

**ANATOMY OF A COPYRIGHT  
INFRINGEMENT CASE**

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**CHAPTER 7**





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### BAR ADMISSIONS:

State Bar of Texas, 1997  
U.S. Supreme Court, 2003  
U.S. Eastern District of Texas, 2003  
U.S. Western District of Texas, 2004  
U.S. Southern District of Texas, 1999  
U.S. Fifth Circuit Court of Appeals, 1999  
U.S. Sixth Circuit Court of Appeals, 2002

### EDUCATION:

University of Houston Law Center, J.D., 1997  
Florida State University, B.S., *cum laude*, Honors Program, 1994

### AREAS OF CONCENTRATION:

Intellectual Property Litigation  
Entertainment Litigation  
Commercial Litigation

### ADDITIONAL PRACTICE AREAS:

Construction Litigation  
Real Estate Litigation  
Business Torts

### BACKGROUND:

Mr. Fasthoff focuses on intellectual property law, primarily in the areas of copyright and trademark litigation. A significant amount of his experience in these fields is in the area of music litigation. His clients include Grammy® and ASCAP Award-winning recording artists, songwriters, and producers, as well as major and independent record labels, publishers and management companies.

He has extensive experience prosecuting and defending copyright and trademark infringement cases, royalty disputes, contractual disputes, tortious interference claims, and domain name disputes, as well as matters requiring immediate action to obtain or defend requests for restraining orders and claims for injunctive relief.

Mr. Fasthoff also represents clients in a wide variety of other matters in state and federal trial courts, appellate courts, and regulatory agencies. His other areas of practice include commercial litigation, unfair competition litigation, arts law, technology, and real estate litigation, among others.

Mr. Fasthoff joined the firm in 1996 as a law clerk and began his career as an attorney in 1997 in the firm's San Antonio Office, returning to the Houston Office in 1998. Mr. Fasthoff graduated from the Honors Program at Florida State University in 1994, earning degrees in both Political Science and History. He is a native of Tallahassee, Florida and has lived in Texas since 1994.

## REPRESENTATIVE CLIENTS:

- Beyoncé, Jay-Z, Chamillionaire, Z-RO, Sony BMG Music Entertainment, Rap-A-Lot Records, N-The Water Publishing, TVT Music, Hitco Music Publishing, Notting Dale Songs

## SELECTED LITIGATION HIGHLIGHTS:

- Obtained a summary judgment dismissing with prejudice a copyright infringement lawsuit brought against Beyoncé Knowles, Jay-Z, Scott Storch, Robert Waller, SONY BMG Music Entertainment, Hitco Music Publishing, TVT Music, Notting Dale Songs, and others. The court found that Beyoncé's Grammy® Award-winning song "Baby Boy" did not infringe the plaintiff's copyright.
- In representing a client in the aviation obstruction lighting industry, obtained a permanent injunction against the client's former president who started competing domestic and foreign companies using the client's trademarks, trade dress, and trade secrets. Among other issues, the case involved questions of personal jurisdiction over a Mexican corporate defendant and the extraterritorial application of the Lanham Act. The injunction was issued against the domestic and foreign defendants.
- Represented recording artist in royalty dispute with record label. Obtained payment of all unpaid royalties owed by label to artist client
- In a case under the Visual Artists Rights Act of 1990, forced the entry of a consent decree, judgment, and permanent injunction against a defendant who infringed the client's rights in certain cast glass sculptures.
- Obtained dismissal of client from \$30 million Civil Rights Act race discrimination suit when federal court granted the client's motion to dismiss for failure to state a claim upon which relief may be granted.
- When an incumbent local exchange carrier ("ILEC") threatened to terminate competitive local exchange carrier client's telecommunications and Internet lines in violation of the parties' interconnection agreement, secured temporary restraining order preventing the ILEC from disconnecting lines. Case settled in client's favor within 14 days of TRO being signed.
- Successfully settled a \$15 million lawsuit brought against a music industry client within weeks of the case being filed. The client paid nothing to settle the case, and the plaintiffs released all of their claims against the client.
- Obtained dismissal of music publisher client in a copyright infringement in Tennessee federal court case involving issues of music sampling. In a *per curiam* opinion adopting the "stream of commerce plus" test for personal jurisdiction, the Sixth Circuit Court of Appeals upheld the trial court's decision. The Appellants petitioned the United States Supreme Court to review the case, but the Court denied their petition.
- In representing the largest oil refinery in the United States, secured rulings from the World Intellectual Property Organization requiring cybersquatters to transfer ownership of the domain names <valeroenergy.com> and <diamondshamrock.com> to the firm's client Valero Energy Corporation.
- Obtained a precedent-setting ruling on behalf of an Internet service provider client against Southwestern Bell Telephone Co., Inc., in a case in which the Texas Public Utility Commission interpreted the Public Utility Regulatory Act's Customer Disconnect Rules in a case of first impression.

## PRESENTATIONS & SEMINARS:

- "Construction Liens, Mechanic's Liens, and Bonds: A Guide for Lenders and Developers," The University of Texas School of Law 39th Annual William W. Gibson, Jr. Mortgage Lending Institute (October 2005)
- "The Business of Film," Rice University Media Center – Lecturer on Copyright Law Topic: Pirates, Copiers & Plagiarists (February 2005)
- "Construction Litigation: Breach of Contract, Implied Warranty, and Negligence Claims," Construction Defects and Insurance Coverage in Texas Seminar, Lorman Education Services (May 2004)

- Former radio talk show personality and part time co-host of the Houston Business Show on Business Radio 650 AM in Houston
- "Surviving Internet Service Provider Laws & Regulations," Texas Internet Service Provider Association (March 2001)
- "Are You The Master of Your Domain? Trademarks, Domain Names & Cybersquatting," The University of Texas School of Law 2000 Entertainment Law & Technology Conference (November 2000)

#### **PUBLICATIONS:**

- *Construction Litigation: Breach of Contract, Implied Warranty, and Negligence Claims* (May 2004)
- *Surviving Internet Service Provider Laws & Regulations* (2001)
- *Are You The Master of Your Domain? Enforcing Trademark Rights Online Through the ICANN Domain Name Dispute Resolution Policy & The Anticybersquatting Consumer Protection Act* (2000)
- *The Filed Rate Doctrine in Telecommunications Customer Litigation* (1997)
- *Surveyor's Liability: Access and Encroachment Problems* (1996) (co-author)
- *The United States Post-Cold War Military Strategy: Base Force v. Bottom-Up Review* (Comparison Between G.H. W. Bush and Clinton Administration Military Strategies) (1994)

#### **MEMBERSHIPS, HONORS & PROFESSIONAL ASSOCIATIONS:**

- 2004 Karen Susman Outstanding Volunteer of the Year, Texas Accountants & Lawyers for the Arts
- *The Houston Lawyer*, Editorial Board, 2003-2004
- *SMU Computer Law Review & Technology Journal*, State Bar Liaison, 2003-2004
- Board of Advisors, Member, SMU Law School Computer & Tech Law Symposium
- Litigation Section, State Bar of Texas, Member
- Law & The Media Committee, Houston Bar Association, Member 2003-2004
- Entertainment & Sports Law Section, Houston Bar Association, Council Member 2003-2004
- Computer & Technology Law Section, State Bar of Texas, Council Member 2002-2005
- Cyberlaw Section, Houston Bar Association, Council Member 2002-2004

#### **SELECTED CASES:**

*Jennifer Armour v. Beyoncé Knowles*, No. H-05-2407, 2006 WL 2713787 (S.D. Tex. filed Sep 21, 2006)

*Duke v. Caterpillar, Inc.*, No. 01-03-00840-CV, 2005 WL 568071 (Tex. App.—Houston [1st Dist.] filed Mar 10, 2005)

*In re Chayn Mousa*, No. 01-04-00485-CV, 2004 WL 2823172 (Tex. App.—Houston [1st Dist.] filed Dec 9, 2004)

*Diamond Shamrock Refining & Marketing Co. v. Diamond Shamrock Capital Group*, D2004-0189 (WIPO May 12, 2004)

*Hartney v. Mustang Tractor & Equip. Co.*, No. 04-03-00108-CV, 2004 WL 86140 (Tex. App.—San Antonio filed Jan. 21, 2004) (not designated for publication)

*Bridgeport Music, Inc. v. Still N-The Water Publishing*, 327 F.3d 472 (6th Cir. 2003) (*per curiam*), *cert. denied*, 540 U.S. 948, 124 S.Ct. 399, 157 L.Ed.2d 279 (2003)

*Valero Energy Corp. v. American Distribution Systems, Inc.*, D2001-0581 (WIPO Aug. 12, 2001)

*Information Broker Systems v. Southwestern Bell Tel. Co.*, 2000 WL 33599091 (Tex. P.U.C. 2000)





## **BUCK MCKINNEY - BIOGRAPHY**

As an entertainment lawyer, professor, concert promoter and professional musician, Buck McKinney has over twenty-five years experience in the music business. McKinney's current law practice focuses on entertainment matters and litigation with an emphasis on the music industry. His clients include recording artists, independent labels, publishers, concert promoters, film producers and authors.

