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LIBRARY OF CONGRESS

Copyright Office

[Docket No. 2011-10]

Remedies for Small Copyright Claims

Comments Submitted by the Graphic Artists Guild

by electronic filing

Re: *Federal Register*, Vol. 76, No. 208, Thursday, October 27, 2011, Notices

**INTRODUCTION**

From the moment you get up in the morning, you are surrounded by graphic art. A graphic artist's job and talent is to translate society's ideas and messages from the market to you in visual form. Your sheets are designed by a textile artist, as are the fabrics you wear. The enticing labels on the food you buy at the grocery store, or the bags and containers that you get from a fast-food restaurant, are designed by graphic artists. Your morning newspaper (in print or online) or TV news program was formatted by a graphic designer or broadcast designer. The book, magazines, or newspaper you read as you commute to work are designed by graphic designers, and illustrated by artists and photographers. The logos, letterheads and brochures you see at work present visual images that enhance the written messages you receive and were also created by graphic artists. Indeed, the type fonts used in these documents were developed by graphic artists. Our society depends upon the work of graphic artists to make our products and messages interesting and attractive. Virtually all areas of commerce and communications use graphic artists.

Because graphic art is so integral to the American economy, the graphic art industry is uniquely vulnerable to copyright infringement. Protecting the creative works of graphic artists should be a vital, necessary, integral part of U.S. law. Graphic artists' livelihoods depend on their ability to claim authorship of the work they produce, and to control and set fees for use of their works in the

marketplace. The ability to sell or license limited usage, or limited rights, to a creative work for a fee is not only an issue of basic fairness; it is the economic essence of copyright law that sustains the productivity of American creative professionals.

The Graphic Artists Guild supports the creation of an alternate dispute resolution, small-value, copyright infringement court within the federal district court system so that rights holders can take meaningful action against infringers. The Copyright Office began looking into this concept in 2006. The Guild endorsed it then as one of the possible solutions to the orphan works situation, and we continue to support the establishment of a practical alternative to the current federal district court system, which in practice is only viable for large-value infringement cases, irrespective of any legislative action addressing orphan works.

In 2007, Stephen Tepp was working at the Copyright Office on this issue, and proposed the possibility of gathering information from authors and creators through professional organizations such as the Graphic Artists Guild. Our National Advocacy Committee prepared a survey applicable to all authors and creators of copyrightable works to collect information regarding how rights holders had experienced infringement of their works, and if, or how, they took action against the infringer including whether they used the federal court system; if not, why they didn't, and if they would consider using an alternate court system for small-value copyright infringement. The survey would ask how authors would like such an alternate court system to work, and what the ceiling for monetary damages should be.

We would be honored to conduct this survey online to contribute to the Copyright Office's current study and information. We believe that authors and creators may respond more positively and constructively to a survey conducted by a creators' organization than inquiries by a governmental agency.

Visual art organizations including the Graphic Artists Guild [GAG], American Society of Media Photographers [ASMP], Picture Archive Council of America [PACA], Professional Photographers of America [PPA], North American Nature Photography Association [NANPA] and the American Photographic Artists [APA] have formed a joint committee to work on this issue and other legislative issues of concern to visual creators. We look forward to working with the Copyright Office in finding a workable solution to this important issue. Although we are filing individual Comment Letters, we share

the common goal of establishing a new system to facilitate fair, expeditious, affordable and easily accessible legal enforcement of the economic rights of copyright owners.

## **CHALLENGES OF THE CURRENT LEGAL SYSTEM**

Copyright infringement is rampant, especially by copying of digital works and the scanning visual works into digital format. Infringing uses rob rights holders – both businesses and individuals - of licensing income. As a practical matter, except for large corporate copyright owners, our current copyright laws are virtually unenforceable when it comes to the infringement of visual works. Too often when an infringement is discovered, there is little or nothing a rights holder can do to stop the infringing use or recoup financial damages. Litigation in federal district courts is too costly, and completely financially impractical for damages under \$30,000.

