

2. The court declines to issue a certificate of appealability.



**NATIONAL CONFERENCE
OF BAR EXAMINERS**

v.

**MULTISTATE LEGAL STUDIES,
INC., d/b/a PMBR, et al.**

Civil Action No. 04-03282-JF.

United States District Court,
E.D. Pennsylvania.

Aug. 22, 2006.

Background: Publisher of the Multistate Bar Examination (MBE) brought copyright infringement action against operators of bar review course.

Holdings: The District Court, Fullam, Senior District Judge, held that:

- (1) evidence was sufficient to establish that defendants copied questions from the MBE for use in their course;
- (2) MBE questions based on published cases or newspaper articles were entitled to copyright protection;
- (3) action was not barred by laches or estoppel;
- (4) publisher was entitled to award of lost profit damages in amount of \$11,902,787; and
- (5) award of reasonable attorney's fees and costs was justified.

Ordered accordingly.

1. Copyrights and Intellectual Property

⌘51

Plaintiff alleging copyright infringement must prove both ownership of a valid copyright and copying of the original elements of the protected work.

2. Copyrights and Intellectual Property

⌘83(4)

Evidence in copyright infringement action brought by publisher of the Multistate Bar Examination (MBE) was sufficient to establish that operators of a bar review course copied questions from the MBE for use in their course; defendants and their employees regularly wrote down information about fact patterns, prompts, and answer choices appearing on MBE examinations that they had taken and sought out jurisdictions that allowed test takers to use scratch paper, and many questions in the bar review course reproduced MBE questions nearly verbatim, while others contained only trivial variations.

3. Copyrights and Intellectual Property

⌘12(1)

Multistate Bar Examination (MBE) questions based on published cases or newspaper articles were entitled to copyright protection to the extent that they included material alterations in the facts, new legal issues, or original answer choices.

4. Copyrights and Intellectual Property

⌘75, 80

Copyright infringement action brought by publisher of Multistate Bar Examination (MBE) against operators of bar review course who allegedly copied 113 MBE questions was not barred by laches or estoppel, although publisher had failed to object to previous questions used by the defendants that may have violated its copyrights; all but 13 of the infringing questions were first published by the de-

defendants within the statutory limitations period, and publisher relied on review conducted by external consulting firm that did not reveal the infringing questions.

5. Copyrights and Intellectual Property

⊕87(2)

Award of lost licensing fees is appropriate when copyright infringement substitutes for or interferes with a hypothetical contract between the parties.

6. Copyrights and Intellectual Property

⊕87(2)

Award of lost licensing fees as actual damages was not appropriate in action for infringement of copyrights covering questions on the Multistate Bar Examination (MBE); there was no fair market value for the infringed questions, because releasing current MBE questions would undermine the validity of the entire examination, and there was no evidence to suggest that defendants would have licensed released questions, because such questions did not provide previews of upcoming tests that defendants sought.

7. Copyrights and Intellectual Property

⊕87(2)

Publisher of Multistate Bar Examination (MBE) was entitled to award of lost profit damages in amount of \$11,902,787, representing one-third of revenues earned by operators of bar review course who infringed publisher's copyrights by using questions in the course that were similar to MBE questions; high quality of the bar review course questions was a major draw for students enrolling in the course, and infringing questions made up close to 40% of the course. 17 U.S.C.A. § 504(b).

8. Antitrust and Trade Regulation

⊕239

Operators of bar review course violated the California Business and Professions Code by intentionally reproducing Multi-

state Bar Examination (MBE) questions, thereby subverting a licensing examination taken by thousands of applicants seeking admission to the California Bar each year. West's Ann.Cal.Bus. & Prof.Code §§ 17200-17209.

9. Copyrights and Intellectual Property

⊕90(2)

Award of reasonable attorney fees and costs was justified in action for infringement of questions on the Multistate Bar Examination (MBE) by operators of bar review course; operators' willful and egregious copyright infringement harmed the public as well as publisher of the MBE by undermining the integrity of the MBE, possibly causing the admission of unqualified applicants.

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ADJUDICATION

FULLAM, Senior District Judge.

