

EXHIBIT 32



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Nimmer on Copyright

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CHAPTER 14 Infringement Actions-- Remedies

4-14 Nimmer on Copyright § 14.02

§ 14.02 The Computation of Actual Damages

The Act provides that the "copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement"n1 Yet neither its text nor the Committee Reports attempt to define the nature of those actual damages. Reference must therefore be made to both statutory and common law copyright case law.n2 Since the turn of the millennium, a large number of cases have grappled with the standards for computing both plaintiff's damages and defendant's profits. Therefore, in this domain more than most, recent decisions dominate the landscape.

Damages present a quintessential issue for a jury to decide.n3 To avoid *Seventh Amendment* problems, a jury should be empanelledn4 to render judgment as to the amount of damages,n5 whenever the parties so request.n6 Although plaintiffs often request the sky,n7 recovery should be limited to the amounts that the facts sustain, as ventilated below.

[A] Injury to Market Value of Copyrighted Work

Actual damages represent the extent to which infringement has injuredn8 or destroyed the market value of the copyrighted work at the time of infringement.n9 If the infringement has entirely destroyed the value of the work, the damages then equal the full value.n10 The copyright proprietor is competent to testify as to such value,n11 except, perhaps, where the proprietor manifestly has no knowledge about it.n12 But too much flamboyance in the claimed damages may cause the court to reject the proprietor's self-serving estimates.n13

Damages may be reduced if it can be shown that plaintiff's work had been infringed by another work prior to its being infringed by defendant's work, to the extent that that evidence shows reduction of its value due to the third-party infringement at the time of defendant's infringement.n14 Likewise damages may be reduced if, prior to infringement, a license agreement has been executed by the plaintiff that in itself reduces the market value of the copyrighted work to the plaintiff as of the time of infringement.n15

[1] Lost Revenue. The basic rule for computing injury to the market value of a copyrighted work arising from infringement is to inquire what revenue would have accrued to plaintiff but for the infringement. The plaintiff has the burden "of establishing with reasonable probability the existence of a causal connection between defendant's infringement and loss of anticipated revenue."n16 Once the plaintiff has met this burden of showing a causal connection,n17 "the burden then properly shifts to the infringer to show that this damage would have occurred had there been no taking of the copyrighted expression."n18 In the context of statutory damages,n19 there may be an additional policy consideration that the defendant "cannot expect to pay the same price in damages as it might have paid after

freely negotiated bargaining, or there would be no reason scrupulously to obey the copyright law."ⁿ²⁰ But there appears to be no statutory warrant for that approach in the context of actual damages.ⁿ²¹

The determination of injury to market value may often be most difficult.ⁿ²² Courts are therefore inclined to look to indirect evidence.ⁿ²³ Thus, the plaintiff's damages may be said to equal the profits that the plaintiff might have accrued but for the defendant's infringement.ⁿ²⁴ This measure, however, is not to be confused with the related,ⁿ²⁵ but distinguishable, right to recover defendant's profits.ⁿ²⁶ The profits in fact accrued by the defendant are not necessarily equal to the profits that the plaintiff would have derived but for the infringement. Because of different costs, production and selling techniques,ⁿ²⁷ and goodwill, the defendant's actual profits may be either more or less than the plaintiff's lost profits.ⁿ²⁸ If plaintiff's lost profits are less than defendant's actual profits, plaintiff may recover its lost profits under the rubric of actual damages, and may further recover the difference between its lost profits and defendant's actual profits under the rubric of defendant's profits.ⁿ²⁹ A plaintiff may not recover its full lost profits plus all of the defendant's profits,ⁿ³⁰ for this would constitute a forbidden double recovery.ⁿ³¹ (It is possible, however, that plaintiff could recover its lost profits on competitive sales and additionally defendant's profits solely as to noncompetitive sales.)ⁿ³²

In the absence of convincing evidence as to the volume of sales that plaintiff would have obtained but for infringement, the measure of lost profits may be rejected as too speculative.ⁿ³³ One court rejected as speculative the contention that all of defendant's increased sales due to the infringement would have been sales by the plaintiff but for infringement,ⁿ³⁴ but accepted as reasonable the conclusion that profits from those sales made by defendant to persons who had been plaintiff's customers during both the year of, and the year preceding, the infringement constituted "lost profits" for the purpose of computing plaintiff's damages.ⁿ³⁵ Another court rejected as "too pie-in-the-sky" plaintiff's theory that it would have been able to market 15,000 videos if only defendant had paid it a license fee for the appropriated footage.^{n35.1}

The Second Circuit has permitted recovery of whichever proved to be larger between (1) lost profits that the plaintiff would have realized from sales to customers who had in the past purchased from both plaintiff and defendant, and (2) lost profits based on the difference between the percentage increase or decrease in the sales of the particular models sold by plaintiff that had been infringed by defendant and the average percentage increase or decrease of all of the other (noninfringed) models sold by plaintiff.ⁿ³⁶ As to the first of the above two measures, the court held that, once the plaintiff established that it had been damaged, and that some of its customers had purchased both the infringed and the infringing products, the burden shifted to the defendant to prove that if there had been no infringement, such customers would nevertheless not have acquired from the plaintiff the quantity of product that had in fact been purchased from the defendant. Because recovery of the larger of the above two measures was permitted, it should follow that there might be a recovery of either such measure standing alone, even without proof of the other.

In order to determine plaintiff's lost profits, it is necessary to deduct from the gross amount of lost sales whatever increase in costs (including overhead) plaintiff would have incurred if such lost sales had in fact been made.ⁿ³⁷ It was the failure to make such a deduction that long ago caused the Seventh Circuit to disallow a recovery based on lost sales.ⁿ³⁸ Apart from this failure, the court would have approved a formula based on the average annual gross revenue received by plaintiff from sales of the infringed work during a two-year period immediately preceding commencement of the infringing sales multiplied by the number of years in which infringing sales had occurred, and under which that figure would be reduced by the actual gross revenue received by plaintiff from sales of the infringed work during the infringement period. This formula would have been acceptable to Judge Posner if there had been a further offset of cost savings accruing to plaintiff by reason of its lower volume of sales. But even then, application of the formula would have merely shifted the burden to the defendant to prove that plaintiff's declining sales were due to factors other than defendant's infringing sales.

[2] Indirect Damage. In addition to the primary measure of value of the work infringed, the plaintiff may be able to recover certain supplemental items of actual damages. One example is the cost of making changes in plaintiff's publication necessitated by the prior appearance of defendant's infringing work.ⁿ³⁹ A plaintiff who has produced a

completed work, even if unpublished, may be entitled to reimbursement of travel and research expenses.ⁿ⁴⁰ If plaintiff is a professional writer, he may be entitled to reimbursement for the value of the time expended in writing his work.ⁿ⁴¹

Old law compensates for the loss of the value of being creditedⁿ⁴² as the author of the work.ⁿ⁴³ A more recent case likewise awards a budding screenwriter the fee he would have incurred absent infringement of his story.ⁿ⁴⁴ More generally, loss of plaintiff's goodwillⁿ⁴⁵ due to defendant's infringement, if proved,ⁿ⁴⁶ may be recovered; but such recovery was denied when plaintiff's gross sales increased during the period of infringement.ⁿ⁴⁷

It has been held that plaintiff may not claim, as an item of actual damages, the injury to his business by reason of the nature of defendant's use, if the same effect would have resulted from defendant lawfully distributing authorized copies of plaintiff's work.ⁿ⁴⁸ Likewise, it has been held that plaintiff may not claim to have been damaged by reason of defendant's sale of infringing copies if the copies were sold to plaintiff's agent, because such sale prevented the distribution of such copies to the general public.ⁿ⁴⁹

[3] Ability to Quantify. Uncertainty will not preclude recovery of actual damages if the uncertainty is as to amount, not as to whether actual damages are attributable to the infringement.ⁿ⁵⁰ The courts make the best possible appraisal of value,ⁿ⁵¹ looking if necessary to such additional factors as inherent value of the work and utility value.ⁿ⁵² If the special value of the work to the plaintiff is greater than its market value, he may claim such greater measure.ⁿ⁵³ In determining such special value to the plaintiff, the court may look to the nature of the work itself, its particular utility to the plaintiff, and to whether it can be reproduced.ⁿ⁵⁴ However, actual damages may be particularly difficult to ascertain--and hence statutory damages particularly appropriateⁿ⁵⁵--to the extent that the value of the copyrighted work resides not in its intrinsic value, but rather in its tendency to promote sales of other products.ⁿ⁵⁶ That situation unfolds especially in the case of copyrighted advertisements, a special case discussed below.ⁿ⁵⁷ It has been held equally applicable to a copyrighted website designed to sell motorized scooters.ⁿ⁵⁸

The First Circuit has upheld the award of \$20,000 for a tabloid's unauthorized publication of a photograph,ⁿ⁵⁹ rejecting plaintiff's attempt to recover an additional \$400,000.ⁿ⁶⁰ Its comprehensive opinion calls "proof of industry practice inarguably ... crucial to the estimation of actual damages."ⁿ⁶¹ On the evidence presented, plaintiff photographer would have earned no more from per-use licensing of T-shirts and subscription advertising than for the first unauthorized use.ⁿ⁶² He was also unable to recover for promotional items given away to customers, such as T-shirts bearing the copyrighted image.ⁿ⁶³ But the appellate court did reverse on one minor issue--it awarded him funds which he would have been contractually obligated to pay to a photo stock agency, but which were left in limbo when that agency became defunct.ⁿ⁶⁴

[B] Imputed License Fee

When losses to the copyright owner are difficult to quantify, it is better to look to defendant's profits.ⁿ⁶⁵ When the infringement produces no gain to the infringer, the circumstances are ripe for awarding statutory damages.ⁿ⁶⁶ But failure to timely register the work sacrifices the ability to recover statutory damages.ⁿ⁶⁷ To the extent that all those circumstances coalesce, the specter arises of the copyright owner being unable to win any recovery at all, even if the infringer acted willfully and deliberately.ⁿ⁶⁸ A series of cases has confronted this dilemma.^{n68.1}

[1] *Deltak* Initiates. To avoid the harsh result of no recovery under those triple circumstances (no out-of-pocket losses to plaintiff, no profits to defendant, no ability to recover statutory damages), *Deltak, Inc. v. Advanced Systems, Inc.* ⁿ⁶⁹ defined actual damages to include the "value of use" to the infringer.

In that case, plaintiff Deltak sold kits teaching data processing skills; the kits included a pamphlet listing various data-processing tasks, cross-referenced to appropriate Deltak publications for sale. Defendant ASI, a competitor in the field, exactly copied the descriptions of the tasks from Deltak's entire pamphlet, but substituted its own publications for Deltak's, thus preserving the pamphlet's form but converting it into a marketing tool for ASI. It then distributed fifteen

of the infringing pamphlets without charge to mutual customers of ASI and Deltak, in an ultimately unsuccessful attempt to woo them away from Deltak. At trial, Judge Posner found ASI liable for infringement, from which judgment ASI did not appeal.ⁿ⁷⁰ However, the vexing question arose in computing damages. For given the failure of ASI's marketing campaign, it earned no additional profitsⁿ⁷¹ and Deltak lost no prospective salesⁿ⁷² on account of the infringing pamphlets. On that basis, the district court found no profit to ASI, no actual damage to Deltak, and accordingly, denied any recovery.ⁿ⁷³

On appeal, the Seventh Circuit grappled with the fact of infringement by ASI, but the absence of damages under the traditional tests of loss to plaintiff and of profit to defendant. It decided to adopt a new test. Reasoning that ASI had engaged in a marketing campaign for which it expended funds, that it willfully used an infringing pamphlet to facilitate the campaign, and that it reduced its own campaign costs by paying no royalty to the copyright owner for the infringing material, the court held that Deltak's actual damages were equal to the value of ASI's use. "Each of the copies ASI distributed had a value of use to it equal to the acquisition cost saved by infringement instead of purchase, which ASI was then free to put to other uses."ⁿ⁷⁴ The court vacated the award of no damages and remanded for a determination of the fair market value of producing the fifteen infringing pamphlets.ⁿ⁷⁵ This ruling expands on an older line of cases that looks to a price previously set between the parties for the same or similar copyrighted materials, and considers such price to be probative of actual damages,ⁿ⁷⁶ albeit not determinative.ⁿ⁷⁷ As one court stated:

