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October 18, 2012

**Submitted By Online Submission Procedure**

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

**Re: Remedies for Small Copyright Claims: Response to Notice of Inquiry  
(77 F.R. 51068) (Docket No. 2011-10)**

Dear Register Pallante:

**I. Introduction and Background:**

These comments are submitted on behalf of the trade association Picture Archive Council of America, Inc. (“PACA”) responding to the Copyright Office’s August 23, 2012 Second Notice of Inquiry (“Second NOI”) concerning adjudicating small copyright claims in alternative forums. Founded in 1951, PACA’s membership includes 150+ companies worldwide that are engaged in the archiving and distribution of images, footage, animation, and illustration (collectively “images”) for purposes of licensing.

Effective enforcement of copyright infringement is of vital concern of PACA’s membership.

Most member organizations manage a large library of visual content and have real concerns regarding the economic impact of infringement. While infringement of content made available for licensing has always been present, now, images are almost exclusively delivered electronically or in digital format. The ease in which images are downloaded, distributed and used without obtaining any licenses or paying license fees are increasing and causing real economic harm to stock libraries and the individual. Because many of these unauthorized uses would likely fall within the monetary limits of a tribunal adjudicating small copyright claims, PACA strongly supports the Copyright’s Office’s efforts in further examining an alternative tribunal. Otherwise, there is simply no effective remedy for these claims and no deterrence to infringers.

## **II. Subjects of Inquiry:**

PACA provided initial comments to the first NOI and these comments to the Second NOI are intended to supplement or clarify the initial responses filed on January 19, 2012. For purposes of these responses, we will refer to the party wishing to initiate a claim as a “claimant,” and the party accused of infringement as “respondent.”

### **1. Nature of the Tribunal and Process**

PACA envisions the process of submitting a claim under a small copyright claims system as an alternative dispute process with guidance and oversight from the Copyright Office. The adjudicators should have copyright law experience and some training in dispute resolution. The process should be virtual, meaning that claims should be submitted electronically without the need for any party to travel to any location in order to testify or to provide other evidence. The award should be timely, and, absent abuse, should not be entitled to an appeal.

### **2. Voluntary Versus Mandatory**

PACA acknowledges that any alternative tribunal to federal court will most likely need to be voluntary, in which the participants agree to waive their right to a jury trial, as guaranteed by the Seventh Amendment. In order for the system to be successful, participants should be offered a cost effective and streamlined dispute resolution process. The Copyright Office should examine incentives to encourage the use of the system, and discourage more well-healed infringers from refusing to participate in the hopes that the claimant would not have the financial means to bring any claim, thereby avoiding any risk of paying damages for infringing activity.

One form of incentive for the Copyright Office to consider is permitting a prevailing party to recover attorney’s fees and costs if a respondent refuses to participate in the alternate dispute system for small copyright claims and the claimant is forced to proceed in the federal court system. This might require an amendment to 17 U.S.C. § 412 that limits attorneys’ fees to parties who have obtained a valid registration prior to bringing a claim. For those plaintiffs that have satisfied § 412, federal courts should consider a party’s willingness or lack of willingness to voluntarily participate in the small copyright claims tribunal in determining whether to award a prevailing party’s attorney fees under 17 U.S.C. § 505.

PACA acknowledges that it may be difficult to amend the Copyright Act rather than to have an all voluntary procedure that would not require any change in the current law. Just facing the possibility of a cap on damages and a more streamlined and less costly system of dispute resolution on the part of a respondent/infringer may not be sufficient incentive for the alternative tribunal to be successful. More robust incentives may need to be considered.

### **3. Arbitration**

PACA believes the arbitration model could form the basis of a small copyright claims system as a voluntary alternative dispute process with some adjustments. In some instances, arbitration can be as costly as litigation, with arbitrators permitting extensive discovery and the appearance of witnesses at a hearing. PACA recommends a model that is less expensive and burdensome with some limitations on discovery. The goal would be to maintain an efficient dispute resolution system, which would eliminate some of the expensive and time consuming procedures present in federal litigation. The award should not have to be subject to a formal decision with findings of facts and conclusions of law as in arbitration. The system could borrow from arbitration and have the award be final, absent abuse.

