WIPO/PCI/ID/91/6
Original : English
Date : July 1991

REPUBLIC OF
INDONESIA

WORLD INTELLECTUAL
PROPERTY ORGANIZATION

ADVANCED COURSE ON PATENT AND COPYRIGHT INFRINGEMENT AND LITIGATION

organized by
the World Intellectual Property Organization (WIPO)
in cooperation with the
Government of the Republic of Indonesia
and with the assistance of the
United Nations Development Programme (UNDP)

Medan, July 22 and 23, 1991
Jakarta, July 25 and 26, 1991
Ujung Pandang, July 29 and 30, 1991

INFRINGEMENT CASES AND LITIGATION PROCEDURES IN THE FIELD OF COPYRIGHT: THE EXPERIENCE IN THE UNITED STATES OF AMERICA

by

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I. INTRODUCTION.

Copyrights, like patents, have become an increasingly important part of the United States economy. Billions of dollars are created each year by our music, publishing, computer software, and music industries. Our copyright industries present one of the bright spots in our balance of payments, regularly exporting far more than they import.

With so much as stake, American diplomacy and trade policy have increasingly put protection of American copyrights near the top of their agenda, and the United States has become more active in international copyright negotiations. As part of the same process, the United States has amended its law substantially in the last dozen years or so, with the purpose - finally realized in 1989 - of joining the Berne Convention.

Copyright is still an issue of national law, however, and through substantive rights, as declared in statutes, are becoming more uniform, we are a long way from any truly international standards of enforcement. Meanwhile, with so much money to be won and lost, there is plenty of enforcement to occupy attention at home. The frequency of litigation has noticeably increased over the last ten years, and this shows no sign of abating.

Copyright litigation, unlike patent litigation, has not had the benefit of a solitary appellate court to rationalize case law. With eleven courts of appeal, copyright cases have no had uniform results. With that caveat, let me try to generalize about the United States experience.

A. What Subject Matter Does Copyright Protect?

The general rule, as set forth in the statute, is that copyright protects any work of authorship that is fixed in tangible form, even if fixed in such form that it can be perceived only with the aid of a machine or device. 17 U.S. Code §102. Copyright protects nearly any work of information, and nearly any graphic or sculptural work. As of December, 1990, it also protects works of architecture.

U.S. law imposes no requirement of quality, it requires only originality. The standard of originality is subjective; one may obtain a copyright in a work of one's own devising even if it has nothing novel about it whatever. As long as something more than trivial in it is not copied from a pre-existing work, it is original.

Copyright does not protect ideas, facts, or processes; it protects an author's way of expressing ideas, selecting and presenting facts, or describing processes. It does not protect designs of useful articles per se, but it will protect designs that are conceptually or physically separable from the useful article.

To say more on this subject would require another paper of at least equal length, but the foregoing summary should suffice for our present purposes.

B. What Rights Does Copyright Protect?

The five basic rights under U.S. copyright are: the right to reproduce the work; the right to distribute copies of the work to the public; the right to make so-called "derivative works" based upon the work, such as translations and adaptations to different media; the right to perform the work publicly both by live performance and by any form of projection or transmission; and the right to display the work publicly. 17 U.S. Code §106. There is also an extremely limited "moral right" for certain works of fine art, but its scope is so restricted and the law so new that it does not yet have any bearing on the substance of this paper.

Each of these five basic rights is limited in some degree by compulsory licenses (such as for public broadcasting) or statutory exemptions (such as for certain performances of music in religious services) and all are subject to the "fair use" doctrine which I will discuss later on. There are enough of these limitations on exclusive rights that before bringing suit one should be careful to verify that the activity which appears to be infringement is not in fact allowed by some provision of the statute.

II. PROCEDURE.

A. Jurisdiction.

Copyright infringement actions in the United States arise only under federal law and can be brought only in federal court. Infringement actions are different in this respect from other legal actions involving copyrights; contract disputes, for example, or disputes over title to a copyright, may be brought in either state or federal court depending on general principals of jurisdiction. The choice of which federal district to sue in is somewhat left to the plaintiff, but the suit must be brought in a district where the infringement has occurred or where the defendant is subject to service of legal process.

B. Standing to Sue.

Persons entitled to sue include not only the owner of the right that has been infringed, but also the "beneficial owner," namely, any person who receives any compensation for use of the right that has been infringed. 17 U.S. Code §501(b). For example, if someone has infringed copyright in a novel in which the publisher owns copyright, both the publisher as legal owner and the author as the recipient of royalties (hence, the beneficial owner) can sue.

No one who does not own on an exclusive basis the legal right being infringed, or who does not have a beneficial interest

in such exclusive right, can bring suit. Nevertheless, under certain circumstances other persons whose interests may be affected by the outcome of the litigation may be entitled to join in the action, or at least given the opportunity to join in the action, at the discretion of the court.

Besides the requisite interest in the copyright at issue, in order to sue for copyright infringement a plaintiff must have registered the work with the U.S. Copyright Office if the work infringed is a work of U.S. origin. 17 U.S. Code §411. The complex rules for determining which nation to regard as the county of origin of a copyrighted work are contained in the definitions of "Berne Convention work" and "country of origin" in Section 101 of the statute. As a general rule a work is considered to be of United States origin if it was first published in the United States or if one or more of the authors is a United States national. By contrast, works whose country of origin is a foreign country that is a member of the Berne Convention - and this includes nearly all countries with which the United States has copyright treaty relations - need not be registered in order for a suit to be brought. As I will discuss later, registration of such works is advisable for other reasons, but it is not mandatory for foreign authors.

