

**STRATEGIC USE OF REMEDIES IN TRADEMARK
AND COPYRIGHT LITIGATION**

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I. Introduction

Whether representing a plaintiff or a defendant, the strategic use of remedies means focusing, as a threshold matter, on the end result of the litigation and building a strategy to achieve or avoid those ends. Indeed, from a client's perspective, the form of relief to be obtained as a plaintiff, or to be avoided as a defendant, can be more important than the threshold issues of liability.

A number of steps are critical to formulating litigation strategy based on a "remedies-focused" approach, including the following:

- A. Understand Client Objectives: Grasping the client's ultimate business objective is the first step in developing an effective and comprehensive strategy. Objectives may be multi-faceted – not only to achieve a successful result on the merits or in settlement, but also, for instance, to communicate certain messages to the marketplace (*e.g.*, to promote client's image as aggressive, competitive, or vigilant) or to avoid diverting resources to a specific problem.
- B. Determine Form of Relief Sought: As a general matter, the following types of remedies are available in trademark and copyright cases: injunctive relief, temporary restraining orders, compensatory damages (including actual damages and/or profits), statutory damages, enhancements (such as trebling) of actual damages, and/or recovery of attorneys' fees and costs. In developing strategy, counsel should understand to what extent the available forms of relief will advance or hinder the client's objectives.
- C. Cost/Benefit Analysis: Counsel should be sensitive to client's cost tolerance (*e.g.*, time, bad publicity, employee distraction, resources) and risks (*e.g.*, counterclaims, competitor reprisals) in relation to the advantages potentially gained from possible remedies and advise client accordingly.
- D. Understand the Opponent: How your opponent is likely to respond may be influenced by factors including:
 1. Opponent's resources to engage in aggressive or protracted litigation (*e.g.*, internal resources or relevant insurance coverage).
 2. Insurance coverage may impact who will be handling the defense.
 3. Opponent's tolerance for litigation (*e.g.*, past litigation history).
 4. Opponent's emotional investment in subject matter of the dispute may impact vigor of defense or prosecution separate and apart from merits or cost/benefit calculus.

- E. Understand the Issue and Underlying Facts: In addition to understanding the client's business objective in seeking or defending against a particular remedy, counsel must have a firm understanding of the facts that might support or weaken a given claim for the relief sought.
- F. Understand the Law: Maintain an in-depth understanding of the various legal issues that give rise to, and flow from, a given form of relief available to, or directed against, the client, including:
 - 1. State v. Federal Factors:
 - a. Viability of claims for relief under federal versus state law.
 - b. Scope of potential remedies under federal versus state law.
 - c. Potential pendency of a case in federal v. state court.
 - 2. Jurisdiction-Dependent Factors:
 - a. Viability of claims in relevant jurisdiction.
 - b. Standards for awarding remedies in relevant jurisdiction.
 - c. Interplay between federal and state law (*e.g.*, preemption in copyright cases).
- G. Trier of Fact Considerations: Assess whether a court or a jury would be most effective in achieving your client's objectives in light of available remedies. Understand options for seeking or avoiding a jury trial, both from the remedial perspective (*e.g.*, equitable or monetary relief) and from the forum perspective (*e.g.*, at the federal or state level).
- H. Insurance Considerations: Certain claims are not covered by insurance; certain claims are. Counsel should consider to what extent a potential claim might be covered by its client's, or the other party's, insurance policies in evaluating remedial strategy.
- I. Recovery of Overlapping Remedies: In developing strategy, counsel should consider whether and to what extent the client may be able to recover monetary damages for violations of different laws (*e.g.*, trademark infringement, copyright infringement, and dilution) arising from the same conduct.

Below we address specific remedies and strategic issues associated with each under trademark and copyright law.

