

COPYRIGHT COMMENT

A pendulum swing too far?

Could the US' CASE Act open the floodgates to bad faith suits?



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The US Copyright Alternative in Small-Claims Enforcement Act (CASE) of 2020 became federal law in late 2020. The CASE Act, as it is more commonly known, provides a mechanism for resolving lower-value disputes between copyright owners and accused infringers. Many wonder, however, whether it will have the unintended consequence of opening the floodgates to bad faith lawsuits against small businesses and individuals – the very parties that the law was intended to benefit.

The new law addresses a long-standing concern of small businesses and individual copyright owners that litigation in the federal courts is too expensive. It establishes a three-member administrative hearings board (board) staffed by copyright attorneys in the employ of the US Copyright Office to resolve disputes valued at less than \$30,000. The law has found strong support among trade groups for making copyright enforcement affordable for the “little guy,” though, as noted below, the CASE Act has critics, as well.

The board will begin operations in 2021, following rule-making by the Copyright Office. Board jurisdiction is limited to disputes for copyright infringement or declarations of non-infringement, as well as those for knowingly sending false takedown notices under the “safe harbor” provisions of the Digital Millennium Copyright Act. Damages are capped at \$30,000 per proceeding and \$15,000 per work. Micro-claims (those under \$5,000) will be handled by a one-member board.

CASE Act proceedings are initiated by filing a claim, along with a fee of a few hundred dollars to be determined during rulemaking. Once the claim passes a compliance review, the claimant will have 90 days to serve it on

the respondent. The respondent will then have 60 days to opt-out. In the absence of such an opt-out, the proceeding will become binding on both parties and enter discovery and hearing phases. These phases will be pared-down, informal, and otherwise adapted to parties appearing *pro se* or unfamiliar with formal court procedure.

The board will follow existing substantive copyright law, along with the CASE Act and rules issued thereunder, to reach a final determination, against which either party may request reconsideration by the board or, if refused, review by the Register of Copyrights on an abuse of discretion standard. Once those avenues are exhausted, re-litigation of the asserted claims and counterclaims is precluded between the parties before any court or tribunal. Resort can be had to the courts for entry of judgment based on the final determination or, alternatively, to vacate or modify that determination, but only on limited grounds, including excusable neglect for failure to defend.

Critics are given pause by the ease with which claimants can initiate proceedings under the CASE Act, combined with the risk of inattentive or inexperienced respondents missing the opt-out deadline. For example, the Authors Alliance, a non-profit with roots in academia, complains that the act will invite frivolous litigation by copyright “trolls” and afford excessive damage awards without adequate review by the courts. Washington DC-based public interest group Public Knowledge similarly condemns the CASE Act for the possibility of “unreviewable, unappealable default judgments of up to \$30,000 against individual users... potentially without [their] knowledge or consent”.

These criticisms are addressed, to an extent, in the Congressional reports.

Regarding the risk of a default determination against an absent respondent, the US House report comments that in such cases, the board is expected to scrutinise the available evidence, consider applicable affirmative defences, and require the claimant to prove damages, “even if the respondent is not present”. The US Senate reports, in these regards, that the CASE Act also requires the board to give absent respondents prior advance notice of default determinations.

As to the risk of abusive litigation, the Senate report establishes a “strong desire that the Register [of Copyrights] and board work together to deter and appropriately sanction any bad faith behavior, especially copyright trolling”. The House report observes that, under the new law, not only can the board award attorneys’ fees, costs, and financial sanctions for claims made in bad faith, but it can also ban a party engaged in repeated bad conduct from initiating future claims. Presumably, the Copyright Office rulemaking will reflect at least some of the protections articulated in the Congressional reports.

Comment

In making their argument that the CASE Act was ill-considered, critics observe that it emerged in a flurry of legislation without adequate consideration by Congress. Proponents of the new law counter that the law was many years and several Congressional sessions in the making.

While both sides agree that the CASE Act will impact small businesses and individuals, neither can be sure whether that impact will be positive or negative.

Time will tell: in three years, the board is mandated to issue a report to Congress on the board’s use and efficacy in resolving claims under the act.

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