We hear from our organization’s members and other visual creators that most infringing uses of their images result in actual damages of less than \$15,000. That’s not much to big business, but to self-employed independent contractors and small studios this is a significant loss of income. Attorneys will not take on these infringement cases even if the work is registered, particularly if it’s clear that the infringer would never be able to pay actual damages, statutory damages AND the rights holder’s legal fees. We also hear from visual creators that often their work was not registered prior to the infringement, making legal action completely economically impractical because the cost of litigation would be far greater than recoverable damages. This relatively “small-value” infringement happens to nearly every professional illustrator and graphic artist during his or her career, causing economic harm to small businesses and families.

Most Americans don’t understand copyright, and that includes clients who license graphic art - both individual clients and employees of large businesses. It is not unusual for a client to make additional unauthorized use of an illustration or graphic design beyond the original license for the project. Clients mistakenly presume that either they’ve purchased the copyright when they haven’t, or that whatever fee they’ve paid grants them unlimited use. Sometimes the illustrator or graphic artist is able to bill the client for the additional usage and successfully collect, but often the client refuses to pay.

A significant infringement problem for visual creators is unauthorized copying and use of our images online; both the unauthorized sale of images and unauthorized display without sales of the images. Infringers rarely respond to or comply with a cease & desist letter sent by the creator. In some instances the ISP or host does not respond to or comply with a DMCA take-down notice, or allows the image to be reposted again later. The visual creator may have typically charged a usage fee for such online use, and ought to be able to pursue an infringer for a licensing fee for use already made, regardless of whether the infringer complied with a demand to remove the image. Injunctive relief, particularly for online use, is equally important to visual creators. Unauthorized uses of images are found on every variety and purpose of website.

Most visual works are not registered, and most of the business sector is aware of this. Many businesses take a calculated risk when they deliberately make infringing use of an image, presuming that the image has not been registered, and that in the event the visual creator discovers the infringement, he/she will not be able to take legal action. Currently, if a work was not registered before the infringement occurs (or within the 3-month grace period), the copyright owner may recover only actual damages, and that typically would not even pay the visual creator's legal fees. [See 17 U.S.C. § 412]

## **ALTERNATIVES FOR SMALL COPYRIGHT CLAIMS- THE GUILD'S RECOMMENDATIONS**

To begin, we would like to express that we have found use of the name "small claims court" in association with an alternate, small-value, copyright claims system to be problematic when discussing this issue with artists. It is already associated with an established court system and will be confusing to some people. We suggest the name "Alternate Copyright Dispute Court," or even simply, "Copyright Court."

The Graphic Artists Guild opines that the goal of an alternate, small-value, copyright infringement court system ("alternate copyright court" or "ACC") is to encourage proper business practices and the licensing of copyrighted works, as well as discourage unauthorized use. The procedure and system ought to be easy to use by both parties, with expeditious results and lower costs for the process, and with evidentiary requirements to deter false claims. More rights holders will be able to get monetary compensation from unauthorized users. Users will be aware that it is more cost-effective to contact the

rights holder and pay a licensing fee rather than infringe, because rights holders will have easier access to legal recourse.

**Determination of “Small” Copyright Claims:** We believe that infringements of visual works would be well suited to an alternate copyright court system. In an ACC, it should be easy enough for creators to produce digital files, scans, photocopies or hard copy prints of their work and any necessary documentation to present either in person or by mail as evidence. Federal judges or magistrates with copyright law expertise should be able to review this evidence of visual works much the same as they do in the current system. The Graphic Artists Guild cannot speak for the concerns of other creators such as software engineers as to whether other classes of copyrighted works could be properly and expertly reviewed, and perhaps certain classes of works would be excluded from an ACC system. We would defer to the opinions of professional organizations representing authors and creators in other classes of works as to what would be best for those works.

A limitation of the available damages to be awarded, such as \$30,000, will serve as a guide for rights holders to determine for themselves whether the ACC is appropriate and satisfactory for their particular infringement situation. Where a larger profit was made on the infringement, or more incidences of infringing use would result in higher damages, or complicated evidentiary issues exist, the rights holder may choose to file suit in the regular federal district court system.

