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**UNITED STATES DISTRICT COURT**

**NORTHERN DISTRICT OF CALIFORNIA, SAN JOSE DIVISION**

LOUIS VUITTON MALLETIER, S.A.,

Plaintiff,

vs.

AKANOC SOLUTIONS, INC., et al.,

Defendants.

) Case No.: C 07-3952 JW (HRL)

) **DEFENDANTS' MEMORANDUM OF LAW**  
) **ON ISSUES RELATED TO STATUTORY**  
) **DAMAGES**

1 **I. JURY DECIDES AMOUNT OF STATUTORY DAMAGES AWARD**

2 A party that elects to receive statutory damages can recover an award between \$750 and  
3 \$30,000 for each copyrighted work infringed. If the infringement is willful the award can be  
4 increased up to \$150,000. But if the infringer was unaware and had no reason to believe that its acts  
5 constituted copyright infringement, the award of statutory damages can be reduced to a sum of not  
6 less than \$200. 17 U.S.C. § 504(c)(1) The Lanham Act is similar, allowing an award of statutory  
7 damages from \$500 to \$100,000 in the jury's discretion. If the infringement is willful the amount of  
8 the award can, in the jury's discretion, be increased up to \$1 million.<sup>1</sup> 15 U.S.C. §1117(c)

9 The jury decides the amount of statutory damages. "The Seventh Amendment provides a  
10 right to a jury trial on all issues pertinent to an award of statutory damages under § 504(c) of the  
11 Copyright Act, including the amount itself." *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S.  
12 340, 353 (1998) When a trademark owner elects to receive statutory damages the defendant has a  
13 right to a jury determination of the amount of statutory damages. *Bar-Meir v. N. Am. Die Casting*  
14 *Ass'n*, 55 Fed. Appx. 389, 390-91 (8th Cir.2003) [citing *Feltner* 523 U.S. at 353-354]

15 **II. LIMITS ON STATUTORY DAMAGES AWARDS APPLY IN THIS CASE**

16 **A. The Jury Can Consider Vuitton's Lost Revenues, If Any, In Determining**  
17 **Amount of Statutory Damages Award**

18 Statutory damages further "compensatory and punitive purposes," and help "sanction and  
19 vindicate the statutory policy of discouraging infringement." *L.A. News Serv. v. Reuters Television*  
20 *Int'l*, 149 F.3d 987, 996 (9th Cir.1998) "If statutory damages are elected, [t]he [jury] has wide  
21 discretion in determining the amount of statutory damages to be awarded, constrained only by the  
22 specified maxima and minima." *Peer Int'l Corp. v. Pausa Records, Inc.*, 909 F.2d 1332, 1336 (9th  
23 Cir.1990); *Nintendo of Am., Inc. v. Dragon Pac. Int'l*, 40 F.3d 1007, 1010 (9th Cir.1994). In  
24 determining the amount of a statutory damages award, the jury is guided by "what is just in the

25 \_\_\_\_\_  
26 <sup>1</sup>See *Adobe Systems, Inc. v. Taveira*, 2009 WL 506861, \*5, fn. 3 (N.D.Cal. Feb. 27, 2009)  
27 ("Effective October 13, 2008, Congress raised the range for statutory damages under the Lanham  
28 Act to \$1,000.00-\$200,000.00 and provided for damages of up to two million dollars per violation  
for willful infringement [up from \$1 million ceiling]. [**But if the] infringement occur[s] before  
October 18, 2008, the effective date of these amendments, the Court applies the prior version of  
section 1117.**").

