

December 28, 2020

## **COVID-19 RELIEF BILL CREATES NEW SMALL CLAIMS COPYRIGHT BOARD, STRONGER CRIMINAL PENALTIES FOR ILLICIT STREAMING**

To Our Clients and Friends:

On December 27, 2020, President Trump signed the bipartisan COVID-19 relief and government funding bill, which incorporated the Copyright Alternative in Small-Claims Enforcement Act of 2020 (“CASE Act”) that had been pending as part of H.R. 133, as well as legislation designed to increase criminal penalties for illicit streaming of copyright-protected content. The CASE Act contains various revisions to the Copyright Act, 17 U.S.C. §§ 101 *et seq.*, with the goal of creating a new avenue for copyright owners to enforce their rights without having to file a lawsuit in federal court. The CASE Act creates a Copyright Claims Board within the United States Copyright Office that may adjudicate small claims of copyright infringement using streamlined procedures and award limited remedies, including no more than \$30,000 in total damages in any single proceeding. The stimulus package also includes the language of a separate bipartisan bill, the Protecting Lawful Streaming Act, that amends Title 18 of the U.S. Code to make it a felony (rather than just a misdemeanor) to unlawfully stream copyright-protected content online for profit, with penalties of up to 10 years of imprisonment. We briefly summarize these key copyright provisions below.

- ***Creation of Copyright Claims Board.*** While federal courts generally exercise exclusive jurisdiction over claims of copyright infringement,<sup>[1]</sup> the CASE Act establishes a Copyright Claims Board as an alternative forum in which parties may voluntarily resolve small claims of copyright infringement arising under Section 106 of the Copyright Act.<sup>[2]</sup> The Board consists of three Copyright Claims Officers who may conduct individualized proceedings to resolve disputes before them, including by managing discovery and conducting hearings as necessary, and awarding monetary and other relief.<sup>[3]</sup> The Officers must issue written decisions setting forth their factual findings and legal conclusions.<sup>[4]</sup> But parties that choose to proceed before the Board waive their right to formal motion practice and a jury trial.<sup>[5]</sup> Participation in a proceeding before the Board is voluntary, and parties may opt out upon being served with a claim, choosing instead to resolve their dispute in federal court.<sup>[6]</sup>
- ***Board Decisions.*** The CASE Act grants the Register of Copyrights authority to issue regulations setting forth specific claim-resolution procedures, but the CASE Act expressly articulates choice-of-law principles and states that Board decisions are not precedential.
  - ***Choice of Law:*** Although the Board sits within the Copyright Office in Washington, D.C., the Board must follow the law in the federal jurisdiction in which the action could have been brought if filed in federal court.<sup>[7]</sup> Given the conflicts that could arise where an action could have been brought in multiple jurisdictions that are split on a legal question, the Act provides that the Board may apply the law of the jurisdiction the Board determines has the most significant ties to the parties and conduct at issue.<sup>[8]</sup>