C. Who May Be Sued?

In general, all persons who have participated in an infringement are jointly and severally liable. Furthermore, because a finding of copyright infringement depends not on intent but on result, persons who have the power to prevent an infringement and fail to do so may be held liable as so-called "vicarious infringers," if they receive any pecuniary advantage from it. A typical example of the latter case is the owner of a dance hall, who may be held liable for unauthorized performance of music by a band on his premises even if he did not know of or condone the infringement.

In copyrights as in patents there is also a doctrine of contributory infringement, but few cases have been decided in the field. Contributory infringement consists of providing the means for another to infringe, but will not be found where the means concerned, such as photocopying machines or videotape recorders, are capable of substantial non-infringing cases. The U.S. Supreme Court has indicated that it will follow patent precedent in dealing with contributory infringement in copyright cases.

D. Criminal Copyright Infringement.

In addition to civil action, an infringer may be criminally prosecuted if he infringed willfully and for purposes of commercial advantage or private financial gain. Punishment can bring a fine of up to $25,000 or imprisonment for up to one year,

unless the offense consists of selling unauthorized phonorecords (such as CD's or cassette tapes), or unauthorized copies of motion pictures, in which case the maximum punishment is greatly increased - to as $250,000 fine and five years in prison.

Not surprisingly, movie and record pirates are the usual targets of prosecution. Many a plaintiff in other cases may view the defendant as a criminal, of course, but that is another matter! Because criminal infringement of the usual type is really, in a sense, a subset of the crime of selling counterfeit goods, it is not much related to what I have to say in the rest of this paper.

III. INFRINGEMENT DEFINED.

Determining when an infringement has taken place can be complicated in numerous ways. In some infringements the defendant has, perhaps even openly, used the work in unaltered form, and the issue is whether the defendant had permission, or had the benefit of some statutorily created excuse, or whether the defendant is legally liable for the acts committed, as in the case of vicarious or contributory infringement. In such cases the factual inquiry is directed not to the work itself but to the circumstances of the use. Such cases often invoke troublesome issues of statutory interpretation, or require delicate balancing of equities as in the case of Harper & Row Publishers, Inc. v. Nation Enterprises, 471 U.S. 539 (1985), attached as an appendix

to this paper. Such cases do not, however, plunge the parties into what Justice Story called the "metaphysical" side of copyright law.

Far more difficult and far more challenging intellectually for the parties, the court, and the jury, are cases where the alleged taking of material from the plaintiff is obscured by changes made by the defendant. Where the defendant does not admit use of the plaintiff's work, but instead claims that his material was in fact created independently by him, or is in the public domain, there the parties are forced to deal with metaphysics: What is originality? What is the boundary between unprotectible idea and protectible expression?

A classic example of the latter type of case is the case of Bright Tunes Music Corp. v. Harrisongs Music, Ltd., 420 F.Supp. 177 (S.D.N.Y. 1976), which is reproduced as an appendix to this paper. In Bright Tunes the defendant, George Harrison (formerly of the Beatles), denied having made any use of the plaintiff's copyrighted work and argued that the musical composition at issue there, his song "My Sweet Lord," had been independently created by him and others working in cooperation with him. This position taken by Harrison forced the court to make judgment as to whether the two works - plaintiff's and defendant's - were "substantially similar" notwithstanding the differences between them. It also required the court to determine as an issue of fact whether

George Harrison had created his song with or without reference to plaintiff's work.

These two tests are the touchstone of most copyright infringement cases. The latter test is generally referred to as the "access" test and the former is generally referred to as the "substantial similarity" test.

A. Access.

How "access" to the plaintiff's work may be shown is an issue on which American courts do not all agree. The fundamental question is whether access must be shown to have actually occurred, or can be presumed from the circumstances of the case. Thus, where a publisher or movie studio has received a manuscript from the plaintiff, rejected it, and subsequently issued a book or movie which resembles the plaintiff's work, must the plaintiff show that the persons responsible actually saw his work in manuscript form, or is it sufficient to show that the organization and conduct of the defendant's business made it likely? On this point the courts have not agreed and there is merit to each side's position.

B. Intent Not Necessary.

The George Harrison case illustrates another important doctrine of U.S. copyright law, namely, that the defendant need not be shown to have consciously appropriated material of the

plaintiff. It is sufficient that the appropriation occurred. Copyright infringement is a tort like assault and battery, and no intent for the latter is needed. Of course, felonious intent if proven will certainly strengthen a plaintiff's case, but it is not necessary to success.

C. Subjective Originality; Subjective Infringement.

The Harrison example is perhaps an extreme illustration of this point. The court believed Harrison's testimony that he had not consciously taken anything from the plaintiff's work, but concluded that Harrison must have been familiar with the plaintiff's work at one time in his career and that subconsciously he must have referred to it in creating his own song. There is a long history of such cases. In one older but equally well known music infringement case, the court held that defendant could be liable for unconsciously taking material from plaintiff's work even though the same musical material existed in older public domain works.

The rule of that case illustrates starkly how different copyrights are from patents. First, we see in it the purely subjective originality that is required to obtain a copyright in the first place. In the U.S. system one can obtain a copyright regardless of whether other works exist that are similar or even identical, so long as one's own work was independently created.