II. Remedies Under Trademark Law

A. Injunctive Relief

1. Injunctions are viewed as the standard remedy in trademark infringement and unfair competition cases. Injunctions in the trademark context can and often should be narrowly tailored to reflect the particular harm to the plaintiff and/or consumers. Examples of some restrictions courts may impose in awarding injunctive relief include the following:
 - a. Injunctions against use of the mark and “confusingly similar” or “colorable imitations” of the mark.
 - b. Field of Use Restrictions: Injunctions that include field of use restrictions prohibit use of a mark for some goods, but not others (*e.g.*, restricting use of the mark APPLE for computers and computer-related goods, but allowing it for other goods).
 - c. Channels of Trade Constraints: Injunctions that include channels of trade constraints prohibit the marketing of a product through a particular distribution channel or retail outlet, typically the channel or outlet through which the infringed product is marketed.
 - d. Geographic Restraints: Injunctions that include geographic restraints prohibit use of a mark in particular geographic areas, typically the areas where the plaintiff already uses the mark and/or in areas where there is a present likelihood of expansion.
 - e. Manner of Use Restraints: Injunctions that include manner of use restraints prohibit use of the mark in a particular style or manner or allow the use of a mark but only in a designated style or manner.
2. Dangers of Overbreadth: Plaintiffs often have an impulse to seek the broadest injunctive relief possible. Efforts to enjoin more conduct than is necessary to address the harm caused by defendant’s conduct, however, may undercut the legitimacy of a plaintiff’s claim, revealing emotional issues unrelated to the alleged legitimate legal or business justifications. Moreover, even if an overly-broad injunction is granted, it could ultimately prove difficult and costly to enforce and may be more likely to be appealed (and potentially reversed).
 - a. *Emergency One, Inc. v. American Fire Eagle Engine Co., Inc.*, 332 F.3d 264 (4th Cir. 2003) (a nationwide injunction against a common law trademark infringer reversed on the basis that it was overbroad where evidence proved senior user only operated in four states).

- b. *Spartan Food Systems, Inc. v. HFS Corp.*, 813 F.2d 1279 (4th Cir. 1987) (plaintiff owner of QUINCY’S restaurant in Northern Virginia was not entitled to statewide injunction against owner of the later registered QUINCY’S mark for restaurants throughout the state where plaintiff’s restaurants were only operated in Northern Virginia and there was no evidence of likelihood of expansion).

B. Expedited Relief: Temporary Restraining Orders/Preliminary Injunctions

1. Different courts have different variations of the requirements necessary to succeed in obtaining expedited relief and have different requirements regarding the timing of such relief. In general, the tests applied involve some variation of the following elements: (a) the plaintiff’s likelihood of success on the merits; (b) the extent to which the plaintiff is being irreparably harmed by the conduct complained of; (c) the extent to which the defendant will suffer irreparable harm if the preliminary injunction is issued; and (d) the effect on the public interest. If obtaining or avoiding expedited relief is an important objective, the specific test applied by a particular court should be considered in developing strategy.
2. Some strategic considerations for determining whether to seek or try to avoid expedited relief (all of which may be good or bad, depending on the circumstances) may include the following:
 - a. The expedited proceedings for a preliminary injunction typically require a significant amount of legal and business preparation in a short period of time, which generally causes both parties to expend a significant portion of its total litigation resources early on in the litigation.
 - b. The early development of facts and legal issues resulting from such proceedings often provide relatively reliable indicators of the likelihood of ultimate success in the case.
 - c. The cost burdens and early success indicators arising from the process may create increased leverage for quick settlement.
 - d. Because many cases are either settled or are voluntarily dismissed after the court rules on the motion for preliminary injunction, the process can serve to expedite the ultimate resolution of a dispute.
 - e. By pursuing a preliminary injunction, a plaintiff can demonstrate to the marketplace that it aggressively protects its intellectual property interests.
 - f. Preliminary injunctions generally are only available where a plaintiff takes action promptly upon learning of allegedly infringing conduct. There is no hard and fast rule about how long

of a delay is too long; it depends on the circumstances of the case. *See, generally*, Sandra Edelman, *Delay in Filing Preliminary Injunction Motions: Update 2002*, 92 Trademark Rep. 647 (2002); Sandra Edelman, *Delay in Filing Preliminary Injunction Motions: A Five Year Update*, 85 Trademark Rep. 1 (1995); Lloyd Raskopf & Sandra Edelman, *Delay in Filing Preliminary Injunction Motions: How Long is Too Long?*, 80 Trademark Rep. 36 (1990).