This case, involving claims of copyright infringement and violations of the California Business and Professions Code, was tried non-jury on February 1, 2, 3 and 6, 2006. Counsel submitted lengthy proposed findings of fact and conclusions of law, accompanied by voluminous exhibits, and closing arguments were held on April

10, 2006. My findings and conclusions are summarized below.

Plaintiff, the National Conference of Bar Examiners (“NCBE”), develops testing materials used by more than 50 jurisdictions to evaluate applicants seeking bar admission. The most widely used of these products is the Multistate Bar Examination (“MBE”), a 200-question multiple-choice test administered in February and July each year. To pass the bar exam in most jurisdictions, applicants must achieve a minimum score on both the MBE and on a separate essay portion. The MBE covers topics in contracts, criminal law and procedure, constitutional law, real property, evidence, and torts. Each question comprises a brief fact pattern, a lead-in asking the test-taker about a particular legal issue, and four answer choices. Drafting these questions is a lengthy process for which NCBE retains panels of professors, judges, and practitioners. Each MBE contains approximately 60 questions from earlier tests to provide a basis for comparing the performance of applicants on one MBE with that of previous groups. Using these data, plaintiff corrects for variations in the degree of difficulty of the examination when computing individual scores. Questions may appear on several MBEs before being retired.

Because plaintiff reuses many MBE questions, it goes to great lengths to maintain the secrecy of those questions. NCBE submits the MBE to the Register of Copyrights under regulations that exempt secure tests from the deposit requirement. 37 C.F.R. §§ 202.20(b)(4), 202.20(c)(2)(vi); see also *National Conference of Bar Examiners v. Multistate Legal Studies, Inc.*, 692 F.2d 478 (7th Cir.1982)(upholding the validity of regulations governing registration of secure tests). It also takes steps to enforce this

copyright: prohibiting test-takers from discussing or reproducing MBE questions, and resorting to legal action when bar review courses violate these rules. See, e.g., *National Conference of Bar Examiners v. Saccuzzo*, No. 03-CV-0737, 2003 WL 21467772 (S.D.Cal. Jun.10, 2003). NCBE does release approximately 1100 retired questions, which can be licensed for a fee.

Defendants Robert Feinberg and Dona Zimmerman founded Multistate Legal Studies, Inc. (known as the “Preliminary Multistate Bar Review” or “PMBR”) in 1977 to sell MBE test-preparation services. The company currently offers a variety of programs: a 3-day class, a 6-day class, and a one-on-one tutorial. These courses provide oral and written instructional materials addressing the substantive law tested on the MBE, test-taking strategies, and practice MBE questions. PMBR is both popular and lucrative, teaching more than 40,000 students in 2004 (nearly 60% of those taking the MBE) and bringing in more than \$16,000,000 in gross revenues that year. In addition to being the sole owners of PMBR, Mr. Feinberg and Ms. Zimmerman have drawn millions of dollars in salary from the company.

The 3-day course, which is the focus of this litigation, is given in approximately 100 locations before the February administration of the MBE and 150 locations before the July administration. The average cost to students, as estimated by defendants’ expert, was \$254.39 in 2001, \$275.62 in 2002, \$277.34 in 2003, and \$304.74 in 2004. On the first day of the course, students take a full 200 question simulated MBE, referred to as the “PMBE.” The remaining two days use the PMBE questions to instruct students on substantive law and test-taking techniques. Students also receive written answer keys to the PMBE with detailed explanations and cita-

tions to the source materials used to develop the questions. Before the inception of this lawsuit, defendants incorporated approximately 50 new questions into each year's 200-question PMBE. Other course materials were revised less frequently and less extensively. Mr. Feinberg generates almost all of the PMBE questions and explanatory answer keys himself, relying in part on hornbooks, treatises, reporters, and published cases. He also admits that he uses the notes of PMBR employees who have taken the MBE in recent years. PMBR does not retain these notes or any other development materials.