So, too, infringement is judged by the actions of the infringer, without reference to any objective standard of originality.

Of course, in defending a suit one should always explore whether the plaintiff's work is truly original. A copyright can be invalidated on the same basis as an infringer can be caught: by proving access and substantial similarity to a pre-existing work. In other words, a defendant may seek to prove that plaintiff had access to a pre-existing work, or that plaintiff's work is substantially similar to the prior work, and that plaintiff's work therefore lacks the degree of originality required for copyright.

D. Access Inferred from the Result.

Although one might conclude from this discussion that access is a separate evidentiary question, certain courts have indicated that access might be inferable from the nature of the similarity between the works in question. If the similarity were so striking that any excuse of independent creation would appear incredible, some courts would consider themselves free to presume that the plaintiff had access, even in the absence of any direct or circumstantial evidence extrinsic to the work. At a theoretical level this seems inconsistent with the doctrine of subjective originality on which American law is based. But viewed another way, it is merely a practical recognition that the odds of a complex work being created twice ex nihilo are remote

enough that the court is entitled to disregard that defense in certain cases.

E. Substantial Similarity.

By far the more complicated, troublesome, and contentious issue within the law of infringement is the question of "substantial similarity". The phrase may appear simple and straightforward but in practice it has proved to be anything but that.

1. The "Ordinary Observer" vs. the "Expert"; The Ordinary Buyer vs. the Target Audience.

In general, substantial similarity is supposed to be judged through the eye of the ordinary lay observer. However, this approach has proved unsatisfactory in cases involving highly complex works such as computer software. Faced with unintelligible reams of computer "source code" (not to mention, in some cases, binary code), many a court has decided to trust the informed judgment of people in a position to understand the product. And even in traditional fields such as music, courts have allowed expert testimony for guidance in drawing the line between ideas (which cannot be protected) and the expression of those ideas (which can). In the later type of case, the expert is supposed to give guidance to the ordinary observer; in the former, the expert often supplants the ordinary observer.

In a related but distinct development, an appellate court recently found that the similarity of two musical works, whose target audience consisted chiefly of choral directors and not of ordinary listeners, should be judged from the point of view of members of this special audience and not from that of the general public. The Court accepted expert testimony on how members of the target audience would perceive the works at issue.

This ruling was not without ancestry. At least one case of older vintage took a similar approach with respect to works created for an audience of children. The latter court reasoned, rightly or wrongly, that children would be less likely than adults to perceive the differences between two groups of cartoon characters and would focus instead on the similarity. In both situations, the Court's finding on infringement probably differed from the result that an ordinary lay adult would have reached.

While this expert testimony may appear to be all of a kind, there is an important distinction to make. The choral music case, and the cartoon character case, focus on the market for the work. They say, in effect, "it is irrelevant what the ordinary observer thinks, because the ordinary observer is not the one who buys the product." This kind of thinking is familiar to trademark lawyers, who are used to the notion that trademark infringement depends on whether the marks at issue compete in the same "channels of commerce."

The software cases are different. There, the audience for the competing works may never see - probably will never see, if the copyright owner can help it - the source code on which infringement is judged. The intended audience simply buys software on the basis of how well it works. So the experts who are called to compare the works are not being asked to speak for the market, they are being asked to substitute their judgment for that of the judge or jury. In this respect, specialized copyright cases are coming to resemble complex patent cases, where the credibility of the expert, and his skill at making his listeners understand (or think they understand), is all-important.

Outside the realm of specialized-market works the use of expert witnesses has caused some doctrinal confusion within the United States law. If forced to generalize, I would say that expert testimony - such as the testimony of a musicologist or art historian - is admissible to narrow the scope of the debate but not to resolve the debate. Although there are anomalous cases, the general consensus is that in determining substantial similarity it is necessary to focus on those portions of the plaintiff's work that are protectible expression, and to ignore those portions that are in the public domain or are unprotectible ideas. Experts can help a judge or jury determine where a plaintiff's work is truly original and where it is likely to be

merely derivative, and can help the judge or jury understand where to draw the line between ideas that are free to all and particular expressions of those ideas, which belong to the parties alone. Beyond that, in the usual case, the expert is excluded, and the judge or jury must compare on its own the expression of the two works and make up its own mind as to whether the defendant is substantially similar to the plaintiff's.

2. Separating "Idea" from "Expression."

As I noted a moment ago, infringement must be found, if at all, in the way the parties' works express their ideas, not in the ideas themselves. Therefore it is necessary in most cases to define the boundary between idea and expression.

This is more easily said than done. As more than one judge has observed, there is no neat formula that can be generally applied. The demarcation is unavoidably ad hoc.

The case of Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc., 797 F.2d 1222 (3d Cir. 1986), attached to this paper as an appendix, seems to me and to many other commentators to "miss the boat" on this issue. It defines the "idea" of plaintiff's software as the idea of running a dental lab using a computer program. If that were true, then anything more specific - any program, however much of its code may be dictated by

functional considerations - would constitute the expression of that idea, and be protectible per se. This could easily lead to monopolization of the field. A different appellate court has declined to follow Whelan, noting that Whelan failed to identify what portions of plaintiff's program were dictated by the demands of the job to be done. This is an application of the so-called "merger doctrine": that where an idea and its expression are inextricably intertwined, or where there are only a handful of ways that an idea can be expressed, the copyright will not be enforced, or will be enforced only against verbatim and wholesale copying.