The value of use ... amounts to a determination of what a willing buyer would have been reasonably required to pay to a willing seller for plaintiff's work. That is a different measure than the determination of defendants' actual profits from the infringement. An author might license the use of his copyright either for a lump sum based on the reasonable value of the work or for a royalty derived from the licensee's profits, or for a combination of both.ⁿ⁷⁸

By holding that an infringer's saved acquisition costs count as a copyright owner's actual damages, *Deltak* avoids the anomaly of affording plaintiffs a right without a remedy.ⁿ⁷⁹ For it cannot be doubted that ASI appropriated Deltak's property for its own interest; nor that, had ASI's marketing campaign succeeded, ASI would then be liable to Deltak for revenue directly attributable to the infringement.ⁿ⁸⁰ To deny recovery because ASI's marketing campaign failed is to allow ASI to use Deltak's property risk-free--if use of the infringing pamphlet fails to generate revenue by bringing over customers from Deltak then there is no cost to ASI, while if it succeeds ASI risks at most disgorging its wrongful gains. Under the 1909 Act, the Supreme Court limned the inadequacies of such a weak disincentive against purloining copyrighted material: "[A] rule of liability which merely takes away the profits from an infringement would offer little discouragement to infringers Even for uninjurious and unprofitable invasions of copyright the court may, if it deems just, impose a liability within statutory limits to sanction and vindicate the statutory policy."ⁿ⁸¹

Nonetheless, although *Deltak's* value of use standard serves the Supreme Court's goal of "discourag[ing] wrongful conduct,"ⁿ⁸² it is open to question whether it fits the Court's requirement of being "within statutory limits."ⁿ⁸³ In the context of the 1909 Act, for which the Court enunciated the foregoing language, the value of the use theory would have been neither needed nor approved. For under the 1909 Act, precisely for those instances such as *Deltak* where "proof of damages or discovery of profits" was "difficult or impossible,"ⁿ⁸⁴ Congress provided for statutory damages, an automatic measure of recovery to plaintiffs regardless of injury or profits.ⁿ⁸⁵ Such statutory damages were available in all infringement actions, even if the copyright had not been registered prior to the infringement. Moreover, given the availability of statutory damages, the courts under the 1909 Act rejected the "reasonable royalty" standard, a patent measure of damages that looks to the royalties customarily paid for the type of use to which the defendant has put the infringing material;ⁿ⁸⁶ the similarities between this reasonable royalty rule and *Deltak's* value of use theory are apparent.ⁿ⁸⁷

Under the current Act, by contrast, plaintiffs such as Deltak who neglect to register their copyright before the infringement cannot recover statutory damages.ⁿ⁸⁸ Therefore, the question under the current Act becomes whether value of use is a species of actual damages falling within the statutory language of "the actual damages suffered by [the

author] and any profits of the infringer."n89 The value of use of the infringing material fits neither category--as found by the district court in *Deltak*, the author (Deltak) suffered no actual damages from the infringement and the infringer (ASI) earned no profits from it. Though *Deltak* categorizes saved acquisition costs as actual damages to the author,n90 on the theory that ASI would have purchased the fifteen pamphlets directly from Deltak had it wished to avoid infringement, and Deltak would have thereby earned the fair market value of the pamphlets, that logic relies on the most transparent of fictionsn91 --if not for the infringement, there would have been no saved acquisition costs to ASI and *a fortiori* no losses to Deltak.n92

Deltak fosters reason in the law of copyright by serving the Congressional purpose of discouraging infringement and by avoiding the anomaly of affording copyright owners a right without a remedy in situations when the subject work is unregistered. Yet, given that Congress deliberately excluded the recovery of statutory damages for unregistered copyrights under the current Act, the present statutory scheme suggests that Congress, in order to foster registration, chose as the penalty for failure to register the loss of any recovery in situations such as *Deltak*.n93 Such is the dictate of reason; experience, however, has spoken otherwise (as will be explored below).n94

Several previous decisions support *Deltak's* fashioning of the value-of-use rule.n95 In addition, a smattering of post-*Deltak* decisions follow its lead.n96 In one unusual case, the court rejected plaintiff's request for an award of damages under the Copyright Act for the defendants' wrongfully copying its depiction of data onto a patent application.n97 But turning aside from copyright, the court concluded that the defendants had committed fraud, and therefore awarded a royalty of 12% of pharmaceutical sales for the life of the patent, equivalent to \$44 million, plus punitive damages.n98 The Federal Circuit affirmed the copyright decision, but vacated on other bases.n99 Later, the district court awarded \$53 million for the plagiarized patent applications.n99.1

[2] *Business Trends* Rejects.

Because the Second Circuit is where much of the jurisprudence on this issue has taken place, its rulings warrant extended discussion. The early experience after *Deltak* was hostile to a value-of-use theory. In *Business Trends Analysts, Inc. v. Freedomia Group, Inc.*,n100 defendant infringed plaintiff's robotic studies. To combat poor sales and to expand its customer base, defendant slashed its price by 90%. Defendant's president testified that that discount "was calculated to, *and did*, bring a discrete, concrete market advantage which [he] valued at the calculated cost of the differential between the regular copy price (\$1,500) and the sales copy price (\$150)."n101 The district court thereupon set damages at the number of infringing copies sold, times the differential, relying in part on *Deltak* and making a factual finding that the "concretized, non-speculative market advantage of the type here indisputably established out of the infringer's own mouth" qualified as a "gain realized from business."n102 On appeal, the Second Circuit reversed. With respect to damages based on "market advantage or value of use from the good will established by using" a discounted infringing work, the court acknowledged that "we see no legal barrier to such an award ... so long as the amount of the award is based on a factual basis rather than 'undue speculation.'"n103 Nonetheless, the Second Circuit rejected the district court's measure of "the difference between the prevailing market price ... and the actual sales price,"n104 ruling it not truly representing plaintiff's damages or defendant's profits: "True saved costs may well be counted as a gain in economic theory (although not by *Deltak's* market value test), but the statute had a more conventional view of profits in mind Congress means profits in the lay sense of gross revenue less out-of-pocket costs, not the fictive purchase price that [defendant] hypothetically chose not to pay to [plaintiff]."n105 This treatise's above analysis of *Deltak* n105.1 played into the court's analysis:

That eminent text goes on to suggest that whether to follow *Deltak* involves a choice between "reason" (rejecting it) and "experience" (adopting it). We view the choice, however, as between carrying out or rejecting a rational, if strict, policy embraced by Congress. Our obligation in those circumstances not being in doubt, we decline to follow *Deltak*.n106

At this juncture, therefore, the tally was that value-of-use recovery had won qualified approval from this writer, but

disapproval from the Second Circuit.ⁿ¹⁰⁷

Subsequently, numerous cases relied on *Business Trends*.ⁿ¹⁰⁸ One such caseⁿ¹⁰⁹ ruled that a plaintiff may seek to recover damages measured by its lost sales on noninfringed items,ⁿ¹¹⁰ which were marketed as part of a line of merchandise that included an item as to which copyright infringement was proven. The court emphasized that plaintiff's proof must demonstrate a "necessary, immediate, and direct causal connection" to the infringement itself,ⁿ¹¹¹ a standard that it recognized as "difficult" albeit "not inconceivable."ⁿ¹¹² Finally, the court admonished plaintiff that its failure to present "substantial credible evidence"ⁿ¹¹³ for its unusual theory would tempt the court to award costs to defendant.ⁿ¹¹⁴ That case highlights that proximate causation is often an issue in the computation of actual damages.ⁿ¹¹⁵ Another case comments that, once a rebuttable presumption of "but for" causation is established, the defendant has two avenues of attack: (1) "attempt to show that consumers would have purchased its product even without the infringing element"; and (2) "show that the existence and amount of its profits are not the natural and probable consequences of the infringement alone."ⁿ¹¹⁶

The discussion above references *Business Trends'* focus on "gain realized from business."ⁿ¹¹⁷ It would appear that that case focused on defendant's profits, rather than plaintiff's damages.ⁿ¹¹⁸ The comparison with *Deltak*, which concentrated instead on actual damages, illustrates the slipperiness of the value-of-use theory of recovery. A district court focused on that distinction to conclude that *Business Trends* forbids computing a reasonable license fee as profit to the defendant but not as actual damage to the plaintiff--to the extent that the plaintiff can show that defendant would have paid it money absent the infringement.ⁿ¹¹⁹ Paradoxically,ⁿ¹²⁰ evidence of defendant's ill motive benefits defendant, as it tends to negate a conclusion that defendant would have dealt with plaintiff but for defendant's wrongdoing. But if plaintiff can bear the "difficult"ⁿ¹²¹ burden of proving that, were it not for the infringing conduct, plaintiff and defendant would have done business together, it can recover damages on this theory.ⁿ¹²²

Notwithstanding *Business Trends'* disapproval of *Deltak*, a later Second Circuit opinion, without citing the former, relied on the latter to remark in *dictum* that "we think that a reasonable license fee ... best approximates the market injury sustained by" plaintiff.ⁿ¹²³ But later, the Second Circuit took the bull by the horns.

[3] *Davis* Relents. In *Davis v. The Gap, Inc.*,ⁿ¹²⁴ plaintiff created "nonfunctional jewelry worn over the eyes in the manner of eyeglasses."ⁿ¹²⁵ All parties conceded "that the Gap, without Davis's permission, used a photograph of an individual wearing Davis's copyrighted eyewear in an advertisement for the stores operating under the 'Gap' trademark that was widely displayed throughout the United States."ⁿ¹²⁶ Plaintiff sued defendant, a multi-billion dollar clothing outfit, for \$2.5 million in unpaid licensing fees (as well as \$10 million in punitive damages).ⁿ¹²⁷ The district court held that *Business Trends* "expressly rejected the 'lost license' theory" on which plaintiff's suit relied.ⁿ¹²⁸ The Second Circuit reversed.ⁿ¹²⁹

Again, the reasoning set forth above in this treatise furnished the platform on which the court built much of its analysis.ⁿ¹³⁰ The court was not persuaded by this treatise's characterization of "reasonable royalties" as being unavailable under the 1909 Act;ⁿ¹³¹ it cited cases taking the contrary position.ⁿ¹³² Quoting the above characterization of *Deltak* as resting "on the most transparent of fictions" given that the infringer there never would have negotiated with the copyright owner,ⁿ¹³³ the court conceded that it "may be pertinent to the peculiar facts of that case, but for two reasons does not justify a general rule denying damages based on the market value of the use appropriated by the infringer."ⁿ¹³⁴ Those reasons are first that the "hypothesis of a negotiation between a willing buyer and a willing seller simply seeks to determine the fair market value of a valuable right that the infringer has illegally taken from the owner."ⁿ¹³⁵ Second, "even if the larcenous intentions of the *Deltak* infringer furnished a valid reason to decline to award damages in that case for the fair market value of what the infringer took for free, that circumstance" is not universally applicable.ⁿ¹³⁶ Given that The Gap evidently infringed "by reason of oversight or good faith mistake,"ⁿ¹³⁷ the court believed that recovery of lost licensing fees should be permitted.

With adoption of this new wrinkle comes the question of computation--how much should the reasonable royalty be?