### **4. Mediation**

While mediation is often effective when parties have a mutual interest to continue a business relationship, it is unlikely that mediation would be suitable for many of the small copyright claims that would qualify for this alternative system. Most of the infringements are the result of images being used without permission from third parties that are not current clients of the photo libraries. Further the mediation process works best when the mediator and the parties meet together in person. In order to have a cost effective system, PACA envisions that the parties will not meet in person at any location; rather, the parties will submit papers electronically to the tribunal and only appear via teleconference or other means that avoids the necessity of travel as stated in Inquiry No. 6. The Copyright Office, however, may want to borrow from the mediation model and provide the parties with a roster of copyright experts for the tribunal in the same way that a roster of mediators is made available to participants. The parties can mutually select among the pool or have one appointed by the Copyright Office.

### **5. Settlement**

Ideally, the alternative dispute resolution would only be necessary if the parties cannot resolve the alleged infringing use amicably. There may be a benefit in having the claimant make a settlement offer prior to filing a claim, and providing a limited time for the respondent to respond and make the requisite payment requested. If the respondent failed to respond timely or satisfactorily, the claimant could proceed with the small copyright claims process. The Copyright Office may want to consider whether a respondent's failure to respond to the settlement demand is a factor in awarding any cost or fees associated with the copyright small claims process.

## **6. Location of Tribunal(s)**

PACA recommends eliminating the jurisdictional requirements of filing a claim in a particular district in favor of filing a claim in a central location for small copyright claims. In keeping with a goal to provide a more efficient, less expensive adjudication process, PACA recommends that there be no requirement for personal appearances by any party, to eliminate the cost and expense of traveling to an inconvenient jurisdiction. All claims and responses could be submitted electronically, with appropriate proofs and declarations submitted in electronic format. If the adjudicator requires a hearing, the hearing could be conducted on a more informal basis and use generally available technology such as teleconferencing or videoconferencing to avoid the necessity of personal appearances.

## **7. Qualifications and Selection of Adjudicators**

In order to make the alternative process effective, PACA recommends that the small copyright claims forum or tribunal consist of adjudicators who have copyright experience and are trained in this type of dispute resolution. Similar to a roster of mediators or arbitrators, the parties could mutually elect an adjudicator or the Copyright Office could assign an adjudicator from a roster of experts in copyright law, and knowledgeable about the types of works in question. The Copyright Office might look to copyright sections of various bar associations and other organizations for members with copyright expertise, such as the Copyright Society of the USA for guidance in building a roster of experts. The Copyright Office should examine whether the roster of experts will be volunteered or if there will be some form of compensation. Having experts in copyright adjudicate these disputes may be an additional incentive encouraging parties to participate in the system as federal judges are by their nature generalists, and not all are necessarily experienced in copyright law.

## **8. Eligible Works**

Since this alternative dispute system would be voluntary, it should be open to copyright owners of all classes of works. As a practical matter, more visual artists would be attracted to this alternative system, as many works of visual art are displayed and distributed online without permission, and damages would in many instances fall within the jurisdictional limit. The only limitation would be the monetary limit of the damages.

## **9. Permissible Claims**

If a party elects the alternative system, the claims should be limited to small copyright claims and exclude other federal or state law claims. Claims based on a use that exceeds the scope of a license are still within the purview of copyright, and not contract law, if the use is outside of the rights granted. While these claims may involve issues of contract interpretation, if

the parties voluntarily agree to submit to this forum, there is no reason to exclude these claims. In fact, there may be an advantage if the damages fall within the jurisdictional limit to use this forum, as an adjudicator selected may have experience in the industry which gave rise to the copyright dispute and may be in a better position to resolve these type issues without the need for experts as might be required in federal court.

#### **10. Permissible Claim Amount**

PACA recommends that the jurisdictional limit for a small copyright claims system be \$30,000. This amount is consistent with the statutory limit of damages for non-willful infringement under the Copyright Act. In addition, this amount would cover many cases that are not brought because the recovery is too low that claimants are not able to find representation and are not able to navigate the federal system without an attorney. This amount may need to be reviewed over time. If a copyright owner has claims for multiple works by the same party, the claimant should be entitled to bring all the claims together provided that the total award does not exceed the jurisdictional limitation.