C. Other Forms of Injunctive Relief

1. Disclaimers allow the defendant to continue to use the infringing mark, but require the defendant to disclaim any association or connection to the plaintiff.
 - (i) Some courts have ordered defendants to employ a disclaimer of association as a form of limited injunctive relief.
 - (a) *Oracle Corp. v. Light Reading, Inc.*, 233 F. Supp. 2d 1228 (N.D. Cal. 2002) (ordering a disclaimer as part of a preliminary injunction where a complete ban on defendant's use of the mark may put defendant out of business and result in substantial layoffs).
 - (b) *Home Box Office, Inc. v. Showtime/The Movie Channel, Inc.*, 832 F.2d 1311 (2d Cir. 1987) (holding that district court's use of disclaimer in preliminary injunction was not adequate to substantially reduce confusion and noting studies suggesting ineffectiveness of disclaimers; also holding that infringers must demonstrate the effectiveness of proposed disclaimers before they will be granted).
 - (ii) Careful counseling about the effectiveness of a disclaimer as a remedy is important because disclaimers:
 - (a) May not alleviate likelihood of confusion engendered by defendant's actions and could actually create confusion.
 - (b) Are susceptible to market factors.
 - (c) Can be difficult to implement.

2. Corrective Advertising: As part of its equitable powers, a court may order an infringer to publish advertising to correct or counteract the infringer's prior misleading marketing practices. A court's ability to grant this remedy is subject to the constraints of the First Amendment, which does not permit a remedy broader than that which is necessary to prevent deception or correct the effects of past deception. *See Nat'l Comm'n on Egg Nutrition v. FTC*, 570 F.2d 157 (7th Cir. 1977).
3. Recall
 - a. While Section 36 of the Lanham Act, 15 U.S.C. §1118, authorizes the destruction of infringing goods seized under the statute's counterfeiting provision, recall has been recognized as a remedy within the court's equity powers outside of the counterfeiting context. Recall is generally viewed as a drastic remedy, imposed under limited circumstances, such as where:
 - (i) Defendant acted in a willful or otherwise egregious manner.
 - (ii) There is a risk of confusion to the public and the injury to the trademark is greater than the costs and burden of the recall to the alleged infringer.
 - (iii) There is a substantial risk of danger to the public resulting from the defendant's infringing activity (*e.g.*, health and safety rationale).
 - b. Examples of cases where the recall remedy was considered include:
 - (i) *Nikon, Inc. v. Ikon Corp.*, 987 F.2d 91 (2d Cir. 1993) (affirming district court's order recalling cameras using the mark IKON due to likelihood of confusion with NIKON cameras; court notes that affixing stickers to cameras warning of IKON's infringement was not a sufficient remedy because court could not guarantee compliance).
 - (ii) *Supelco, Inc. v. Alltech Assocs., Inc.*, 1 U.S.P.Q. 2d 1149 (E.D. Pa. 1986) (refusing to order recall of defendant's advertisements containing photographs of plaintiff's products because the useful life of the advertisements was very limited; the defendant received no ongoing benefit from the infringing conduct; the plaintiff was not significantly harmed; and any ongoing harm was far outweighed by the cost to recall the brochures).

D. Monetary Relief

1. Section 35(a) of the Lanham Act, 15 U.S.C. §1117(a), allows for awards of profits, damages and costs for violations of the statute's trademark infringement provisions. Application of standards for determining when these awards are available varies slightly among jurisdictions. These different standards should be considered as part of the overall strategy. Generally, absent a clear showing of actual harm, courts and juries often look for evidence of intentional, culpable or reckless conduct before awarding damages in trademark cases.

a. Profits

(i) The award of profits is not subject to the availability of actual damages.

(ii) Recovery of defendant's profits usually requires a showing of willfulness or bad faith, although courts differ on what conduct satisfies this requirement. Examples include:

(a) *Quick Techns., Inc. v. The Sage Group PLC*, 313 F.3d 338 (5th Cir. 2002) (recognizing that willful infringement, *i.e.*, with intent to confuse or deceive, is an important factor that must be considered in determining whether to award profits under the Lanham Act, but declining to adopt a "bright line" rule that willfulness is a prerequisite for profits).