The less controversial holding of Whelan is that the "structure, sequence, and organization" (to use Whelan's terminology) of software are protectible expression as is, a fortiori, the precise way in which a programmer works out the details of the software. Such a principle brings software copyright more in line with other types of work. Yet it is not without danger, for structure and organization may well be the algorithm of the software, its underlying idea, and one must be alert to that possibility.

Substantial similarity need not be shown as to the works in their entirety, only as to some portion of the work that is more than de minimis. The remedies granted will vary depending on the amount of the plaintiff's work that is copied. But the basic

issue of liability does not vary. Similarity also need not exist at all levels of the work. For example, theft of the original elements of a plot will constitute infringement even if the dialogue and place descriptions are all entirely different, or at least so different that in any other context we would find no infringement. Structure, sequence and organization of computer software have been likened in a somewhat ill-fitting analogy to the plot of a novel and here, too, theft of the structure of sequence and organization will constitute infringement, even if, at a more detailed level, the source code is original. In works of non-fiction, infringement is often accomplished by paraphrase, and it has been held repeatedly that extensive paraphrase is tantamount to copying. The phrase used by one leading commentator for this kind of copying is "comprehensive non-literal similarity."

Needless to say, at some point the defendant's departures from the original will be so extensive that, taken as a whole, the two works create entirely different impressions. In these cases, the fact that one may find copying by means of dissection of the works will not necessarily lead to a finding of infringement. For example, if "Frere Jacques" were to be under copyright, and Mahler to have copied the melody without permission in his First Symphony, would a court find that copying to be infringement? The tune played in a minor key is so

different from the original in its feeling and effect that one might imagine the court absolving Mahler.

As this discussion shows, the question of substantial similarity can depend a great deal on the subjective reactions of the judge or jury. This is unavoidable and indeed, given the nature of the subject matter, probably appropriate.

IV. DEFENSES.

A. Fair Use.

In the case of Frere Jacques v. Mahler's First Symphony, or Anonymous v. Mahler as one might call it, Mahler would not be limited in his defenses to an assertion of lack of similarity. In all likelihood, in fact, he would raise the defense of fair use.

The doctrine of fair use - or fair dealing as it is called in England - is a concept that has reached a high degree of development in the Anglo-American legal system, much more so than in the legal systems of continental Europe. Its pervasiveness in our law is probably a result of the nature of the social contract between society and artist in England and America. The contract is essentially a trade-off, in which protection is given to authors for limited periods of time as an inducement to them to create works for public betterment and enjoyment. Continental legal systems, by contrast, tend to view the social contract as

being much more focused on the protection of the natural right of the author, hence unauthorized uses tend to be more restricted under those systems. The copyright laws of Eastern Europe tend to follow the Western European model; laws in third world countries tend to fall in various places on the same spectrum.

As a matter of strategy, fair use is what you might call the second line of defense. Only in rare cases would one trust solely to the fair use defense because fair use by its very nature implies that a use has been made and then seeks to justify the use on various facies.

The case of Harper & Row vs. The Nation, which is attached to this paper as an Appendix, is the most recent statement by the United States Supreme Court on the question of fair use. The case is not ground breaking in its outcome. The only respect in which it did appear to state new law was in its insistence that unpublished works should receive an unusually high degree of protection against fair use.

This pronouncement, which was probably unnecessary to the outcome of the case, has been taken far too seriously by certain lower courts, with the result that even scholarly quotation of unpublished works is now, at least in some parts of the country, of questionable standing vis-a-vis fair use. This unwarranted extension by lower courts of the Supreme Court's statement in

Harper Row has led to almost universal condemnation by legal scholars and to unusually testy exchanges between judges. The situation is regarded as serious enough that a bill has been proposed in Congress to make clear that the fact that a work is unpublished is to be taken as only one factor in considering its fair use defense. Be that as it may, the Supreme Court's general discussion of fair use closely tracks the statute and is obstructive in that regard. The four statutory factors in considering fair use are:

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work. 17 U.S. Code §107.

Set out this way, these factors would give the appearance of being separate or distinct, but in practice they are really not. As a general rule, one may say that a work whose purpose is tangential to that of the original is most likely to be successful in raising the fair use defense, not only because its purpose is unrelated or least separate from that of the original work, but also because its impact on the market for the original is likely to be minimal. Thus, for example, scholarly quotation

is in no sense intended to supplant the market for the original work, and has a social utility that is distinct from the social utility of the original work. Parody, too, may have the affect of damaging the market for the original work; indeed the better the parody, the more likely its damage to the reputation of original is likely to be. Nevertheless, it does not seek to supplant the market for the original, or compete with the original and its purpose has a social utility.

This is not to suggest that either scholarly quotation or criticism on the one hand, or parody on the other hand, is a per se defense, for in either case it is conceivable that the copying done by the defendant may become excessive. The purpose of the fair use doctrine is to permit as much use is as necessary to permit the activity of criticism or parody, but its protection does not extend beyond that. And as the Supreme Court noted in Harper & Row, a use may be substantively large although quantitively small.

Would Mahler be able to invoke a parody defense for his use of the "Frere Jacques" theme? It may depend somewhat on whether his intent was to parody "Frere Jacques" or to make a larger social commentary; in the latter case some courts might hold that his use of "Frere Jacques" was not permissible. As you can see, parody is one of those areas where judges and juries are again required to make judgments that are usually reserved for scholars

of literature. Yet this too, because of the subject matter, is entirely appropriate.