Before establishing his law practice, McKinney served as General Counsel in the Business and Legal Affairs department of *A&M Records*, a division of *PolyGram International*. In that capacity, McKinney maintained responsibility for the negotiation of recording, licensing and related agreements for *A&M Records* and its affiliated labels *Polydor Records*, *1500 Records*, *Rocket Records*, *DV8 Records* and *Perspective Records*.

Prior to serving as general counsel at A&M, McKinney co-owned and operated Houston live music venue and concert production company *Rockefellers*. During his tenure at Rockefeller's, McKinney and his business partners produced over 340 concerts by artists including *Dave Matthews*, *Dixie Chicks*, *Pat Metheny*, *Buddy Guy* and *Joe Sartriani*, winning numerous critical accolades and awards, including "Best Live Venue" in Houston, Texas.

Prior to operating Rockefeller's, McKinney was an associate attorney at Houston firm *Bell & Murphy*, concentrating in the areas of maritime law, commercial litigation and insurance defense.

A frequent lecturer, McKinney has spoken on copyright law and related issues at conventions and seminars around the country, and written several published articles on copyright law. McKinney also serves as adjunct professor of music law at *Austin Community College*.

McKinney began his career in the music industry as a professional musician, performing with regional acts including *The Argyles* (Austin, Texas) and *Commercial Art* (Houston, Texas). While performing full-time, McKinney obtained both his B.A. and his Juris Doctor degrees from the University of Texas. As an undergraduate, McKinney was awarded *special honors* in History and graduated *magna cum laude*.

McKinney is a Board Member of the *Entertainment and Sports Law Section* of the *Texas State Bar*, a voting member of *NARAS* (National Academy of Recording Arts & Sciences) and is a published songwriter with *BMI* (Broadcast Music Inc.). In addition, McKinney continues to perform and record as a guitarist with critically acclaimed alternative jazz group *Gnappy* (Bean Pie Records). *Gnappy's* latest album, "Unloaded," spent 8 weeks on the *CMJ Top 40 Jazz Radio Charts* in the summer of 2006, peaking at #20.

## **SELECTED MATTERS**

- Negotiation of one of the first "reality show" contracts with VH-1
  - Prosecution of over 75 copyright infringement claims on behalf of various music publishers/composers
- Prosecution of civil rights lawsuit against municipality and city officials for wrongful shut-down of a 3-day outdoor rock concert
- Defended club-owner against a claim of trademark infringement involving an internationally-recognized mark
  - Represented concert promoter in hearings regarding mass gathering permits
- Negotiation of hundreds of recording agreements, management agreements, publishing agreements and related agreements





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## ANATOMY OF A COPYRIGHT INFRINGEMENT CASE

### I. EVALUATION

#### A. Are the Works Registered?

The first question you should ask any prospective client that is interested in pursuing an infringement claim is whether the works in question are registered. Failure to timely register copyrights can have a profound impact on the viability of a subsequent action for infringement. First of all, registration is a jurisdictional prerequisite to bringing suit in federal court. 17 U.S.C. § 411. Moreover, registration is a prerequisite to obtaining an award of statutory damages or attorney's fees. 17 U.S.C. § 412. Generally speaking, if registration did not precede the infringing act, there can be no award of statutory damages or attorney's fees. *Id.* The one exception is the three-month "safe harbor" period following first publication. If the work is registered during this three-month period, attorney's fees and statutory damages are recoverable even though the infringing act may have preceded registration. *Id.* See also *On Davis v. The Gap, Inc.*, 246 F.3d 152, 158, n. 1, (2d Cir. 2001)<sup>1</sup>.

#### B. Are "Actual Damages" and "Profits" Ascertainable?

Although the Copyright Act provides for statutory damages and attorney's fees, as described above, such remedies are not always available (*i.e.*, where the plaintiff failed to timely register his work). In such cases it is imperative to determine whether actual damages and/or the profits attributable to the infringement (alternatives to statutory damages under 17 U.S.C. § 504) are ascertainable, and whether they are sufficient to warrant the filing of suit.

#### C. Is the Infringer Immune from Suit?

In 1990, Congress passed the Copyright Remedy Clarification Act ("CRCA"), Pub.L. No. 101-553, 104 Stat. 2749 (codified at 17 U.S.C. §§ 501(a) and 511). Passage of the CRCA was part of an effort by Congress to remedy perceived imbalances between private and state institutions caused by Eleventh Amendment sovereign immunity in the areas of trademark, copyright, and patent law. In addition to the CRCA, Congress passed nearly identical statutes related to patents<sup>2</sup> and

trademarks.<sup>3</sup> All three statutes expressly purported to waive Eleventh Amendment immunity from liability. The arrangement did not last long. In 1999, the Supreme Court held that the Patent Remedy Act was not an appropriate exercise of the remedial powers granted to Congress under § 5 of the Fourteenth Amendment of the U.S. Constitution; and therefore, the Patent Remedy Act did not waive the States' Eleventh Amendment immunity from liability for patent infringement. *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*, 527 U.S. 627, 119 S.Ct. 2199, 144 L.Ed.2d 575 (1999) ("Florida Prepaid"). In a companion case, the Court applied the same reasoning to Congress' attempt to abrogate sovereign immunity for trademark infringement. *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 527 U.S. 666, 119 S.Ct. 2219, 144 L.Ed.2d 605 (1999).

The Supreme Court has not ruled whether the CRCA is a valid exercise of Congress' power with regard to federal copyright law. The Fifth Circuit, however, has addressed the issue (and to date, is the only court of appeals to do so).<sup>4</sup> In *Chavez v. Arte Publico Press*, relying on the Supreme Court's analysis in *Florida Prepaid*, the Fifth Circuit concluded that passage of the CRCA was not a proper exercise of Congress' Fourteenth Amendment powers. *Chavez v. Arte Publico Press*, 204 F.3d 601, 608 (5th Cir. 2000). The court held, therefore, that the CRCA was an improper exercise of Congressional legislative powers, and that the Eleventh Amendment barred plaintiff from pursuing her claims for money damages in federal court.

#### D. Is Infringement Ongoing?

If infringement is ongoing, a copyright owner has several tools at his disposal to exert immediate pressure on the defendants, including injunctive relief and impoundment. 17 U.S.C. §§ 502, 503. These topics are discussed in detail below.

#### E. Related Causes of Action

As a general rule, "legal or equitable rights that are the equivalent to any of the exclusive rights within the

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296(a)).

<sup>3</sup> The Trademark Remedy Clarification Act of 1992 ("TRCA"), Pub.L. No. 102-542, 106 Stat. 3567 (codified at 15 U.S.C. §§ 1051, 1114, 1122).

<sup>4</sup> *But see Hairston v. North Carolina Agr. & Technical State University*, 2005 WL 2136923, (M.D.N.C., 2005) (where a North Carolina district court, following the reasoning of *Chavez*, held that the CRCA was not an appropriate exercise of Congress' enforcement authority under § 5 of the Fourteenth Amendment).

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<sup>1</sup> For this reason, as a proactive measure, it is important to advise clients to register their works within three months of first publication.

<sup>2</sup> The Patent and Plant Variety Protection Remedy Clarification Act ("Patent Remedy Act") of 1992, Pub.L. No. 102-560, 106 Stat. 4230 (codified at 35 U.S.C. §§ 271(h),

scope of copyright as specified by Section 106” are preempted by the Copyright Act. 17 U.S.C. 17 301(a). There are, however, several causes of action which may arise out of the same core of common facts, but nevertheless implicate separate claims because they implicate legal or equitable rights which are not “equivalent to any of the exclusive rights within the scope of copyright.”

### 1. Breach of Contract / Accounting

Cases involving copyright infringement may also implicate claims for breach of contract and/or an accounting. For example, although a claim for unauthorized sale of recordings may give rise to a claim for copyright infringement, provided plaintiff prove the existence of an enforceable recording or distribution agreement, he may also have a viable state law cause of action for an accounting and/or breach of contract. *See Asunto v. Shoup*, 132 F.Supp.2d 445 (E.D. La. 2000).

### 2. Lanham Act / Unfair Competition

Copyright infringement actions may also involve violations of Section 43(a) of the Lanham Act, or common law claims for “unfair competition”— such as where the defendant makes a false designation of origin or authorship with respect to the allegedly infringing goods – otherwise known as “palming off” or “passing off.” *See* 15 U.S.C. 1125(a); *Warner Bros. Inc. v. American Broadcasting Companies, Inc.*, 720 F.2d 231, 247 (2d Cir. 1983). The purpose of laws aimed at this sort of conduct is to protect consumers from a false designation of origin or a false description. *See Dodd v. Ft. Smith Special School District No. 100*, 666 F.Supp. 1278, 1283 (W.D. Ark. 1987). Significantly, the existence of a trademark is not necessary or controlling in an action brought under Section 43(a) of the Lanham Act. *Id.* However, it is important to carefully plead the cause of action, so as to specifically assert conduct that differs from simple misappropriation, which would typically be preempted by the Copyright Act. *Warner Bros.*, 720 F.2d at 247.