(b) *The George Basch Co., Inc. v. Blue Coral, Inc.*, 968 F.2d 1532 (2d Cir. 1992) (holding that "under §35(a) of the Lanham Act, a plaintiff must prove that an infringer acted with willful deception before the infringer's profits are recoverable by way of an accounting").

(iii) Some courts hold that the bad faith showing is only required where recovery of profits is sought under an unjust enrichment theory and not as a component of actual damages. *See Adray v. Adry-Mart, Inc.*, 76 F.3d 984 (9th Cir. 1995) (noting that willful infringement is not a prerequisite to an award of profits where plaintiff seeks defendant's profits as a measure of its own damages).

b. Damages

(i) To recover actual damages, most courts require a showing of some form of actual harm (*i.e.*, actual consumer confusion or deception), or evidence that the defendant's

actions were intentionally deceptive, raising a rebuttable presumption of actual harm for similar marks and goods.

- (a) *Champagne v. Diblasi*, No. 01-7530, 2002 U.S. App. LEXIS 10900 (2d Cir. June 4, 2002) (noting that it is well settled that, in order to receive an award of damages, Lanham Act plaintiffs must prove either actual consumer confusion or deception resulting from the violation or that the defendant's actions were intentionally deceptive, thus giving rise to a rebuttable presumption of consumer confusion).
 - (b) *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513 (10th Cir. 1987) (holding that to recover damages plaintiff must prove that it has been damaged by actual consumer confusion or deception resulting from the violation).
- (ii) Registration Formalities for Recovery of Damages under the Lanham Act.
- (a) There are certain limitations for recovery of monetary remedies under a claim for infringement of a registered mark claim (Section 32 of the Lanham Act, 15 U.S.C. §1114):
 - (1) Section 35 of the Lanham Act does not allow for recovery of damages, profits, attorneys' fees and costs for any infringement that occurred prior to the date of registration.
 - (2) Failure to give statutory notice ("®") prevents recovery of profits under a claim for infringement of a registered mark (Section 32 of the Lanham Act, 15 U.S.C. §1114) unless and until actual notice of the registration can be proven.
 - (b) Recovery of monetary remedies in these situations may be possible through claims under Section 43(a) of the Lanham Act, 15 U.S.C. §1125(a), or state claims, however, so such claims should be considered.

- (iii) Measure of Actual Damages. If there is a competitive relationship between the plaintiff and defendant, some courts will presume that the defendant infringer's profits on sales consist entirely of profits that would have been made by plaintiff, but for the infringement, and will use the defendant's profits as a measure of actual damages.

c. Punitive Damages

- (i) Punitive damages are not recoverable under the Lanham Act, but may be available for accompanying causes of action for trademark infringement or unfair competition under various state laws (where punitive damages are allowable in tort actions).
 - (a) Under New York unfair competition law, punitive damages are available where a defendant's conduct has constituted gross, wanton or willful fraud or other morally culpable conduct to an extreme degree. *See Altadis U.S.A., Inc. v. Monte Cristi de Tabacos, c.x.a.*, No. 96 Civ. 4209, 2001 U.S. Dist. LEXIS 6892 (S.D.N.Y. May 17, 2001) (\$250,000 in punitive damages for defendant's conduct in dilution case); *Bear U.S.A., Inc. v. Jooan Co., Ltd.*, No. 98 Civ. 7649, 2001 U.S. Dist. LEXIS 637 (S.D.N.Y. Jan. 25, 2001) (\$500,000 in punitive damages for intentional infringement of plaintiff's trademark).
 - (b) California law allows recovery of punitive damages under unfair competition law where there are actual damages and where defendant acted maliciously, wantonly or oppressively. *See Cal. Civ. Code §3294*. The punitive damages must bear a reasonable relationship to compensatory damages. *See Transgo, Inc. v. Ajac Transmission Parts Corp.*, 768 F.2d 1001 (9th Cir. 1985) (affirming \$50,000 punitive damage award against defendants for deliberate and willful disregard of plaintiff's property rights).
 - (c) Under Colorado law, punitive damages may be awarded where there are actual damages and the defendant's conduct is attended by fraud, malice or willful and wanton conduct. *See Big O Tire Dealers, Inc. v. The Goodyear Tire & Rubber Co.*, 561 F.2d 1365 (10th Cir. 1977) (affirming jury

award of punitive damages for trademark infringement and reducing award to \$4,069,812).