A few years prior to the Harper & Row case, the Supreme Court had another important fair use case before it, involving home videotaping of television broadcasts. Sony Corporation, maker of the Betamax machine which at that time was a contender in the video recorder (VCR) market place, was sued by the copyright owners of various movies that had been broadcast over television and videotaped by an individual named defendant. The purpose of the suit was of course not to establish precedent for going after home videotapers, but rather to force Sony to pay some portion of its profits over to the copyright owners of televised material, as the price of being allowed to being allowed to sell its machines to the public. The case involved issues of contributory infringement as well, but for fair use purposes the Court inquired whether there was any real harm being done to the broadcasters and determined that the fact that the videotapes were being made primarily of purposes of "time-shifting" - that is to say, to enable the viewer to watch the program at a more convenient time - this was not infringing on the financial interests of the copyright owner. The court suggested that extensive "librarying" of tapes might well exceed the limits of fair use. As it happens, librarying has become increasingly common among VCR users but the broadcast industry has not shown the stomach for a return to the fray. As far as I

am aware, this is the only case where wholesale copying has been held to be a fair use, and I believe the case should be regarded as something of an artifact based on the peculiar facts involved.

B. Other Defenses.

So far we have discussed, in one way or another, four substantive lines of defense: lack of copyrightability on the part of the plaintiff's work, due to lack of originality or of protectible expression; lack of access; lack of substantial similarity; and "fair use." There are also many technical defense available to the defendant, at least where the work was first published prior to March 1, 1989. That date is an important date in U.S. copyright law because it marks the accession by the United States to the Berne Convention, and on that date various formalities that had been required for copyright protection in the United States were abolished. The principal one of these for purposes of copyright infringement actions was the requirement of copyright notice. Under the law that applied in the United States from 1909 through 1977, it was necessary, in order to secure copyright protection in the United States, to affix notice of copyright to any published copy. Proper notice consisted, in most circumstances, of the copyright symbol "©", or the word "Copyright" or its abbreviation "Copr." the year of first publication, and the name of the copyright owner. Failure to place notice on one's work - except in very rare circumstances - led to forfeiture of copyright. As you may

imagine, this was trap into which many unwary persons stumbled, and it was not uncommon under the regime of that law to have cases thrown out on the grounds of forfeiture.

Effective January 1, 1978 the law changed so as to make it easier to redeem oneself if one had omitted notice. The notice requirement remained in effect, but if a copyright owner discovered that he had omitted notice, he could take remedial steps and avoid forfeiture. All that in turn was swept aside, effective March 1, 1989, for works first published after that date. However, works first published under either of the old regimes continue to be governed by the law under which they were first published.

Interestingly, just as this defense of forfeiture has begun to go into eclipse, another technical defense has come into new prominence. The defense involves so-called "fraud upon the Copyright Office"; it consists of failure to advise the Copyright Office when registering one's work of facts which might have substantial bearing on whether copyright is issued, or on identification of what is covered by the copyright. In a case involving computer software, a court held that the failure of the plaintiff to disclose to the copyright office that its work was based in part on pre-existing public domain material was a significant omission, and was effected for the purposes of concealing the relevant facts from the Copyright Office. This

case has struck many observers as being excessively severe, for the penalty that was imposed was substantially a forfeiture of the copyright involved. The case that has also been questioned on its facts, since it does not appear that the disclosure required by the court would have affected the decision of the Copyright Office to register the work. Indeed, the court has subsequently allowed the plaintiff to amend its registration and reopen the case, so it is difficult to predict what the future of this precedent will be.

Another new defense that has recently emerged is called "copyright misuse." This doctrine too arose in the context of a computer software case. The issue involved was a software license in which the licensee was forbidden for a period of 99 years from entering into any competitive software development projects. The court found that this was an abuse of the copyright by the licensor, and effectively, as a remedy, invalidated the copyright by refusing to enforce it against what might otherwise have found to be an infringement.

The doctrine of copyright misuse appears to be closely related to the doctrine of patent misuse, but it is one of very few crossovers from the patent field to the copyright field we have seen. The extent to which this defense will be used in future cases is difficult to say; I am not aware of many copyright licenses that seek the kind of overreaching benefits

that the plaintiff sought in that case. However, given the inventiveness of attorneys, it may be that other kinds of copyright misuse will be argued in the future.

V. DAMAGES AND OTHER RECOVERY.

If the plaintiff succeeds in overcoming all of the above defenses, the next question is what sort of damages and other relief are available. In essence, relief falls into two categories - monetary and injunctive. Monetary relief can take the form of actual damages, the profits of the infringer, or so-called statutory damages.

A. Actual Damages.

Actual damages consist primarily of the profits that the plaintiff has lost through the defendant's activities. This recovery is not limited to the lost sales of a particular product, but can in appropriate cases extend to other products as well, if the plaintiff can prove that sales of the infringed product, had he been able to make them, would have led to sales of related products as well. Also, there can be damages for other kinds of injury, such as injury to reputation, injury to good will, etc.

There is no particular magic to the ascertainment of copyright damages. It is much like the ascertainment of any

other kind of financial damage where lost sales are the measure of recovery.