### 3. Racketeering

The Anticounterfeiting Consumer Protection Act of 1996<sup>5</sup> added to the Racketeering Influenced and Corrupt Organizations Act, 18 U.S.C.A. § 1961 et seq. (“RICO”) several copyright-related activities defined as “racketeering,” including criminal copyright infringement (defined as willful infringement for “commercial advantage or private financial gain”). 17 U.S.C. § 506(a); 18 U.S.C. § 2319 and 18 U.S.C. § 1961; *See Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 167

F.Supp.2d 1114, 1127 (C.D. Cal. 2001); *Muscletech Research & Dev., Inc. v. East Coast Ingredients, Inc.*, 2004 WL 941815 (W.D.N.Y. 2004); *Stewart v. Wachowski*, 2004 WL 2980783, (C.D. Cal. 2004); *Peter Rosenbaum Photography Corp. v. Otto Doosan Mail Order Ltd.*, 2005 WL 2387687 (N.D. Ill. 2005). Another involves unauthorized fixation of and trafficking in sound recordings and music videos of live musical performances. 18 U.S.C. § 2319a and 18 U.S.C. §1961.

Under RICO, the plaintiff may gain some procedural and/or remedial advantages. For instance, if the plaintiff failed to timely register his copyrights, he may be limited under the copyright act to actual damages and/or the profits attributable to the infringement. However, under RICO, treble damages are available, as are costs of suit and attorney’s fees. 18 U.S.C. § 1964(c). In addition, the statute of limitations is longer, 4 years as opposed to 3 years under the Copyright Act. *See Agency Holding Corp. v. Malley-Duff & Associates, Inc.*, 483 U.S. 143, 156, 107 S.Ct. 2759, 97 L.Ed.2d 121 (1987) (establishing a 4-year limitations period for civil RICO claims).

Suffice it to say, a detailed examination of RICO is beyond the scope of this paper. Nevertheless, the practitioner should be aware that RICO claims involve complicated rules of pleading that should be mastered before asserting causes of action thereunder.<sup>6</sup> Moreover, inasmuch as copyright-related activities were only recently added to RICO, there isn’t a lot of case law construing the viability of such claims. Indeed, one commentator has noted that the “routine addition” of a RICO claim to a copyright infringement suit will ordinarily result in dismissal. 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 15.05[B] (2006). However, the legislative comments<sup>7</sup> and the several copyright cases involving RICO clearly demonstrate that under the right circumstances, RICO may provide a civil remedy for actions constituting criminal copyright infringement and/or counterfeiting. (see cases cited above).

### F. **Insurance Coverage? Not Likely...**

Most comprehensive general liability policies provide limited coverage for copyright infringement. Typically, coverage for infringement is limited to “advertising injuries,” meaning an injury “caused by an offense committed in the course of advertising [the

<sup>6</sup> For instance, it is necessary to plead a “pattern” of illegal activity, and that the activity was conducted through an “enterprise.” *See H.J., Inc. v. Northwestern Bell Telephone Co.*, 492 U.S. 229, 237-38, 109 S.Ct. 2893, 106 L.Ed.2d 195 (1989); *United States v. Turkette*, 452 U.S. 576, 583, 101 S.Ct. 2524, 69 L.Ed.2d 246 (1981).

<sup>5</sup> Public Law 104-153, 110 Stat. 1386.

<sup>7</sup> H. Rep. No. 556, 104 Cong. (1996).

defendant's] goods, products or services." See, e.g., *GRE Ins. Group/Tower Ins. Co., Inc. v. Complete Music, Inc.*, 271 F.3d 711 (8th Cir. 2001). Courts that have addressed the causation issue have held that the insured bears the burden of establishing that it infringed upon a copyright "in the course of its advertising." *Sentry Ins. v. R.J. Weber Co.*, 2 F.3d 554, 557 (5th Cir. 1993) (per curiam). If the insured infringes a copyright in a different manner, there is no coverage. *Id.* See also *Delta Computer Corp. v. Frank*, 196 F.3d 589, 591 (5th Cir. 1999) (approving *Sentry Ins.* ).

Generally, the insured must do more than simply show that the infringing product was advertised or sold. See, e.g., *Sentry Ins.*, 2 F.3d at 557 (the insured must demonstrate that there is some connection between its advertising activity and the plaintiff's claim); *Rhein Bldg. Co. v. Gehrt*, 21 F.Supp.2d 896, 905 (E.D. Wis. 1998) (advertising must "materially contribute" to the infringement); *Farmington Cas. Co. v. Cyberlogic Techs. Inc.*, 996 F.Supp. 695, 702 (E.D. Mich. 1998) (causal requirement cannot be satisfied by "mere showing" that allegedly infringing product was advertised); *U. S. Fidelity & Guar. Co. v. Star Technologies, Inc.*, 935 F.Supp. 1110, 1116 (D. Or. 1996) ("something more" than the mere advertising of a product for sale is required to claim coverage under an advertising injury provision"); *Bank of the West v. Super. Ct. of Contra Costa County*, 2 Cal.4th 1254, 10 Cal.Rptr.2d 538, 833 P.2d 545, 559 (1992) ("Taken to its extreme, [the argument that no causal relationship is necessary] would lead to the conclusion that any harmful act, if it were advertised in some way, would fall under the grant of coverage merely because it was advertised.").

### G. Evaluating The Solvency of Defendant

Because insurance coverage likely will not be available, it is important to investigate the solvency of the defendant to determine if he would be able to satisfy a judgment rendered in the case.

## II. INITIATING SUIT

Copyright Jurisdiction over copyright infringement claims is exclusive in federal court. 17 U.S.C. § 1338(a). State courts do not have concurrent jurisdiction. See *Chavez*, 204 F.3d at 607 (citing H.R. Rep. No. 101-282, pt.1, at 9 (1989), reprinted in 1990 U.S.C.C.A.N. 3949, 3951). The rationale for Congress' decision to preempt the field was to ensure uniformity of copyright law.

As with all cases, selecting the proper district court in which to initiate an infringement claim is important. If the case is filed in an improper jurisdiction the client could spend thousands of dollars in fees and costs fighting threshold jurisdictional and venue issues before even beginning to litigate the merits of the case, thereby

significantly affecting the value of the case to the client and the lawyer.

The Copyright Act does not contain a nationwide service of process provision. *Fort Knox Music Inc. v. Baptiste*, 203 F.3d 193, 196 (2d Cir. 2000). Thus the district courts look to the personal jurisdiction rules of the forum state in determining whether jurisdiction is proper over the copyright defendant. Naturally, the court must also determine whether exercise of jurisdiction would be constitutionally proper. Because the Texas long-arm statute extends to the limits of due process, these distinct inquiries collapse into a single inquiry for cases filed in Texas.

Infringement cases frequently involve numerous parties that reside in various states. For example, in the context of an infringing musical work, the songwriter may reside in Texas, the recording artist in Georgia, the publisher in California, and the record label in New York. Which state's federal courts will have authority to assert jurisdiction over all of the parties? It is likely that no single court will have authority to assert jurisdiction over all of these rights holders. See, e.g., *Bridgeport Music, Inc. v. Still N -The Water Pub.*, 327 F.3d 472 (6th Cir.), cert. denied, 540 U.S. 948, 124 S.Ct. 399, 157 L.Ed.2d 279 (2003).

The record label, however, may frequently be subject to jurisdiction in all states in which it distributes sound recordings containing the infringing composition. If the pre-suit investigation shows that the record label has substantial contacts with the same state where the songwriter or recording artist resides, for example, by virtue of significant advertising, a high volume of album distribution, etc., filing suit in the state where the songwriter and label are both subject to jurisdiction may be the most prudent choice. Acquiring jurisdiction over the songwriter/recording artist will be necessary to establish key facts that go straight to the question of proving infringement, but having the deeper pockets of a record label is desirable for settlement (and other) purposes.

The reader should know that the example set forth in the preceding two paragraphs is an oversimplification of the jurisdiction question. A full exposition of this topic is beyond the scope of this article.

## III. ELEMENTS OF A COPYRIGHT INFRINGEMENT CLAIM

A copyright infringement action requires a plaintiff to prove (1) ownership of a valid copyright, and (2) actionable copying by the defendant of constituent elements of the work that are original. *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991); *Positive Black Talk Inc. v. Cash Money Records, Inc.*, 394 F.3d

357, 367 (5th Cir. 2004); *R. Ready Productions, Inc. v. Cantrell*, 85 F.Supp.2d 672, 682 (S.D. Tex. 2000).

### A. Ownership of a Valid Copyright & the “Originality” Requirement

Ownership of a valid copyright is established by proving (i) the originality and copyrightability of the material, and (ii) compliance with the statutory formalities. *Norma Ribbon & Trimming, Inc. v. Little*, 51 F.3d 45, 47 (5th Cir. 1995); *Cantrell*, 85 F.Supp.2d at 682. A timely-obtained certificate of registration creates a *rebuttable* presumption that a copyright is valid and that the registrant owns the copyright.