1 **particular case**, considering the nature of the copyright, the circumstances of the infringement and  
 2 the like..." *Dream Games of Arizona, Inc. v. PC Onsite*, 561 F.3d 983, 992 (9th Cir. 2009) (quoting  
 3 *F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 232, 73 S.Ct. 222, 97 L.Ed. 276  
 4 (1952)).<sup>2</sup>

5 Whether Vuitton suffered actual damages is relevant in determining statutory damages in this  
 6 case. Factors the jury can consider in calculating an award of statutory damages include "the  
 7 expenses saved and profits reaped by the defendants in connection with the infringements, **the**  
 8 **revenues lost by the plaintiffs as a result of the defendant's conduct**, and the infringers' state of  
 9 mind." *Los Angeles News Service v. Reuters Television Intern., Ltd.*, 942 F.Supp. 1275, 1282  
 10 (C.D.Cal.1996) (quoting MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT §  
 11 14.04[B][1][a] at 14-50 (1995)); See also *In re Mann*, --- B.R. ----, 2009 WL 2344768, \*3  
 12 (C.D.Cal.2009) (same) This type of evidence is admissible because it goes directly to "what is just  
 13 in the particular case" and therefore can be considered by the jury in this case.

14 **B. Lack of Actual Damages is Basis For Limiting Amount of Statutory Damages**  
 15 **Award**

16 Defendants should be allowed to elicit evidence from Vuitton's witnesses to show that  
 17 nobody profited from any alleged infringement and Vuitton suffered no actual damages. This  
 18 evidence is relevant to whether Vuitton is seeking a windfall statutory damages award, and is  
 19 therefore relevant to the jury's determination of the **amount** of any such award.

20 **First**, as set forth above, applicable authority is clear that the jury can consider not only the  
 21 direct infringer's profits but also "**the revenues lost by the plaintiffs** as a result of the defendant's  
 22 conduct." *Reuters*, 942 F.Supp. at 1282; *In re Mann* 2009 WL 2344768 at \*3 (same)

23 **Second**, numerous cases have found a direct link between both of these types of evidence  
 24 and the amount of statutory damages awarded. In *Adobe Systems, Inc. v. Cain*, 2008 WL 5000194,  
 25 \*5 (N.D. Cal. Nov. 21, 2008), the court awarded only the statutory minimum after Adobe failed to

26 \_\_\_\_\_  
 27 <sup>2</sup> These same factors apply to a statutory award under the Lanham Act. The Lanham Act "does not  
 28 provide guidelines for courts to use in determining an appropriate award. To calculate statutory  
 damages for trademark infringement, courts have used the factors generally employed for  
 determining statutory damages under [the Copyright Act]." *In re Mann*, 2009 WL 2344768 at \*4.

1 prove the direct infringer had profited or, by implication, that Adobe had been harmed:

2 [Adobe] no where explains how the statutory damages requested in the  
 3 amount of \$50,000 per trademark infringed bears a plausible  
 4 relationship to Cain's profits from infringement. ... Statutory damages  
 5 are intended to serve as a deterrent, but that does not justify such a  
 6 windfall. **Adobe has presented no evidence of how much Cain  
 7 profited from his infringing activity or why \$50,000 is an  
 8 appropriate award other than it being more reasonable than a  
 9 million dollars and that it works as a deterrent.** The court agrees  
 10 with the approach taken in *Microsoft* and holds that Adobe is entitled  
 11 to \$1,000 per trademark infringed, for a total of \$5,000.

12 The *Cain* court relied on another recent Northern District of California case, *Microsoft Corp.*  
 13 *v. Ricketts*, 2007 WL 1520965, \*4 (N.D. Cal. May 24, 2007) In that case Microsoft requested a  
 14 maximum enhanced statutory damages award (\$150,000 per copyrighted work and \$1,000,000 per  
 15 trademark infringed). The court awarded the statutory *minimum* for willful infringements instead:

16 “Here, plaintiff has presented no estimate of **how much defendant**  
 17 **profited from her infringing activity.** Accordingly, the Court thinks  
 18 it just to award statutory damages in the amount of \$1500 per  
 19 copyright infringed and \$1000 per trademark infringed, for a total of  
 20 \$12,500. This is **twice the minimum under each statute** to reflect the  
 21 finding of willfulness.” (emphasis added)<sup>3</sup>