B. Profits of the Infringer.

The second type of monetary recovery - the profits of the infringer - is to a large degree repetitive of actual damages, in that in general any sale of the defendant is presumed to have replaced a sale that would have been made by the plaintiff. For this reason, the law provides that one may obtain the profits of an infringer only to the extent that they do not duplicate damages suffered by the copyright owner. 17 U.S. Code §504(b). This is rarely the case, although it is conceivable that a particular defendant may be able to wring more profits from sales of an item due to lower cost structure, greater market reach, etc.

Where an infringer is required to account for profits earned from an infringement, the presumption is that all profits from sales of the item are attributable to the infringing use, and the burden is on the defendant to prove otherwise. In one well-known case, the defendant was able to show that its movie receipts were due primarily to the audience appeal of the stars who performed in the movie, and much less to its use of the plaintiff's plot.

C. Statutory Damages.

Statutory damages are an alternative to these more common forms of recovery. Statutory damages are available to a plaintiff at a plaintiff's election, which must be made before an award of more customary recovery has been granted. 17 U.S. Code §504(c). Statutory damages are often elected by a plaintiff where the expense of proving actual damages or of going through an accounting of defendant's profits would outweigh the likely recovery, or where actual damages are difficult to show but the plaintiff wishes to prove a point. Statutory damages are awarded in the discretion of the judge or jury - the question of who is entitled to award such damages is a matter of dispute among the appellate courts in the United States - and the amount is not limited to any rough approximation of damages or profits. Statutory damages can fall anywhere between a minimum of $500 and $20,000 per work infringed, and can go as high as $100,000 in a case of willful infringement. Awards of statutory damages frequently contain an element of punishment for plaintiff. In fact, it is not uncommon for a court to explain that it is setting the amount of damages at a figure likely to dissuade the defendant from further wrongdoing.

D. Injunctive Relief.

Injunctive relief is the other major type of recovery that copyright plaintiffs can receive, and it takes two forms. The first and most common form is an order of the court preventing

any further use by the defendant of the plaintiff's work, including any further distribution of existing infringing copies of the work. The second form consists of an order of the court that the defendants' inventory of infringing copies be destroyed as well as the negatives, molds and other means of reproducing those infringing copies. 17 U.S. Code §§502, 503.

Injunctive relief is also available on a preliminary basis prior to the determination of wrongdoing, if the plaintiff persuades the court that it is likely to prevail on the merits of the case at trial and that the harm to him of permitting the defendant to continue business as usual exceeds the harm that defendant would suffer from an injunction. It is also necessary to show that the plaintiff will suffer harm from defendant's ongoing activities that cannot be adequately compensated later by monetary damages. It has become somewhat predictable for courts to find irreparable harm where they find a likelihood of success on the merits; indeed some courts have said that there is a presumption of irreparable harm in such circumstances. The wisdom and veracity of this presumption is open to question; nonetheless it is a powerful tool currently available to copyright plaintiffs. As in any other type of lawsuit so in copyright, a preliminary injunction places enormous leverage in hands of the plaintiff, and more often than not leads to an out-of-court resolution of the dispute - and not one to the defendant's advantage. The only burden on a plaintiff who has

won a preliminary injunction is that he post a bond adequate to reimburse the defendant for whatever loss the defendant might have suffered from the injunction should the defendant ultimately prevail at trial.

E. Attorney's Fees.

The final aspect of recovery available to a plaintiff is entirely discretionary with the court, and consists of an award of attorney's fees. 17 U.S. Code §505. In fact, attorney's fees are available to either side that prevails in a lawsuit, although the standards for granting attorney's fees to a prevailing defendant vary widely among the federal circuits. Some Circuit Courts of Appeals have held that it is enough that defendant prevails, and that there is a presumption that a prevailing defendant should receive attorney's fees; other courts have said that a prevailing defendant should recover only if the plaintiff proceeded in bad faith. This is an issue that cries out for some kind of resolution by the U.S. Supreme Court.

F. Registration As a Prerequisite for Certain Recoveries.

Statutory damages and attorneys fees are not available in all circumstances. In order to be eligible to receive them, one must have registered the copyright in the work infringed prior to its infringement, or in the case of infringement of a published work, within three months following first publication of the plaintiff's work. 17 U.S. Code §412. These restrictions apply

not only to works of U.S. origin but to all works, and for this reason alone, any foreign copyright owner who anticipates a market for his work in the United States would be well advised to register promptly upon publication.

VI. CONCLUSION

As I hope this paper has communicated, copyright in the United States is an area of law that is very much alive and constantly evolving. The rapid increase in the means of distribution, and in the means of infringement, and the extraordinary growth in the marketplace for copyrighted works, have caused an explosion of legislative activity and litigation. Whether or when that will change no one can say.

As you study our law you will have to bear in mind, therefore, that it is not a fossil but a living and not entirely predictable creature. That can be the source of a stimulating life in the law.

I hope that, with all these caveats, you will find what I have said both useful and interesting. Thank you so much for the opportunity to address you.

[Appendix I follows]

Infringement-related Provisions of the U.S. Copyright Code, Title 17

§ 102. Subject matter of copyright: In general

(a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

(1) literary works;
(2) musical works, including any accompanying words;
(3) dramatic works, including any accompanying music;
(4) pantomimes and choreographic works;
(5) pictorial, graphic, and sculptural works;
(6) motion pictures and other audiovisual works; and
(7) sound recordings.

(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

§ 106. Exclusive rights in copyrighted works

Subject to sections 107 through 118, the owner of copyright under this title has the exclusive right to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;

(2) to prepare derivative works based upon the copyrighted work;

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and

(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly.