The Copyright Act defines the scope of copyright protection: “Copyright protection subsists...in *original* works of authorship fixed in any tangible medium of expression.” 17 U.S.C. §§ 102(a) (emphasis added). Thus a work must be original *to the author* in order to be protected. *See Feist Publications*, 499 U.S. at 344 (“Originality is a constitutionally mandated prerequisite for copyright protection.”); *Cantrell*, 85 F.Supp.2d at 682. The term “original” as used in copyright law simply means (i) that the work was independently created by the author (as opposed to copied from other works), and (ii) that it possesses at least some minimal degree of creativity. *Feist Publications*, 499 U.S. at 351.

Three terms of art are employed by the courts in analyzing allegations of unauthorized copying: probative similarity, substantial similarity and striking similarity. It is tempting to view these terms as a sort of sliding scale indicating increasing degrees of similarities between works, but to do so would be a mistake. As explained below, probative similarity and striking similarity are analytical tools to determine whether factual copying has occurred, whereas substantial similarity is the test used to determine whether factual copying, once established, is legally actionable.

### B. Proof of Actionable Copying

Not all factual copying is legally actionable as copyright infringement. *Feist Publications*, 499 U.S. at 364; *Cantrell*, 85 F.Supp.2d at 682. To establish actionable copying a plaintiff must prove (i) the defendant factually copied the protected material, and (ii) that there is a “substantial similarity” between the two works. *Bridgmon*, 325 F.3d at 576 (“The first question is whether the alleged infringer...actually used the copyrighted material in his own work.”) (internal citation omitted); *Cantrell*, 85 F.Supp.2d at 682-683. Factual copying can be proven by direct or circumstantial evidence. *Positive Black Talk*, 394 F.3d at 367-368; *Cantrell*, 85 F.Supp.2d at 682. Direct evidence of copying is rare. Because there is typically no direct evidence of factual copying, so copyright plaintiffs frequently must rely circumstantial evidence to show

factual copying. *See id.* Such circumstantial evidence may include either: (i) proof of access to the allegedly infringed work plus evidence of a “probative similarity” between the works; or (ii) in the absence of proof of access, evidence of a “striking similarity” between the works.

#### 1. Factual Copying

A plaintiff may establish factual copying by introducing evidence that (1) the defendant had access to the copyrighted work prior to creation of the infringing work, and (2) the two works are probatively similar to one another. *Positive Black Talk*, 394 F.3d at 368. “Access” means that the creator of the alleged infringing work had a “reasonable opportunity to view” the allegedly infringed work. *Ferguson v. National Broadcasting Co.*, 584 F.2d 111, 113 (5th Cir. 1978). Importantly, because a finding of access cannot be based on speculation and conjecture, a bare possibility of access will not suffice. *Id.* In addition to demonstrating access, a plaintiff must prove the two works are probatively similar. *General Universal Systems*, 379 F.3d at 141-142. Probative similarity “requires a showing that the works, when compared as a whole, are adequately similar to establish appropriation.” *Id.* at 142. Thus, an inference of copying arises only after a plaintiff submits competent proof of (i) access to the allegedly infringed work, and (ii) probative similarity between the works. *Id.*; *Positive Black Talk*, 394 F.3d at 368. A court may consider admissible expert testimony to determine whether two works are probatively similar. *See Ferguson*, 584 F.2d at 113.

Like probative similarity, “striking similarity” is merely an analytical tool for determining whether factual copying may be inferred from circumstantial evidence. The concept is that “if the two works ‘are so strikingly similar as to preclude the possibility of independent creation, copying may be proved without a showing of access.’” *Cantrell*, 85 F.Supp.2d at 682 (quoting *Ferguson*, 584 F.2d at 113). Thus, whereas the probative similarity inquiry requires proof of access before an inference of factual copying may arise, the striking similarity inquiry does not.

Only after factual copying is established does the analysis proceed to the second prong of the infringement inquiry, *e.g.*, whether the copying is legally actionable.

#### 2. Legally Actionable Copying

As the Fifth Circuit wrote in *Positive Black Talk*, many courts have improperly used the phrase “substantial similarity” to describe both “the similarity needed to prove factual copying [i.e., what we term ‘probative similarity’] and the similarity needed to prove that the copying is legally actionable [i.e., what we term ‘substantial similarity’].” *Id.* at 368 n. 7 (brackets in

original). But as the Fifth Circuit explained in *Bridgmon*, “[p]robative similarity’ and ‘substantial similarity’ are analytically distinct inquiries.” *Bridgmon*, 325 F.3d at 576. Indeed, the “probative similarity inquiry...is not the same as the question of substantial similarity, which dictates whether the factual copying, once established, is legally actionable.” *Positive Black Talk*, 394 F.3d at 370; *Bridgmon*, 325 F.3d at 577 n. 7. In other words, probative similarity exists if there are “any similarities between the two works (whether substantial or not) that, in the normal course of events, would not be expected to arise independently in the two works and that therefore might suggest that the defendant copied part of the plaintiff’s work.” *Positive Black Talk*, 394 F.3d at 370 (parenthetical in original). Whether two works are substantially similar, and, thus, legally actionable, is an entirely different question that entails a separate analysis. *See id.*

The question of substantial similarity arises only after proof of factual copying has been adduced by either (1) direct evidence of copying, or (2) circumstantial evidence demonstrated by (i) proof of access and probative similarity, or (ii) striking similarity. *See General Universal Systems*, 379 F.3d at 142; *Bridgmon*, 325 F.3d at 577 n. 7. To “determine whether an instance of copying is *legally actionable*, a side-by-side comparison must be made between the original and the copy to determine whether a layman would view the two works as ‘substantially similar.’” *Creations Unlimited*, 112 F.3d at 816 (italics in original; bold font added); *see also King*, 179 F.3d at 376; *Cantrell*, 85 F.Supp.2d at 683. This comparison “is an issue to be determined by comparison of works, not credibility.” *Id.* It is an issue that may be decided as a matter of law on summary judgment. *See General Universal Systems*, 379 F.3d at 142; *Peel & Co., Inc. v. The Rug Market*, 238 F.3d 391, 395 (5th Cir. 2001); *Warner Bros. Inc. v. American Broadcasting Companies, Inc.*, 720 F.2d 231, 240 (2d Cir. 1983) (“...we have recognized that a court may determine non-infringement as a matter of law on a motion for summary judgment, either because the similarity between two works concerns only non-copyrightable elements of the plaintiff’s work, or because no reasonable jury, properly instructed, could find that the two works are substantially similar.”).

In the Fifth Circuit, the question of whether two works are substantially similar is typically answered by applying the “ordinary observer” test. *Cantrell*, 85 F.Supp.2d at 683. Under the ordinary observer test, there is substantial similarity only if the plaintiff can show that “the ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard their aesthetic appeal as the same.” *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960) (J., Hand). *See also Cantrell*, 85

F.Supp.2d at 683. In order to “determine substantiality of any portion found arguably to have been copied, a court must determine the copied portion’s relative importance with respect to the [copyrighted] over-all work.” *Cantrell*, 85 F.Supp.2d at 683. Consequently, “if the similar material in [the alleged infringer’s] work is not a substantial part of [the copyrighted] work, there is no substantial similarity and hence no infringement.” *Id.* (brackets in original). Where there are both protectable and unprotectable elements of a copyrighted work, courts in the Fifth Circuit apply the “more discerning ordinary observer test,” requiring the court to separate the protectable and unprotectable elements of the plaintiff’s work and apply the ordinary observer test only to the protectable elements. *See Cantrell*, 85 F.Supp.2d at 683.

A trial court should not consider expert witness testimony or evidence in applying the ordinary observer test to determine whether two works are substantially similar. *See Peel*, 238 F.3d at 398. To the contrary, the Fifth Circuit has made it clear that the hypothetical ordinary observer must be able to detect the alleged infringement “without any aid or suggestion or critical analysis by others,” and noted that “the reaction of the public to the [allegedly infringed] matter should be spontaneous and immediate.” *Id.* This is particularly true—and logical—in cases where the works in dispute involve popular musical works intended for the general public, as opposed to highly technical or complex computer programs or mechanical devices. *Accord, Dawson v. Hinshaw Music Inc.*, 905 F.2d 731, 736-737 (4th Cir. 1990) (“When conducting the second prong of the substantial similarity inquiry, a district court must consider the nature of the intended audience of the plaintiff’s work. . . . We therefore believe that, in any given case, a court should be hesitant to find that the lay public does not fairly represent a work’s intended audience.”); *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 123 (2d Cir. 1930) (J., Hand) (“[Expert testimony] ought not to be allowed at all” in determining substantial similarity); *Kindergartners Count, Inc. v. Demoulin*, 249 F.Supp.2d 1214, 1232 (D. Kan. 2003) (“Unlike technical computer programs, the trier of fact does not need an expert to compare two literary works that are expressed in simple English.”); *Costello v. Loew’s Inc.*, 159 F.Supp. 782, 789 (D.D.C. 1958) (“No amount of expert or lay testimony as to fancied similarities could change the obvious content of the exhibits before the court. . . . Nor could expert testimony affect the spontaneous and immediate impression of the plaintiff’s and defendant’s literary works upon the mind of the ordinary observer.”).

