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VIA ONLINE SUBMISSION PROCEDURE

January 13, 2012

Maria A. Pallante
Register of Copyrights
101 Independence Ave., SE
Washington, DC 20540

**RE: Remedies for Small Copyright Claims: Response to Notice of Inquiry
(76 F.R. 66758) (Docket No. 2011-10)**

Dear Register Pallante:

Introduction

We support your effort to improve the adjudication of small copyright claims. Among the alternatives described in your Notice of Inquiry, we prefer “creating a federal ‘small claims court’ or otherwise streamlining federal procedures” and outline below our suggestions for doing so.

We prefer such an alternative to the others identified, namely, “using the current Copyright Royalty Board”; “developing a staff of dedicated administrative law judges to specialize in small copyright claims”; allowing “state courts (including small claims courts) to hear small copyright claims”; and “allowing trade associations or other group representatives to bring a single large filing on behalf of a sizable group of small copyright owners.” After making our suggestions, we briefly address the other alternatives.

The three of us signing this letter have varied and extensive experience in copyright matters. Two of us (Kate Spelman and Michael Traynor) served as advisers on the Copyright Principles Project, which recently recommended a small claims procedure. See Pamela Samuelson and Members of the CPP, *The Copyright Principles Project: Directions for Reform*, 25 Berk. Tech. L. J. 1175, 1207-1208 (2010) (recommendation #5), http://btlj.org/data/articles/25_3/1175-1246%20CPP%20051811.pdf. Two of us (Cohen and Spelman) regularly teach aspects of copyright law in continuing legal education courses and are centrally involved in the ABA Section of Intellectual Property (Spelman as Division 3 “Copyright” Chair and Cohen as Committee Vice Chair of Copyright and New Technology).



Sophie Cohen also serves as an Executive Committee Member for the Intellectual Property Law Section of the State Bar of California. One of us (Traynor) served as lead counsel in defending a copyright class action that resulted in a settlement procedure that resolved the class claims and resulted in numerous claimants receiving modest compensation in exchange for use of their copyrighted works, and he serves as a volunteer member on the ADR panels for early neutral evaluation and mediation of the U.S. District Court for the Northern District of California. Our firm represents numerous clients in varied aspects of copyright law, including representing copyright owners who seek protection against infringement and persons who resist copyright infringement claims, frequently on the ground of fair use.

We are also familiar with the question of “how copyright owners have handled small copyright claims and the obstacles they have encountered” that you identify in your Notice of Inquiry. Often, they elect not to pursue a claim; or if they send a request, notice, or even a cease and desist letter, are met with stonewalling, no response, or an inadequate response. Occasionally, we receive a response that communicates willingness to explore a reasonable solution. The elements of a reasonable solution are often simple: a modest amount of compensation; attribution; and a license, permission to use, or forbearance from objecting to specified uses.

We note that in the five year period, 2006-2010, the number of copyright cases commenced in the federal courts dropped from 4,944 in 2006 to only 2,013 nationwide in 2010. *Judicial Business of the United States Courts, Annual Report of the Director, Administrative Office of the United States Courts 2010* 149, Table C-2A (Sept. 30, 2010) The recent drop perhaps is due in part to the reduction in RIAA and related filings against students and other alleged infringers of copyrights for recorded music. We expect that if an effective small claims procedure were available, with attendant reductions in the risks and costs of litigation, there would be substantially more justifiable filings by small copyright owners whose rights have been infringed and who are seeking a moderate remedy.

Given your emphasis on a study rather than immediate rule-making, we think it would be useful, if possible, to get the information you describe in your Notice of Inquiry as well as the additional empirical information your office outlined in its prepared statement furnished to the House of Representatives, Subcommittee on Courts, the Internet, and Intellectual Property, Committee on the Judiciary at its hearing on March 29, 2006, *Remedies for Small Copyright Claims*, Appendix at 45, 47 (*i.e.*, data on forbearance from asserting claims due to cost of litigation or other factors; range of amounts in controversy; range of costs borne; existing use of ADR; successful use of collective administration and licensing; assistance from trade associations and other groups).