The court rejected plaintiff's prayer for \$2.5 million, holding it a "wildly inflated claim of entitlement."ⁿ¹³⁸ Based on plaintiff's testimony that "on one occasion he was paid a royalty of \$50 for the publication by Vibe magazine of a photo of the deceased musician Sun Ra wearing Davis's eyewear,"ⁿ¹³⁹ the court ruled that

a jury could reasonably find that Davis established a fair market value of at least \$50 as a fee for the use of an image of his copyrighted design. [Plus,] if Davis could show at trial that the Gap used the image in a wider circulation than Vibe, that might justify a finding that the market value for the Gap's use of the eyewear was higher than \$50.ⁿ¹⁴⁰

Reverting to the above tally, its revised status shows that value-of-use recovery, which had originally won qualified approval from this writer, is no longer disapproved in the Second Circuit.ⁿ¹⁴¹ Instead, it is now adopted thereⁿ¹⁴² as a permissible aspect of the plaintiff's "actual damages."ⁿ¹⁴³ Presumably, future cases will bring concrete results from this change of course exceeding the \$50 at stake in *Davis v. Gap*. It would further appear that the paradox attending *Business Trends*--whereby defendants with ill motive are less liable for damages than innocent defendantsⁿ¹⁴⁴--no longer pertains.ⁿ¹⁴⁵ "The question is not what the owner would have charged, but rather what is the fair market value."ⁿ¹⁴⁶ Nonetheless, if the matter appropriated has no market value, then there can be no recovery even under *Davis v. The Gap*.ⁿ¹⁴⁷

[4] Current Application. Under *Davis v. The Gap*, a court has rejected, as unreliable, extrapolation from "a single license between non-parties [to] a use different from" the one in suit.ⁿ¹⁴⁸ But plaintiff may offer evidence concerning his "past work as well as evidence illustrating the progress of negotiations as the parties worked toward a mutually agreeable payment figure."ⁿ¹⁴⁹ In *Mackie v. Rieser*,ⁿ¹⁵⁰ the Ninth Circuit followed its own 1909 Act cases to reach the same result as in *Davis v. The Gap*: the market value at the time of infringement is determined by answering the hypothetical query concerning "what a willing buyer would have been reasonably required to pay to a willing seller" for the subject work.ⁿ¹⁵¹ It rejected "hurt feelings" from the nature of the infringement as part of that calculus.ⁿ¹⁵²

In *McRoberts Software, Inc. v. Media 100, Inc.*,ⁿ¹⁵³ the jury awarded \$1.2 million, having been properly instructed to determine "the amount a willing buyer would have been reasonably required to pay a willing seller at the time of the infringement for the use made of the source code."ⁿ¹⁵⁴ The Seventh Circuit rebuffed defendant's allegation that that figure consisted of undue speculation, given that the evidence included proof of defendant's entry into several multi-million dollar software deals of comparable import.ⁿ¹⁵⁵ It held that the fact that defendant would not have hired plaintiff itselfⁿ¹⁵⁶ "misses the point," inasmuch as the imputed value of the infringement could be determined under all the evidence presented.ⁿ¹⁵⁷

In *Polar Bear Prods., Inc. v. Timex Corp.*, Timex declined to pay Polar Bear's requested fee of \$37,500 for video footage, and then used the subject footage anyway.^{n157.1} The court sustained a jury verdict of \$315,000 in lost license fees plus renewal fees plus lost profits as within the range of reasonable market value.^{n157.2}

In *Thoroughbred Software Int'l, Inc. v. Dice Corp.*,^{n157.3} defendant acted as plaintiff's licensee for software modules, with the right (subject to royalty payment) to lease computers onto which such modules had been loaded to its own customers, provided that those customers would register their status and agree to be bound to the agreement.^{n157.4} In breach of the license, defendant made some copies^{n157.5} that were installed on customers' computers but were never used, and indeed that defendant had technically disabled so that those customers could not use them.^{n157.6} The district court found no causal connection of damage to plaintiff from the technical violation consisting of those unusable items.^{n157.7} But the Sixth Circuit reversed.^{n157.8} Given that the parties' license agreement set a price for each copy that defendant made (even if not used),^{n157.9} evidence cognizable under *Davis* ^{n157.10} showed the reasonable license fee that a willing buyer would pay a seller under the circumstances.^{n157.11} On that basis, the Court of Appeals added \$183,000 to the damages awarded.^{n157.12}

In one case, the court refused to allow "expert testimony about industry practice concerning damages multipliers for the

misuse of material protected by the copyright laws."n157.13 A subsequent case categorically rejected actual damages reflecting such a "fee for unauthorized usage."n157.14

[C] Other Recoveries

[1] Interest. Interest on the amount of the judgment running from the time of the infringement--rather than from the date of entry of the judgmentn158 --has occasionally been awarded in copyrightn159 cases,n160 but some courts have expressly declined to include such a measure in a damages award.n161 In 1989, the Ninth Circuit held prejudgment interest to be an available remedy under the 1909 Act.n162 Given that the number of suits complaining of pre-1978 infringement still pending in 1989 could probably be counted on one hand, the direct precedential value of that ruling would appear to be minuscule.n163 Given further that the court reached its construction specifically under provisions of the 1909 Act, which are inapplicable to the 1976 Act,n164 the indirect precedential value of that ruling would appear to be similarly circumscribed.n165

Nonetheless, the following year the Tenth Circuitn166 addressed a question of first impression in that circuit--whether prejudgment interest may be awarded under the 1976 Actn167 --and answered "yes" for the "reasons set out in ... recent Seventh and Ninth Circuit decisions which hold that prejudgment interest may be awarded on claims for copyright violations."n168 The citation to the foregoing Ninth Circuit case misses the mark, given that the latter construed solely the predecessor Act and did not purport to address awards of prejudgment interest under current law.n169 And the citation to the Seventh Circuit case is also inapposite, given that that case arose in a trademark action, not in a case alleging copyright infringement.

Yet given that the Seventh Circuit did announce in that trademark case that the "time has come, we think, to generalize, and to announce a rule that prejudgment interest should be presumptively available to victims of federal law violations,"n170 the trendn171 may currently be towards awards of prejudgment interest generallyn172 in federal courts.n173 Later, the Seventh Circuit affirmed an award of over \$300,000 in prejudgment interest for willful copyright infringement.n174 The Ninth Circuit too extended its prior 1909 Act holding to the current Act, noting that "prejudgment interest may be necessary at times to effectuate the legislative purpose of making copyright holders whole and removing incentives for copyright infringement... ."n174.1

[2] Punitive Damages. Judge Posner has stated that "there is no basis in the law for requiring the infringer to give up more than his gain when it exceeds the copyright owners' loss. Such a requirement would add a punitive as distinct from a restitutionary element to copyright damages, and ... the statute contains no provision for punitive damages."n175 The cases are clear that exemplary or punitive damages should not be awarded in a statutory copyright infringement action.n176 "The public policy rationale for punitive damages of punishing and preventing malicious conduct can be properly accounted for in the provisions for increasing a maximum statutory damage award from \$10,000 to \$50,000"n177 (Note that at present statutory damages run from \$30,000 to \$150,000.)n178

Nonetheless, one case interpreted precedent not to "categorically foreclose the availability of punitive damages under the Copyright Act," at least "provided the requisite malice is indicated, ... where the available damages exclude statutory damages... ."n178.1 The way this particular case unfolded, plaintiff ultimately elected to recover statutory damages.n178.2 Accordingly, the earlier ruling in this case turned out to be *dictum*.n178.3 In addition, the court would have extended that same construction to instances in which "actual damages plus profits are available as an alternative to statutory damages... ."n178.4 That last posture subsumes every piece of copyright infringement litigation, as those remedies are *always* available as "an alternative to statutory damages."n178.5 It is therefore suggested that this rogue decision should not be followed,n178.5a in light of the profusion of contrary cases cited above.n178.6 Cementing that proposition is that the Court of Appeals later reversed the entire judgment of liability for copyright infringement,n178.7 and in that context disapproved of punitive damages even for the separate count of breach of contract.n178.8 During the pendency of that appeal, another court granted leave to amend the complaint to prove malice, but at the same time expressed doubt that plaintiff would prevail.n178.9 Later, summary judgment against plaintiff's claim mooted this

decision, as well.n178.10

Even though punitive damages are not available for statutory copyright infringement, in the residual domain of common law copyright,n179 exemplary damages may be recovered. Consider *Bridgeport Music, Inc. v. Justin Combs Publ'g*,n180 in which one plaintiff owned the statutory copyright in musical compositions and another owned the common law copyright in pre-1972 sound recordings.n181 As to the latter, the Sixth Circuit, applying New York law, ruled that recklessness or willfulness justifies an award of punitive damages.n182 But, based on cognizable actual damages of \$366, 939,n183 the court threw out the award of an additional \$3.5 million in punitive damages,n184 holding such an excessive amount to violate due process.n185 It reasoned that only one of the "reprehensibility factors" was present, meaning that due process could only sustain a ratio of 2:1.n186 Because the compensatory damage itself was largen187 and already included a punitive element,n188 it remanded to the district court for either remittitur of the punitive damages verdict into the 2:1 range or for new trial.n189

Unlike that 2007 Sixth Circuit decision, most of the rulings in the domain of common law copyright actually stem from the twentieth century. Some articulated the rule that punitive damages may not be awarded absent proof of an intent to vex, annoy or injure,n190 or of ill will on the part of the defendant or of a desire to do harm for the mere satisfaction of doing so,n191 such that "there must either be an actual intent to injure plaintiff or recklessness which is 'close to criminality.'"n192 The hallmark of those cases is a fixation on defendant's outrageous conduct.n193 Other courts apply a less rigorous standard, approving the award of exemplary damages when the "defendant was not an innocent layman, caught in the complexities of the law, but a businessman who, for personal profit, was determined to pursue a certain course of conduct even if it meant riding roughshod over the rights of others."n194

Under New York law, it has been held that, in order for a corporation to be held liable for punitive damages, the conduct that warrants such an award must have been participated in by persons in the "corporate management" (which includes supervisory employees), acting within the scope of their employment.n195 Even when these conditions are satisfied, the trier of fact may, of course, decline to award punitive damages.n196

Legal Topics:

For related research and practice materials, see the following legal topics:

Copyright LawCivil Infringement ActionsRemediesDamagesActual DamagesCopyright LawCivil Infringement ActionsRemediesDamagesDamage ComputationCopyright LawCivil Infringement ActionsRemediesDamagesInfringer ProfitsCopyright LawCivil Infringement ActionsRemediesDamagesStatutory Damages

FOOTNOTES:

(n1)Footnote 1. *17 U.S.C. § 504(b)*.

(n2)Footnote 2. *Deltak, Inc. v. Advanced Sys., Inc.*, 767 F.2d 357, 361 (7th Cir. 1985) (*Treatise cited*) .

(n3)Footnote 3. *McMahon v. Prentice-Hall, Inc.*, 486 F. Supp. 1296 (E.D. Mo. 1980) . See § 12.10[A] *supra*.

(n4)Footnote 4. For an example of jury instructions on plaintiff's lost profits, see *PAR Microsys., Inc. v. Pinnacle Dev. Corp.*, 995 F. Supp. 655, 657 (N.D. Tex. 1997) .

(n5)Footnote 5. It has been said that the jury need not specify its method of computing damages. See *Brewer v. Hustler Magazine, Inc.*, 749 F.2d 527, 529 (9th Cir. 1984) .

(n6)Footnote 6. See § 14.04[C][2] *infra*.

(n7)Footnote 7. See § 14.01[C][1] *supra*.

(n8)Footnote 8. It would seem that injury to plaintiff in the marketplace does not hinge on defendant's innocence or

willfulness. Nonetheless, the BCIA addresses mitigation of actual damages depending on such innocence. See § 14.04[B][2][a] N. 65 *infra*.

(n9)Footnote 9. In *Design v. K-Mart Apparel Corp.*, 13 F.3d 559, 563 (2d Cir. 1994) (Treatise cited); *Fitzgerald Publ. Co. v. Baylor Pub. Co.*, 807 F.2d 1110, 1118 (2d Cir. 1986) (Treatise cited), remanded, 670 F. Supp. 1133, 1138 (S.D.N.Y. 1987) (Treatise cited); *Universal Pictures Co. v. Harold Lloyd Corp.*, 162 F.2d 354 (9th Cir. 1947); *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1579 (Fed. Cir. 1992) (Treatise cited) (SCPA); *Szekely v. Eagle Lion Films, Inc.*, 140 F. Supp. 843 (S.D.N.Y. 1956), *aff'd*, 242 F.2d 266 (2d Cir. 1957); *Nash v. Alaska Airlines, Inc.*, 94 F. Supp. 428 (S.D.N.Y. 1950); *Paramore v. Mack Sennett, Inc.*, 9 F.2d 66 (S.D. Cal. 1925); *Edgar H. Wood Assocs., Inc. v. Skene*, 347 Mass. 351, 197 N.E.2d 886 (1964); *Nucor Corp. v. Tennessee Forging Steel Serv., Inc.*, 513 F.2d 151(8th Cir. 1975); *Cream Records, Inc. v. Jos. Schlitz Brewing Co.*, 754 F.2d 826 (9th Cir. 1985) (*per curiam*) (Treatise cited); *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505 (9th Cir. 1985) (1909 Act) (Treatise cited). Cf. *Vic Alexander & Assocs. v. Cheyenne Neon Sign Co.*, 151 U.S.P.Q. 438, 417 P.2d 921 (Wyo. Sup. Ct. 1966). See *Restatement of Torts*, § 927. Such market value includes injury to the value of reissue rights, and (in view of the adaptation right under § 106(2)) also sequel rights. *Runge v. Lee*, 441 F.2d 579 (9th Cir. 1971).