If, during the course of the proceeding, additional infringements are discovered such that the plaintiff's potential damages exceed the cap, the claimant should at that time elect either to limit damages to the jurisdictional cap, or remove the claim to federal court. Respondents should not be required to bring counterclaims in this forum, but once a respondent elects this forum, the respondent should not be permitted to raise any counterclaim in an amount above the jurisdictional cap.

The rationale for the cap proposed is that anything higher than the jurisdictional cap would cost more in attorney's fees than what claimant would actually get in damages.

#### **11. Permissible Defenses and Counterclaims**

The respondent should have the opportunity to present its defenses, such as fair use, independent creation, non-infringement or any other statutory exception. As stated above, counterclaims should be limited to the jurisdictional cap, and not be mandatory. Otherwise, a respondent would be able to avoid this forum merely by raising defenses.

#### **12. Registration**

The Copyright Office may have a role in certifying that the party asserting a claim has registered the work. The claimant should have to present evidence of ownership of the work under penalties of perjury to prevent meritless claims, or false claims for defenses. There may need to be monetary penalties for providing false information. Because many copyright owners who have not registered a work before infringement may be interested in this forum, since

damages would exclude statutory damages, the Copyright Office should consider a process where the claimant can register the work at the same time it files its claim. PACA recommends that the Copyright Office process the application for the standard fee and not charge the expedited fee, in order to encourage the use of the alternative system. If the application was rejected, the Copyright Office would notify the adjudicator, and the claim would be dismissed.

### **13. Filing Fee**

PACA recommends there should be some modest filing fee to discourage frivolous claims, but the Copyright Office should be mindful of not setting a fee so high that it discourages parties from bringing a claim, particularly if an award would not be much more than the filing fee. It may be reasonable to have a sliding scale based on the alleged damages asserted. Unlike the arbitration model however, it would not be in keeping with the goal of having an affordable system if the parties had to pay the same hourly fees that parties pay arbitrators and mediators in typical alternative dispute forums.

### **14. Initiation of Proceeding**

As with any copyright claim brought in federal court, the claimant should be required to establish a prima facie case of copyright infringement: (1) ownership of the allegedly infringed material and (2) violation by the alleged infringer of at least one of the exclusive rights granted to copyright holders. PACA recommends that the Copyright Office prepare standard forms to present a claim which would include the elements of a prima facie case, together with appropriate exhibits, or declarations. Service on the defendant should be electronic if possible with a confirmation by mail. Since PACA envisions a voluntary procedure, it should not be necessary to sue initially in federal court. The current law with respect to requesting a declaratory action should not be altered.

### **15. Representation**

In the spirit of an affordable, less formal process, the parties should not be required to retain an attorney. Whether one is entitled to retain an attorney should be at the election of the party and not prohibited however, whether the party is either an individual or an entity. Rules regarding whether a corporation or business entity may appear without legal counsel should be relaxed for small copyright claims, similar to arbitration proceedings in which a corporate officer or employee may appear and represent the corporation. It may be appropriate to obtain clarification from the bar in the location where the tribunal will be centrally located for purposes of submission of claims. If it is located in Washington D.C., based on the location of the Copyright Office, perhaps the Copyright Office can ask the D.C. Bar for clarification on the rules regarding the unauthorized practice of law and when a corporation can be represented by an officer, director or employee.

## **16. Conduct of Proceedings**

There are several ways that claims could be processed, but the ideal situation would be to permit the submission of claims electronically, without the need for personal appearances in order to avoid the expense of travel and the necessity for being in the respondent's judicial district as this would obviate geographical inconvenience issues. Possibilities include the submission of claims to one central location, such as the Copyright Office or other newly established forum.

Once the claim is filed, the procedure should be streamlined and handled in a timely manner. The defendant should have the opportunity to present its defenses, such as fair use, independent creation, non-infringement or any other statutory exception. If the adjudicator wishes to contact the parties with any questions and to hold a hearing, even if informal, the adjudicator should be able to use all generally available technology such as teleconferencing or videoconferencing in order to avoid the necessity of personal appearances. The award would be written with a limited explanation and reasoning for the award. There should be incentives to encourage timely payment, for example within thirty days to discourage the expense of collection. Ideally, the decision would be final, absent clear abuse, if the small copyright claim process was elected, to avoid the delay and costs of an appeal.