I. Suggestions Regarding a Small Claims Process

We do not venture to suggest a specific process. We are inclined to favor an initial informal and nonbinding determination within the Copyright Office or an opportunity to proceed with a small claims process in the federal courts, supervised by a magistrate judge and using, to

the extent reasonably available, the ADR (alternative dispute resolution) procedures in the applicable courts. These two approaches are not mutually exclusive.

Some factors that may be relevant to establishing a process include:

A. **Size and Nature of the Claim**

- **Dollar Amount.** Although we do not suggest a specific dollar amount, we note that effective January 1, 2012, California has raised the jurisdictional limit of small claims “brought by a natural person” to \$10,000 (from \$7,500). Calif. Code Civ. Proc. § 116.221 (Calif. Stats. 2011, ch. 64, enacting Calif. S.B. 221). Although we think that there should be a dollar limit, we also think that the amount should be large enough to provide an adequate incentive to legitimate claimants but not so large as to create undue financial exposure to defendants. Our tentative view is that \$25,000-30,000 in today’s dollars might be an upper limit and that, for example, \$50,000 would be too much to include in any small claims process. Realistically, a small claims procedure will provide a place for individual copyright holders to get paid for the use of their work and receive some attribution.
- **Number of Claims.** In general, we expect that the small claims procedure should be applied to individual claims for infringement of a “work.” Perhaps there might be appropriate cases for aggregation of claims.
- **Supplemental Claims, e.g., in Contract.** Although we would want to maintain the federal copyright nature of the claim and not have the small claims procedure become a forum for what are really contract claims, we would not want to preclude legitimate supplemental contract claims that meet a relatedness test, such as under the supplemental jurisdiction of the federal courts, 28 U.S.C. § 1367, but that do not duplicate the primary relief sought by a copyright claim. We expect that often a monetary resolution within the small claims limits will afford the opportunity to resolve an entire case and that claimants as well as defendants will not have to concern themselves with bringing a separate contract claim in a state court.
- **Attorneys’ Fees.** We recommend against allowing the prevailing party to recover attorneys’ fees. Otherwise the small claims process may be subverted or altered to become a vehicle for claiming attorneys’ fees and possibly for creating small claims processing mills. (This is a different issue from the issue of representation discussed below.)

B. Other Essentials for a Fair Procedure. The American Law Institute (ALI) and the International Institute for the Unification of Private Law (UNIDROIT) recently published Principles of Transnational Civil Procedure (2004). One of the objectives was to identify and to reduce to their essence key principles of fair procedure that should facilitate dispute resolution of international commercial disputes. You might consider the Principles as a possible checklist from which to select or adapt key items for disputes that by definition will be smaller and capable of efficient resolution. We will mention just a few elements that seem particularly pertinent to a small copyright claims process:

- **Neutrality of Forum.** It is essential that the process and decision-maker be neutral. A process that is viewed as neutral and fair will facilitate parties talking with each other and perhaps creating their own resolution without having to have a decision made either by someone in the Copyright Office or in a federal court process.
- **Prompt Rendition of Justice.** It is essential that the small claims procedure result in an up or down resolution within a short period of time. In our view that period should be six months (or in that range). One of the virtues of the domain name resolution process is that decisions are ordinarily prompt and the parties can adapt their businesses and lives accordingly.
- **Simplified Presentations.** In general, we would expect that the presentations by each side would be in writing and that oral testimony or oral presentations, if allowed at all, would be limited.
- **Additional references:** You may wish to check resources about small claims that are available through the National Center for State Courts, including its links to small claims procedures from the states, *see* <http://www.ncsc.org/topics/court-management/small-claims-courts/state-links.aspx?cat=Small%20Claims%20Resources>. Examples of sample websites that aim to be user friendly include the Superior Court of the State of California for the County of Los Angeles, <http://www.lasuperiorcourt.org/smallclaims/ui/>, and the State of Utah, <http://www.utcourts.gov/howto/smallclaims/>. *See also* Jeffrey H. Joseph and Barry A. Friedman, *Consumer Redress Through the Small Claims Court: A Proposed Model Consumer Justice Act*, 19 B. C. L. Rev. 839 (1977), <http://lawdigitalcommons.bc.edu/bclr/vol18/iss5/1>. For the recent press release of the UK Intellectual Property Office on the new small claims service and links to the recommendation of the Hargreaves Report and the government's response, *see* <http://www.ipso.gov.uk/press-release-20111115>.