(n10)Footnote 10. *Golding v. RKO Pictures, Inc.*, 35 Cal. 2d 690, 221 P.2d 95 (1950).

(n11)Footnote 11. *Universal Pictures Co. v. Harold Lloyd Corp.*, 162 F.2d 354 (9th Cir. 1947); *Runge v. Lee*, 441 F.2d 579 (9th Cir. 1971); *Golding v. RKO Pictures, Inc.*, 35 Cal. 2d 690, 221 P.2d 95 (1950); *Donahue v. United Artists Corp.*, 83 Cal. Rptr. 131 (1969).

(n12)Footnote 12. See *Silver v. Television City, Inc.*, 148 U.S.P.Q. 167, 207 Pa. Super. 150, 215 A.2d 335 (Pa. Super. 1965).

(n13)Footnote 13. See *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 514 n.8 (9th Cir. 1985) (1909 Act); *Bruce v. Weekly World News, Inc.*, 150 F. Supp. 2d 313, 317 n.8 (D. Mass. 2001), *aff'd in part, vacated in part on other grounds*, 310 F.3d 25, 28 (1st Cir. 2002) (Treatise cited).

(n14)Footnote 14. See *Universal Pictures Co. v. Harold Lloyd Corp.*, 162 F.2d 354 (9th Cir. 1947).

(n15)Footnote 15. This is true even if the infringer and licensee are the same person. See *County of Ventura v. Blackburn*, 362 F.2d 515 (9th Cir. 1966)

(n16)Footnote 16. *Key West Hand Print Fabrics, Inc. v. Serbin, Inc.*, 269 F. Supp. 605, 613 (S.D. Fla. 1965); *Montgomery v. Noga*, 168 F.3d 1282, 1294, 1295 (11th Cir. 1999) (Treatise cited). See *PAR Microsystems, Inc. v. Pinnacle Dev. Corp.*, 995 F. Supp. 658, 661 (N.D. Tex. 1998) (causality lacking when plaintiff had no product of its own to sell).

(n17)Footnote 17. An alternative is to phrase this test in terms of "but for" causality. *Banff Ltd. v. Express, Inc.*, 921 F. Supp. 1065, 1068 (S.D.N.Y. 1995); *Data Gen. Corp. v. Grumman Sys. Support Corp.*, 36 F.3d 1147, 1171 (1st Cir. 1994).

(n18)Footnote 18. *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 567, 105 S. Ct. 2218, 85 L. Ed. 2d 588 (1985) (Treatise cited).

(n19)Footnote 19. See § 14.04 *infra*.

(n20)Footnote 20. *Iowa State Univ. Research Found., Inc. v. American Broadcasting Cos.*, 475 F. Supp. 78 (S.D.N.Y. 1979) (1909 Act).

(n21)Footnote 21. Note that punitive damages are not recoverable in a suit for statutory copyright infringement.

See § 14.02[C][2] *infra*.

(n22)Footnote 22. *Fitzgerald Pub. Co. v. Baylor Pub. Co.*, 807 F.2d 1110, 1118 (2d Cir. 1986) (Treatise cited) .

(n23)Footnote 23. *Davis v. The Gap, Inc.*, 246 F.3d 152, 167 (2d Cir. 2001) (Treatise cited) . Nonetheless, it is not appropriate to award plaintiff its development costs in respect of the copyrighted work, unless perhaps defendant's usage has obliterated the value of the work. See *Softel, Inc. v. Dragon Med. & Scientific Comms. Ltd.*, 891 F. Supp. 935, 941 (S.D.N.Y. 1995), *aff'd in part, vacated in part*, 118 F.3d 955 (2d Cir. 1997) .

(n24)Footnote 24. *Davis v. The Gap, Inc.*, 246 F.3d 152, 167 (2d Cir. 2001) (Treatise cited) ; *Big Seven Music Corp. v. Lennon*, 554 F.2d 504 (2d Cir. 1977) (extensive discussion of lost sales measure); *Gross v. Van Dyk Gravure Co.*, 230 F. 412 (2d Cir. 1916) ; *Fruit of the Loom, Inc. v. Andris Fabrics, Inc.*, 227 F. Supp. 977 (S.D.N.Y. 1963) ; *Baldwin Cooke Co. v. Keith Clark, Inc.*, 420 F. Supp. 404 (N.D. Ill. 1976) . See *Meta-Film Assocs., Inc. v. MCA, Inc.*, 586 F. Supp. 1346 (C.D. Cal. 1984) ; *Manufacturers Technologies, Inc. v. Cams, Inc.*, 728 F. Supp. 75, 80-81 (D. Conn. 1989) (Treatise cited) (elaborate economic analysis of plaintiff's profits); *Ziegelheim v. Flohr*, 119 F. Supp. 324 (E.D.N.Y. 1954) ; *Original Appalachian Artworks, Inc. v. J.F. Reichert, Inc.*, 658 F. Supp. 458 (E.D. Pa. 1987) (no profit lost to plaintiff from defendant's \$2 million gross sales of infringing articles; ironically, opposite may have occurred as a result of indirect royalties plaintiff may have received overseas from defendant's activities).

(n25)Footnote 25. See § 14.01[A] *supra*.

(n26)Footnote 26. See § 14.03 *infra*. In *United States v. King Features Entertainment, Inc.*, 843 F.2d 394, 400 (9th Cir. 1988) (Treatise cited) , the appellate court rejected the amount that defendant actually received as an accurate measure of how much plaintiff lost, without taking cognizance of the fact that the district court could properly award that amount as defendant's profits.

(n27)Footnote 27. *Mary Ellen Enters., Inc. v. Camex, Inc.*, 68 F.3d 1065, 1070 (8th Cir. 1995) (defendant offered book for free in conjunction with hosiery sale); *Pfanenstiel Architects, Inc. v. Chouteau Petroleum Co.*, 978 F.2d 430, 432 (8th Cir. 1992) (unsupported claim rejected as too speculative).

(n28)Footnote 28. *Peter Pan Fabrics, Inc. v. Jobela Fabrics, Inc.*, 329 F.2d 194 (2d Cir. 1964) ; *Key West Hand Print Fabrics, Inc. v. Serbin, Inc.* 269 F. Supp. 605 (S.D. Fla. 1965) ; *Alouf v. Expansion Prods., Inc.*, 417 F.2d 767 (2d Cir. 1969) ; *Fedtro, Inc. v. Kravex Mfg. Corp.*, 313 F. Supp. 990 (E.D.N.Y. 1970) (opinion contains an extensive analysis of the issue); *L & L White Metal Casting Corp. v. Cornell Metal Corp.*, 353 F. Supp. 1170 (E.D.N.Y. 1972), *aff'd*, 177 U.S.P.Q. 673 (2d Cir. 1973) . See *Sammons v. Colonial Press, Inc.*, 126 F.2d 341 (1st Cir. 1942) ; *Woodman v. Lydiard-Peterson Co.*, 192 F. 67 (C.C. D.C. Minn. 1912), *aff'd*, 204 F. 921 (8th Cir. 1913) ; *Lauratex Textile Corp. v. Allton Knitting Mills*, 519 F. Supp. 730 (S.D.N.Y. 1981) . Cf. *Pret-A-Printee, Ltd. v. Allton Knitting Mills, Inc.*, 218 U.S.P.Q. 150, 154 (S.D.N.Y. 1982) (defendants' profits may be used "as an approximate measure of plaintiff's damages").

(n29)Footnote 29. *Taylor v. Meirick*, 712 F.2d 1112 (7th Cir. 1983) .

(n30)Footnote 30. *Id.*

(n31)Footnote 31. *Hamil Am. Inc. v. GFI*, 193 F.3d 92, 108 n.7 (2d Cir. 1999) (Treatise quoted), *cert. denied*, 528 U.S. 1160, 120 S. Ct. 1171, 145 L. Ed. 2d 1080 (2000) . See § 14.01[A] *supra*.

(n32)Footnote 32. *Manufacturers Technologies, Inc. v. Cams, Inc.*, 728 F. Supp. 75, 84 (D. Conn. 1989) . See *U.S. Payphone, Inc. v. Executives Unlimited of Durham, Inc.*, 781 F. Supp. 412, 414 & n.1 (M.D.N.C. 1991) . See also § 14.03[B][2][a] and § 14.02[B][2] N. 110 *infra* and accompanying text.

(n33)Footnote 33. *Hamil Am. Inc. v. GFI*, 193 F.3d 92, 108 (2d Cir. 1999) (Treatise quoted), *cert. denied*, 528

U.S. 1160, 120 S. Ct. 1171, 145 L. Ed. 2d 1080 (2000); *Odegard, Inc. v. Costikyan Classic Carpets, Inc.*, 963 F. Supp. 1328, 1341 (S.D.N.Y. 1997) (Treatise cited); *Orgel v. Clark Boardman Co.*, 128 U.S.P.Q. 531 (S.D.N.Y. 1960), modified, 301 F.2d 119 (2d Cir. 1962); *Peter Pan Fabrics, Inc. v. Jobela Fabrics, Inc.*, 329 F.2d 194 (2d Cir. 1964); *L & L White Metal Casting Corp. v. Cornell Metal Corp.*, 353 F. Supp. 1170 (E.D.N.Y. 1972), *aff'd*, 177 U.S.P.Q. 673 (2d Cir. 1973); *L & L White Metal Casting Corp. v. Joseph*, 387 F. Supp. 1349 (E.D.N.Y. 1975). See *Big Seven Music Corp. v. Lennon*, 554 F.2d 504 (2d Cir. 1977) (lost sales recovery reduced on appeal).

In the context of common law copyright, see *Smith v. Little Brown & Co.*, 273 F. Supp. 870 (S.D.N.Y. 1967); *Read v. Turner*, 239 Cal. App. 2d 504, 48 Cal. Rptr. 919 (1966). *Read* holds that loss of profits could not be claimed by one not engaged in an established business for the realization of such profits. But *Williams v. Weisser*, 78 Cal. Rptr. 542 (1969), holds that plaintiff may recover lost profits, even if he is not engaged in an established business, if such lost profits can be determined from the testimony of a prospective licensee who is engaged in an established business. See *Dan Kasoff, Inc. v. Palmer Jewelry Mfg. Co.*, 171 F. Supp. 603 (S.D.N.Y. 1959).

(n34)Footnote 34. On the other hand, essentially that conclusion was held supported by the evidence in *Robert R. Jones Assoc., Inc. v. Nino Homes*, 858 F.2d 274 (6th Cir. 1988). In that case, the fact that defendant built the same style homes in the same neighborhood as plaintiff allowed the court to conclude that each of defendant's sales would have been made by plaintiff, absent the infringement. See the opinion below, 686 F. Supp. 160, 164 (E.D. Mo. 1987). For more analysis relating to the remedies specifically applicable to copyrights in architectural plans, see § 2.08[D][2][a] *supra*.

(n35)Footnote 35. *Baldwin Cooke Co. v. Keith Clark, Inc.*, 420 F. Supp. 404 (N.D. Ill. 1976). See *Dolori Fabrics, Inc. v. Limited, Inc.*, 662 F. Supp. 1347, 1355 (S.D.N.Y. 1987) (Treatise cited); *Technologies, S.A. v. Cyrano, Inc.*, 460 F. Supp. 2d 197, 201 & n.16 (D. Mass. 2006) (Treatise cited) (defendant's projections "can be used against him to construct a damage award").

(n36)Footnote 35.1. *Polar Bear Prods., Inc. v. Timex Corp.*, 384 F.3d 700, 709-10 (9th Cir. 2004).

(n37)Footnote 36. *Stevens Linen Assocs., Inc. v. Mastercraft Corp.*, 656 F.2d 11 (2d Cir. 1981). See *Abeshouse v. Ultragraphics, Inc.*, 754 F.2d 467 (2d Cir. 1985).