**Voluntary or Mandatory:** Would participation in an alternate copyright court system be mandatory or voluntary for both parties? We would like to see the rights holder/plaintiff have the option to choose ACC or federal district court; however the infringer/defendant must comply with the rights holder’s choice of court system. The incentive for the rights holder to use ACC is obvious; it would be less costly, faster, and hopefully afford action against an infringer for damages too low for full-scale legal action in federal district court.

In the event that the process is not mandatory for the defendant once elected by the plaintiff, the ACC should offer incentives to deter defendants from rejecting the ACC or removing the case to federal district court. We suggest that if the rights holder/plaintiff chooses ACC and the infringer/defendant objects, the infringer/defendant would be required to pay a monetary penalty AND the rights holder’s/plaintiff’s costs and legal fees in federal district court. This would motivate infringers to comply

rather than stonewall the rights holder with the hopes that the rights holder would not pursue the infringer in federal district court. If an infringer/defendant does not appear or participate after both parties have agreed to ACC, the defendant should lose the case by a streamlined process for default judgment. We hope that the significantly lower cost of ACC would be incentive enough for participation. Perhaps in the future, if the ACC system proves to be popular and successful, it could also be an available recourse to authors/creators of works not registered prior to infringement (timely registration).

We hope that this would be a faster, easier way for rights holders to get recourse for an uncomplicated clear infringement, rather than potentially adding another step in the process. We do not think there should be an incentive to arbitration, because arbitrators are not familiar with copyright law or the business of visual art. We think there should be an incentive to choose ACC for both parties involved.

**Available Remedies:** Remedies should always include monetary relief. The ACC should have authority to grant statutory damages in excess of plaintiffs' actual damages or lost profits, or defendants' profits, to compensate plaintiffs for the costs of pursuing the claim (including attorneys' fees if attorneys are allowed to practice in the ACC), to deter infringements and to incentivize infringers to negotiate in good faith for licensing rights to artwork rather than forcing creators to take them to court.

Conditional injunctive relief should be available on a case by case basis. Continued use of infringing derivative works may be permitted if damages are paid promptly to be determined by the Court on a case by case basis. We understand that just like some uses of orphan works, there are situations of usage in collective and derivative works where it would be impossible or financially devastating for the user/infringer to remove the infringed work, but these should always be balanced against detrimental effects on the rights holder's market for the work, and damages for any allowed continued use should be determined accordingly. There should also be remedies for the destruction of goods, particularly if the infringing use conflicts with pre-existing legitimate licensing agreements between the creator and clients, or is detrimental to the creator's professional image.

Visual creators earn significant income from the licensing of our images. Often the initial use is licensed to our clients on a nonexclusive basis, and there is a robust market for secondary licensing after the initial license expires. Obtaining exclusive use of an image is of great value to our clients, who pay

considerably more for exclusive rights. When infringers use images without authorization, their use frequently conflicts with the terms of the legitimate licensee's rights, cause economic harm to our clients, devalue the work or product, and/or market confusion or saturation. It is crucial that the ACC give significant consideration to any existing licensing agreement from a rights holder granting exclusivity of use to particular parties when considering injunctive relief. Simply paying a usage fee may not be satisfactory, even if an injunction would be financially harmful or difficult for the infringer. Under U.S. copyright law, an author/creator/rights holder should always have the right to determine licensing/usage terms and fees, not an infringer. The legitimate licensee's rights and economic interests should be considered, too.

At this time, the Guild recommends that the limit of monetary damages be \$30,000, separate from any legal fees and court costs. However, we would like to survey authors and creators on this point. \$30,000 references the ceiling of statutory damages currently awarded for single non-willful infringements, and in practice seems to be a threshold of complexity of the infringement and willingness of attorneys to represent a rights holder in federal district court. The amount of monetary damages should be adjusted periodically in accordance with the cost of living index.

Payment of damages ought to occur in a timely manner, such as 30 days. Late payment penalties would encourage the infringer/defendant to pay expeditiously.