C. Threshold Requirements

- **Application or Filing Fee.** We think that the claimant should pay some appropriate but modest fee either to get a determination from an attorney in the Copyright Office or to pursue a federal court small claims process. The fee should be large enough to deter frivolous claims but not so large as to deter legitimate claims. We think a fee in the area of \$100 is about right. We also suggest that you consider whether experience in notice-giving under the DMCA is relevant, for example, whether it has led to overuse because the threshold requirements are not sufficient. Whatever limits are set on the size of the claim or the applicable fees, there may be claiming behavior issues, some of which might be anticipated or learned about in pilot projects. Some will frame their claim to come within the limits. (We note that in several areas, RAND's Institute of Civil Justice has made claiming behavior studies that you might wish to consider.)
- **Registration Formalities.** We recommend compliance with registration formalities. Registration is a useful gatekeeping mechanism that should tend to show at least a credible claim that the claimant owns the work and that the work is copyrightable. It should help weed out noncomplying claims, frivolous claims, and claims for contractual or other compensation masquerading as copyright claims. The reviewer of the claim, whether someone in the Copyright Office, or a federal magistrate judge, or a member of a federal court's ADR panel will at least have a threshold basis for determining that the work is protected by copyright and that the claimant is the owner. Given the time that full compliance with registration formalities may take and the interest in prompt disposition you might consider allowing the claim to proceed upon the claimant's providing a copy of a receipt of filing of the registration and subject to establishing that the claimed copyright has been registered.

D. Remedies

- **Monetary Compensation.** We envision the principal remedy as being an award of monetary compensation within the jurisdictional limits.
- **Injunctive Relief.** Although we would not wish to deny completely the right to an injunction in a small claims procedure, we expect that defendants will be more likely to accede to such a procedure if they are not threatened with an injunction aimed at protecting and maintaining the claimant's exclusive rights against continued infringement. Instead of such an injunction being the typical remedy, we think it should be atypical, even extraordinary, especially

in the small claims context. There is recent precedent for this approach. *E.g.*, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006); *New York Times Co. v. Tasini*, 533 U.S. 483, 505 (2001); see Michael Traynor and Katy Hutchinson, *Some Open Questions About Intellectual Property Remedies*, 14 *Lewis & Clark L. Rev.* 453 (2010).

- **Incidental Equitable Relief.** A small claims procedure should include an opportunity to secure appropriate attribution, licensing or permissions to use the claimant’s copyright, and/or declaratory relief. Modest and incidental equitable relief in the nature of attribution, or a license or permission, or a declaration, for example, that the defendant’s use was fair or not, should be permissible. Such relief, instead of enforcing and maintaining exclusive rights, could be part of a solution that recognizes appropriate rights in both parties. Although it would usually accompany an award of modest monetary compensation, there might be occasional cases when an appropriate solution will not require a monetary award. On attribution, see, *e.g.*, *The Copyright Principles Project, supra*, 25 *Berk. Tech. L. J.* at 1243-1245 (Recommendation #25); Traynor and Hutchinson, *supra*, 14 *Lewis & Clark L. Rev.* at 461-466.

- E. **Representation.** It is frequently the case in arbitrations and other ADR processes as well as in administrative agency dispute-resolution that claimants may be represented by lawyers or nonlawyers, as well as by themselves. See, *e.g.*, ABA Commission on Nonlawyer Practice, *Report with Recommendations* (Aug. 1995). In courts, however, apart from procedures for small claims or for qualified law student representation, a claimant is usually either self-represented or by a lawyer. We do not think that lawyers should be required but would not preclude either claimants or defendants from having them. We would not require claimants to proceed without any representation, however, particularly if they can get help at a reasonable cost or no cost from informed nonlawyers. See generally Deborah L. Rhode, *Whatever Happened to Access to Justice?*, 42 *Loyola of L.A. L. Rev.* 869 (2009). We also expect that the defendants will in some cases, perhaps many, be represented by lawyers.