Many PMBR advertisements use "testimonials" from former students emphasizing the similarity between PMBR practice questions and those appearing on the MBE. Specifically touting the 3-day course, one student praised the quality of PMBR's practice questions, noting that "dozens of nearly identical questions appeared on the actual exam." Ex. P255. Another reported that he "breezed through the exam because [he] recognized so many of the questions from PMBR." Ex. P253. A third reported that he was "already familiar with many of the questions" before taking the MBE. Ex. P256. A fourth exclaimed (in large boldface type) that "It Was Deja Vu All Over Again. I Was Amazed How Similar The Actual MBE Was To PMBR!" Ex. P252.

Mr. Feinberg writes other promotional materials himself. One PMBR brochure explains that:

PMBR questions cover issues which are **consistently repeated** on the MBE. (PMBR develops its own questions. Some other courses overplay the value of released questions. Since released questions will never be repeated, you will never see them on the MBE—who needs 'em?).

Ex. P298. Mr. Feinberg has told students in his 3-day course that they can expect to "recognize many of these similar types of questions on the actual exam," Ex. P292, and pointed out particular PMBE questions that were very similar to recent MBE questions. Predictably, some of those questions are at issue in this suit, e.g. 1544—RLP from the February 2003 MBE and 1327—TOR which appeared on four MBEs from 1992 through 2003.

PMBR is able to expose students to "the latest, the newest questions covering the newest distinctions that were tested [on the MBE]," Ex. P287, because the company's employees sit for nearly every administration of the examination. After completing the MBE, these employees take notes on the topics covered, and in some instances on the specific facts of questions or their answer choices. Mr. Feinberg has personally taken the MBE more than 20 times, and Ms. Zimmerman more than a dozen. Given that these individuals are highly paid to prepare students to take (and presumably to pass) the bar exam, their failure rate is strikingly high. Mr. Feinberg, for example, failed five consecutive bar examinations in Alaska before barely passing in February 2004. Once an applicant passes the bar in a given jurisdiction, he may not take it there again. Perhaps even more startling, Ms. Zimmerman twice failed the Kentucky Bar Examination despite passing the essay portion, because her scores on the MBE were so low. Her testimony that she failed because the MBE "is quite a difficult examination" speaks poorly of either her professional qualifications or her credibility as a witness.

The events leading to this lawsuit began in Anchorage in February 2003. At the time, Alaska was the only jurisdiction that permitted the use of scratch paper during the MBE. Even so, students were strictly

prohibited from removing scratch paper or other exam materials from the testing room. At the conclusion of the afternoon MBE session, Mr. Feinberg broke this rule. As he was leaving the room, a proctor noticed that he was carrying a sheet of scratch paper with notes on it. She stopped him, confiscated the paper, and filed an Irregularity Report with NCBE. While the notes on the paper are brief and somewhat cryptic, they clearly relate to topics and answer choices of particular MBE questions. Upon receiving the Alaska Irregularity Report in April 2003, NCBE undertook an extensive review of the defendants' course materials, comparing each PMBE question published from 2001 onward to a database of MBE questions. After concluding that more than 100 questions had likely been copied, plaintiffs filed this lawsuit.

[1,2] A plaintiff alleging copyright infringement must prove both ownership of a valid copyright and copying of the original elements of the protected work. See *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, 499 U.S. 340, 361, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991). As I rejected defendants' attempts to challenge NCBE's copyright in orders of April 13 and July 21, 2005, all that remains is the question of copying. I find that plaintiff has proven copying both with direct evidence and by demonstrating that there is substantial similarity between the MBE and PMBE questions.

This is the rare case in which there is direct evidence that defendants copied plaintiff's work. See *Rottlund Co. v. Pinnacle Corp.*, 452 F.3d 726, 732 (8th Cir. 2006) ("Direct evidence of copying is rarely available because it includes evidence such

as party admissions, witness accounts of the physical act of copying, and common errors in the works of plaintiffs and the defendants."). Mr. Feinberg and other PMBR employees regularly write down information about the fact patterns, prompts, and answer choices appearing on MBE examinations that they have taken. Mr. Feinberg admitted that he uses these notes when writing PMBE questions. In order to facilitate this process, PMBR employees sought out the only jurisdiction that allowed test-takers to use scratch paper, taking (and in all but one case failing) the Alaska Bar Exam eight times from 2001 through 2003. In February 2003, Mr. Feinberg was caught leaving the examination room with his scratch paper. In addition, PMBR advertisements brag about how close its questions are to those on the actual MBE, and Mr. Feinberg has made similar statements. Finally, many PMBE questions reproduce MBE questions nearly verbatim, and others contain trivial variations that suggest awareness of copying.¹ See *M. Kramer Mfg. Co., Inc. v. Andrews*, 783 F.2d 421, 446 (4th Cir.1986). I conclude that defendants willfully copied MBE questions, either by setting out to do so, or engaging in behavior that was so certain to lead to copying that intent must be inferred.