#### IV. THEORIES OF LIABILITY

The division of rights and exploitation of any given copyright may involve numerous parties. For example - in the context of a musical work - owners, licensees,

songwriters, producers, recording artists, record labels, music publishers, administrators, and performing rights organizations. Which of these are proper parties to an infringement lawsuit? Is it just the creative personnel who actually composed the musical work containing the allegedly infringing material? Or can “upstream” rights owners also be held liable although they had no direct involvement in creating the work? The answer is that liability can be imputed to those who had no direct involvement in creating an infringing work on the theories of contributory infringement and vicarious infringement, not just those who are directly responsible for the unauthorized copying.

### A. Contributory Infringement

Contributory liability for copyright infringement may be imposed upon “one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another. . . .” *Alcatel USA, Inc. v. DGI Technologies, Inc.*, 166 F.3d 772, 790 (5th Cir. 1999) (quoting *Gershwin Publishing Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971)). In other words, contributory infringement requires showing “that the secondary infringer ‘know or have reason to know’ of direct infringement.” *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020 (9th Cir. 2001). See also *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984).

### B. Vicarious Infringement

Vicarious liability may be imposed upon employers for the acts of their employees under the doctrine of *respondeat superior*, and this concept is applicable in copyright law. For example, the doctrine may apply to impose liability upon a design studio whose artist-employee copies without authorization an illustration owned by a third party. This form of vicarious liability is simply an application of the doctrine of *respondeat superior*. Importantly, the vicarious liability doctrine is extended beyond the employer-employee relationship in copyright law so as to impose liability on anyone who “has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities.” *Gershwin Publishing Corp.*, 443 F.2d at 1162.

## V. DEFENSES TO CLAIMS OF COPYRIGHT INFRINGEMENT

Numerous defenses are available to a copyright infringement defendant. First, a quick, non-exclusive list: independent creation, lack of originality, invalid copyright, fraud on the Copyright Office, fair use, abandonment, innocent infringement, common source, public domain, misuse of copyright, unclean hands,

license, limitations, laches, *scenes a faire* and *de minimis* use. A detailed discussion of each of these defenses in detail is beyond the scope of this article, but a few of them are touched on below.

### A. Independent Creation

An inference of copying may arise when there is “significant probative evidence” of proof of access and probative similarities between two works. See *Cantrell*, 85 F.Supp.2d at 680. But, even a plaintiff who establishes an inference of copying cannot prevail when the defendant submits evidence that the work was independently created. *Positive Black Talk, Inc. v. Cash Money Records, Inc.*, 394 F.3d 354, 367 and 373 (5th Cir. 2004) (“...a defendant need only prove independent creation if the plaintiff successfully establishes factual copying.”). Rather, if a plaintiff can establish a *prima facie* case of copying, then after the defendant introduces evidence of independent creation, the burden of proof shifts back to the plaintiff to prove actual copying with “significant probative evidence”; that is, significant probative evidence of actual copying of the *protected* elements of the plaintiff’s work. *Calhoun v. Lillenas Publishing*, 298 F.3d 1228, 1233 (11th Cir. 2002); *Benson v. Coca-Cola Co.*, 795 F.2d 973 (11th Cir. 1986).

Evidence of independent creation typically requires testimony from the authors of the allegedly infringing work that track the creative process and demonstrate that the work was created without reference to the plaintiff’s work. Documentary evidence, such as drafts of a manuscript, preliminary sketches of a visual work, or session files tracking the development of a song, may also be critical in demonstrating the independent creation of a work.

### B. Lack of Originality

The threshold case in any copyright infringement case is whether the plaintiff’s work is original. In the context of copyright law, “original” means (i) that the work was independently created by the author, and (ii) that it possesses at least some minimal degree of creativity. *Feist Publications*, 499 U.S. at 351. Examples of circumstances that undermine a claim of originality are the use of common musical elements or devices, see *Johnson v. Gordon*, 409 F.3d 12 (1st Cir. 2005); common phrases, see *Emanation Inc. v. Zomba Recording Inc.*, 72 Fed. Appx. 187, 190 (5th Cir. 2003); alphabetical listings, factual recitations, and ideas, see *Feist Publications*, 499 U.S. at 351; and works consisting solely of standard calendars, height and weight charts, tape measures and rulers, schedules of sporting events, and lists or tables taken from public documents or other common sources. *U.S. Copyright Office, Circular 1* at 3.

### C. Invalid Copyright



Failure to comply with the statutory formalities for obtaining a copyright registration may be a defense to a claim for infringement under certain circumstances, such as when the plaintiff fails to obtain a registration, which is a jurisdictional prerequisite, 17 U.S.C. 411(a). The courts are split on the question of whether a pending application for registration satisfies the requirements of § 411(a). The Fifth Circuit holds that a pending application confers jurisdiction, *see Apple Barrel Productions, Inc. v. Beard*, 730 F.2d 384, 386-87 (5th Cir.1984), but the Ninth Circuit holds that jurisdiction cannot attach until the moment when a certificate of registration has been issued by the Copyright Office, *see Corbis Corp. v. Amazon.com, Inc.*, 351 F.Supp.2d 1090, 1111-1112 (W.D. Wash. 2004). The failure to comply with the deposit requirements of the statute will also invalidate a copyright registration. *See Corbis Corp.*, 351 F.Supp.2d at 1114-1115 (stating that a comparison of the works on deposit is required to resolve the infringement question).

#### D. Common Source

When the similarities between two works are traceable to a common source, such as a pre-existing musical work or screenplay, there is no infringement. *Walker v. Time Life Films, Inc.*, 615 F.Supp. 430, 435 (S.D.N.Y. 1985).

#### E. Fair Use

Fair use is a statutory defense which allows the use of a copyrighted work “for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research.” 17 U.S.C. § 107. The fact finder must consider the following factors in assessing whether any given use of copyrighted material qualifies as a fair use under the act: (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. *Id.*

#### F. Scènes à Faire

The *scènes à faire* defense overlaps with the lack of originality defense. It provides a defense to an infringement claim when the alleged similarities are merely the use of (i) common scenes or themes, *see Reed-Union Corp. v. Turtle Wax, Inc.*, 77 F.3d 909, 914 (7th Cir. 1996); (ii) “[c]lichéd language, metaphors and the very words of which the language is constructed,” *see Alexander v. Haley*, 460 F.Supp. 40, 46 (S.D. N.Y. 1978); or (iii) “expressions that are standard, stock or common to a particular subject matter or are dictated by

external factors,” *see Engineering Dynamics*, 26 F.3d at 1344.

#### G. Fee & Cost Shifting

Although not a defense *per se*, cost and fee shifting may be used by a defendant to exert considerable pressure on a copyright owner.

##### 1. Costs and Fees under § 505

Section 17 U.S.C. § 505 of the Copyright Act allows an award of attorney’s fees to the “prevailing party” (including the defendant).<sup>8</sup> In many copyright cases, these fees can be significant. Indeed, attorney’s fees may be the “tail wagging the dog” (amounting to more than the actual damages and/or the profits attributable to the infringement). Accordingly, where defendant believes he will ultimately “prevail” (for instance in the assertion of an affirmative defense), he may be able to use his potential entitlement to attorney’s fees as leverage to encourage a reasonable settlement.

Even in cases where a defendant believes he will *not* be the “prevailing party,” he might be able to use the specter of attorney’s fees to encourage plaintiff to settle for a sum which is less than the hoped-for recovery. Rule 68 of the FEDERAL RULES OF CIVIL PROCEDURE provides such a tool.

##### 2. Rule 68 “Offer of Judgment”

Rule 68 provides that at any time more than 10 days before a trial begins, a defendant may serve upon the plaintiff an “offer of judgment,” allowing judgment to be taken against it for the amount specified in the offer. If the plaintiff rejects the offer, and the judgment finally obtained by the offeree is less favorable than the offer, the offeree must pay “costs” incurred after the making of the offer. In other words, if the defendant believes plaintiff is over-optimistic about his prospective recovery in a case, he may “call plaintiff’s bluff.”<sup>9</sup>

In the overall scheme of things, this might not seem like such a big deal. After all, given the expense of copyright litigation, potential liability for “costs” may seem insignificant. Indeed, under the general federal cost

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<sup>8</sup> 17 U.S.C. § 505: “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.” (emphasis added).

<sup>9</sup> The purpose of an offer of judgment is to encourage the party asserting a claim (usually the plaintiff) to settle the case when the party defending it (usually the defendant) makes a reasonable offer. *Marek v. Chesney*, 473 U.S. 1, 10-11, 105 S. Ct. 3012, 3017 (1985).

statute, 28 U.S.C. § 1920, “costs” don’t include a whole lot, consisting primarily of filing fees, statutory non-party witness fees and transcript fees<sup>10</sup> – hardly a “sword of Damocles” when compared to the other costs involved in prosecuting a copyright infringement case (*i.e.*, expert’s fees, attorney’s fees, etc.). However, in a copyright infringement case, there is a twist. According to the relevant jurisprudence, in addition to being liable for defendant’s post-offer costs, a plaintiff who obtains a judgment less favorable than an offer of judgment may also be denied his post-offer attorney’s fees (which would otherwise be awardable to the prevailing party under 17 U.S.C. § 505). *See Boisson v. Banian, Ltd.*, 221 F.R.D. 378 (E.D.N.Y. 2004). In other words, where a plaintiff rejects an offer of judgment made early in the case, he runs the risk of being denied the lion’s share of his attorney’s fees, even if he ultimately prevails on the merits.<sup>11</sup> *Id.*

In summary, the stakes of a Rule 68 Offer of Judgment increase dramatically in a copyright infringement case, requiring a plaintiff to carefully consider any properly tendered offer of judgment.