- F. **Online Dispute Resolution Procedure.** Both claimants and defendants might appreciate having a quick and determinative on-line dispute resolution procedure, akin possibly to other procedures in process today, *e.g.*, the “Square Trade” process used by eBay.

There is a growing literature on designing dispute systems, including online systems, that you may wish to consider. Some selected references include: Mark Lemley and Anthony Reese, *Digital Copyright Infringement*, 56 *Stan. L. Rev.* 1345, 1410-1425 (2004) (“A streamlined dispute resolution system”

aimed primarily at digital infringements and discussing possible analogy to domain name resolution); Daril Gawith, *Non Litigation-Based Redress for International Consumer Transactions is not Cost-Effective—A Case for Reform?*, 3 *MqJBL* 115, 131-140 (referring to “Square Trade” and pros and cons of “ODR” [online dispute resolution]) (potential advantages include speed; asynchronous interaction; level playing field; research in the middle of the process; cooling distance as compared to face-to-face communications; more-reflective communication; self-disclosure and avoidance of bias from factors such as race, sex, and age; convenient access to better neutrals with more subject-area expertise; reduced concerns of geography, schedule, and expertise; text-based communication; efficient automated negotiation processes; and “no actual law need be involved”); Carrie Menkel-Meadow, *Are There Systemic Ethics Issues in Dispute System Design? And What We Should [Not] Do About It: Lessons from International and Domestic Fronts*, 14 *Harv. Negotiation L. Rev.* 195 (2009).

G. The Domain Name Resolution Procedure. Our firm is experienced in resolving domain disputes through ICANN’s Uniform Domain Name Dispute Resolution Policy (“UDRP”). That analogy was suggested in 2004 for online infringement disputes in the Reese & Lemley article cited above. The UDRP provides trademark holders a straightforward, expeditious and relatively inexpensive process to resolve domain name disputes. Fees are lower and more predictable than litigation as no personal appearances, amendments, discovery, motions or trial are available. From the date of filing of the complaint, a resolution typically issues in less than 90 days. Complaints can be filed with any ICANN-approved service provider (such as WIPO). Consensual participation moots any personal jurisdiction analysis for the parties and all papers are filed online or by email. In the complaint, the trademark holder must demonstrate that: 1) the domain is identical or confusingly similar with the complainant’s trademark; 2) the registrant has no legitimate interest in the domain name; and 3) the domain name was registered and is being used in “bad faith.” The defendant has an opportunity to file an answer. If no party files additional submissions, the matter then goes to an arbitration panel experienced in trademark law. The principal disadvantage of the UDRP from a complainant’s perspective is the unavailability of damages or injunctive relief other than the transfer or cancellation of the infringing domain. The outcome can also sometimes be unpredictable as some panelists do not always apply UDRP precedents consistently. That said, the UDRP functions well to resolve certain domain name disputes and provides a good example of an effective alternative to federal litigation.

H. Fair Use Determinations. Many small claims cases will involve a claim that the defendants exceeded the bounds of fair use or defenses that the uses were within such bounds. Given the various factors under section 107 of the Copyright Act, determinations of fair use can be close. In a court case, if fair use is the only

issue, a determination that the use was fair or not may be determinative in an all-or-nothing way for the parties. A small claims procedure does not have to be all or nothing. As mentioned above, it could involve incidental equitable remedies such as attribution or modest compensation or a declaration regarding fair use.