§ 107. Limitations on exclusive rights: Fair use

Notwithstanding the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

§ 411. Registration and infringement actions

(a) Except for actions for infringement of copyright in Berne Convention works whose country of origin is not the United States, and subject to the provisions of subsection (b), no action for infringement of the copyright in any work shall be instituted until registration of the copyright claim has been made in accordance with this title. In any case, however, where the deposit, application, and fee required for registration have been delivered to the Copyright Office in proper form and registration has been refused, the applicant is entitled to institute an action for infringement if notice thereof, with a copy of the complaint, is served on the Register of Copyrights. The Register may, at his or her option, become a party to the action with respect to the issue of registrability of the copyright claim by entering an appearance within sixty days after such service, but the Register's failure to become a party shall not deprive the court of jurisdiction to determine that issue. (Amended October 31, 1988, Public Law 100-568, sec. 9, 102 Stat. 2859.)

(b) In the case of a work consisting of sounds, images, or both, the first fixation of which is made simultaneously with its transmission, the copyright owner may, either before or after such fixation takes place, institute an action for infringement under section 501, fully subject to the remedies provided by sections 502 through 506 and sections 509 and 510, if, in accordance with requirements that the Register of Copyrights shall prescribe by regulation, the copyright owner—

(1) serves notice upon the infringer, not less than ten or more than thirty days before such fixation, identifying the work and the specific time and source of its first transmission, and declaring an intention to secure copyright in the work; and

(2) makes registration for the work, if required by subsection (a), within three months after its first transmission. (Amended October 31, 1988, Public Law 100-568, sec. 9, 102 Stat. 2859.)

§ 412. Registration as prerequisite to certain remedies for infringement

In any action under this title, other than an action instituted under section 411(b), no award of statutory damages or of attorney's fees, as provided by sections 504 and 505, shall be made for—

(1) any infringement of copyright in an unpublished work commenced before the effective date of its registration; or

(2) any infringement of copyright commenced after first publication of the work and before the effective date of its registration, unless such registration is made within three months after the first publication of the work.

§501. Infringement of copyright

(a) Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118, or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright.

(b) The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of section 411, to institute an action for any infringement of that particular right committed while he or she is the owner of it. The court may require such owner to serve written notice of the action with a copy of the complaint upon any person shown, by the records of the Copyright Office or otherwise, to have or claim an interest in the copyright, and shall require that such notice be served upon any person whose interest is likely to be affected by a decision in the case. The court may require the joinder, and shall permit the intervention, of any person having or claiming an interest in the copyright. (Amended October 31, 1988, Public Law 100-568, sec. 10, 102 Stat. 2860.)

(c) For any secondary transmission by a cable system that embodies a performance or a display of a work which is actionable as an act of infringement under subsection (c) of section 111, a television broadcast station holding a copyright or other license to transmit or perform the same version of that work shall, for purposes of subsection (b) of this section, be treated as a legal or beneficial owner if such secondary transmission occurs within the local service area of that television station.

(d) For any secondary transmission by a cable system that is actionable as an act of infringement pursuant to section 111(c)(3), the following shall also have standing to sue: (i) the primary transmitter whose transmission has been altered by the cable system; and (ii) any broadcast station within whose local service area the secondary transmission occurs.

(e) With respect to any secondary transmission that is made by a satellite carrier of a primary transmission embodying the performance or display of a work and is actionable as an act of infringement under section 119(a)(5), a network station holding a copyright or other license to transmit or perform the same version of that work shall, for purposes of subsection (b) of this section, be treated as a legal or beneficial owner if such secondary transmission occurs within the local service area of that station. (Added November 16, 1988, Public Law 100-667, sec. 202, 102 Stat. 3957.)

§ 502. Remedies for infringement; Injunctions

(a) Any court having jurisdiction of a civil action arising under this title may, subject to the provisions of section 1498 of title 28, grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright.

(b) Any such injunction may be served anywhere in the United States on the person enjoined; it shall be operative throughout the United States and shall be enforceable, by proceedings in contempt or otherwise, by any United States court having jurisdiction of that person. The clerk of the court granting the injunction shall, when requested by any other court in which enforcement of the injunction is sought, transmit promptly to the other court a certified copy of all the papers in the case on file in such clerk's office.

§ 503. Remedies for infringement: Impounding and disposition of infringing articles

(a) At any time while an action under this title is pending, the court may order the impounding, on such terms as it may deem reasonable, of all copies or phonorecords claimed to have been made or used in violation of the copyright owner's exclusive rights, and of all plates, molds, matrices, masters, tapes, film negatives, or other articles by means of which such copies or phonorecords may be reproduced.

(b) As part of a final judgment or decree, the court may order the destruction or other reasonable disposition of all copies or phonorecords found to have been made or used in violation of the copyright owner's exclusive rights, and of all plates, molds, matrices, masters, tapes, film negatives, or other articles by means of which such copies or phonorecords may be reproduced.

§ 504. Remedies for infringment: Damages and profits

(a) *In general.*—Except as otherwise provided by this title, an infringer of copyright is liable for either—

(1) the copyright owner's actual damages and any additional profits of the infringer, as provided by subsection (b); or

(2) statutory damages, as provided by subsection (c).

(b) *Actual damages and profits.*—The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages. In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.