### 3. Defending A Rule 68 Motion for Costs

As set forth above, a plaintiff that prevails in a copyright infringement suit may nevertheless find himself facing possible liability for his own attorney’s fees and the defendant’s costs if the final judgment is less favorable than a properly tendered offer of judgment. However, just because the money damages awarded may be less than the offer of judgment, that doesn’t necessarily mean that the plaintiff has not obtained a “more favorable judgment.” The Court should also take into consideration any non-monetary relief, such as injunctive relief, return of property, and vindication of one’s copyrights. *See Lish v. Harper’s Magazine Foundation*, 148 F.R.D. 516 (S.D.N.Y. 1993).<sup>12</sup>

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<sup>10</sup> Set forth in 28 U.S.C. 1821, essentially consisting of a witness fees of \$40/day, plus subsistence allowance and travel costs.

<sup>11</sup> In the Eleventh Circuit, the rule appears to be that the defendant may also be entitled to his post-offer attorney’s fees as part of the award of post-offer “costs.” *See Jordan v. Time, Inc.*, 111 F.3d 102 (11th Cir. 1997). Note that this decision has come under significant criticism for failing to take into account the Copyright Act’s requirement that attorney’s fees be awarded only to a “prevailing party.” *See Boisson*, 221 F.R.D. at 381-82; *Harbor Motor Co., Inc. v. Arnell Chevrolet-Geo, Inc.*, 265 F.3d 638, 646-47 (7th Cir. U001).

<sup>12</sup> In *Harper’s*, plaintiff, a college professor and literary editor, filed suit against a magazine that published an unauthorized “edited” version of a letter he had sent to 49 students of his writing class, a claim involving decidedly

## VI. REMEDIES FOR INFRINGEMENT

### A. Injunctive Relief and Impoundment Under §§ 502 and 503

#### 1. Purposes

In a suit for copyright infringement, the Copyright Act provides that plaintiff may seek an injunction or impoundment of infringing materials during the pendency of the action. 17 U.S.C. §§ 502, 503. In some instances, it may be desirable to utilize these measures in order to maintain the *status quo ante*, such as a dispute involving imminent or ongoing publication of allegedly infringing materials. *See, e.g., Religious Technology Center v. F.A.C.T.Net, Inc.*, 901 F.Supp. 1519 (D.C. Colo. 1995) (suit by Church of Scientology to prevent unauthorized publication of Church documents on internet site). In other cases, the goal may be to avoid damage to reputation and goodwill, such as where the infringing copies are of inferior quality. *See Columbia Pictures Industries, Inc. v. Jasso*, 927 F.Supp. 1075, 1077 (N.D. Ill. 1996). Perhaps more importantly, the goal may be to prevent the defendant from attempting to escape liability by hiding, removing or destroying the infringing material. *Id.* (citing *In re Vuitton et Fils S.A.*, 606 F.2d 1, 4-5 (2d Cir. 1979) (“proceedings against those who deliberately traffic in infringing merchandise are often rendered useless if notice is given to the infringers before temporary injunctive and impoundment relief can be granted”).

#### 2. Injunctions

In any suit for copyright infringement, the Copyright Act provides that the Court may grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of copyright. 17 U.S.C. § 502(a).

Although the Copyright Act specifically provides for injunctive relief, courts generally employ the same standard applicable to requests for injunctive relief under Rule 65 of the FEDERAL RULES OF CIVIL PROCEDURE. Under this standard, a plaintiff must show (1) that there is reasonable likelihood that he will succeed on the

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“nominal” infringement damages. Harper’s tendered an offer of judgment for \$250, which plaintiff rejected. Although Plaintiff ultimately prevailed in the lawsuit, the court awarded no monetary damages. Harper’s moved for costs under Rule 68. The court denied the requested relief, observing that the fact that plaintiff recovered no monetary damages did not mean that the final judgment was not more favorable than the \$250 offer of judgment. The court predicated its decision on the basis that plaintiff obtained other non-monetary relief that was, in fact, more favorable than the offer of judgment, including “vindication” of his copyrights, and his ability to “use the precedent established by a court finding in future instances.” *Harper’s*, 148 F.R.D. at 520.

merits; (2) that he will suffer irreparable injury if the order is not granted because there is no adequate remedy at law; (3) that the balance of the hardships tips in his favor; and (4) that the public interest will not be disserved by the injunction. *Atari, Inc. v. North American Philips Consumer Electronics Corp.*, 672 F.2d 607, 613 (7th Cir. 1982).

Some courts have held that where a *prima facie* case of infringement is shown, a preliminary injunction should issue without a detailed showing of irreparable injury and that such harm normally is presumed. *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240 (3d Cir. 1983); *Wainright Securities, Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91 (2d Cir. 1977), *cert denied*, 434 U.S. 1014 (1978); *Belushi v. Woodward*, 598 F.Supp. 36 (D. D.C. 1984); 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 14.06[A] (2006). Plaintiff must satisfy two requirements to present a *prima facie* case of direct infringement: (1) he must show ownership of the allegedly infringed material, and (2) he must demonstrate that the alleged infringers violate at least one exclusive right granted to copyright holders under 17 U.S.C. § 106. *A&M Records v. Napster, Inc.*, 239 F.3d 1004, 1013 (9th Cir. 2001).

Other courts have held that, in addition to making out a *prima facie* case of infringement, plaintiff has the burden of showing a likelihood that he would prevail against any affirmative defenses raised by the defendant (such as “fair use”). *See Atari Games Corp. v. Nintendo*, 975 F.2d 832, 837 (Fed. Cir. 1992). That approach has come under some criticism. *See A&M Records*, 239 F.3d at 1015, citing *Fair Use of Copyrighted Works*, H.R. Rep. 102-836 n.3, and 1 WILLIAM F. PATRY, COPYRIGHT LAW & PRACTICE, 725, 725 n.27 (1994).

In general, the court will require the posting of a bond “for the payment of costs and damages as may be incurred or suffered by any party who is found to have been wrongfully enjoined.” FED. R. CIV. P. 65(c); *See A&M Records*, 239 F.3d at 1028 (upholding imposition of bond of \$5 million). In some circuits, a court may have the discretion to refrain from requiring security. *See Kaepa, Inc. v. Achilles Corp.*, 76 F.3d 624, 628 (5th Cir. 1996). Where it is unlikely that the defendant would suffer any economic loss, a waiver of the security requirement may be proper. *See International Controls Corp. v. Vesco*, 490 F.2d 1334, 1356 (2d Cir. 1974).

### 3. Impoundment of Infringing Articles

The Copyright Act authorizes a court to order that infringing articles be seized and impounded for the pendency of an infringement proceeding. 17 U.S.C. §503(a). The order may be issued at any time during the pendency of a case. *Id.* An impoundment order may be necessary to prevent the defendant from attempting to

escape liability by hiding, removing or destroying the infringing material. *See Jasso*, 927 F.Supp. at 1077.

The Act does not specify the standard to be applied by the court upon a request for impoundment. Some courts have interpreted this as granting them wide discretion. *See Georgia Television Co. v. TV News Clips of Atlanta, Inc.*, 718 F.Supp. 939, 950 (N.D. Ga. 1989). Other courts have implicitly or explicitly applied the standards applicable to obtaining preliminary injunctive relief. *See Jasso*, 927 F.Supp. 1075; *WPOW, Inc. v. MRLI Enterprises*, 584 F.Supp. 132 (D.D.C. 1984).

## B. Monetary Damages

Assuming compliance with all statutory formalities, a successful infringement plaintiff is entitled to recover either (i) actual damages plus lost profits, or (ii) statutory damages. 17 U.S.C. § 504(a). A plaintiff must make his election between the available remedies “any time before final judgment is rendered.” *Id.* at § 504(c)(1).

### 1. Actual Damages Plus Profits under 17 U.S.C. § 504(b)

Under § 504(b) of the Copyright Act, an award of damages may include not only the actual damages suffered by the copyright owner, but also “any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages.” 17 U.S.C. § 504(b). In common practice, this may be one of the least understood aspects of copyright law, often leading defense counsel to protest that plaintiff is seeking a “double-dip.” However, the rule is not only well-established; it is thoroughly justified in light of the purposes of 504(b).<sup>13</sup> The only instance in which access to both remedies should be denied is where the profits of the infringer are used to compute actual damages. 17 U.S.C. § 504(b); *see also U.S. Payphone, Inc. v. Executives Unlimited, Inc.*, 781 F.Supp. 412, 413-14 (M.D. N.C. 1991).