The substantial similarity between most of the allegedly infringing PMBE questions and copyrighted MBE items bolsters this conclusion. Because defendants do not dispute that they had access to plaintiff's copyrighted questions, plaintiff will prevail if there is "sufficient similarity between the works so as to conclude that the alleged infringer 'copied' the work," and the similarity relates to the protectable

1. To cite just one example, a PMBE question refers to "X-10 gadgets," while the MBE question from which it is copied involves "X10 widgets." There could be no more trivial

variation. The irrelevant PMBE explanation that a "gadget is a synthetic replication of a widget" confirms awareness of copying.

aspects of the allegedly infringed work. *Dam Things from Denmark v. Russ Berrie & Co.*, 290 F.3d 548, 562 (3d Cir.2002).

After reviewing each pair of MBE and allegedly-infringing PMBE questions, I conclude that nearly all of the 113 challenged questions are substantially similar to copyrighted MBE questions.² In many instances, evidence of copying practically leaps from the page. One such egregious example is based on 1792—CNL, which appeared on the July 1999 MBE:

As Part of the Federal Deficit Eradication Act, Congress imposed a special tax on “all interest in excess of 5% per annum earned by each state of the United States on any of its investments.” This tax is probably

- (A) constitutional, because it does not discriminate among the several states—it treats all of them in the same manner.
- (B) constitutional, because it taxes only a proprietary function of the states—it does not tax any of their strictly governmental functions.
- (C) unconstitutional, because it singles out state governments for special taxation that is not applicable to any other entities or individuals.
- (D) unconstitutional, because it requires a state government itself to make a tax payment to the United States.

Answer key: C

Question # 27 on the 2001 PMBE, repeated as question # 142 on the July

2004 PMBE, reproduced much of this question verbatim:

Congress has passed a new federal statute called the Federal Deficit Eradication Act. The law imposed a special tax on all interest in excess of 5% per annum earned by each state on any investments made by the respective state(s)

The state of Texas has filed an appropriate action in federal district court challenging the constitutionality of the federal statute. In all likelihood the court will find the Federal Deficit Eradication Act to be

- (A) constitutional, because the law does not discriminate among the several states
- (B) constitutional, because the incidence of the tax is on interest payments from outside investments and does not apply to government functions
- (C) unconstitutional, because it places a discriminatory burden on state governments
- (D) unconstitutional, because the tax burden applies to state governmental bodies and not the residents of the state

Answer key: B

This question tests the same legal concept using the same fictitious statute and four virtually identical answer choices in the same order.³ As with a number of PMBE questions, the answer key here is incorrect, further undermining Mr. Feinberg’s

2. Only a handful of PMBE questions, such as those allegedly based on MBE questions 1270—CNL, 1588—EVD, and 1886—EVD, do not necessarily appear to be copied, either because the MBE questions involve common legal principles presented in a very generalized way or because the similar aspects relate only to the area of law being tested, and not to specific facts or answer choices.

3. Mr. Feinberg testified that he was “very surprised” at the similarity between these two questions even though he recalled seeing the MBE question when taking the examination and writing the PMBE question afterwards. Tr. 2/3/06 at 80–81.

claims that he derived his questions independently from authoritative legal sources.

