

Before the Copyright Office

Library of Congress

In the Matter of)
)
Remedies for Small Copyright Claims) Docket No. 2011-10

Comments of Public Knowledge, Electronic Frontier Foundation, and Future of Music Coalition

January 17, 2012

I. INTRODUCTION.

Public Knowledge (PK), Electronic Frontier Foundation (EFF), and Future of Music Coalition (FMC) commend the Copyright Office for inviting public comments in the matter of remedies for small copyright claims. Providing copyright owners with the ability to enforce small claims is important to ensure the effective functioning of the copyright system. Equally important is the ability of defendants to defend meritorious claims. While a suit in federal district court is expensive, it also provides various procedural safeguards that permit effective presentation of cases and protect the rights of defendants. These safeguards play an important role in copyright cases, which often raise complex issues. Even where a dispute involves small monetary amounts, it is likely to involve complex issues that touch on free expression, privacy, and competition policy.

Therefore, we endorse the Office's intention to study the issue more carefully before making any recommendations. These comments are intended to assist that preliminary consideration by raising a few initial concerns. First, to the extent that an alternative system to a suit in federal district court is proposed, that alternative must ensure that it does not jeopardize procedural protections available to defendants. Second, the particular design of the alternative system should be informed by empirical evidence regarding the costs and benefits for all parties to the litigation, as well as the public who may be deprived of access to creative expression as a result of a court ruling.

II. COPYRIGHT DISPUTES MAY NOT BE AMENABLE TO AN ABBREVAITED DISPUTE SETTLEMENT PROCESS.

As the Notice observes,¹ adjudicating copyright disputes are often time consuming and expensive. Federal court procedures, including discovery, motion practice, and trial procedures contribute to this time and expense.² In order to reduce this time and expense, any alternative system presumably would attempt to reduce the number of procedures involved in federal civil litigation, and employ abbreviated procedures much like those employed in state small claims courts.³ Yet dispensing with them may prevent full and proper consideration of issues in complex copyright disputes.

A. Copyright Disputes Are Sometimes Complex And Procedures Employed in Federal District Court Are Essential to Present an Effective Case.

The Notice questions whether an alternative system could properly adjudicate fair use claims.⁴ Fair use is but one issue that may contribute to the complexity of copyright cases; there are many others. These include: the idea/expression dichotomy; copyright misuse; the first sale defense; proving the identity of the alleged infringer through discovery and forensic evidence; and proving elements of a claim of infringement e.g. that the alleged infringer had access to the work and that the original and the allegedly infringing work are substantially similar. Effective

¹ Library of Congress, Remedies for Small Copyright Claims, 76 Fed. Reg. 66,758, (October 27, 2011), available at: <http://www.copyright.gov/fedreg/2011/76fr66758.pdf>.

² *Id.* at 66760.

³ See generally Bruce Zuker and Monica Kerr, *The People's Court Examined: A Legal and Empirical Analysis of the Small Claims Court System*, 37 U.S.F. L. Rev. 315 (2003) (providing a general explanation of small claims courts procedures).

⁴ Remedies for Small Copyright Claims, 76 Fed. Reg. at 66,760.

presentation of these issues often merits discovery. It also merits a careful consideration and interpretation of precedent, an exercise which proves complicated even for federal appeals courts.⁵

Frustrating as they may sometimes be for litigants, these procedures are important both to prove infringement and defenses to infringement. An abbreviated system could adversely impact both or privilege one at the expense of the other depending on the predominant purpose that dictates its design. The Notice discusses, at length, copyright holders' inability to access justice. However, a similar discussion of the difficulties defendants face in presenting an effective defense is missing. A new system animated only by a desire to allow plaintiffs to access justice would easily overlook the importance of a vigorous defense. Yet as the Supreme Court has held: "defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious claims of infringement."⁶ Such an approach would facilitate proper demarcation of the boundaries of copyright law. Such demarcation helps users understand the extent to which they can use existing works in creating new ones. It helps innovators design their products and services, in a manner that permits new means of experiencing works while also respecting copyright owner's rights.⁷

⁵ Michael Candau and Donald E. Beederman, *The Case for A Specialized Copyright Court: Eliminating the Jurisdictional Advantage*, 21 Hastings Comm. & Ent. L.J. 717 (1999).

⁶ *Fogerty v. Fantasy*, 510 U.S. 517, 527 (1994)

⁷ See e.g. Pamela Samuelson, *The Generativity of Sony v. Universal: The Intellectual Property Legacy of Justice Stevens*, 74 Fordham L. Rev. 1831 (2006) (explaining how the Supreme Court's decision in *Sony v. Universal*, defined the scope of the law and thereby facilitated technological innovation).

B. Delineating simple cases from complex cases may be difficult.

In view of the complexities involved in copyright cases, a new forum that provides an alternative to a copyright lawsuit in federal district court, should at the very least, be limited to adjudication of the most straight forward cases. However, those cases may not be easy to identify.

The new forum could adopt a list of issues it would consider complex, for example, fair use or idea/expression dichotomy. It could then attempt to delineate cases that raise such issues in two ways. First, it could use the parties' pleadings as a basis to decide if the case presents complex issues. For instance, if pleadings make claims that the merger doctrine or fair use apply, the new forum could require that the case be removed to federal district court. However, the problem with this rule is that a party that wants a case removed to federal district court could easily do so by merely raising these claims, even when they are tenuous.

