughout (§ 213.2(d)). For instance, reverting to the case of Party X who worked as an employee for Company Y, it could be that Y had a good faith belief that its counterclaim against X was worth over \$150,000, but the jury may have awarded Y only \$35,000. If the court is convinced of Y's *bona fides* in that instance, it could exercise its discretion to treat the judgment as other than an *Unsuccessful copyright counterclaim*, which would have had the result of awarding the plaintiff its attorney's fees. Instead, the court could deny the plaintiff its fees, based on all the attendant circumstances.

The Magistrate Judge's ultimate resolution constitutes final judgment by the District Court. As such, it is subject to appeal to the pertinent circuit. To the extent that the judgment comports with the statute and regulations, as amended by the Proposal, it should be sustained on appeal.

FURTHER CONSIDERATIONS REGARDING REGISTRATION

Current law allows a photographer to register a group of unpublished photos as a unit for a single fee of \$35. Although that amount is relatively modest, it represents a significant hurdle for a photographer earning only \$200 for a project. In those instances, registration itself stands as an impediment to holding infringers accountable—When the infringement in question nets a modest amount, the economics cannot support filing suit for violation of the plaintiff's copyright interest. For those reasons, the APA supports the efforts of its sister organizations who wish to go further than the instant Proposal by allowing small infringement claims to result in award of attorney's fees even when registration did not take place until after the subject infringement commenced.

Moreover, other complex aspects can arise at the threshold, which would be better eliminated from the streamlined process of adjudicating small infringement claims. To appreciate the status here, it is first necessary to review when existing law allows recovery of statutory damages and attorney's fees.

- *Early registration.* Let us say that Photographer records a shot on January 15, which is later featured in a magazine that was first issued on March 1. The photographer promptly registers all the photos from that day's session in January. If infringement takes place in April, then the remedies of statutory damages and attorney's fees are fully applicable.
- *Registration within three months of first publication.* Now, let us imagine that Photographer does not register the work, but instead the magazine takes out the registration certificate in the normal course of its business. That registration occurs on May 1. Inasmuch as the statute allows a three-month grace period following first publication (17 U.S.C. § 412(2)), the heightened remedies are again fully applicable to the infringement that commenced in April (even though prior to the actual date of registration).

- *No application to pre-publication infringement.* Now, let us change the operative circumstances such that infringement occurs on February 20 (based on a mole absconding with photos from the magazine, prior to publication, and vending them to a third party). Even though the registration (May 1) took place within the applicable grace period after first publication (March 1), in this instance the infringement took place earlier (February 20). Accordingly, in subsequent litigation, the plaintiff is *not* entitled to the heightened remedies (17 U.S.C. § 412(2)).
- *Uncertainty as to photographer's website.* Of course, it would be unusual in the above instance for the infringement to take place on February 20 (which is why it was necessary to imagine something as unusual as a turncoat within the magazine structure). On the other hand, it is easy to imagine that the Photographer herself uploaded the subject images to her own site on February 1. Thereafter, infringement might take place on February 20, prior to the magazine's publication in March. The further question arises whether the Photographer's own website constitutes *publication* of its contents, as that term of art is understood in copyright jurisprudence. Given an affirmative answer, then registration at any time until May 1 falls within the statutory grace period. On the other hand, a negative answer means that the February 20 infringement will not support the heightened remedies.

At present, the law is undeveloped on this point. Accordingly, there is no clarity whether the Photographer's website constitutes *publication* of the subject images upon uploading. The APA urges the construction that such publication has taken place by virtue of the February 1 uploading of the subject photographs, meaning that their infringement starting on February 20 supports the award of statutory damages and attorney's fees. Nonetheless, that proposition itself could be debated under existing case law. Rather than engage in complex motion practice over this very proposition as a threshold to determining whether the litigation qualifies as an eligible small infringement claim, it would be preferable to elide the investigation altogether. This reasoning further underlines why the ideal solution to the issue of small claims would dispense with the registration requirement, as is being proposed by the APA's sister trade organizations.