

U.S. COPYRIGHT OFFICE

**NOTICE OF INQUIRY
(OCTOBER 27, 2011)**

**STUDY ON REMEDIES
FOR COPYRIGHT SMALL CLAIMS**

JANUARY 16, 2012

**INITIAL COMMENTS
OF
PICTURE ARCHIVE COUNCIL OF AMERICA, INC (PACA)**

SUBMITTED BY:

**NANCY E. WOLFF, ESQ.
COWAN DEBAETS ABRAHAMS & SHEPPARD, LLP
41 MADISON AVENUE
34TH FLOOR
NEW YORK, NY 10010
P 212 974-7474
F 212 974-8474
NWOLFF@CDAS.COM
WWW.CDAS.COM**

Introduction and Background:

These comments are submitted on behalf of the trade association Picture Archive Council of America, Inc. (“PACA”). PACA’s members consist of entities and individuals that are engaged in the archiving and distribution of images for purposes of licensing, either directly or indirectly. (PACA) is *the* trade association in North America representing the interests of stock archives of every size—from individual creators to large corporations—who license media for commercial use. Founded in 1951, PACA’s membership includes 150+ companies worldwide providing photography, footage, animation, and illustration.

PACA’s mission is to foster and protect the interests of the picture archive community through advocacy, education and communication. A primary purpose is to actively advocate copyright protection and copyright education.

PACA, through its members, collectively handle the licensing of over approximately 200 million images, a number that will continue to increase as new images are uploaded daily. (For purposes of this response letter, all content will be referred to as “images” or “imagery”.) These members are often, but not necessarily, referred to in the industry as “stock libraries” because they offer users of images (such as publishers, designers and advertisers) the ability to license pre-existing images for publication by selecting images online through keyword searches or other methods.

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, even when images were offered in slide format via catalogs, the ease in which images can be downloaded, distributed and used without obtaining any license or paying a license fee is increasing because of the ease of digital distribution and causing real economic harm to stock libraries and the individual creators. The ability to use the federal court system to redress the harm is limited for two reasons, the difficulty in effectively registering large volumes of images and the resources and effort involved in bringing a claim in federal court.

A. Challenges of the Current Legal System:

PACA membership is comprised of both large corporations, such as Getty Images and Corbis Corporation that manage the distribution and licensing of millions of individual images, as well as small specialty libraries that manage the distribution of often unique imagery collections of one or more individual creators, specializing in a niche area such as art, culture, science or nature. Regardless of the size of the company, all members face challenges in enforcing copyright infringement claims with respect to the imagery in their collection.

The first challenge to effective copyright enforcement is copyright registration. Because stock libraries manage images owned by numerous individual creators as well as images that are wholly owned, the formalities of registration make it difficult to protect the images that are made available online, in some cases on a daily basis, to the professional image buyer. It would be prohibitive both in terms of personnel and monetary resources to register the individual images on behalf of each copyright owner on such a frequent basis. The Copyright Office has worked with PACA over the years in developing registration solutions that take into consideration the large number of images that can be uploaded on a daily basis. For example, many members drafted contracts based on the Copyright Office recommendations that members should acquire copyright ownership in the images in order to register the individual images that are maintained in the electronic database. Unfortunately, some federal district courts have recently disallowed this registration, asserting that these registrations only protect the compilation of the images and not the individual images. (An assertion PACA disagrees with as the only purpose of these registrations was to protect the images, and PACA awaits appellate court rulings on this issue. If the appellate courts do not uphold its' members data base registrations, we will look to the Copyright Office for revised regulations that will permit registration of images that adequately protect the individual images.)

One of the unfortunate results of these recent decisions is that blatant infringers now attack the validity of the copyright registrations, rather than trying to resolve any copyright infringement claims on an amicable basis. This practice has increased the cost of pursuing such claims by PACA members and is a significant deterrent as the decisions are easily found in any web search. Copyright registrations need to be easy, affordable and take into consideration that images are not identified by title.