Second, the case could be removed to federal district court if complex issues are discovered as the case progresses. Because the new forum would likely employ abbreviated processes, that intermediate stage could be either after some discovery (if allowed) or when the case reaches trial or is before the judge/presiding officer for final decision. Yet the limited discovery (if any) could prevent such issues from being discovered at all. If these issues were discovered and the case were removed, the entire exercise would have wasted the time and resources of the forum, a result that it was instituted to avoid.

III. PRELIMINARY THOUGHTS ON THE DESIGN OF AN ALTERNATIVE SYSTEM.

As mentioned above, copyright disputes often present complex issues and expose defendants to great liability. Federal court procedures, while unfortunately expensive, also provide several protections to defendants and facilitate effective presentation of a case. A new system that abbreviates these procedures should be designed so that it does not jeopardize these important protections. The following suggestions account for these concerns. Because these issues are complex and merit further study and analysis, these suggestions are preliminary.

- ***The copyright owner and the alleged infringer should voluntarily submit their dispute to the new forum:***

This would eliminate difficulties in delineating simple cases from complex ones, as explained above.

- ***Damages should be capped at a maximum amount, for ex. \$5,000 PER DISPUTE.***

The purpose of a new system would be to provide a forum to adjudicate disputes, which as the Notice points out, would involve a “relatively small amount of economic damage.”⁸ This small damage to the copyright owner, combined with the lack of procedural safeguards that would otherwise be available to the defendant in a federal court, justifies a cap on damages. Applying this cap to the entire dispute instead of individual works involved in it would ensure that damages do not escalate to a point where the purpose of a cap is rendered meaningless.

- ***Within the capped amount, damages should be compensatory, not punitive.***

⁸ Remedies for Small Copyright Claims, 76 Fed. Reg. at 66759.

If defendants won't have access to the same procedural protections, they should not be subject to the same risk. One way to compensate the plaintiff could be to award the plaintiff the fair market value at which he would have licensed his work to the defendant.⁹

- ***Statutory damages, injunctions, attorney's fees and costs, seizure, and forfeiture should not be available as remedies.***

Statutory damages: The Copyright Act provided for statutory damages in order to avoid a situation where a copyright owner, who could not prove economic harm, was left with no remedy.¹⁰ However, these damages are increasingly viewed as punitive in nature.¹¹ Furthermore, because the upper and lower limits of statutory damages span a wide range and the statute and case law do not provide adequate guidance about their application, many statutory damages awards have been excessive.¹² Exposing defendants to such a possibility in an abbreviated proceeding is likely to jeopardize their due process rights.

Injunctive relief: Injunctive relief is a drastic remedy that could have grave consequences for defendants, and may often outweigh the seriousness of the harm to the copyright owner. For example, a book may be withdrawn from circulation because of one or few infringing excerpts or photos, or a movie may be enjoined from screening because of a short infringing clip.¹³ In

⁹ See *Davis v. Gap*, 246 F.3d 152 (2d Cir. 2001) (holding that the fair market value was one means of measuring the actual damage suffered by a copyright owner).

¹⁰ Pamela Samuelson and Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 Wm. & Mary L. Rev. 439, 446 (2009).

¹¹ *Id.*

¹² *Id.*, at 458-460.

¹³ See e.g. *Woods v. Universal City Studios Inc.*, 920 F. Supp. 62 (S.D.N.Y. 1996) (the distribution of a

addition, small start-ups may be thrown out of business.¹⁴ Injunctions could also adversely impact the public interest by denying access to valuable works.¹⁵ All of these consequences are not justified when the plaintiff has only suffered a small amount of economic harm that could be remedied by an award of damages.

Attorney's fees, costs, seizure, and forfeiture: The availability of these remedies raise similar concerns as the availability of statutory damages and injunctive relief.

- ***The plaintiff should establish a prima facie case.***

If the plaintiff were a copyright owner, this would include *prima facie* proof that she owns the copyright.

- ***Appeals and review by an Article III court should be allowed.***

Because any alternative forum would probably adopt abbreviated procedures and because of complexities often involved in copyright cases, an opportunity for appeal is necessary to protect the rights of the defendant.

- ***Any new mechanism should be set up on an experimental basis.***

motion picture was enjoined because the picture contained 5 scenes where the set design was based on a copyrighted drawing).

¹⁴ See *LucasArts Entertainment Co. v. Humongous Entertainment Co.*, 815 F. Supp 332, 338 (N.D. Cal. 1998) (holding that injunctive relief would not be imposed against a start up publisher of computer video games who had infringed a software tool used in the creation of the video game.)

¹⁵ See e.g. *Dr. Suess Enters., L.P. v. Penguin Books U.S.A. Inc.*, 109 F. 3d 1394 (9th Cir. 1997) (affirming the district court's decision to enjoin the distribution of a book about the O.J. Simpson trial that resembled the style of a Dr. Suess book). See also, Alex Kozinski and Christopher Newman, *What's So Fair About Fair Use*, 46 J. Copyright Soc'y U.S.A. 513 (1998-1999) (suggesting that the decision to award injunctive relief in *Dr. Suess* harmed the public interest).

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