#### a. *Actual Damages*

“Actual damages represent the extent to which infringement has injured or destroyed the market value of the copyrighted work at the time of infringement.” 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 14.02[A] (2006). This measure of damages is most often defined as the revenue plaintiff would have received “but for” the alleged infringement, otherwise referred to as plaintiff’s “lost revenue” or “lost sales.” *Id.*; *Hamil America Inc. v. GFI*, 193 F.3d 92, 108

<sup>13</sup> “[Actual] damages are awarded to compensate the copyright owner for losses from the infringement, and profits are awarded to prevent the infringer from unfairly benefitting from a wrongful act.” H.R. Rep. No. 94-1476, at 161, 1976 U.S.Code Cong. & Admin. News, p. 5557.

(2d Cir. 1999). In such cases, it is important for plaintiff to establish a credible basis for the award. *Id.*; *Polar Bear Productions, Inc. v. Timex Corp.*, 384 F.3d 700, 709-10 (9th Cir. 2004) (rejecting as “too pie-in-the-sky” plaintiff’s allegation that it would have enjoyed sales of 15,000 videos “but for” defendant’s decision not to lawfully license the footage in question). Failure to present “convincing evidence” supporting the award may be basis for rejection of same. *Hamil*, 193 F.3d at 108. As a practical matter, this hurdle is often insurmountable.

Another method of determining actual damages is the so-called “value of use” theory. NIMMER at 14.02[B][1]. This measure of damages gained traction with a Seventh Circuit decision in *Deltak, Inc. v. Advanced Systems, Inc.*, 767 F.2d 357 (7th Cir. 1985). In *Deltak*, without specifically enunciating it as a basis for the decision, the court effectively avoided the harsh result that would otherwise have befallen a plaintiff who was unable to establish out of pocket losses or defendant’s profits, and where statutory damages were unavailable due to plaintiff’s failure to timely register the work in question. *Id.* at 359-60. Left with no other theory of recovery, the court held that plaintiff’s actual damages were equal to the “acquisition cost saved by infringement”—in other words, the “value” of the use of the copyrighted work. *Id.* at 361.

The *Deltak* holding has come under considerable criticism. In *Business Trends Analysts, Inc. v. Fredonia Group, Inc.*, the Second Circuit argued that the “value of use” theory was inherently “speculative and artificial.” 887 F.2d 399, 405 (2d Cir. 1989) (noting that the infringer in the case before it no more avoided a legal license fee than “a purse-snatcher decides to forgo friendly negotiations”). However, subsequent jurisprudence has reflected a growing acceptance of the theory, and it now appears to be a credible basis for recovery, particularly where plaintiff is able to proffer evidence of the price a “willing buyer” would have paid for use of the work in question. *See, e.g., The Gap, Inc.*, 246 F.3d 152; *Mackie v. Rieser*, 296 F.3d 909 (9th Cir. 2002), *cert denied*, 537 U.S. 1189 (2003); *Polar Bear*, 384 F.3d 700.

For a practical application of the “value of use” theory which has pertinence to this conference and paper, suppose a defendant has released an album including a “cover song” without obtaining a mechanical license. In that instance, the owner of copyright in the cover song should be entitled to (1) the mechanical license fee that would have been paid if the song had been properly licensed, and (2) the amount of profits attributable to the unauthorized use of the song. *See Polar Bear*, 384 F.3d at 708. In such case, an award of actual damages based upon “value of use” shouldn’t be subject to attack under *Business Trends* because there is a defined “market

value” for the imputed license fee – reflected in the compulsory license provisions of the Copyright Act.

## b. Profits

### (1) Establishing Profits

As set forth above, so long as the infringer’s profits are not used to compute “actual damages,” plaintiff may be entitled to an additional award for any “profits of the infringer that are attributable to the infringement.” 17 U.S.C. § 504(b). The purpose of this secondary remedy is “to prevent the infringer from unfairly benefitting from a wrongful act.” H.R. Rep. No. 94-1476, § 504, at 161 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5777.

Recoverable profits may include *direct profits* (i.e., profits flowing from the sale of an infringing work), or *indirect profits* (i.e., profits arising from the use of an infringing work in advertisements or other promotional materials). *See Polar Bear*, 384 F.3d at 710; *Andreas v. Volkswagen of Am., Inc.*, 336 F.3d 789, 796 (8th Cir. 2003); *Bouchat v. Baltimore Ravens Football Club*, 346 F.3d 514, 521 (4th Cir. 2003); *Cream Records Inc. v. Joseph Schlitz Brewing Co.*, 754 F.2d 826, 828 (9th Cir. 1985).

In establishing the infringer’s profits, the copyright owner is only required to present proof of the infringer’s gross revenue.<sup>14</sup> After making such a showing, it is up to the infringer to “prove his or her deductible expenses and the element of profits attributable to factors other than the copyrighted work.” 17 U.S.C. 504(b).

### (2) Expenses

Out of gross profits, an infringer is entitled to deduction for expenses, provided that he establishes that the expenses relate to the infringing work. *Jarvis v. A & M Records*, 827 F.Supp. 282, 294 (D. N.J. 1993) (citing *Allen-Myland v. International Business Machines*, 770 F.Supp. 1014 (E.D. Penn. 1991)). The infringer may, for example, deduct manufacturing costs and packaging costs. *Id.* (citing *Dolori Fabrics, Inc. v. Limited, Inc.*, 662 F.Supp. 1347, 1356 and 1357 (S.D.N.Y. 1987)). Overhead may also be deducted, provided that it is directly related to the production of the infringing articles, and provided further that the infringement was not willful. *Jarvis*, 827 F.Supp. 294; *Gaste v. Kaiserman*, 863 F.2d 1061, 1071 (2d Cir. 1988); *Taylor v. Meirick*, 712 F.2d 1112, 1121 (7th Cir. 1983).

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<sup>14</sup> This is the general rule for “establishing” profits. Note however that a plaintiff may also be required to show a “causal link” between the infringement and the damages sought, particularly when seeking indirect profits. *See Polar Bear*, 384 F.3d at 710; *see also On Davis*, 246 F.3d at 160 (holding that it was incumbent upon plaintiff to submit evidence establishing that the gross revenue was “reasonably related to the infringement, not unrelated revenues.”).

However, if the infringer's conduct was willful, overhead may *not* be deducted. *Jarvis*, 827 F.Supp. at 294.<sup>15</sup> Moreover, charge-backs, or returned copies of sold records, are not deductible. *Id.* Nor may the infringer deduct expenses incurred to conceal the infringement. *Syigma Photo News, Inc. v. High Soc'y Magazine, Inc.*, 778 F.2d 89, 93 (2d Cir. 1985).

A determination of an infringer's expenses under 504(b) is an issue of fact. *See In Design v. K-Mart Apparel Corp.*, 13 F.3d 559, 563 (2d Cir.1994). An infringer's proof of expenses need not be "precise and perfect because, absent bad faith, reasonable approximations constitute satisfactory evidence." *Id.* at 564. However, the evidence supporting an award of damages under 504 cannot be speculative. *See Pfanenstiel Architects, Inc. v. Chouteau Petroleum Co.*, 978 F.2d 430, 432 (8th Cir.1992). Moreover, "[w]hen a defendant infringer's own failure to keep records results in uncertainty, all doubt must be resolved in favor of the plaintiff." *Gaste*, 863 F.2d at 1070-71; *see Syigma*, 778 F.2d at 95 (court should err on the side of guaranteeing plaintiff full recovery).

### (3) Apportionment

A plaintiff is entitled to recover only those profits "attributable" to the infringement. *See* 17 U.S.C. 504(b), codifying the rule of *Sheldon v. Metro-Goldwyn-Mayer Pictures Corp.*, 309 U.S. 390, 60 S.Ct. 681, 84 L.Ed. 825 (1940); *see also Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 518 (9th Cir. 1985) ("When an infringer's profits are attributable to factors in addition to use of [its] work, an apportionment of profits is proper"). Under the plain language of the Act, defendant bears the burden of proving apportionment.<sup>16</sup>

A precise method for "apportionment" is not defined in the Copyright Act. As a result, practitioners must turn to case law for guidance. In some instances,

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<sup>15</sup> For a differing opinion, *see ZZ Top v. Chrysler Corp.*, 70 F.Supp2d 1167, 1169 (W.D. Wash. 1999).

<sup>16</sup> 17 U.S.C. 504(b) (the infringer is required to prove . . . the elements of profit attributable to factors other than the copyrighted work."); *but see Orgel v. Clark Boardman Co.*, 301 F.2d 119 (2d Cir. 1962) (where the court apportioned the award even though defendant presented no evidence on the issue); *see also Cream Records*, 754 F.2d at 828-29 ("Although the statute imposes upon the infringer the burden of showing 'the elements of profit attributable to factors other than the copyrighted work,' . . . nonetheless where it is clear, as it is in this case, that not all of the profits are attributable to the infringing material, the copyright owner is not entitled to recover all of those profits merely because the infringer fails to establish with certainty the portion attributable to the non-infringing elements.).

apportionment may take into consideration the profits allocable to the infringing portions of the defendant's work, as compared to the non-infringing portions of the same work. *See Gaste*, 863 F.2d 1061.<sup>17</sup> In other cases (or perhaps even the same case), it may involve an analysis of profits attributable to elements other than the work itself, such as the popularity and marketability of the infringer. *See ABKCO Music v. Harrisongs*, 508 F.Supp. 798 (S.D.N.Y. 1981), *as modified*, 722 F.2d 988 (2d Cir. 1988) (where the court apportioned profits, in part, on the basis of the marketability added to the song by virtue of fact that defendant George Harrison was a former Beatle); *see also Caffey v. Cook*, 409 F.Supp.2d 484 (S.D.N.Y. 2006); *Bruce v. Weekly World News, Inc.*, 310 F.3d 25 (1st Cir. 2002); *Three Boys Music Corp. v. Bolton*, 212 F.3d 477 (9th Cir. 2000), *cert denied*, 531 U.S. 1126 (2001).