To ensure timely access to the ACC, we recommend that U.S. plaintiffs/rights holders be eligible to file their claims as soon as they have submitted application for copyright registration, as is the practice in many jurisdictions in federal court, rather than requiring them to have an issued copyright registration before filing. (Foreign authors would be exempt under Berne). There would be no prior registration or timely registration bars to obtaining ACC statutory damages.

Discovery of evidence would need to be simplified, conducted remotely by mail or teleconferencing, and more accessible to both parties without legal representation. There should be limited pre-trial discovery, such as documents that could be provided as hard copies and digital files. Similar practices for opposition and cancellation actions in the Trademark Trial and Appeal Board ("TTAB") may provide helpful examples. As in federal district court, rights holders would need to present documentation that they are the copyright owner of the work(s) at issue, such as the registration certificate or their

working files evidencing their creation of the work. The user or person legally responsible for the use of the work at issue (defendant) would be required to disclose and document all of his/her uses of the work. Rights holders would need to present a history of his/her fees and licenses, or standard industry fees for analogous uses, to support the amount of damages requested. The user/defendant would have to provide documentation of any profits made. The defendant would also have the opportunity to present a defense on all grounds available under copyright law, including fair use, independent creation, or other permitted use as described by law or contract. There should be penalties for providing false information.

**Location of Federal Court/Tribunal, Defendants' Appearance and Jurisdiction Issues:** We recommend that infringement claims of visual works could be handled by submitting documents to a central ACC location without personal jurisdictional requirements. As in the TTAB, hearings conducted by phone or video conferencing, mail, and email would work for visual works. Hearings could allow both the appearance in person of parties that can attend and participation by phone or video conferencing. People who live far from cities where courts would logically be located might be too inconvenienced by time and cost of travel to appear in person. This is already a significant problem with the current federal district court system. Again, we would like to gather information from authors and creators through a survey as to how they'd like this to work.

We believe parties should not be represented by legal counsel and should participate *pro se*. That would keep the ACC process simple, keep costs down for both parties, and create a level playing field for all involved. Ideally, the ACC system should be simple and straight-forward enough for people to handle themselves.

**State Court or Federal Court:** We don't think state courts should be involved. State court judges don't have extensive knowledge of copyright law or experience with copyright infringement cases. Federal court judges or magistrates with copyright law expertise, or new ACC judges appointed from the copyright bar would be best able to determine issues unique to copyright jurisprudence, including important defenses such as fair use.

**Affiliation With the Copyright Office or Copyright Royalty Board:** We would like to see this ACC system kept close to the Copyright Office. We recommend that the existing Copyright Review



Board review claims with assistance from the Copyright Office. We also recommend that industry professionals with expertise in certain classes of works or businesses act as consultants on particular claims based on guidelines with the Copyright Royalty Board.

**Review and Evaluation:** As with any new system or procedure, this ADR ought to be reviewed and evaluated after a few years in practice –possibly 4 years?- with recommendations for changes.

## **ABOUT THE GRAPHIC ARTISTS GUILD**

In the course of its 44-year history, the Graphic Artists Guild has established itself as the leading advocate for the rights of graphic artists on a wide range of economic and legislative issues, from copyright to tax law. Through its publication of the *Handbook: Pricing & Ethical Guidelines* (now in its 13th edition), the Guild has raised ethical standards in the industry, and provides an invaluable resource on pricing information that is relied on by both artists and clients. The Guild’s newsletter, the *Guild News*, provides lively, provocative, and useful coverage of developments in the visual communications industry for its readers.

The Guild also provides a wealth of services and benefits for its members, including educational programs, discounts on a multitude of products and services, a legal referral network, and grievance handling. The Guild’s website offers up-to-date information on Guild activities, updates on advocacy issues, members’ portfolios, individual chapters, and links to related organizations.

The Guild also has a blog, *All Things Copyright* ([www.allthingscopyright.com](http://www.allthingscopyright.com)) that posts relevant and pertinent information regarding copyright related issues and how they impact the visual arts.

Thank you for your consideration.

Respectfully,

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