While many PMBE questions exhibit this degree of similarity, less-than-wholesale reproduction can also provide a sufficient basis to conclude that there was copying. See *Educational Testing Service v. Simon*, 95 F.Supp.2d 1081, 1088 (C.D.Cal.1999) (“[I]mmaterial variations do not alter the conclusion that infringing material is substantially similar to copyrighted material.”). Question # 120 on the 2002/2003 PMBE, repeated as question # 174 on the July 2004 PMBE and # 20 on the 2005 PMBE, involves all of the same material facts as MBE question 1672—TOR, which appeared in July of 2001. The MBE question reads in relevant part:

Agent arranged a dinner meeting with Customer, a prospective stockholder. During dinner, Agent made several false and misleading statements to Customer regarding the financial soundness of Company. Waiter, who was serving the table next to Agent and Customer, overheard the statements. Based on those statements, Waiter purchased a substantial number of shares of Company stock. Within weeks after Waiter’s purchase, Company filed for bankruptcy and Waiter lost his entire investment. In a suit by Waiter against Agent to recover for his loss, will Waiter prevail?

- (A) Yes, because Waiter reasonably relied on the statements made by Agent.
- (B) Yes, because Agent should have foreseen that Waiter would hear the false statements.
- (C) No, because Agent was not attempting to induce Waiter to purchase any Company stock.
- (D) No, because investing in newly issued stock is too speculative.

Answer key: C

The PMBE question also involves a waiter who overhears fraudulent insider informa-

tion not intended for his ears, invests his money based on this information, loses it, and sues the one who made the statements. Two of the answer choices are also nearly identical:

Bilko was an investment swindler who ran a Ponzi scheme. One evening he took a group of unwitting investors to dinner hoping to convince them to invest in a new business venture. At the restaurant Bilko falsely told the gathering that his company’s stock price would appreciate 200% within three months. Dupe, a waiter at the restaurant, overheard Bilko’s presentation and decided to invest in the enterprise himself. Thereafter, Dupe invested \$10,000, his entire life savings, in Bilko’s business venture. Two months later Bilko’s company became insolvent and filed for bankruptcy. If Dupe sues Bilko for fraud seeking to recover damages for his investment loss, will he prevail?

- (A) Yes, because Bilko should have been aware that other people may have overheard his false statements.
- (B) Yes, because Bilko provided false information which was relied on by Dupe.
- (C) No, because Bilko did not intend to induce Dupe to act in reliance and invest in his investment scheme.
- (D) No, because Bilko did not direct his statements to Dupe who happened to be eavesdropping on the conversation.

Answer key: C

While defendants included some original language and factual embellishments, they clearly copied the question from the one appearing on the MBE.

In all, defendants copied well over 100 PMBE questions from the MBE, in many cases duplicating passages nearly verbatim or reproducing labyrinthine fact patterns turn by turn.

Having determined that there was copying, I now turn to whether the copied elements are subject to copyright protection. MBE questions may reflect original expression in their wording, particularized facts, and answer choices. Defendants argue that they should be afforded only limited protection because they test established legal rules within a relatively narrow set of formal constraints. This is a fundamental misreading of *Educational Testing Services v. Katzman*, 793 F.2d 533, 542 (3d Cir.1986), which recognized that there is protectable expression even in a multiple choice question designed to test knowledge of basic mathematical concepts, such as square roots and fractions. See also *Ass'n of Am. Med. Colls. v. Mikaelian*, 571 F.Supp. 144, 150 (E.D.Pa. 1983). Teaching the legal principles tested on the MBE is permissible. Doing so using the same fact patterns, prompts, and answer-choice combinations found in MBE questions is not.

[3] MBE questions based on published cases or newspaper articles are protectable to the extent that they include material alterations in the facts, new legal issues, or original answer choices. For example, question 1033—CRM, which appeared on the February 2001 MBE, drew on a 1993 New York Times article reporting that a court clerk had been charged with murder after smuggling a firearm into the courthouse for her boyfriend, who used it to kill a police officer. See Joseph F. Sullivan, *Clerk Accused of Smuggling Gun in Courthouse Killing*, N.Y. Times, June 5, 1993, at A11. Inspired by this article, the MBE drafters developed a question designed to test the defenses of duress, necessity, and insufficient mens rea. In so doing, they added two key facts not appearing in the article: that the gunman told the clerk that he wanted her to smuggle the gun so that his probation officer

would not discover it, and that he threatened to kidnap her children if she refused to cooperate. The question's focus on the clerk's best defense and the four specific answer choices also reflect creative expression. A PMBE question from 2003/2004 copied the additional facts, prompt, and three of the same answer choices, all of which are protected by plaintiff's copyright.