The Copyright Office may wish to model the preceding in a manner similar to ICANN'S Uniform Domain Name Dispute Resolution ("UDRP") which provides a good example of an effective alternative to federal litigation. The UDRP allows papers to be filed online or by email. The UDRP complaint must reflect that: 1) the domain name is confusingly similar to 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 then has the opportunity to file an answer. There are no personal appearances, amendments, discovery, motions or trials and this decreases the cost of the UDRP. If no party files additional submissions, the matter then goes to an arbitrator or an arbitration panel experienced in trademark law.

PACA recommends that the Copyright Office draft and post a guide for the small copyright claim forum. The guide would include instructions on how to file a claim as well as explain the necessary elements of a claim, and possible defenses in order to facilitate the process. Sample claim forms and responses would be useful in creating a more streamlined process. Plaintiffs could be required to declare that they have read and understood the guide before filing a claim. Having clear guidelines written for the unrepresented copyright owner, regarding what constitutes a "copyright claim" would be helpful in discouraging frivolous claims, such as a claims for "idea" theft.

## **17. Discovery, Motion Practice and Evidence**

In order to have a less expensive, streamlined and quicker resolution, discovery and other procedures will necessarily be limited. This has both positive and negative impact on any potential case as the copyright owner will want assurances that it is aware of all infringing uses in order to limit the monetary value of the claim and the defendant will want to be certain that the plaintiff owns the copyright in the work at issue and will not face a claim by a third party. One solution would be to limit the res judicata affect to any claims disclosed to the plaintiff during the procedure and to allow the plaintiff to remove the case to a federal court if the infringing uses far exceed the uses initially known and damages would exceed the small claims limit.

While there needs to be streamlined discovery to have a small claims system work, some discovery is necessary so that the plaintiff is confident that it is aware of all the infringing activity, and the defendant is afforded enough due process that it can question the plaintiff or demand some evidence regarding creation.

## **18. Damages**

Apart from establishing a jurisdictional limit, PACA does not recommend altering existing law and policy on recoverable damages. Both actual damages if proven and statutory damages and attorney's fee should be allowed, subject to the jurisdictional cap.

## **19. Equitable Relief**

Remedies may need to be limited to adjudication of claims for damages as the procedure is more streamlined and the same opportunity to present evidence will likely be limited. Remedies other than monetary damages such as whether to grant a restraining order or to order the destruction of goods will need to be carefully considered. Certain forms of equitable relief might have an economic impact greater than the jurisdictional limit established for this alternative tribunal. For example, ordering the removal of a work in a completed production, or the destruction of inventory in which a work is only one element. An alternate tribunal may not have the power to enforce equitable orders and may need to be limited to monetary damages. Respondents could of course, agree to discontinue infringing activity as monetary damages might continue.

## **20. Attorneys' Fees and Costs**

PACA recommends that there be no change to existing law or policy with respect to the award of attorneys' fees and costs, subject to the jurisdictional cap.

## **21. Record of Proceedings**

In keeping with the goal of having a less expensive, cost-efficient system, PACA recommends that the decisions of the adjudicator, whether in writing or not, cannot be precedential and be available only to the extent necessary to enforce the award. Further, in order to keep the costs of the process to a minimum, there should be no requirement that the adjudicator prepare findings of fact and legal explanations, but merely make an award either in favor of the claimant or not in the amount of damages if applicable.

## **22. Effect of Adjudication**

PACA recommends that similar to an arbitration award, the award of the adjudicator in a small copyright claim forum should be final and enforceable. Given that the proceedings will be limited, PACA does not recommend that the decisions be published or carry any precedential weight and should be limited to the specific activities in question.

## **23. Enforceability of Judgment**

The Copyright Office may want to consider the model for enforcing arbitration awards with respect to awards rendered in a small copyright claim tribunal. If a party is awarded damages, that party should have 30 days to pay. If the party does not pay, the award may be converted into a judgment and any applicable court with jurisdiction will enforce any award if payment has not been made.

## **24. Review/Appeals**

Again, using the arbitration system as a model, the award should be final without a right to an appeal absent abuse.

## **25. Group Claims**

In situations where the same or similar activity of copyright infringement is engaged in by an entity or groups of entities against many members in a trade association, it may be effective to allow the trade association to, if not bring the claim on behalf of its members, at least assist the members in preparing the claims. Without more information on the ultimate alternate adjudication process that is adopted, PACA is not able to fully comment on this question at this time.