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- Board Decisions Are Not Precedential: The CASE Act provides that Board decisions may not be cited or relied upon as legal precedent in any action before any tribunal, including the Board.[9] And Board decisions have preclusive effect solely with respect to the parties to the proceeding and the claims asserted and resolved in the proceeding.[10]
- **Board Remedies**. As in federal court, parties before the Board may seek actual or statutory damages. But the CASE Act caps the amount of damages the Board may award. Specifically, the Board may not award more than \$15,000 in statutory damages per work, may not consider whether infringement was willful (and, therefore, may not increase a per work statutory award based on willfulness, as is permitted in federal court), and may not award more than \$30,000 in total actual or statutory damages in any single proceeding, notwithstanding the number of claims asserted.[11] While attorneys' fees are recoverable under the Copyright Act,[12] the Board may not award attorneys' fees except in the case of bad faith conduct—in which case, any fee award may not exceed \$5,000, absent extraordinary circumstances, such as where a party has engaged in a pattern of bad faith conduct.[13]
- **Limited Appellate Review**. The CASE Act permits parties to seek limited review of Board decisions. After the Board issues its written decision in a matter, a party may submit to the Board a written request for reconsideration.[14] If the Board declines to reconsider its decision, the party may ask the Register of Copyrights to review the Board's decision under an abuse of discretion standard of review.[15] If the Register does not provide the requested relief, the party may then seek an order from a district court vacating, modifying, or correcting the Board's determination under only very limited circumstances: if (a) the determination was the result of fraud, corruption, misrepresentation, or other misconduct; (b) the Board exceeded its authority or failed to render a final determination; or (c) the determination was based on a default or failure to prosecute due to excusable neglect.[16]
- **Bar on Repeat Frivolous Filings**. In an attempt to deter copyright trolls from filing repeated, frivolous claims before the Board, the CASE Act provides that any party who pursues a claim or defense in bad faith more than once in a 12-month period may be barred from initiating a claim before the Board for 12 months.[17] The CASE Act also grants the Register of Copyrights authority to issue regulations limiting the number of proceedings a claimant may initiate in any given year.[18]
- **Implications of the CASE Act**. The CASE Act authorizes the Register of Copyrights to issue implementing regulations setting forth specific procedures for proceedings before the Board, so it remains to be seen exactly how the Board will conduct proceedings before it. It also is an open question how and whether the Board will resolve constitutional questions that arise in copyright infringement actions, such as First Amendment questions relating to the fair use defense. Further, it remains to be seen whether defendants in small copyright disputes will consent to Board proceedings, or will opt out in favor of the federal courts. Regardless, the CASE Act creates mechanisms for the more efficient and economical pursuit of small claims of copyright infringement, where the expense of litigating in federal court would otherwise exceed any potential recovery.

- ***Protecting Lawful Streaming Act.*** The separate criminal copyright provisions tucked into the stimulus bill are designed to address a loophole under current law that allows the reproduction and distribution of copyright-protected material to be charged as felonies, but only allows the live streaming (or “publicly performing”) of such works to be charged as a misdemeanor. According to the legislative history, the bill sponsors thought it was important to recognize that streaming, rather than copying, has become the primary way that audiences consume entertainment. This new statutory language will allow the U.S. Justice Department to bring felony charges not against individual users, but rather against a digital transmission service that: (1) is primarily designed or provided for the purpose of streaming copyrighted works without the authority of the copyright owner or the law; (2) has no commercially significant purpose or use other than to stream copyrighted works without the authority of the copyright owner or the law; or (3) is intentionally marketed or directed to promote its use in streaming copyrighted works without the authority of the copyright owner or the law.<sup>[19]</sup> The statutory language represents a compromise with some critics who had feared that broader criminal provisions could be used to limit free speech online.

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[1] 28 U.S.C. § 1338(a) (“The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to ... copyrights,” and “[n]o State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to ... copyrights.”).

[2] H.R. 133 § 1502(a); § 1504(c); *see also* 17 U.S.C. § 106 (“the owner of copyright under this title has the exclusive rights to ... reproduce the copyrighted work”; “to prepare derivative works based upon the copyrighted work”; “to distribute copies or phonorecords of the copyrighted work to the public”; “to perform the copyrighted work publicly”; “to display the copyrighted work publicly”; and “to perform the copyrighted work publicly”).

[3] H.R. 133 §§ 1502(b)(1)–(3), 1503(a)–(b), 1504(e)(2).

[4] *Id.* § 1506(s)–(t).

[5] *Id.* § 1506(c), (e)–(g), (m), (p).

[6] *Id.* §§ 1504(a), 1506(g).

[7] *Id.* § 1506(a)(2).

[8] *Id.* § 1506(a)(2).

[9] *Id.* § 1507(a)(3).

[10] *Id.* § 1507(a).

[11] *Id.* § 1504(e)(1)(A), (D).

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- [12] 17 U.S.C. § 505.
- [13] H.R. 133 §§ 1504(e)(3), 1506(y)(2).
- [14] *Id.* § 1506(w).
- [15] *Id.* § 1506(x).
- [16] *Id.* § 1508(c).
- [17] *Id.* § 1506(y)(3).
- [18] *Id.* § 1504(g).
- [19] 18 U.S.C. § 2319C.



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