In other instances, the creative expression is embodied in the answer choices, rather than in the fact patterns alone. The fact pattern in question 1999A—EVD, for example, is so general that it would not, on its own, qualify for copyright protection:

In a prosecution for murder, the judge has discretion to DENY which of the following requests made by the prosecution?

The extremely open ended nature of the question, however, increases the degree of creativity involved in drafting the one correct and three incorrect answer choices. Question # 19 from the 2003/2004 PMBE would not violate plaintiff's copyright simply because the fact pattern is materially similar, however it also uses four substantively identical answer choices, and this wholesale reproduction of a copyrighted question is not permitted.

I find defendants' claims of independent creation to be wholly incredible. The "source binders" submitted are simply post hoc efforts to identify sources that could, theoretically, have been used. Even so, many of the "sources" simply provide support for the legal principle being tested, lacking anything related to the creative choices made by plaintiff in drafting MBE questions. Notably, even when plaintiff *was* inspired by a case or newspaper article, defendants' "source binders" often omit these clearly related materials. In addition, defendants did not draft any new

PMBE questions for 18 months after agreeing not to take the MBE while this suit was pending. Defendants also failed to provide a credible legitimate explanation for the striking similarity in the wording of many PMBE and MBE questions.

[4] I also reject defendants' attempt to invoke laches and estoppel. Their contention that plaintiff's failure to object to earlier PMBE questions that may have violated NCBE copyrights holds no merit. The issue in this case is whether 113 specific questions are infringing, and defendants could not reasonably have taken plaintiff's silence after publication of other questions as general permission to engage in copyright infringement. All but thirteen of the infringing questions were first published by PMBR within the statutory limitations period, creating a strong inference that plaintiff timely asserted its claim.⁴ Seven of these thirteen were first published in 2001, and thus may also have been challenged within the limitations period. To the extent that challenged questions first appeared prior to the limitations period, I find that plaintiffs did not have actual knowledge of the infringement until October of 2003 and that they were not on constructive notice before that date. Plaintiff's earlier copyright infringement suits against defendants⁵ did not give rise to a general duty to police all PMBR materials. Cf. *Kepner-Tregore, Inc. v. Executive Development, Inc.*, 79 F.Supp.2d 474,

487-89 (D.N.J.1999) (imposing a duty to police when plaintiff had previously sued defendant over the *same* copyright and had reason to believe that the infringement had been continuous since that time). Defendants also argue constructive notice based on reviews of PMBR materials by an external consulting firm in 1996, 1998, and 2001. Only the 2001 review might potentially have discovered any of the questions in-suit, and it did *not* reveal suspect questions. Plaintiff hired a well-respected consulting firm to do these reviews and reasonably relied on the results. I conclude that these reviews in fact demonstrate a good-faith effort on the part of plaintiffs to detect infringement. Plaintiffs waited less than one year between discovering the infringement and filing suit, well within permissible bounds.

Defendants infringed plaintiff's copyright, and damages must now be determined. NCBE has elected to pursue actual damages plus PMBR's profits, rather than statutory damages, pursuant to 17 U.S.C. § 504(a). I find that the evidence supports awarding both actual damages and apportionment of PMBR's revenues.

[5,6] Actual damages may include both the direct expenses resulting from the copyright infringement and the loss in the fair market value of the copyright. I conclude that the July 2005 MBE had to be reprinted at a cost of \$59,000 because defendants' copyright infringement had

4. While defendant's proposed findings of fact suggests that there are 26 such questions, it identifies only 21. Six of those questions are not currently being challenged by plaintiff, and I conclude that two others, 1588—EVD and 1886—EVD, are not similar enough to suggest copying.