(c) *Statutory damages.*—

(1) Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $500 or more than $20,000 as the court considers just. For the purposes of this subsection, all the parts of a compilation or derivative work constitute one work. (Amended October 31, 1988, Public Law 100-568, sec. 10, 102 Stat. 2860.)

(2) In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $100,000. In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum

of not less than $200. The court shall remit statutory damages in any case where an infringer believed and had reasonable grounds for believing that his or her use of the copyrighted work was a fair use under section 107, if the infringer was (i) an employee or agent of a nonprofit educational institution, library, or archives acting within the scope of his or her employment who, or such institution, library, or archives itself, which infringed by reproducing the work in copies or phonorecords; or (ii) a public broadcasting entity which or a person who, as a regular part of the nonprofit activities of a public broadcasting entity (as defined in subsection (g) of section 118) infringed by performing a published nondramatic literary work or by reproducing a transmission program embodying a performance of such a work. (Amended October 31, 1988, Public Law 100-568, sec. 10, 102 Stat. 2860.)

§ 505. Remedies for infringement: Costs and attorney's fees

In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

§ 506. Criminal offenses

(a) *Criminal infringement.*—Any person who infringes a copyright willfully and for purposes of commercial advantage or private financial gain shall be punished as provided in section 2319 of title 18. (Amended May 24, 1982, Public Law 97-180, sec. 5, 96 Stat. 93.)

(b) *Forfeiture and destruction.*—When any person is convicted of any violation of subsection (a), the court in its judgment of conviction shall, in addition to the penalty therein prescribed, order the forfeiture and destruction or other disposition of all infringing copies or phonorecords and all implements, devices, or equipment used in the manufacture of such infringing copies or phonorecords.

(c) *Fraudulent copyright notice.*—Any person who, with fraudulent intent, places on any article a notice of copyright or words of the

same purport that such person knows to be false, or who, with fraudulent intent, publicly distributes or imports for public distribution any article bearing such notice or words that such person knows to be false, shall be fined not more than $2,500.

(d) *Fraudulent removal of copyright notice.*—Any person who, with fraudulent intent, removes or alters any notice of copyright appearing on a copy of a copyrighted work shall be fined not more than $2,500.

(e) *False representation.*—Any person who knowingly makes a false representation of a material fact in the application for copyright registration provided for by section 409, or in any written statement filed in connection with the application, shall be fined not more than $2,500.

§ 507. Limitations on actions

(a) *Criminal proceedings.*—No criminal proceeding shall be maintained under the provisions of this title unless it is commenced within three years after the cause of action arose.

(b) *Civil actions.*—No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued.

§ 508. Notification of filing and determination of actions

(a) Within one month after the filing of any action under this title, the clerks of the courts of the United States shall send written notification to the Register of Copyrights setting forth, as far as is shown by the papers filed in the court, the names and addresses of the parties and the title, author, and registration number of each work involved in the action. If any other copyrighted work is later included in the action by amendment, answer, or other pleading, the clerk shall also send a notification concerning it to the Register within one month after the pleading is filed.

(b) Within one month after any final order or judgment is issued in the case, the clerk of the court shall notify the Register of it, sending with the notification a copy of the order or judgment together with the written opinion, if any, of the court.

(c) Upon receiving the notifications specified in this section, the Register shall make them a part of the public records of the Copyright Office.

§ 509. Seizure and forfeiture

(a) All copies or phonorecords manufactured, reproduced, distributed, sold, or otherwise used, intended for use, or possessed with intent to use in violation of section 506(a), and all plates, molds, matrices, masters, tapes, film negatives, or other articles by means of which such copies or phonorecords may be reproduced, and all electronic, mechanical, or other devices for manufacturing, reproducing, or assembling such copies or phonorecords may be seized and forfeited to the United States. . .

(b) The applicable procedures relating to (i) the seizure, summary and judicial forfeiture, and condemnation of vessels, vehicles, merchandise, and baggage for violations of the customs laws contained in title 19, (ii) the disposition of such vessels, vehicles, merchandise, and baggage or the proceeds from the sale thereof, (iii) the remission or mitigation of such forfeiture, (iv) the compromise of claims, and (v) the award of compensation to informers in respect of such forfeitures, shall apply to seizures and forfeitures incurred, or alleged to have been incurred, under the provisions of this section, insofar as applicable and not inconsistent with the provisions of this section; except that such duties as are imposed upon any officer or employee of the Treasury Department or any other person with respect to the seizure and forfeiture of vessels, vehicles, merchandise, and baggage under the provisions of the customs laws contained in title 19 shall be performed with respect to seizure and forfeiture of all articles described in subsection (a) by such officers, agents, or other persons as may be authorized or designated for that purpose by the Attorney General.

§ 510. Remedies for alteration of programing by cable systems

(a) In any action filed pursuant to section 111(c)(3), the following remedies shall be available:

(1) Where an action is brought by a party identified in subsections (b) or (c) of section 501, the remedies provided by sections 502 through 505, and the remedy provided by subsection (b) of this section; and

(2) When an action is brought by a party identified in subsection (d) of section 501, the remedies provided by sections 502 and 505, together with any actual damages suffered by such party as a result of the infringement, and the remedy provided by subsection (b) of this section.

(b) In any action filed pursuant to section 111(c)(3), the court may decree that, for a period not to exceed thirty days, the cable system shall be deprived of the benefit of a compulsory license for one or more distant signals carried by such cable system.

[End of Appendix and of document]