- I. **Binding but Nonprecedential Nature of Determinations.** We recommend generally that resolution using a federal process, whether in the Copyright Office (unless that procedure would end up being a nonbinding preliminary step rather than a potentially dispositive one) or in the federal courts or both) should be (1) binding on the parties in a claim/issue preclusion sense (*res judicata/collateral estoppel*) and (2) that such a resolution should *not* have precedential or *stare decisis* effects in other or future cases. We expect that both parties will welcome a claim-dispositive procedure but that defendants, particularly institutional ones, may resist a small claims procedure that resulted in a precedential determination with effects beyond the particular claim.
- J. **Enforcement.** We suggest that you consider how the resolution of claims will be enforced. We expect that in most cases, an enforcement issue will not arise because the parties will abide by the resolution, the defendants will pay the amount awarded, if any, and implement other terms, if any, and that claimants will relinquish their claims. For those instances in which an enforcement issue remains, the possibility of injunctive and contempt procedure in a federal court may be a constructive deterrent to claimants or defendants who might otherwise attempt to avoid the determination. We note that one of the principles of the ALI/UNIDROIT project is that “The final judgment of the first-instance court ordinarily should be immediately enforceable.” (Principle 26.1).
- K. **Pilot Projects.** Before launching a particular form of small claims procedure, we suggest you consider trying one or two or a few pilot projects. We expect that you will gain valuable information from doing so that could help in shaping successive or final proposals. Such information could also be helpful in preparing a system that will minimize the effects of “gaming” it or creating claim-bundling machines by lawyers or others. (The U.S. District Court for the Northern District of California is a leader in providing ADR approaches and, if it is amenable, might be an excellent candidate for a program.)
- L. **An Informal Determination in the Copyright Office.** It might be useful, at least on an experimental basis, to try an informal dispute resolution procedure in the Copyright Office, perhaps in the office of General Counsel, with one or more experienced attorneys.
- M. **Administrative Costs in the Federal Courts.** We expect that the federal courts will be more responsive to their processes being used if new small claims procedures pay for themselves or have adequate additional funding support and

they are not required to undertake any additional financial burden. (This consideration may affect the size of the filing fee as well as the issue whether any additional funding for the project will be provided by Congress.)

II. Comments On Other Alternatives

- A. **Using the Current Copyright Royalty Board.** As we understand it, the current Copyright Royalty Board addresses issues that are different from the mine run of potential small copyright claims. We are skeptical whether the expertise of the current board, which is substantial in particular types of cases, could be readily adapted to claims that not only will be small and involve different types of issues but will also be more numerous. In addition, use of an entire board might overuse the resource.
- B. **Developing a Staff of Dedicated Administrative Law Judges.** Depending on the experience gained from the program, we suggest deferring the idea of developing a staff of administrative law judges. Installing such a staff at the outset of a program could be expensive as well as result in an entrenched and inflexible institution. We suggest that you first try less costly and demanding alternatives.
- C. **Allowing State Courts to Hear Small Copyright Claims.** We are skeptical of this idea. State small claims courts have a variety of matters before them, including small contract disputes and collection matters. The issues in copyright small claims will, we expect, largely entail fair use determinations for which state court small claims judges are not trained or readily prepared. Also, relief may be limited to monetary relief within jurisdictional limits and not allow for the kinds of solutions, such as fair attribution, that could resolve small copyright cases. Another issue about using state courts is whether there would be any opportunity for defendants to remove a case to the federal court.
- D. **Allowing Trade Associations or Other Group Representatives to bring a Single, Large Filing on Behalf of a Sizable Group of Small Copyright Owners.** We doubt whether this approach will respond to the need for many individual copyright claimants to obtain a speedy and fair resolution of their individual claims. We can envision groups representing authors or photographers in certain limited cases, or even initiating class actions in the federal court, but view such possibilities as exceptional, rather than the norm.

Maria A. Pallante
January 13, 2012
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We do not want to discourage the Copyright Office from considering the various issues implicated in a process separate from considering copyright small claims.

Respectfully submitted,

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Michael Traynor

A handwritten signature in black ink that reads "Katherine C. Spelman". The signature is written in a cursive style with a long, sweeping tail on the "n".

Katherine C. Spelman

A handwritten signature in blue ink that reads "Sophie Cohen". The signature is written in a cursive style with a long, sweeping tail on the "n".

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