5. In 1978, NCBE sued PMBR for copyright infringement, and unfair competition and deceptive trade practices. Plaintiff dropped its copyright claim after concluding that the alleged infringement had ceased, and lost on its

other claim. *National Conference of Bar Examiners v. Multistate Legal Studies, Inc.*, 692 F.2d 478 (7th Cir.1982). In 1990, NCBE sued PMBR in this District, alleging copyright infringement. The parties entered into a court-approved settlement later that year, and spent the next five years squabbling over issues relating to that agreement. See *National Conference of Bar Examiners v. Multistate Legal Studies, Inc.*, Civil Action No. 90-1471 (E.D.Pa.) (Weiner, J.).

compromised the initial version. There was no evidence of other expenses or of any loss in the market for plaintiff's copyrighted materials. I also decline plaintiff's invitation to award lost licensing fees, which are appropriate when copyright infringement substitutes for or interferes with a hypothetical contract between the parties. See, e.g., *Davis v. The Gap, Inc.*, 246 F.3d 152, 166–67 (2d Cir.2001). Here, I find that there could not have been such a contract: there is no fair market value for the infringed questions, because to release current MBE questions is to undermine the validity of the entire examination; there is also no evidence to suggest that defendants would have licensed released questions, because such questions do not provide the crucial information defendants sought—previews of upcoming tests. Since plaintiff lost no hypothetical royalties, I cannot award actual damages in compensation. I can and will, however, factor the uniquely proprietary nature of the infringed questions into apportionment of defendants' profits.

[7] In order to recover lost profits, the owner of an infringed copyright "is required to present proof only of the infringer's gross revenue." 17 U.S.C. § 504(b). It is the infringer's burden "to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work." *Id.* NCBE met its burden by proving the gross revenues generated by PMBR's 3-day course. Because defendants did not introduce any evidence of expenses or other factors to which profit should be attributed, I use gross revenues as the measure of defendants' profit. Relying on the average cost per student,

supplied by defendants' expert, and the number of students who took the course, I conclude that defendants' revenues from the 3-day course from July 2001 through 2005 were \$35,708,361.⁶ These revenues will be apportioned, and damages awarded only to the extent that they are attributable to the infringement. Doing so does not involve a mathematical formula, but rather an assessment of the relative importance of the infringing questions. See, e.g., *Bruce v. Weekly World News, Inc.*, 310 F.3d 25, 31–32 (1st Cir.2002); *Blackman v. Hustler Magazine, Inc.*, 800 F.2d 1160, 1164–65 (D.C.Cir.1986).

In determining how much of defendants' revenues to award, I take into account PMBR's advertisements and excerpts from Mr. Feinberg's lectures. The heavy emphasis on similarity between PMBE questions and MBE questions suggests that this is a major selling-point for the company. It is not difficult to understand why this might be the case, as PMBR's potential customers are almost all already enrolled in a general bar-review course that includes MBE preparation. Some students may enroll in PMBR simply to get extra practice or to access the particular expertise of its instructors, but there can be no question that the high quality of PMBR questions is a major attraction. While this quality may be due in part to the ability of defendants to generate realistic practice questions, the evidence in this case reveals that it is largely a result of blatant copyright infringement. On the other hand, students taking the 3-day course also receive workbooks containing 2000 other practice questions, substantive law outlines, and study aids. Still, the

6. While the average cost per student undoubtedly rose again in 2005, it was plaintiff's burden to introduce such evidence, so I have not accounted for any increase in calculating 2005 revenues.

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|-------|----------------------------|---|--------------|
| 2001: | 19,503 students × \$254.39 | = | \$ 4,961,368 |
| 2002: | 24,853 students × \$275.62 | = | \$ 6,849,984 |
| 2003: | 25,150 students × \$277.34 | = | \$ 6,975,101 |
| 2004: | 26,497 students × \$304.74 | = | \$ 8,074,969 |
| 2005: | 29,032 students × \$304.74 | = | \$ 8,847,212 |
| Total | | | \$35,708,361 |

PMBE is clearly the heart of the course. Because question similarity is a major draw, and because infringing questions made up close to 40% of the PMBE from 2003 through 2005 (though a substantially lower percentage in 2001 and 2002), I conclude that attributing one-third of defendants' revenues to the infringing questions is justified. Plaintiffs will be awarded \$11,902,787.

I find that injunctive relief is also warranted, as copyright liability has been established, and there is a real threat of future infringement. 17 U.S.C. § 502. Defendants will be enjoined from copying, duplicating, distributing, selling, publishing, reproducing, renting, leasing, offering or otherwise transferring or communicating in any manner, orally or in written, printed, photographic or other form, including any communication in any class or other presentation, any questions obtained directly from any of NCBE's copyrighted secure tests. *See Katzman*, 793 F.2d at 544-545.