d. Attorneys' Fees

(i) Under Section 35(a) of the Lanham Act, 15 U.S.C. §1117, a court may award reasonable attorneys' fees to the prevailing party in "exceptional cases." Examples of the variations of the standards for "exceptional cases" for both prevailing plaintiffs and prevailing defendants include:

(a) *Nat'l Ass'n of Prof'l Baseball Leagues, Inc. v. Very Minor Leagues, Inc.*, 223 F.3d 1143 (10th Cir. 2000) (holding that when a plaintiff seeks to recover attorneys' fees, courts look to whether the defendant's infringing conduct was in bad faith; when a defendant seeks to recover fees, courts look to the plaintiff's conduct in bringing the lawsuit and the manner in which it is prosecuted (*e.g.*, whether the basis for bringing the case was unfounded and whether it was pursued for purposes of harassment)).

(b) *Stephen W. Boney, Inc. v. Boney Services, Inc.*, 127 F.3d 821 (9th Cir. 1997) (holding that "bad faith or other malicious conduct" may satisfy the exceptional circumstances standard whether the defendant or the plaintiff is seeking to recover attorneys' fees).

2. Monetary Recovery for Costs of Corrective Advertising. Courts may allow plaintiffs to recover from defendants the estimated costs of conducting their own corrective advertising. Such monetary awards are most common in reverse confusion cases, but have been awarded outside of the reverse confusion context. Examples include:

a. *Big O Tire Dealers, Inc. v. The Goodyear Tire & Rubber Co.*, 561 F.2d 1365 (10th Cir. 1977) (holding, in a reverse confusion case, that a court may award costs for corrective advertising pursuant to a formula based on defendant's infringing advertising expenditures and where plaintiff has not incurred actual damages in the form of past corrective advertising and awarding \$678,302).

b. *Thomas Nelson, Inc. v. Cherish Books Ltd.*, 595 F. Supp. 989 (S.D.N.Y. 1984) (plaintiff ordered to pay for one corrective advertisement in *Publisher's Weekly* to counteract plaintiff's previously misleading advertisement in the same magazine).

- c. *Aetna Health Care Sys., Inc. v. Health Care Choice, Inc.*, 231 U.S.P.Q. 614 (N.D. Okla. 1986) (holding, in a forward confusion case, that HEALTH CARE CHOICE for health care plans was confusingly similar to CHOICE for plaintiff's health care plan and ordering \$12,500 in corrective advertising).

E. Trier of Fact Considerations

1. Counsel should consider whether a court or a jury (whether at the state or federal level) would be most likely to grant the requested monetary relief in determining whether to request a jury trial.
 - a. Availability of Jury Trial in Federal Court: As a general matter, if a legal claim is alleged by the plaintiff or the defendant (such as in a counterclaim or cross claim) in federal court, then there is a right to a jury trial on such claims, regardless of whether the claims are incidental to other equitable claims alleged in the suit.
 - b. Availability of Jury Trial in State Court: When compared to the process in federal court, determining whether to grant a party's request for a jury trial is a complicated process in state courts. In cases where there are mixed equitable and legal issues, state courts may look to see whether the paramount issue in the case is legal or equitable in nature before granting a jury trial. If such questions are determined to be of equal significance, then courts may hear the legal and equitable issues separately.

F. Counterfeiting

1. *Ex parte* seizures of counterfeit goods are available to a plaintiff under the counterfeiting section of the Lanham Act. *See* Section 34 of the Lanham Act, 15 U.S.C. §1116(d)(1)(A).
 - a. Requirements:
 - (i) The infringed mark must be registered on the Principal Register of the U.S. Patent & Trademark Office for the same goods or services (gray market goods and routine trademark infringement claims do not qualify).
 - (ii) Notice must be given to U.S. Attorney of the alleged counterfeiting.
 - (iii) Application providing a verified complaint or affidavit sufficient to support the required findings of fact and conclusions of law must be made to the court.