(n38)Footnote 37. See *Baldwin Cooke Co. v. Keith Clark, Inc.*, 420 F. Supp. 404 (N.D. Ill. 1976) (no such deduction necessary where "plaintiff had reached the point in its production where its gross profit on each unit sold was its net profit"). The burden is on the plaintiff to prove that lost sales revenue would have been all profit. *Taylor v. Meirick*, 712 F.2d 1112 (7th Cir. 1983).

(n39)Footnote 38. *Taylor v. Meirick*, 712 F.2d 1112 (7th Cir. 1983).

(n40)Footnote 39. *Atlantic Monthly Co. v. Post Publishing Co.*, 27 F.2d 556 (D. Mass 1928).

(n41)Footnote 40. See *Smith v. Little, Brown & Co.*, 273 F. Supp. 870 (S.D.N.Y. 1967).

(n42)Footnote 41. *Id.*

(n43)Footnote 42. Note that under consideration here is a species of recovery for copyright infringement, not a separate tort for failing to attribute. See § 8D.03[A] *infra*.

(n44)Footnote 43. *Graham v. James*, 144 F.3d 229, 238 (2d Cir. 1998) (Treatise quoted). See *Luster Enters., Inc. v. Jacobs*, 278 F. Supp. 73 (S.D.N.Y. 1967); *Bell v. Pro Arts, Inc.*, 366 F. Supp. 474 (N.D. Ohio 1973), *aff'd*, 511 F.2d 451 (6th Cir. 1975) (failure to identify true copyright owner, and implication that work is in the public domain). Cf. *Neal v. Thomas Organ Co.*, 241 F. Supp. 1020 (S.D. Cal. 1965); *Bevan v. Columbia Broadcasting Sys., Inc.*, 175 U.S.P.Q. 475 (S.D.N.Y. 1972) (proper measure provided not too speculative).

(n45)Footnote 44. *Zervitz v. Hollywood Pictures*, 995 F. Supp 596 (D. Md. 1996) . The jury awarded \$222,000, which the judge remitted down to \$75,000.

(n46)Footnote 45. Note the analytically separate matter of increase in value to *defendant's* goodwill. See § 14.03[B][2][c] *infra*.

(n47)Footnote 46. See *Harolds Stores, Inc. v. Dillard Dep't Stores, Inc.*, 82 F.3d 1533, 1547 (10th Cir.), *cert. denied*, 519 U.S. 928, 117 S. Ct. 297, 136 L. Ed. 2d 216 (1996) (corporate officer may testify as to extent of damage to goodwill).

(n48)Footnote 47. *Baldwin Cooke Co. v. Keith Clark, Inc.*, 420 F. Supp. 404 (N.D. Ill. 1976) . See *Abeshouse v. Ultragraphics, Inc.*, 754 F.2d 467, 471 (2d Cir. 1985) (no proof of damage to reputation).

(n49)Footnote 48. *Consumers Union of U.S. v. Hobart Mfg. Co.*, 189 F. Supp. 275 (S.D.N.Y. 1960) .

(n50)Footnote 49. *Shapiro, Bernstein & Co. v. Bleeker*, 243 F. Supp. 999 (S.D. Cal. 1965) , *modified sub nom. Shapiro, Bernstein & Co. v. 4636 So. Vermont Ave., Inc.*, 367 F.2d 236 (9th Cir. 1966) (court of appeals expressly declined to rule upon this theory); *Higgins v. Detroit Educ. Television Found.*, 4 F. Supp. 2d 701, 705 (E.D. Mich. 1998) (*Treatise cited*) .

(n51)Footnote 50. *Davis v. The Gap, Inc.*, 246 F.3d 152, 164, 167 (2d Cir. 2001) (*Treatise quoted*) ; *Fournier v. Erickson*, 242 F. Supp. 2d 318, 336-37 (S.D.N.Y. 2003) (*Treatise quoted*) . See *Universal Pictures Co. v. Harold Lloyd Corp.*, 162 F.2d 354 (9th Cir. 1947) ; *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 513-14 & n.8 (9th Cir. 1985) (*Treatise cited*) (rejecting presumption of damages as "natural and probable result" of unauthorized performance under 1909 Act). See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 567, 105 S. Ct. 2218, 85 L. Ed. 2d 588 (1985) (*Treatise cited*) ; *Straus v. Victor Talking Mach. Co.*, 297 F. 791 (2d Cir. 1924) ; *Silver v. Television City, Inc.*, 148 U.S.P.Q. 167, 207 Pa. Super. 150, 215 A.2d 335 (1965) ; *Taft v. Smith, Gray & Co.*, 76 Misc. 283, 134 N.Y. Supp. 1011 (1912) .

(n52)Footnote 51. *Computer Assoc. Int'l v. Altai, Inc.*, 775 F. Supp. 544, 571 (E.D.N.Y. 1991) (*Treatise quoted*), *aff'd in part, rev'd in part on other grounds*, 982 F.2d 693 (2d Cir. 1992) .

(n53)Footnote 52. *Universal Pictures Co. v. Harold Lloyd Corp.*, 162 F.2d 354 (9th Cir. 1947) .

(n54)Footnote 53. See *Szekely v. Eagle Lion Films, Inc.*, 140 F. Supp. 843 (S.D.N.Y. 1956), *aff'd*, 242 F.2d 266 (2d Cir. 1957) ; *Restatement of Torts*, § 927(c).

(n55)Footnote 54. See *Taft v. Smith, Gray & Co.*, 76 Misc. 283, 134 N.Y.S. 1011 (1912) . Cf. *Wood v. Cunard S.S. Co.*, 192 F. 293 (2d Cir. 1911) ; *Leoncini v. Post*, 13 N.Y.S. 825 (1891) .

(n56)Footnote 55. Of course, the work must be registered before infringement commences in order to be eligible for that remedy. See § 7.16[C] *supra*.

(n57)Footnote 56. *Getaped.com, Inc. v. Cangemi*, 188 F. Supp. 2d 398, 404 (S.D.N.Y. 2002) (*Treatise quoted*) . See *Sebring Pottery Co. v. Steubenville Pottery Co.*, 9 F. Supp. 384 (N.D. Ohio 1934) .

(n58)Footnote 57. See § 14.03[B][2][b] *infra*.

(n59)Footnote 58. *Getaped.com, Inc. v. Cangemi*, 188 F. Supp. 2d 398 (S.D.N.Y. 2002) (*Treatise cited*) . "As such, Getaped's ability to establish a causal connection is difficult." *Id.* at 404 .

(n60)Footnote 59. *Bruce v. Weekly World News, Inc.*, 310 F.3d 25 (1st Cir. 2002) . The photo of Pres. Clinton, when transformed by defendant, portrayed his endorsement by The Space Alien.

(n61)Footnote 60. *Id. at 26* . See § 14.02[B][4] N. 157.3 *infra*.

(n62)Footnote 61. *310 F.3d at 29* .

(n63)Footnote 62. *Id. at 29* .

(n64)Footnote 63. *Id. at 30* .

(n65)Footnote 64. *Id. at 28-29* . ("As The Picture Group is presently defunct, its \$1,100 share would either be retained by World News or remitted to Bruce. As World News is the copyright infringer, Bruce unquestionably is the more deserving recipient.")

(n66)Footnote 65. See § 14.03 *infra*.

(n67)Footnote 66. See § 14.04 *infra*.

(n68)Footnote 67. See N. 73 *infra*.

(n69)Footnote 68. See § 14.01[C] *supra*.

(n70)Footnote 68.1. See *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 457 n.5 (6th Cir. 2001) (*Treatise cited*) .

(n71)Footnote 69. *767 F.2d 357 (7th Cir. 1985)* . See *Estate of Vane v. Fair, Inc.*, 849 F.2d 186 (5th Cir. 1988), *cert. denied*, 488 U.S. 1008, 109 S. Ct. 792, 102 L. Ed. 2d 783 (1989) .

(n72)Footnote 70. *574 F. Supp. 400 (N.D. Ill. 1983)* . Judge Posner later commented on copyright profits from misappropriation of a mailing list. *Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410, 415 (7th Cir. 1992) (*dictum*). Although that case included a copyright count, the profits at issue evidently stemmed from a breach of trade secrets, and therefore, should have been computed under a different area of law. See *id.*

(n73)Footnote 71. The district court found no revenues attributable to the infringement. *Id. at 411-12* . The court of appeals, in calling into question that holding by stating that the burden falls on the defendant, *767 F.2d at 360* , failed to realize that the plaintiff has the threshold burden of proving revenue attributable to the infringement, and only then does the burden shift to the defendant to prove elements of profit attributable to other factors. *Cream Records, Inc. v. Jos. Schlitz Brewing Co.*, 754 F.2d 826 (9th Cir. 1985) (*per curiam*). See § 14.03[A] *infra*.

(n74)Footnote 72. *574 F. Supp. at 404* .

(n75)Footnote 73. Because Deltak had not registered its copyright, it was not entitled to any statutory damages. *574 F. Supp. at 403* . See § 14.04[D] *infra*.

(n76)Footnote 74. *767 F.2d at 361* .

(n77)Footnote 75. *Id. at 363* .

(n78)Footnote 76. *Szekely v. Eagle Lion Films, Inc.*, 242 F.2d 266 (2d Cir. 1957) ; *Aitken v. Empire Constr. Co.*, 542 F. Supp. 252 (D. Neb. 1982) (*Treatise cited*) . See *Advertisers Exch. v. Hinkley*, 101 F. Supp. 801 (W.D. Mo. 1951), *aff'd*, 199 F.2d 313 (8th Cir. 1952) ; *Gordon v. Weir*, 111 F. Supp. 117 (E.D. Mich. 1953) .

(n79)Footnote 77. *Doll v. Libin*, 17 F. Supp. 546 (D. Mont. 1936) . See *Sheldon v. Metro Goldwyn Pictures Corp.*, 309 U.S. 390, 60 S. Ct. 681, 84 L. Ed. 825 (1940) .

(n80)Footnote 78. *Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1174 (9th Cir. 1977) .

(n81)Footnote 79. *Business Trends Analysts, Inc. v. Freedom Group, Inc.*, 887 F.2d 399, 406 (2d Cir. 1989) (Treatise quoted) .

(n82)Footnote 80. 574 F. Supp. at 403 (cat food hypothetical). See *Cream Records, Inc. v. Jos. Schlitz Brewing Co.*, 754 F.2d 826 (9th Cir. 1985) (per curiam).

(n83)Footnote 81. *F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 73 S. Ct. 222, 97 L. Ed. 276 (1952) .

(n84)Footnote 82. *Id.*

(n85)Footnote 83. *Id.*

(n86)Footnote 84. *Douglas v. Cunningham*, 294 U.S. 207, 55 S. Ct. 365, 79 L. Ed. 862 (1935) . See *F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 73 S. Ct. 222, 97 L. Ed. 276 (1952) (Black, J., dissenting).

(n87)Footnote 85. See *Advertisers Exch., Inc. v. Hinkley*, 199 F.2d 313 (8th Cir. 1952) . Indeed, under the 1909 Act, when injury is proved, but neither actual damages nor profits can be ascertained, an award of statutory damages is mandatory. *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 520 (9th Cir. 1985) . *CBS, Inc. v. Casino Record Distributors, Inc.*, 654 F. Supp. 677, 678 (S.D. Fla. 1987) , erroneously implies that this requirement continues under the current Act as well.

(n88)Footnote 86. *Widenski v. Shapiro, Bernstein & Co.*, 147 F.2d 909 (1st Cir. 1945) . See *F. W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 73 S. Ct. 222, 97 L. Ed. 276 (1952) . Cf. *Lundberg v. Welles*, 93 F. Supp. 359 (S.D.N.Y. 1950) . See *Childress v. Taylor*, 798 F. Supp. 981, 990 (S.D.N.Y. 1992) (Treatise quoted) .

(n89)Footnote 87. Note that *Davis v. The Gap, Inc.*, 246 F.3d 152, 170 (2d Cir. 2001) , quotes from the above to disagree with it. See § 14.02[B][3] *infra*.

(n90)Footnote 88. See § 7.16[C] *supra*.

(n91)Footnote 89. 17 U.S.C. § 504(b).

(n92)Footnote 90. Although the court of appeals refers to value of use several times as a form of damages, see 767 F.2d at 360-63 , elsewhere the opinion reflects the impossibility of pigeon-holing value of use into either "damages" or "profits" by straddling the line separating those two categories and stating that "saved acquisition cost is a measure of damages or profit." *Id.* at 362 n.3 (emphasis added).