### 2. Statutory Damages Under § 504(c)

Section 504(c) of the Copyright Act entitles a successful plaintiff to recover statutory damages in lieu of actual damages and lost profits. Because proving actual damages and lost profits is so difficult, time consuming and expensive, statutory damages are often the remedy of choice.

A copyright plaintiff may recover "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 \$750 or more than \$30,000 as the court considers just." 17 U.S.C. § 504(c)(1). This provision has been the subject of some confusion. It authorizes the imposition of a single damages award for *each work* that has been infringed, not for *each infringement* of a work. So, for example, if a single musical work has been infringed and if 500,000 copies of the infringing song had been sold, the owner of the infringed work would be entitled to a single statutory damages award of between \$750 - \$30,000, and not 500,000 separate damages awards of between \$750 - \$30,000.

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<sup>17</sup> *Gaste v. Kaiserman* involved the lounge-classic "Feelings" by Morris Kaisermann a.k.a. "Morris Albert." In that case, the jury apportioned 88% of the profits to plaintiff (who alleged that the instrumental portion of "Feelings" infringed his earlier work "Por Toi"), apportioning only 12% of profits to Albert for his non-infringing lyrics. Although Albert's expert testified that he "loved" the song and that he believed the title and lyrics were "far better" than the music itself, when queried on the stand during trial, he was unable to recall the words to the song on the stand, and yet was able to hum the melody. Obviously, there is a lesson here in regards to preparation of experts.

The preceding example assumes that the songwriters, recording artist, producer, record label, publishers, etc. are joint tortfeasors. If it can be shown that there is more than one individually liable person, then a separate statutory damages award may be made against each person. *See, e.g., Columbia Pictures Industries, Inc. v. Krypton Broadcasting of Birmingham, Inc.*, 259 F. 3d 1186 (9th Cir. 2001), *cert. denied*, 534 U.S. 1127 (2002) (two television stations owned by a single owner were both individually liable persons, and episodes broadcast without authorization from copyright owner resulted in \$31.68 million statutory damages award comprised of 440 separate statutory damages awards of \$72,000).

Proof of the infringer's knowledge of the unauthorized copying may be taken into account in determining statutory damages awards. If a plaintiff can prove that the infringement was "willfull," the damages award may be increased, at the discretion of the court, to as high as \$150,000 per infringement. "Willfull" has been defined to mean "knowledge that the defendants' conduct constituted an act of infringement." *Peer Int'l Corp. v. Pausa Records, Inc.*, 909 F.2d 1332, 1335 n. 3 (9th Cir. 1990) (quoting 3 NIMMER ON COPYRIGHT § 1404[B], at 14-40.2-.3 (1989)), *cert. denied*, 498 U.S. 1109, 111 S.Ct. 1019, 112 L.Ed.2d 1100 (1991). The defendant must overcome two hurdles to refute evidence of willful infringement. It must "establish its good faith belief in the innocence of its conduct" as well as "show that it was reasonable in holding such a belief." *Id.* at 1336.

The range of damages may also be decreased based on an infringer's knowledge of the infringement. If an infringer can prove that he/she was not "aware and had no reason to believe that his or her acts constituted an infringement of copyright," the court may reduce the damages award to as low as \$200 per infringed work. 17 U.S.C. § 504(c)(2).

Note that § 504(c) provides that statutory damages awards are to be made at the discretion of "the court." Prior to 1998, some courts interpreted this language literally to mean that only a judge was empowered to determine the amount of statutory damages and, consequently, a plaintiff who elected statutory damages would not be entitled to a trial by jury. In *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 118 S.Ct. 1279, 140 L.Ed.2d 438 (1998) the Supreme Court rejected that interpretation, holding that the Seventh Amendment's guarantee of a trial by jury applies to copyright cases, and that "a jury trial includes the right to have a jury determine the amount of statutory damages, if any, awarded to the copyright owner." *Id.* at 353 (emphasis in original).

### C. Attorney's Fees & Costs

Unlike other areas of law where attorney's fees are sometimes awarded as a matter of right to the prevailing party, under the copyright statutory scheme a trial court has the discretion to award attorney's fees and costs to the prevailing party. 17 U.S.C. § 505; *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534, 114 S.Ct. 1023, 1033 127 L.Ed.2d 455 (1994) ("Prevailing plaintiffs and prevailing defendants are to be treated alike, but attorney's fees are to be awarded to prevailing parties only as a matter of the court's discretion."). The Supreme Court has said that although there is no bright line rule, in determining whether to award fees and costs, a court should consider various factors, including the "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* at 535 n. 19.

## VII. SETTLEMENTS

### A. Monetary Settlements

The Copyright Act provides a method for determining actual damages and profits in an infringement case. 17 U.S.C. § 504. As such, where liability is not in doubt, it may be possible to simply negotiate settlement predicated upon actual damages and profits, with an added sum for accrued attorney's fees.

In a situation where the infringement was clearly willful, a monetary settlement might be enhanced to reflect the range of statutory damages available under 17 U.S.C. § 504(c).

### B. Agreements Concerning the Infringing Work

What fate should become the infringing work itself? In some instances an agreement to destroy all infringing articles and a prohibition against further exploitations of the work might be appropriate. In many cases, however, such an outcome would be disastrous for the defendant. A common scenario is that of a recording artist that has illegally sampled music, or allegedly infringed another's copyright in connection with the creation of a different composition. *See, e.g., Bright Tunes Music Corp. v. Harrisongs Music, Ltd.*, 420 F.Supp. 177 (S.D.N.Y. 1977); *Gaste*, 863 F.2d 1061. In such cases, it may be desirable to try to negotiate a split of copyright ownership so that the work can continue to be exploited.

If the copyright owner is going to allow the infringer to continue to exploit the infringing work, he should negotiate for a share of (or perhaps outright) ownership in same. Indeed, even if he *isn't* going to allow future uses of the work by the infringer, he may wish to negotiate for ownership of the infringing work, particularly where it is a "derivative work" that may have some value to him.

One of the most one-sided settlements involving assignment of copyright arose in connection with the musical group The Verve. In 1997, they released a song called “Bittersweet Symphony” which was built around a “looped” sample of an orchestral version of the Rolling Stones’ composition “Last Time.” Reportedly, The Verve licensed the master from Decca, but failed to license the rights in the musical composition, which were owned and controlled by a company called ABKCO (run by the Stones’ former manager Allen Klein).<sup>18</sup> ABKCO subsequently demanded 100% of the rights in the composition, with the understanding that they would sue for infringement and an injunction against further sales if an agreement wasn’t reached. The humiliations did not end there. Following the settlement, ABKCO was reportedly instrumental in coercing the group and its record label into licensing the master recording of “Bittersweet Symphony” to Nike for a tennis shoe commercial.<sup>19</sup> As a final insult, the song was nominated for a Grammy—with Mick Jagger and Keith Richards as the authors!

### C. Other Standard Provisions

The following are provisions that should be considered for inclusion in an agreement involving settlement of a copyright infringement claim.

#### 1. Reps and Warranties

The infringer should insist on a representation and warranty that the purported owner in fact owns and controls all copyrights in and to the work(s) in question, and that it has the legal authority to enter into the settlement agreement. This should typically be coupled with an agreement to indemnify the infringer for any valid third-party claims which are inconsistent with the warranty.

#### 2. Certificate of Destruction

If the parties have agreed that all infringing items are to be destroyed, the settlement agreement should

include provision for a certificate of destruction; perhaps with a liquidated damages clause in the event of breach.

#### 3. Confidentiality/No Admissions

Defendants will often want to include a confidentiality provision, coupled with a non-disparagement clause. They may also want an acknowledgment in the recitals that there is no admission of liability. However, if the plaintiff’s point in bringing the suit was vindication of his copyrights, he may be diametrically opposed to such language.

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<sup>18</sup> Facts are a bit fuzzy here. In some press reports, it is alleged that the Verve actually obtained a license from ABKCO; and was later sued for using a larger portion of the sample than originally agreed. Other reports claim that the terms of the deal weren’t memorialized, and that by the time paper was issued, Allen Klein insisted on 100% ownership.

<sup>19</sup>See <http://www.illegal-art.org/audio/liner.htm>. According to this version of the story, the Verve initially abhorred the idea of licensing the song for commercials. However, because ABKCO controlled the rights in the composition, it was in a position to license the composition for a “sound-alike” without The Verve’s acquiescence, a potential consequence that evidently offended the group even more.