[8] I also find that defendants violated the California Business and Professions Code by intentionally reproducing MBE questions, thereby subverting a licensing examination taken by thousands of applicants seeking admission to the California Bar each year. *See Cal. Bus. & Prof. Code* §§ 17200-209; 123-123.5. This statute entitles plaintiff to restitution and injunctive relief. I conclude that the damages already awarded provide full restitution. Because of the likelihood of future violations, defendants, their employees, and agents will be enjoined from taking any Multistate Bar Examination for any purpose other than to obtain bar admission in the jurisdiction in which the examination is being given.

[9] Guided by the factors articulated by our Court of Appeals, I conclude that an award of reasonable attorney's fees and

costs is justified. *See Lowe v. Loud Records*, 126 Fed.Appx. 545, 547 (3d Cir.2005). Defendants' willful and egregious copyright infringement harmed the public as well as plaintiffs. States have a compelling interest in regulating admission to the bar both to maintain the integrity of the legal system and to protect the safety of their citizens. By exposing its students to questions likely to appear on the MBE, PMBR undermined the integrity of the bar examination, possibly causing the admission of unqualified applicants. That the victims of this harm are impossible to identify and the injury impossible to quantify underscores the need to deter would-be copyright infringers.

An Order follows.

ORDER

AND NOW, this 22nd day of August 2006, IT IS ORDERED that:

1. JUDGMENT is ENTERED in favor of the plaintiff, National Conference of Bar Examiners, and against the defendants, Multistate Legal Studies, Inc., Robert Feinberg, and Dona Zimmerman jointly and severally, in the sum of \$11,961,787.
2. Defendants are enjoined from copying, duplicating, distributing, selling, publishing, reproducing, renting, leasing, offering or otherwise transferring or communicating in any manner, orally or in written, printed, photographic or other form, including any communication in any class or other presentation, any questions obtained directly from any of NCBE's copyrighted secure tests.
3. Defendants, their employees, and agents are enjoined from taking any Multistate Bar Examination for any purpose other than to obtain bar admission in the jurisdiction in which the examination is being given.

4. Plaintiff may submit an application for attorney’s fees, costs, and prejudgment interest within 20 days, and defendants may respond within 10 days thereafter.



BABYAGE.COM, INC. and The Baby Club of America, Inc., Plaintiffs,

v.

TOYS “R” US, INC., d/b/a Babies “R” Us, and Babies “R” Us, Inc., Defendants.

James L. McDonough et al., individually and on behalf of all others similarly situated, Plaintiffs,

v.

Toys “R” Us—Delaware, Inc., d/b/a Babies “R” Us, and Babies “R” Us, Inc. et al., Defendants.

Civil Action Nos. 05–6792, 06–242.

United States District Court,
E.D. Pennsylvania.

Oct. 18, 2006.

Background: In antitrust action, defendants moved to compel immediate production of recordings and transcripts of conversations with one defendant’s representative that plaintiffs had surreptitiously taped.

Holding: The District Court, Anita B. Brody, J., held that plaintiffs were required to immediately produce recordings and transcripts.

Motion granted.

Federal Civil Procedure ⇌ 1633

Plaintiffs in antitrust action were required to immediately produce recordings

and transcripts of conversations with defendant’s representative that plaintiffs had surreptitiously taped, despite plaintiffs’ contention that production should have been delayed until after representative had been deposed, where recorded statements purportedly revealed that defendants had been caught “red handed,” and exposed price-fixing scheme that violated federal antitrust law. Fed.Rules Civ.Proc.Rule 26(c), 28 U.S.C.A.

Eric L. Cramer, Peter R. Kohn, Berger & Montague, PC, Philadelphia, PA, Eugene A. Spector, Spector, Roseman & Kodroff, Philadelphia, PA, Kendall Scott Zylstra, Schiffin & Barroway, Radnor, PA, for Plaintiffs Babyage.com, Inc. and The Baby Club of America, Inc.

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