(n93)Footnote 91. *Business Trends Analysts, Inc. v. Freedom Group, Inc.*, 887 F.2d 399, 405 (2d Cir. 1989) (Treatise quoted) . See further discussion of this characterization in § 14.02[B][3] *infra* .

(n94)Footnote 92. See 574 F. Supp. at 404 . Nonetheless, ASI accepted the value of use as a valid measure of damages for purposes of the appeal. 767 F.2d at 361 . This fact, though it may justify application of the value of use standard in this particular case, manifestly cannot warrant adoption of a new rule of law.

(n95)Footnote 93. Note that *Davis v. The Gap, Inc.*, 246 F.3d 152, 170 (2d Cir. 2001) , quotes and disagrees with this passage. See § 14.02[B][3] *infra*. Its ultimate conclusion is that Congress did indeed countenance such recovery under the current Act.

(n96)Footnote 94. *Business Trends Analysts, Inc. v. Freedom Group, Inc.*, 887 F.2d 399, 406-07 (2d Cir. 1989) , quotes this passage and most of the preceding four paragraphs from the text. See § 14.02[B][2] *infra*.

(n97)Footnote 95. Under the 1976 Act, see *Sherry Mfg. Co. v. Towel King of Fla., Inc.*, 1984 Copyright L. Dec.

(CCH) P 25,695, 220 U.S.P.Q. (BNA) 855 (S.D. Fla. 1983), *rev'd*, 753 F.2d 1565 (11th Cir. 1985); *Aitken v. Empire Constr. Co.*, 542 F. Supp. 252 (D. Neb. 1982). Under the 1909 Act, see *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 512-13 & n.6 (9th Cir. 1985); *Nucor Corp. v. Tennessee Forging Steel Serv., Inc.*, 513 F.2d 151 (8th Cir. 1975); *Atlantic Monthly Co. v. Post Publishing Co.*, 27 F.2d 556 (D. Mass. 1928). Cf. *May v. Watt*, 822 F.2d 896, 901 (9th Cir. 1987).

(n98)Footnote 96. See, e.g., *Roeslin v. District of Columbia*, 921 F. Supp. 793, 799-800 (D.D.C. 1995). One court awarded value of use in addition to actual damages that plaintiff sustained. *Kleier Advertising Co. v. James Miller Chevrolet, Inc.*, 722 F. Supp. 1544, 1546 (N.D. Ill. 1989). It is difficult to accept that court's finding that such did not constitute a prohibited double recovery. *Kleier Advertising, Inc. v. Premier Pontiac, Inc.*, 921 F.2d 1036, 1040 (10th Cir. 1990). See § 14.01 *supra*.

(n99)Footnote 97. *University of Colo. Found., Inc. v. American Cyanamid Co.*, 974 F. Supp. 1339, 1356-57 (D. Colo. 1997). For a later appeal in that case, see 342 F.3d 1298 (Fed. Cir. 2003).

(n100)Footnote 98. *Id. at 1357-59*.

(n101)Footnote 99. 196 F.3d 1366, 1375 (Fed. Cir. 1999), *cert. denied*, 529 U.S. 1130, 120 S. Ct. 2005, 146 L. Ed. 2d 956 (2000).

(n102)Footnote 99.1. See 216 F. Supp. 2d 1188, 1206 (D. Colo. 2002), *aff'd*, 342 F.3d 1298 (Fed. Cir. 2003), *cert. denied*, 541 U.S. 988, 124 S. Ct. 2028, 158 L. Ed. 2d 493 (2004).

(n103)Footnote 100. 887 F.2d 399 (2d Cir. 1989).

(n104)Footnote 101. 700 F. Supp. 1213, 1238 (S.D.N.Y. 1988) (*emphasis original*), *rev'd*, 887 F.2d 399 (2d Cir. 1989).

(n105)Footnote 102. *Id. at 1238, 1239*. See text at N. 117 *infra*.

(n106)Footnote 103. 887 F.2d 399, 404 (2d Cir. 1989). See *Lish v. Harper's Magazine Found.*, 807 F. Supp. 1090, 1111 (S.D.N.Y. 1992) (computing zero damages under *Business Trends*); *Innovative Networks, Inc. v. Young*, 978 F. Supp. 167, 184 (S.D.N.Y. 1997) (entering judgment for plaintiff with zero damage award).

(n107)Footnote 104. 887 F.2d at 404.

(n108)Footnote 105. *Id. at 406*. As for the testimony from the defendant's president quoted above regarding "concrete market advantage," the Second Circuit implicitly must have taken it to be speculative.

(n109)Footnote 105.1. See § 14.02[B][1] *supra*.

(n110)Footnote 106. *Id. at 407* (*Treatise cited*). See *Quinn v. City of Detroit*, 23 F. Supp. 2d 741, 751 (E.D. Mich. 1998) (*Treatise cited*).

(n111)Footnote 107. See § 14.02[B][3] *infra*.

(n112)Footnote 108. See, e.g., *Data Gen. Corp. v. Grumman Sys. Support Corp.*, 834 F. Supp. 477, 481 (D. Mass. 1992), *aff'd*, 36 F.3d 1147 (1st Cir. 1994).

(n113)Footnote 109. *Sunset Lamp Corp. v. Alsy Corp.*, 749 F. Supp. 520 (S.D.N.Y. 1990) (*Treatise cited*). See § 14.03[B][2][a] *infra*.

(n114)Footnote 110. Previously, the court had declared the copyright in plaintiff's table lamp invalid, while

sustaining plaintiff's copyright in its floor lamp. *Sunset Lamp Corp. v. Alsy Corp.*, 698 F. Supp. 1146 (S.D.N.Y. 1988) .

(n115)Footnote 111. 749 F. Supp. at 522 , 525.

(n116)Footnote 112. *Id.* at 524 .

(n117)Footnote 113. *Id.* at 525 . That requirement serves to avoid the possibility of plaintiff earning an undeserved windfall through litigation. *Id.*

(n118)Footnote 114. *Id.* at 521 , 525.

(n119)Footnote 115. See, e.g., *Goldenberg v. Doe*, 731 F. Supp. 1155 (E.D.N.Y. 1990) .

(n120)Footnote 116. *General Corp. v. Grumman Sys. Support Corp.*, 36 F.3d 1147, 1171, 1175 (1st Cir. 1994) (*Treatise cited*) . The latter inquiry implicates apportionment. See § 14.03[D] *infra*.

(n121)Footnote 117. See text at N. 102 *supra*.

(n122)Footnote 118. See § 14.03 *infra*.

(n123)Footnote 119. *Encyclopedia Brown Prods., Ltd. v. Home Box Office*, 25 F. Supp. 2d 395, 400-01 (S.D.N.Y. 1998) (*Treatise cited*) . See later opinion, 26 F. Supp. 2d 606 (S.D.N.Y. 1998) (sealing part of record as trade secret). To the same effect is *Davis v. The Gap, Inc.*, 246 F.3d 152, 161 (2d Cir. 2001) , discussed in § 14.02[B][2] *infra*.

(n124)Footnote 120. This paradox may be relieved by subsequent doctrinal developments. See § 14.02[B][3] *infra*.

(n125)Footnote 121. 25 F. Supp. 2d at 401 .

(n126)Footnote 122. The court here cites as facts tending to suggest that sale or licensing would have occurred: "(i) lack of ill motive of defendant in infringing, (ii) a pre-existing sale or licensing arrangement between the parties for the same or different copyrighted works, and (iii) other aspects of the parties' relationship, such as their status as non-competitors." *Id.* at 401-02 .

(n127)Footnote 123. *Rogers v. Koons*, 960 F.2d 301, 313 (2d Cir.), *cert. denied*, 506 U.S. 934, 113 S. Ct. 365, 121 L. Ed. 2d 278 (1992) . The remark is *dictum* inasmuch as this decision issued prior to the district court's damage determination.

(n128)Footnote 124. 246 F.3d 152 (2d Cir. 2001) .

(n129)Footnote 125. *Id.* at 156 .

(n130)Footnote 126. *Id.* The subject ad featured plaintiff's handiwork: "The central figure, at the apex of the V formation, is wearing Davis's highly distinctive Onoculii eyewear; he peers over the metal disks directly into the camera lens." *Id.* at 157 .

(n131)Footnote 127. *Id.* at 156 .

(n132)Footnote 128. 186 F.R.D. 322 (S.D.N.Y. 1999) .

(n133)Footnote 129. As in *Deltak*, belated registration precluded recovery of statutory damages. 246 F.3d at 158 *n.1* .

(n134)Footnote 130. *Id.* at 170-71 (numerous citations and quotations to *Treatise*). See §§ 14.02[B][1]-[2] *supra*.

(n135)Footnote 131. *Id. at 171* , citing § 14.02[B][2] N. 86 *supra*. One should not make too much of the matter, which the court deems the "least important" factor in its analysis. *Id.* Nonetheless, it is worth mentioning that the court fails to cite to the additional cases from the 1909 Act cited in § 14.02[B][2]N. 95 *supra*.

(n136)Footnote 132. *Id.*, citing *Szekely v. Eagle Lion Films, Inc.*, 242 F.2d 266, 268-69 (2d Cir. 1957), *cert. denied*, 354 U.S. 922, 77 S. Ct. 1382, 1 L. Ed. 2d 1437 (1957) .

(n137)Footnote 133. 246 F.3d at 170 , 171. See text at § 14.02[B][2] N. 91 *infra*.

(n138)Footnote 134. *Id. at 171* . Note that the Second Circuit had previously declared, "We decline to adopt *Deltak's* approach. As the Nimmer text has noted, it is based 'on the most transparent of fictions.'" *Business Trends*, 887 F.2d at 405 .

(n139)Footnote 135. 246 F.3d at 172 . "The usefulness of the test does not depend on whether the copyright infringer was in fact himself willing to negotiate for a license. The honest purchaser is hypothesized solely as a tool for determining the fair market value of what was illegally taken." *Id.*

(n140)Footnote 136. *Id. at 172* .

(n141)Footnote 137. *Id.* The subject advertisement resulted not from The Gap's intentional usage of plaintiff's jewelry. Instead, the company instructed those photographed for the ad "to wear their own eyewear, wristwatches, earrings, nose-rings or other incidental items, thereby 'permitting each person to project accurately his or her own personal image and appearance.'" *Id. at 157* . The court adds that, in other cases, defendant could proceed "in good faith that the work was in the public domain, that his licensor was duly licensed, or that his use was protected by fair use." *Id. at 172* .

(n142)Footnote 138. *Id. at 161* . In addition, the court rejected recovery of speculative profits to The Gap from the advertisement--in this respect affirming the decision below. *Id. at 160-61* . See § 14.03[B][2] *infra*. See also the discussion of *Davis v. Gap* at § 14.03[B][1][a] *infra* .

(n143)Footnote 139. *Id. at 161* .

(n144)Footnote 140. *Id. at 161* . It is important to observe that the value is measured from the infringer's perspective, not from that of the highest charge that plaintiff could make under any circumstances.

Thus, assuming the defendant made infringing use of a Mickey Mouse image for a single performance of a school play before schoolchildren, teachers and parents with tickets at \$3, the fair market value would not be the same as the fee customarily charged by the owner to license the use of this image in a commercial production.

Id. at 166 n.5 . Note that, for these purposes, Vibe Magazine and The Gap are both commercial actors.

(n145)Footnote 141. See § 14.02[B][2] *supra*.

(n146)Footnote 142. Both *Business Trends* and *Davis v. Gap* invoke this treatise to disagree with it--the former to reject *Deltak* more decisively than this writer, the latter to embrace it more wholeheartedly.

(n147)Footnote 143. 246 F.3d at 165 . The court continues to recognize there is no easy resolution of the situation in which admitted infringement has caused no "lost sales, lost opportunities to license, or diminution in the value of the copyright." *Id. at 164* . One could either evaluate actual damages as zero or as the fair market value of the appropriated use. *Id.*

Neither answer is entirely satisfactory. If the court dismisses the claim by reason of the owner's failure to prove that the act of infringement cause[d] economic harm, the infringer will get his illegal taking for free, and the owner will be left uncompensated for the illegal taking of something of value. On the other hand, an award of damages might be seen as a windfall for an owner who received no less than he would have if the infringer had refrained from the illegal taking. In our view, the more reasonable approach is to allow such an award in appropriate circumstances.