Unfortunately, the reality for more than a decade now is that most images displayed on websites are not authorized or licensed. A few years ago, PicScout, a company known for its image recognition technology and ability to search the Internet for the use of images and compile reports, did a study of a sampling of commercial websites to determine whether the images displayed were licensed or not. The study results confirm that approximately 90% of the images on the commercial websites sampled were not properly licensed. The ease in which web designers can right-click and lift an image from any image search result; the belief that most users will never be caught; and the knowledge that most infringements will not be enforced by the copyright owner contributes to such a high rate of infringing uses.

Stock photo libraries require a robust copyright system in order to obtain licensing fees for the use of the imagery. In order to continue to obtain license fees for the use of images on behalf of the copyright owners, there needs to be an efficient and viable copyright enforcement system. Otherwise, there is no incentive to license images and PACA members will always be competing against the use of images obtained by infringement for free. PACA members take seriously the responsibilities of enforcing copyright in the imagery they represent and many stock photo libraries have departments dedicated to copyright compliance in order to resolve infringements and secure licensing fees on behalf of copyright holders. While companies first attempt to resolve claims without resorting to litigation, some claims cannot be resolved either because the infringer refuses to respond, believes that simply removing the infringing content is sufficient, or refuses to pay adequate licensing fees. At that point, the stock photo library must make a decision as to whether an infringement action is warranted. In most

instances, it does not make commercial sense to pursue an action unless there are numerous registered images infringed by a single infringer. Unfortunately, this only encourages infringement and disrespect for copyright in general.

In addition to the obvious financial deterrents in bringing an action that includes costs such as obtaining a court filing index number, (a fee that may exceed the license value of an image use), attorney's fees, expert fees; document production and deposition costs, etc., there is the difficulty in finding attorneys throughout the country that are willing to handle these type of actions in which the economic value, even with the of availability of statutory damages or attorneys' fees, may be relatively low. A company may have the benefit of an in-house lawyer, or a local lawyer that is willing to work with them, but strict jurisdictional requirements may prevent the company from being able to bring a claim in its local federal district. This is an additional deterrent in pursuing claims against defendants that do not reside in the federal district where the stock photo library is located.

PACA believes that an effective copyright enforcement will promote the goals of image licensing and in fact encourage amicable resolutions, as the infringer would be encouraged to license imagery from the onset, or, if the imagery was not licensed properly, the risk of an actual claim would encourage the use of retroactive payment to avoid litigation.

B. Recommendations

1. General Support:

PACA supports the Copyright Office in this inquiry and has had a long-standing interest in an alternative dispute resolution system to handle claims of relatively small economic value. It understands that these issues are complex and any solution will raise valid issues that will need to be carefully addressed.

PACA favors a system that would enable rights holders to elect to bring a copyright infringement claim using a form of alternate dispute resolution. Priorities include:

- The ability to bring a claim without the need of legal representation, that is cost effective and does not require expensive travel, costs or expert fees.
- To have a claim adjudicated timely by a tribunal that is knowledgeable about copyright.
- In the event that the process is not mandatory once elected, to offer incentives to avoid having the defendant reject the alternative forum and demand that a claim be brought in a federal court of general jurisdiction; and
- A resolution that offers finality and ease of enforcement of any judgment.

2. Issues to Consider:

A. Whether the claim should be mandatory and voluntary.

Because the Seventh Amendment provides a guarantee to a jury trial, whether any alternative system can be mandatory or must be voluntary is an issue that must be carefully examined. PACA will look to constitutional experts in this area for guidance.

If an alternate system needs to be voluntary, there should be incentives in place to encourage a party to bring a procedure in an alternate copyright court if the monetary damages sought is within the jurisdictional limit. Possible incentives could include an increase in the prevailing plaintiff's damages if the defendant rejects the plaintiff's election to proceed in the small copyright claim forum and the plaintiff prevails in the general federal system. In this event, the plaintiff should be entitled to costs and attorneys' fees, regardless of whether attorney's fees would be available under Section 412 of the Copyright Act.

B. What kinds of copyright claims could be brought?

As long as a work is within the subject matter of copyright, any party should be entitled to elect to use the alternative system if the damages are within the monetary limits. This would include claims for statutory damages, or willful infringement.

Whether claims under Section 1202 of the Copyright Act (removal or altering of copyright management information) needs to be carefully considered as intent is an essential element of such claims. Some copyright claims include additional federal and state law claims as part of the pleadings. If a party elects the alternative system, the claims should be limited to small copyright claims and exclude other federal claims such as Lanham Act, trademark, unfair competition, etc.