- (iv) A bond must be submitted as security to curb bad faith applications.
 - (v) There must also be a showing that defendant would hide, destroy or transfer the materials if the applicant were to proceed on notice to such person (*i.e.*, generally, this remedy is unavailable against reputable merchants).
- b. Curb on Exercise of *Ex Parte* Seizure: Defendant may recover damages for wrongful seizure, including damages for lost profits, cost of materials, loss of good will, reasonable attorneys' fees and punitive damages in cases of bad faith. *See Waco Int'l, Inc. v. KHK Scaffolding Houston, Inc.*, 278 F.3d 523 (5th Cir. 2002) (court affirmed jury verdict awarding \$730,687 in attorney fees, \$185,196 in costs, and \$250,000 in punitive damages where plaintiff conducted a wrongful seizure).
2. Monetary Relief
- a. The Anticounterfeiting Consumer Protection Act allows plaintiff to elect between actual damages and profits or an award of statutory damages of not less than \$500 or more than \$100,000 per counterfeit mark. *See* Section 35 of the Lanham Act, 15 U.S.C. §1117(c) (*e.g.*, *Tommy Hilfiger Licensing, Inc. v. Goody's Family Clothing, Inc.*, No. 1:00-CV-1934-BBM, 2003 U.S. Dist. LEXIS 8788 (N.D. Ga. May 9, 2003) (court allowed plaintiff to choose between actual damages of \$2,066,985.57 and statutory damages of \$2,100,000 as award in willful counterfeiting case)).

G. Federal Anti-Dilution Act

- 1. Injunctive relief available under Section 35 of the Lanham Act, 15 U.S.C. §1117(a).
- 2. Monetary remedies available under Section 35 of the Lanham Act, 15 U.S.C. §1117(a) for willful violations only.
- 3. In *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), the Supreme Court raised the bar for proving liability for dilution claims by requiring proof of actual economic harm. The Supreme Court did not address the issue of remedies in the context of dilution claims. Based on the language of the statute, even if a plaintiff met the significant burden of proof on the actual economic harm element, it may not be entitled to monetary relief if it cannot prove willfulness.

H. PTO Administrative Proceedings v. Litigation in Federal Court

- 1. Proceedings before the Trademark Trial and Appeal Board ("TTAB")

- a. The TTAB may be more willing to find a likelihood of confusion in situations where likelihood of confusion technically may exist based on an analytical evaluation of the factors but seems unlikely to occur in the actual marketplace.
- b. The TTAB's remedies are limited to canceling the registration or denying an application. The TTAB cannot award injunctive relief, damages, costs or attorneys' fees.
- c. Slow "bleed": TTAB proceedings can be lengthy and ultimately expensive proceedings for both sides.

2. Litigation in Federal Court

- a. Federal litigation is likely a faster resolution of an infringement matter (depending upon court/remedy sought).
- b. Preliminary injunctions and temporary restraining orders are available where necessary.
- c. Can challenge both an infringer's use and registration of the offending mark.
- d. Can recover monetary damages and attorneys' fees/costs.

I. ICANN Uniform Dispute Resolution Policy Actions ("UDRP") v. Anticybersquatting Consumer Protection Act ("ACPA")

1. UDRP Proceedings

- a. Mandatory arbitration proceedings that are more affordable than civil litigation and are often relatively quick.
- b. Arbitrators can only cancel or transfer the domain name and have no authority to award injunctive relief, damages, or attorneys' fees.
- c. Participation in UDRP proceedings does not limit a plaintiff's rights to pursue litigation either during or after the UDRP proceedings.

2. ACPA Claims in Federal Court

- a. Litigation can be very costly and protracted.
- b. Under ACPA, courts may order forfeiture, cancellation, assignment of the domain names to the trademark owner, as well as all of the monetary remedies available under Section 35 of the Lanham Act. In addition, ACPA plaintiffs can elect to recover

statutory damages ranging from \$1,000 to \$100,000 per unlawful domain name, if the domain name was registered after the enactment of the legislation on November 29, 1999.