Id.

(n148)Footnote 144. See text at § 14.02[B][2] N. 120 *supra*.

(n149)Footnote 145. "The usefulness of the test does not depend on whether the copyright infringer was in fact himself willing to negotiate for a license." 246 *F.3d* at 172 . Nonetheless, the decision continues to concede that "the larcenous intent of the *Deltak* infringer" might have furnished a valid reason to decline to award damages *in that case*." *Id.* at 172 (emphasis original). That snippet could be argued to continue the same paradox even during the pendency of *Davis v. Gap*--that truly willful defendants escape royalties, whereas those who are simply mistaken must pay damages.

(n150)Footnote 146. *Id.* at 166 .

(n151)Footnote 147. *Id.* at 166 .

(n152)Footnote 148. *Country Rd. Music, Inc. v. MP3.com, Inc.*, 279 *F. Supp. 2d* 325, 330-31 (S.D.N.Y. 2003) .

(n153)Footnote 149. *Fournier v. Erickson*, 242 *F. Supp. 2d* 318, 337 (S.D.N.Y. 2003) . Cross-examination can highlight the self-serving nature of that testimony, plus the jury can be instructed that plaintiff's "assertions about what he would have charged are not determinative of actual damages" *Id.*

(n154)Footnote 150. 296 *F.3d* 909 (9th Cir. 2002), *cert. denied*, 537 *U.S.* 1189, 123 *S. Ct.* 1259, 154 *L. Ed. 2d* 1022 (2003) . For a discussion of the profits aspect of this case, see § 14.03[B][2][b] *infra*.

(n155)Footnote 151. *Id.* at 917 (affirming award of \$1,000 for 150,000 unauthorized copies of plaintiff's artwork in defendant's brochures).

(n156)Footnote 152. *Id.* at 917 Although plaintiff testified that he objected to the context of exploitation, and therefore would have charged \$85,000 for a license, he conceded that he had previously given free licenses, and could only speculate about the loss of future commissions. *Id.* at 913 .

(n157)Footnote 153. 329 *F.3d* 557 (7th Cir. 2003) .

(n158)Footnote 154. *Id.* at 569 (parties' names edited out).

(n159)Footnote 155. *Id.* at 566-67 .

(n160)Footnote 156. Allegedly, plaintiff lacked "the technical capability or human resources to complete the project... ." *Id.* at 567 .

(n161)Footnote 157. *Id.* at 567

(n162)Footnote 157.1. 384 *F.3d* 700, 709 (9th Cir. 2004) .

(n163)Footnote 157.2. "Timex is in no better position to haggle over the license fee than an ordinary thief and must accept the jury's valuation unless it exceeds the range of the reasonable market value. The proposed license fee was

proffered before Timex's infringement. Nothing suggests that the fee was contrived or artificially inflated." *Id. at 709* .

(n164)Footnote 157.3. *439 F. Supp. 2d 758 (E.D. Mich. 2006)* .

(n165)Footnote 157.4. *Id. at 764* .

(n166)Footnote 157.5. Liability was clear, given that some copies were installed without authorization onto defendant's customers' computers. *Id. at 767* . As to those that were used, the court assessed damages. *Id. at 772* . That aspect is not the focus of discussion that follows, which focuses instead on the dispute between the parties relating to unused copies.

(n167)Footnote 157.6. *Id. at 773* . As to motivation, the court explained,

The defendants' witnesses testified without contradiction that copying the software, particularly the optional modules, was a matter of convenience so that if a customer later wanted to add a feature, it could be done without upsetting the existing data files. The witnesses also testified without contradiction that no such activation would take place without authorization from the plaintiff and payment of the cost of the software.

Id.

(n168)Footnote 157.7. *Id. at 773* .

(n169)Footnote 157.8. *488 F.3d 352 (6th Cir. 2007)* .

(n170)Footnote 157.9. If the activity about which plaintiff complained was simply barred by contract but did not implicate the exclusive rights of the copyright owner, there could be no copyright damages. The problem for defendant arose in that its copying of plaintiff's software technically violated plaintiff's reproduction right. Accordingly, defendant tried the "no harm, no foul" approach. But the panel rejected that attempt:

Dice Corp. also argues that because it created a security program to ensure that its customers did not access the infringing software, it should not have to pay for the infringing copies that it admittedly made. Yet the effort that an infringer takes to ensure that no one else can benefit from the illegally-gotten software does not negate the fact that the infringer illegally obtained the software in the first place.

Id. at 359 n.3 .

(n171)Footnote 157.10. See § 14.02[B][3] *supra*.

(n172)Footnote 157.11. *488 F.3d at 359* .

(n173)Footnote 157.12. *Id. at 361-362* .

(n174)Footnote 157.13. *Fournier v. Erickson*, 253 F. Supp. 2d 664, 665 (S.D.N.Y. 2003) . As discussed above, *Bruce v. Weekly World News, Inc.*, 310 F.3d 25 (1st Cir. 2002) , likewise rejected a multiplier. See text accompanying § 14.02[A][3] N. 60 *supra*.

(n175)Footnote 157.14. *Stehrenberger v. R.J. Reynolds Tobacco Holdings, Inc.*, 335 F. Supp. 2d 466, 467 (S.D.N.Y. 2004) .

The "value of what was illegally taken" is not determined by multiplying it. Plaintiff's expert

calculated that value at \$60,000 and (if that figure is proved) that amount, and not a multiplication of it, represents plaintiff's "actual damages."

Id. at 469 .

(n176)Footnote 158. See also *Steve Altman Photography v. United States*, 18 Cl. Ct. 267, 283 (1989) (interest awarded from date of filing action).

(n177)Footnote 159. In noncopyright cases, such awards are also possible. *E.g.*, *U.S. Naval Inst. v. Charter Communications, Inc.*, 936 F.2d 692, 698 (2d Cir. 1991) (awarding prejudgment interest in book royalty dispute under New York contract law). Cf. *Motion Picture Ass'n of Am., Inc. v. Oman*, 969 F.2d 1154, 1157 (D.C. Cir. 1992) (in context of resolving Copyright Office regulatory dispute, invoking "the federal common law rule that a court should ordinarily award prejudgment interest").

(n178)Footnote 160. *Fedtro, Inc. v. Kravex Mfg. Corp.*, 313 F. Supp. 990 (E.D.N.Y. 1970) . See *Lottie Joplin Thomas Trust v. Crown Publishers*, 592 F.2d 651, 656 (2d Cir. 1978) (affirming prejudgment interest albeit without discussion).

(n179)Footnote 161. *Broadcast Music, Inc. v. Golden Horse Inn Corp.*, 709 F. Supp. 580, 581 (E.D. Pa. 1989) ; *Aitken v. Empire Constr. Co.*, 542 F. Supp. 252 (D. Neb. 1982) ; In *Design v. Lauren Knitwear Corp.*, 782 F. Supp. 824, 837 (S.D.N.Y. 1991) ; *Love v. Kwitny*, 772 F. Supp. 1367, 1373-74 (S.D.N.Y. 1991) ; *U.S. Payphone, Inc. v. Executives Unlimited of Durham, Inc.*, 781 F. Supp. 412, 413 (M.D.N.C. 1991) (previous reversal by Fourth Circuit of prejudgment interest award); *Davis v. E.I. du Pont de Nemours & Co.*, 257 F. Supp. 729 (S.D.N.Y. 1966) . See *Robert R. Jones Assoc., Inc. v. Nino Homes*, 858 F.2d 274, 282 & n.8 (6th Cir. 1988) (vacating award of prejudgment interest); *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 757 F. Supp. 1088, 1099 (S.D. Cal. 1990) (denying prejudgment interest under SCPA, see § 8A.10[A] *supra*, *aff'd*, 977 F.2d 1555 (Fed. Cir. 1992) ; *Baldwin Cooke Co. v. Keith Clark, Inc.*, 420 F. Supp. 404 (N.D. Ill. 1976) . See *Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc.*, 609 F. Supp. 1325 (E.D. Pa. 1985) (awarding postjudgment, denying prejudgment, interest), *aff'd on other grounds*, 797 F.2d 1222 (3d Cir. 1986), *cert. denied*, 479 U.S. 1031, 107 S. Ct. 877, 93 L. Ed. 2d 831 (1987) .

(n180)Footnote 162. *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 886 F.2d 1545, 1550-53 (9th Cir. 1989) .

(n181)Footnote 163. Suits alleging infringement occurring on January 1, 1978, or thereafter, arise under the 1976 Act, not the 1909 Act. See *Overview supra*. Given that the statute of limitations for copyright infringement is three years, absent a tolling of the statute, all such 1909 Act cases must have been filed by December 31, 1980. See § 12.05 *supra*.

(n182)Footnote 164. The court focused on the fact that, under the 1909 Act, only the greater of defendant's profits or plaintiff's actual damages are recoverable. 886 F.2d at 1552 . This is to be compared with the situation, under the current Act, in which a noncumulative award of both is possible. See § 14.01[A] *supra*.

(n183)Footnote 165. The Ninth Circuit expressed no view as to whether prejudgment interest may be awarded under the 1976 Act. 886 F.2d at 1551 n.8.

(n184)Footnote 166. *Kleier Advertising, Inc. v. Premier Pontiac, Inc.*, 921 F.2d 1036 (10th Cir. 1990) .

(n185)Footnote 167. That the case arose under current law, rather than under the 1909 Act, is implicit in the fact that infringement took place in the 1980's, and explicit in the court's constructions of provisions of the 1976 Act. See *id.* at 1039-40 .

(n186)Footnote 168. *Id.* at 1040-41 , citing *Frank Music* (see N. 162 *supra*); *Gorenstein Enters., Inc. v. Quality*

Care-USA, Inc., 874 F.2d 431 (7th Cir. 1989) . For a massive award of prejudgment interest in a subsequent case arising within the Tenth Circuit, see *In re Independent Serv. Orgs. Antitrust Litig.*, 23 F. Supp. 2d 1242, 1250 (D. Kan. 1998) .

(n187)Footnote 169. See N. 165 *supra*. Another case involving the same plaintiff appropriately rejected defendant's contention that the court should look to pre-1976 Act cases on the issue of awards of profits and damages. *Kleier Advertising Co. v. James Miller Chevrolet*, 722 F. Supp. 1544, 1545-46 (N.D. Ill. 1989) .

(n188)Footnote 170. *Gorenstein*, 874 F.2d at 436 (Posner, J.) .

(n189)Footnote 171. See, e.g., *Computer Assoc. Int'l v. Altai, Inc.*, 775 F. Supp. 544, 572 (E.D.N.Y. 1991), *aff'd in part, rev'd in part on other grounds*, 982 F.2d 693 (2d Cir. 1992) ; *Kleier Advertising v. John Deery Motors*, 834 F. Supp. 311, 314 (N.D. Iowa 1993) . The issue has been called unresolved in the Second Circuit. In *Design v. K-Mart Apparel Corp.*, 13 F.3d 559, 569 (2d Cir. 1994) .

(n190)Footnote 172. See *TVT Records v. Island Def Jam Music Group*, 279 F. Supp. 2d 366, 409-412 (S.D.N.Y. 2003) , *rev'd on other grounds*, 412 F.3d 82 (2d Cir. 2005), *cert. denied*, ___ U.S. ___, 126 S. Ct. 2968, 165 L. Ed. 2d 951 (2006) ; *Arthur Rutenberg Homes, Inc. v. Maloney*, 891 F. Supp. 1560, 1568-1569 (M.D. Fla. 1995) ; *Data Gen. Corp. v. Grumman Sys. Support Corp.*, 825 F. Supp. 340, 347-348 (D. Mass. 1993) (prejudgment interest under state law claims combined with copyright count), *later opinion*, 825 F. Supp. 361, 368 (D. Mass. 1993) ("Though a majority of courts allow an award of prejudgment interest on copyright damages, these same courts have not gone so far as to award prejudgment interest on attorney's fees."), *aff'd*, 36 F.3d 1147 (1st Cir. 1994) .