**26. Frivolous Claims**

PACA recommends that the Copyright Office prepare guidelines that will assist unrepresented parties in bringing claims so that meritless claims are not brought based on a misunderstanding of copyright law and practice, with FAQs geared to unrepresented authors. Since the adjudicator would be permitted to award costs and attorney's fees as set forth in the Copyright Act, within the ultimate jurisdictional limit, they should discourage a party from bringing a meritless action. The Copyright Office might want to consider barring a party from bringing further actions if the party is a repeat offender and has brought a number of frivolous or harassing claims in order to discourage an abuse of this alternative system.

**27. Constitutional Issues**

PACA refers to the comments of June M. Besek- Kernochan Center for Law- First Notice of Inquiry.

**28. State Court Alternative**

As previously stated in its initial NOI, PACA does not recommend that the ordinary state court system apply to small copyright claims. First, the amount of damages in a local small claims court is extremely limited. As federal courts have exclusive jurisdiction over copyright issues, the state courts have not had the opportunity to develop sufficient expertise to handle these cases. The results of state court hearings would be too inconsistent and arbitrary as copyright is a federal statute with years of federal case law interpretation. In addition, the jurisdiction of state small claims court is limited jurisdiction only to claims in which there is personal jurisdiction over the defendant. Consequently, there is no benefit to any plaintiff if the infringer is not located in the same small claims district.

**29. Empirical Data**

PACA has not yet had the opportunity to obtain empirical data from its members regarding the specific questions raised in this NOI. Anecdotally, members have expressed difficulties with enforcing copyright, the burdens of the registration process, and the expense in using the federal court system to resolve copyright claims. At the same time, image recognition technology has been used more frequently to effectively find more infringing works, but there lacks a viable legal framework to effectively pursue most of the found infringements. We note that the Graphic Artist Guild has collected some data and will be submitting it as part of its response and refer the Copyright Office to their response to this inquiry.

### **30. Funding Considerations**

Without more information on the adjudication system that is selected, PACA cannot comment now on whether the system can be self-supporting or not. It is unlikely that filing fees will cover the entire cost of the adjudication process. In keeping with the goal of having a low cost system, it may not be realistic that the parties would be able to cover the cost of the adjudicator's fees, as is often done with mediation or arbitration. In some federal districts, mediation is mandatory, and mediators offer a limited number of hours pro bono before charging for their services. A similar system may be considered.

### **31. Evaluation of Small Claims System**

Whatever system is selected for the copyright small claims process, it should be evaluated after a period of time, perhaps after 2 to 4 years, to determine if it is working properly and what, if any, improvements or changes should be made. As this is a new way of handling the many smaller copyright claims, the process will necessarily need to be an evolving one.

### **32. Other**

In order to move forward with an alternative form for smaller copyright claims, it is recommended that minimal changes be made to the existing copyright act as such changes are time consuming and may never be successful.

## **III. Conclusion:**

As previously stated in our initial response, is open to discussing various approaches with the Copyright Office, once more details are presented. While we all may suggest some alternative approaches, we have been working closely with an ad hoc committee of visual arts organizations, including American Society of Media Photographers, (ASMP); Graphic Artists Guild (GAG), Professional Photographers of America (PPA), North American Nature Photography Association (NANPA), and American Photographic Artists (APA). In general we support the same goals, to wit a system that allows fair, speedy and economically affordable access to legal enforcement of copyrights for all copyright holders, irrespective of the economic impact of any particular infringement. We all look forward to working together with the Copyright Office and Congress to achieve that goal.

PACA would like to continue to have a part in this discussion and representatives would be willing to meet with the Copyright Office either in person or otherwise to discuss these issues in greater detail.

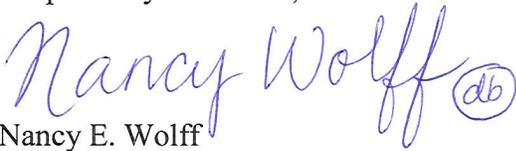
We thank you for this opportunity to present our initial ideas.

LETTER TO MARIA A. PALLANTE

RE: REMEDIES FOR SMALL COPYRIGHT CLAIMS: RESPONSE TO  
NOTICE OF INQUIRY (77 F.R. 51068)(DOCKET No. 2011-10)

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Respectfully submitted,



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