22 Although these cases discussed the issue in terms of an infringer's lack of profits, there is no  
 23 basis for limiting inquiry to that particular type of evidence. Doing so would be inconsistent with  
 24 *Reuters* and *In re Mann*, Central District cases that specifically allow a jury to consider this evidence  
 25 in determining statutory damages.” *Reuters*, 942 F.Supp. at 1282; *In re Mann* 2009 WL 2344768 at  
 26 \*3. It would also be inconsistent with numerous case authority that holds that assessed statutory  
 27 damages should bear some relation to actual damages suffered. See *Rolex Watch U.S.A., Inc. v.*  
 28 *Zeotec Diamonds, Inc.*, 2003 WL 23705746, \*4 (C.D.Cal.2003) (“[S]tatutory damages are intended  
 to bear some relation to **actual damages.**”); *Photo Resource Hawai'i, Inc. v. American Hawai'i*  
*Travel Inc.*, 2007 WL 4373549, \*3 (D.Hawai'i 2007) (“Statutory damages should bear some relation

<sup>3</sup> Other cases have similarly limited statutory damages where evidence of the direct infringer's  
 profits (and therefore the plaintiff's actual damages) are lacking. See e.g. *Adobe Systems, Inc. v.*  
*Brooks*, 2009 WL 593343, \*3-4 (N.D. Cal. March 5, 2009) (Adobe's request for \$250,000 in  
 statutory damages reduced to \$50,000 because “Adobe has identified only one unit of counterfeit  
 software Brooks sold and does not identify how \$250,000 in statutory [fees] bears a plausible  
 relationship to Brooks' profits from infringement.”);

1 to the plaintiff's **actual damages**, but they will not correspond exactly because of the difficulty in  
 2 proving actual damages."); *RSO Records, Inc. v. Peri*, 596 F.Supp. 849, 862 (S.D.N.Y.1984)  
 3 (holding that "[u]ndoubtedly assessed statutory damages should bear some relation to **actual**  
 4 **damages** suffered.");

5 The purpose of limiting statutory damages in this manner is to keep a plaintiff from receiving  
 6 a windfall recovery. *Warner Brothers, Inc. v. Dae Rim Trading, Inc.*, 677 F.Supp. 740, 769  
 7 (S.D.N.Y.1988) (stating that "this option [statutory damages] is not intended to provide the plaintiff  
 8 with a windfall recovery."). A plaintiff who does *not* suffer actual damages from the infringement  
 9 but receives a maximum statutory damages award (like the award Vuitton is seeking) receives a  
 10 windfall regardless of whether the direct infringer profited. The two issues are independent from  
 11 each other. A direct infringer's lack of profits from the infringement *and* a plaintiff's lack of actual  
 12 damages both create the possibility of a windfall recovery. Because of this, both issues are relevant  
 13 to the jury's determination of the amount of statutory damages, and both issues can be inquired into  
 14 on cross-examination in this case.

15 **C. Vuitton Cannot Recover Separate Statutory Damages Awards Under Both the**  
 16 **Lanham Act and Copyright Act**

17 The Ninth Circuit has held that recovery of the same type of damages under the Copyright  
 18 Act and Lanham Act is prohibited. In *Nintendo of America, Inc. v. Dragon Pacific Int'l*, 40 F.3d  
 19 1007 (9th Cir. 1994) upheld an award of statutory damages under the Copyright Act and actual  
 20 damages under the Lanham Act. The award was allowable only because "Nintendo did not recover  
 21 the same type of damages under both acts." *Id.* at 1011 The court noted that statutory damages and  
 22 actual damages could be awarded separately because they serve different purposes:  
 23

24 **Actual damages** consist of elements such as the profits lost by the  
 25 copyright holder, the profits made by the infringer or the diminution in  
 26 value of the copyright. Such damages are designed to compensate the  
 27 plaintiff and to prevent the defendant's unjust enrichment. ...  
**Statutory damages**, on the other hand, may have different purposes.  
 For instance, statutory damages may be appropriate when lost profits  
 would be an inadequate measure.