(n191)Footnote 173. One court remanded for computation of the appropriate amount, noting that *Gorenstein* used the prime rate, whereas *Frank Music* suggested the 52-week Treasury bill rate. *Kleier Advertising, Inc. v. Premier Pontiac, Inc.*, 921 F.2d 1036, 1042 n.4 (10th Cir. 1990) . See *Softel, Inc. v. Dragon Med. & Scientific Comms. Ltd.*, 891 F. Supp. 935, 944-945 (S.D.N.Y. 1995) (52-week T-bill rate), *aff'd in part, vacated in part*, 118 F.3d 955 (2d Cir. 1997) ; *Broadcast Music, Inc. v. R Bar of Manhattan, Inc.*, 919 F. Supp. 656, 661 (S.D.N.Y. 1996) (same).

(n192)Footnote 174. *McRoberts Software, Inc. v. Media 100, Inc.*, 329 F.3d 557, 572 (7th Cir. 2003) .

(n193)Footnote 174.1. *Polar Bear Prods., Inc. v. Timex Corp.*, 384 F.3d 700, 718 (9th Cir. 2004) .

(n194)Footnote 175. *Bucklew v. Hawkins, Ash, Baptie & Co.*, 329 F.3d 923, 931, 932 (7th Cir. 2003) (*dictum*) (Treatise cited). Note that the opinion's categorical reference to copyright infringement as an "intentional tort," *id.* at 932 , is inaccurate, see §§ 13.01, 13.08 *supra* .

(n195)Footnote 176. *Davis v. The Gap, Inc.*, 246 F.3d 152, 172 (2d Cir. 2001) (*Treatise cited*) ; *Hays v. Sony Corp. of Am.*, 847 F.2d 412 (7th Cir. 1988) (*Treatise cited*) ; *Oboler v. Goldin*, 714 F.2d 211 (2d Cir. 1983) (*Treatise cited*) ; *Curcio Webb LLC, v. National Benefit Programs Agency, Inc.*, 367 F. Supp. 2d 1191, 1198 (S.D. Ohio 2005) (*Treatise quoted*) ; *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 251 (4th Cir. 1994) (impermissible to invoke state trebling provisions as to copyright award); *Leutwyler v. Royal Hashemite Court of Jordan*, 184 F. Supp. 2d 303, 308 (S.D.N.Y. 2001) (*Treatise cited*) ; *Blair v. World Tropics Prods.*, 502 F. Supp. 2d 828, 838 (W.D. Ark. 2007) ; *Kamakazi Music Corp. v. Robbins Music Corp.*, 534 F. Supp. 69 (S.D.N.Y. 1982) (*Treatise cited*) ; *Blackman v. Hustler Magazine, Inc.*, 620 F. Supp. 792, 802 (D.D.C. 1985) (*Treatise cited*), *rev'd on other grounds*, 800 F.2d 1160 (D.C. Cir. 1986) ; *Frederick Chusid & Co. v. Marshall Leeman & Co.*, 326 F. Supp. 1043 (S.D.N.Y. 1971) . See *Calio v. Sofa Express, Inc.*, 368 F. Supp. 2d 1290, 1291 (M.D. Fla. 2005) ; *Cormack v. Sunshine Food Stores, Inc.*, 675 F. Supp. 374, 375 (E.D. Mich. 1987) (striking court's earlier award of punitive damages as "error"); *Sygma Photo News, Inc. v. Globe Int'l, Inc.*, 616 F. Supp. 1153, 1158 n.7 (S.D.N.Y. 1985) ; *Davis v. E.I. du Pont de Nemours & Co.*, 249 F. Supp. 329 (S.D.N.Y. 1966) . But cf. *Evans Newton, Inc. v. Chicago Sys. Software*, 793 F.2d 889, 897 (7th Cir.), *cert. denied*, 479 U.S. 949, 107 S. Ct. 434, 93 L. Ed. 2d 383 (1986) (though reversing award of punitive damages, imprecisely referring to such as part of statutory damages); *International Film Serv. Co. v. Affiliated Distribs.*, 283 F. 229 (S.D.N.Y.

1922); *Press Publishing v. Monroe*, 73 F. 196 (2d Cir. 1896); *Morser v. Bengor Prods. Co.*, 283 F. Supp. 926 (S.D.N.Y. 1968); *Bell v. Pro Arts, Inc.*, 366 F. Supp. 474 (N.D. Ohio 1973), *aff'd*, 511 F.2d 451 (6th Cir. 1975); *L & L White Metal Casting Corp. v. Joseph*, 387 F. Supp. 1349 (E.D.N.Y. 1975) (punitive damages denied because defendant's conduct not sufficiently "outrageous or egregious"); *Dealer Advertising Development, Inc., v. Barbara Allan Financial Advertising, Inc.*, 209 U.S.P.Q. (BNA) 1003 (W.D. Mich. 1979).

(n196)Footnote 177. *Kamakazi Music Corp. v. Robbins Music Corp.*, 534 F. Supp. 69, 78 (S.D.N.Y. 1982). See *Davis v. The Gap, Inc.*, 246 F.3d 152, 172 (2d Cir. 2001) (*Treatise cited*); *Rodgers v. Quests, Inc.*, 213 U.S.P.Q. 212 (N.D. Ohio 1981).

(n197)Footnote 178. See § 14.04[B][1][b] *infra*.

(n198)Footnote 178.1. *TVT Records v. Island Def Jam Music Group*, 262 F. Supp. 2d 185, 187 (S.D.N.Y. 2003). Note further that this language arose in a tortured procedural context. See § 14.10[B][3] N. 48 *infra* (citing numerous other decisions in same litigation).

(n199)Footnote 178.2. *TVT Records v. Island Def Jam Music Group*, 288 F. Supp. 2d 506, 509 n.5 (S.D.N.Y. 2003).

(n200)Footnote 178.3. The opinion ends by noting that "it is not lost on this Court that some higher authority may subsequently have occasion to squarely consider this question, at which point, one way or the other, a clear answer may emerge." 262 F. Supp. 2d at 187.

(n201)Footnote 178.4. 262 F. Supp. 2d at 187.

(n202)Footnote 178.5. See § 14.04[A] *infra*.

(n203)Footnote 178.5a. *Curcio Webb LLC, v. National Benefit Programs Agency, Inc.*, 367 F. Supp. 2d 1191, 1196-1198 & n.8 (S.D. Ohio 2005) (*Treatise cited*).

(n204)Footnote 178.6. An additional reason adheres in that part of the court's rationale rooted in "the relevant model instruction proposed by Leonard B. Sand, Modern Federal Jury Instructions, at Instruction 86B-20." 262 F. Supp. 2d at 187. In fact, the cited instruction contemplates discretionary award of "punitive damages," but only when "the plaintiff had registered the copyright prior to any infringement..." It therefore appears that Judge Sand had imprecisely invoked the term *punitive damages* when intending to refer to *statutory damages*. See § 7.16[C] *supra* (registration stands as prerequisite to award of statutory damages). Thus did a terminological problem lead to the adoption of substantive error.

(n205)Footnote 178.7. *TVT Records v. Island Def Jam Music Group*, 412 F.3d 82, 92-93 (2d Cir. 2005), *cert. denied*, 126 S. Ct. 2968 (2006).

(n206)Footnote 178.8. *Id.* at 93-96.

(n207)Footnote 178.9. The "present weight and reason of the law (favoring registration) seem strongly against it." *Blanch v. Koons*, 329 F. Supp. 2d 568, 570 (S.D.N.Y. 2004). The court embroidered its parenthetical with the observation that, to the extent a plaintiff who failed to timely register her work could nonetheless recover punitive damages, "the statutory purpose of encouraging copyright registration is frustrated." *Id.* at 570 n.1. See § 7.16[C] *supra*.

(n208)Footnote 178.10. See *Blanch v. Koons*, 396 F. Supp. 2d 476 (S.D.N.Y. 2005), *aff'd*, 467 F.3d 244 (2d Cir. 2006).

(n209)Footnote 179. See § 2.02 *supra*.

(n210)Footnote 180. *507 F.3d 470 (6th Cir. 2007)*, *cert. denied*, ___ U.S. ___ (2008).

(n211)Footnote 181. See § 8C.03 *supra*.

(n212)Footnote 182. *507 F.3d at 480*.

(n213)Footnote 183. *Id. at 488*. The jury had awarded \$733,878 to both plaintiffs. The instant award, to the owner of the pre-1972 sound recording, was for half of that sum. Meanwhile, the owner of the composition chose \$150,000 in statutory damages. *Id. at 477*.

(n214)Footnote 184. Separate aspects of the decision threw out compounded prejudgment interest, *id. at 484-485*, and the date of computation of interest under N.Y. C.P.L.R. § 500(b), *id. at 485*. Although the opinion did differentiate between statutory copyright and common law copyright in its various rulings, those awards were made to the owner of the sound recordings, and therefore would appear to implicate solely common law copyright. See § 14.02[C][1] *supra*.

(n215)Footnote 185. *507 F.3d at 486*.

(n216)Footnote 186. *Id. at 487*. Note that the actual ration was about 9.5:1. *Id. at 488*.

(n217)Footnote 187. *Id. at 488*.

(n218)Footnote 188. *Id. at 489*.

(n219)Footnote 189. *Id. at 490*.

(n220)Footnote 190. Exemplary damages, under this view, require proof of malice, actual or inferred from unjustifiable conduct such as wanton and reckless indifference to the rights of others. See *Nash v. Alaska Airlines, Inc.*, 94 F. Supp. 428 (S.D.N.Y. 1950); *Roy Export Co. Establishment v. Columbia Broad. Sys., Inc.*, 503 F. Supp. 1137 (S.D.N.Y. 1980), *aff'd*, 672 F.2d 1095 (2d Cir. 1982) (showing of reckless indifference).

(n221)Footnote 191. *Read v. Turner*, 239 Cal. App. 2d 504, 48 Cal. Rptr. 919 (1966). See *Jones v. Spindel*, 122 Ga. App. 390, 177 S.E.2d 187 (1970) (jury award of exemplary damages set aside where found to be due to an "undue bias" for plaintiff).

(n222)Footnote 192. *Smith v. Little, Brown & Co.*, 273 F. Supp. 870 (S.D.N.Y. 1967), *aff'd*, 396 F.2d 150 (2d Cir. 1968). See *Big Seven Music Corp. v. Lennon*, 554 F.2d 504 (2d Cir. 1977) ("the common law New York standard for an award of punitive damages is one of 'moral culpability' on the defendant's part, involving 'evil and reprehensible motives' or 'gross' fraud"); *MacMillan Co. v. I.V.O.W. Corp.*, 495 F. Supp. 1134 (D. Vt. 1980) (exemplary damages denied where defendant's conduct although deceptive, and a wrongful means to gain an advantage, was not done in malice).

(n223)Footnote 193. See *Szekely v. Eagle Lion Films, Inc.*, 140 F. Supp. 843 (S.D.N.Y. 1956), *aff'd*, 242 F.2d 266 (2d Cir. 1957); *Williams v. Weisser*, 153 U.S.P.Q. 866 (Cal. Super. 1967), *aff'd*, 78 Cal. Rptr. 542 (1969); *Frederick Chusid & Co. v. Marshall Leeman & Co.*, 326 F. Supp. 1043 (S.D.N.Y. 1971). See *Smith v. Little, Brown & Co.*, 245 F. Supp. 451 (S.D.N.Y. 1965), *aff'd*, 360 F.2d 928 (2d Cir. 1966); *Vic Alexander & Assocs. v. Cheyenne Neon Sign Co.*, 151 U.S.P.Q. 438 (Wyo. Sup. Ct. 1966).

(n224)Footnote 194. *Williams v. Weisser*, 273 Cal. App. 2d 726, 78 Cal. Rptr. 542 (1969). The court made the point that actual damages may be peculiarly inadequate in a common law copyright action when "plaintiff's complaint is that he did not want any publication, not that defendant was insufficiently generous after he published without plaintiff's consent. A common law copyright is, after all, mainly a right of first publication." 273 Cal. App. 2d at 743.

(n225)Footnote 195. *Smith v. Little, Brown & Co.*, 273 F. Supp. 870 (S.D.N.Y. 1967), *aff'd*, 396 F.2d 150 (2d Cir. 1968) .

(n226)Footnote 196. *Smith v. Little, Brown & Co.*, 396 F.2d 150 (2d Cir. 1968) .