C. Should there be any limitation on the type of relief offered?

Whether damages other than monetary damages should be part of the small copyright claim system should be considered carefully. An injunction to prevent the continued infringement or to enforce the removal of content online may be appropriate if a work is not so incorporated within another creative work that it would cause disproportionate economic harm to a work containing the infringing was enjoined. For example if the infringing work is merely displayed on a website, in addition to damages, it would be appropriate to enjoin continued use of the infringing work by the defendant, to avoid multiple claims for the same use by a plaintiff against the same party. This would address a problem that is rampant with the DMCA, in which a work is taken down after notice to the ISP, but is then immediately reposted, requiring copyright owners to repeatedly send notice and takedown letters for the same infringing content.

With respect to derivative works, consideration similar to the previously proposed orphan works legislation may be appropriate, such that if the defendant promptly paid the awarded damages, the work may not be enjoined and could be used provided the use was not altered or exceeded, similar to a license.

D. What should be the monetary amount under a small claims system?

While copyright claims are expensive regardless of the amount at issue, a system with streamlined discovery and evidentiary procedure is probably best suited for claims within a relative small range, such as up to \$30,000, the statutory limit of damages for non-willful infringement under the Copyright Act. This amount may need to be reviewed over time.

E. Discovery Limitations

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.

F. Establishing Copyright Ownership-Deterring False Claims

The Copyright Office may have a role in certifying that the party asserting a claim has registered the work. The plaintiff 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. 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.

G. Procedural Issues

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 defendant'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 or to have regional forums within the federal court system.

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. It should be for the adjudicator to contact the parties with any questions and to hold a hearing, even if informal, using all generally available technology such as teleconferencing for 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.

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.

Remedies may need to be limited 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 considered.

H. Tribunal

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. Further, the state court judges do not have any expertise in copyright, which is an important factor in structuring an alternate system to the general federal court system. 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.

PACA recommend 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. A new forum may be created for this purpose, or the Copyright Royalty Board role may be expanded to hear individual copyright claims with procedures and guidance from the Copyright Office, particularly if questions regarding copyrightability, arise. (The Copyright Office may need additional staff for these purposes).

In addition, the concept of having a roster of industry experts that have expertise in a particular area of copyright, such as film, music, art, literature, etc. is an interesting concept to explore. The adjudicating body should have access to this roster of experts, and subject to conflicts, they should be able to provide advice.

If regional offices rather than a central office for filing claims is selected as the preferred procedure, jurisdictional requirements of bringing a claim in a particular jurisdiction should be loosened. If federal courts are used to hear the copyright small claims, perhaps the magistrate judges should have some additional training in copyright and could serve as special judges, with increase reliance on teleconferencing and videoconferencing to avoid the expense and inconvenience of personal appearances and travel.

I. Discovery

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.

J. Right to Appeal

If the procedure is similar to an arbitration hearing, the award should have automatic confirmation by a federal judge absent failure to follow the procedure.

Like arbitration, the award should be final if so elected. In such a situation, the award should be limited to damages (or limited injunctive relief as previously mentioned) and not a determination that a work is not copyrightable. These decisions would then have no precedential value in future cases.

K. Other considerations

Trade Associations To Bring Claims On Behalf Of Members.

In situations where copyright infringement by an entity or groups of entities affects many members similarly in a trade association, it may be effective to allow the trade association to bring the claim on behalf of its members. However this would have to be cheerfully evaluated and may need to be limited to cases where the same type of infringement was pervasive. Small claims may not be the most effective forum for this but we have not had an opportunity to consider this issue in sufficient detail.

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 that are the result of the ease in which

work can be copied and distributed in the digital era, the process will necessarily need to be an evolving one as well.

Conclusion:

There are many approaches to solving this problem that would meet with PACA's approval, and we are open to discussing them with the Copyright Office, once more details are presented. While we have given a general outline of what we think might be the best solution, 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). Although each organization is filing its own comments, we all generally support each other's comments to the extent they meet 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

Respectfully submitted,

Nancy E. Wolff
Counsel for
Picture Archive Counsel of America, Inc.