1 Critically, the Court distinguished *Manufacturers' Technologies, Inc. v. Cams, Inc.*, 728  
 2 F.Supp. 75 (D.Conn.1989) where the plaintiff sought the same damages under both acts - actual  
 3 damages under the Copyright Act and a species of actual damages - lost profits - under the Lanham  
 4 Act:

5 This case [*Manufacturers' Technologies*] is distinguishable on the  
 6 grounds that the plaintiff sought the same type of damages under both  
 7 acts. By contrast, here Nintendo recovered statutory damages under  
 the Copyright Act [and actual damages under the Lanham Act].  
*Nintendo of America, Inc.* 40 F.3d at 1011, fn. 1

#### 8 **D. Vuitton is Limited to One Statutory Damage Award Per Work Infringed**

9 Whether Vuitton's Intellectual Properties are infringed at one website or at one hundred  
 10 websites, Vuitton will still only be entitled to a single statutory award. This is because the number  
 11 of statutory damage awards available under the Copyright Act or the Lanham Act is determined by  
 12 the number of copyrights and trademarks infringed, regardless of the number of infringements:

13 Under this section [504(c)(1) of the Copyright Act], the total number  
 14 of "awards" of statutory damages (each ranging from \$5,000 to  
 \$20,000) that a plaintiff may recover in any given action depends on  
 15 the number of [copyrighted] works that are infringed and the number  
 of individual liable infringers, **regardless of the number of**  
 16 **infringements of those works.** *Mason v. Montgomery Data, Inc.*,  
 967 F.2d 135, 143-144 (5th Cir. 1992) (emphasis added)<sup>4</sup>

17 The Lanham Act similarly limits the minimum and maximum statutory damages award "**per**  
 18 **counterfeit mark** per type of goods or services sold, offered for sale, or distributed as the court  
 19 considers just." 15 U.S.C.A. § 1117(c) This means that "the statutory award cannot be multiplied by  
 20 the number of counterfeit items sold or offered for sale." *McCarthy on Trademarks and Unfair*  
 21 *Competition, Fourth Edition, Ch. 30 Remedies for Infringement and Unfair Competition (March*  
 22 *2009).*

23 The **amount** of statutory damages for each copyright or trademark infringed is affected by  
 24 whether the infringement is willful, **not the number of times a particular copyright or trademark**

25 \_\_\_\_\_  
 26 <sup>4</sup>See *McCarthy on Trademarks and Unfair Competition, Fourth Edition, Ch. 30 Remedies for*  
 27 *Infringement and Unfair Competition (March 2009)* ("Under the Copyright Act, one does not  
 28 multiply the minimum and maximum limits by the number of infringing copies. For infringement of  
 a single copyrighted work by a single infringer, the statutory ceiling and floor dollar limits apply, no  
 matter how many acts of infringement are involved in the lawsuit, and regardless of whether the acts

1 **is infringed.** A party can recover statutory damages between \$750 and \$30,000 for each copyrighted  
2 work infringed. If the infringement is willful the award can be increased up to \$150,000. But if the  
3 infringer was unaware and had no reason to believe that its acts constituted copyright infringement,  
4 the award of statutory damages can be reduced to a sum of not less than \$200. 17 U.S.C. § 504(c)(1)  
5 The Lanham Act is similar, allowing an award of statutory damages from \$500 to \$100,000. If the  
6 infringement is willful the amount of the award can be increased up to \$1 million.<sup>5</sup> 15 U.S.C.  
7 §1117(c) There are no provisions under either Act that allow the trier of fact to increase the amount  
8 of a statutory award if a particular copyright or trademark is infringed multiple times (for example,  
9 at multiple websites).

10  
11 Dated: August 25, 2009

**GAUNTLETT & ASSOCIATES**

12  
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17 Managed Solutions Group, Inc.,  
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24 were separate, isolated, or occurred in a related series.”)

25 <sup>5</sup>See *Adobe Systems, Inc. v. Taveira*, 2009 WL 506861, \*5, fn. 3 (N.D.Cal. Feb. 27, 2009)  
26 (“Effective October 13, 2008, Congress raised the range for statutory damages under the Lanham  
27 Act to \$1,000.00-\$200,000.00 and provided for damages of up to two million dollars per violation  
for willful infringement [up from \$1 million ceiling]. **[But if the] infringement occur[s] before  
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