- c. ACPA also allows for *in rem* proceedings against the domain name when the domain name's registrant is unavailable, among other circumstances.

III. Copyright

A. Registration as Jurisdictional Requirement and Limitation on Available Remedies

- 1. Jurisdictional Requirement – Section 411 of the Copyright Act prohibits, under certain circumstances, commencement of a copyright infringement action unless the copyright at issue has been registered with the Copyright Office.
 - a. Exceptions: Non-“United States” works and “works consisting of sounds, images, or both”
 - b. Courts are split, both among and within the Circuits, on the question of whether a pending application satisfies the Section 411 jurisdictional requirement. Accordingly, as either a defendant or a plaintiff, it is important to consider, as a threshold matter, whether an application for registration satisfies the Section 411 requirement in the relevant jurisdiction.
 - c. Courts have held that a registration for a collective work will extend to constituent works for purposes of Section 411(a) if the owner of the collective work also holds all rights in the constituent work. *See Xoom, Inc. v. Imageline, Inc.*, 323 F.3d 279 (4th Cir. 2003) (registration in clip-art compilation sufficient to satisfy jurisdictional requirement where plaintiff owned copyright in underlying images and compilation); *Morris v. Business Concepts, Inc.*, 283 F.3d 502 (2nd Cir. 2002) (holding that registration in collective work not sufficient to satisfy Section 411 jurisdictional requirement for suit alleging infringement of individual contribution to the collective work where the collective work owner held some, but not all, rights in the contribution when the collective work was registered).
 - d. With respect to derivative works, common ownership of both the derivative and the underlying work may permit reliance on the derivative's registration in a suit for infringement of the unregistered pre-existing work. *See Streetwise Maps, Inc. v. Vandam, Inc.*, 159 F.3d 739, 747 (2d Cir. 1998) (“[B]ecause Streetwise is the owner of the copyright of both the derivative and pre-existing work, the registration certificate relating to the

derivative work in this circumstance will suffice to permit it to maintain an action for infringement based on defendants' infringement of the pre-existing work." It is not clear, however, whether an owner of both the derivative and pre-existing works can rely on the registration for the pre-existing work to sue for infringement of the unregistered derivative work.

2. Remedial Requirement – Statutory damages and attorneys' fees may be available if infringed copyright was timely registered. Notably, the analysis for whether the registration requirement has been satisfied differs for jurisdictional (Section 411) and remedial (Section 412) purposes. Given the significant remedial implications of a timely filed registration, defendants and plaintiffs must carefully consider the timing and scope of the registration in evaluating the risks and benefits of a particular case.
 - a. Timing: Under Section 412, statutory damages and attorneys' fees are generally not available for infringement of a copyright in a work that was (1) unpublished and unregistered at the time of the first infringement; or (2) published, but not registered at the time of the first infringement, unless registration of such work occurred within three months of first publication.
 - b. Unlike under Section 411, non-“United States” works are not exempt from Section 412 requirement for the purposes of statutory damages and attorneys' fees.
 - c. If litigation involves derivative or collective works, complex issues regarding the scope of the registration for the purposes of satisfying Section 412 may be implicated. Although the issue has been addressed in the context of the Section 411 registration requirement, courts have not squarely addressed whether a registration covering either a derivative or a collective work entitles a plaintiff to recover statutory damages and/or attorneys' fees for infringement of an underlying unregistered constituent element.

B. Timing of the Election of Statutory v. Actual Damages

1. As a general matter, a plaintiff copyright owner can elect “at any time before final judgment is rendered,” to recover statutory damages instead of profits and/or actual damages.
2. Due to the challenging evidentiary requirements for proving actual harm, the ability to make this election after both parties have presented their evidence enables a plaintiff to re-evaluate its remedies strategy right before the case goes to the jury and, if applicable, change course to seek statutory damages.

3. A plaintiff can conceivably elect statutory damages after the jury returns a verdict on actual damages but before the court issues a final judgment. Accordingly, a plaintiff may want to consider placing both statutory and actual damages before the jury and elect statutory damages if that is the most favorable verdict.

C. Calculation of Statutory Damages

1. Number of “Works” Infringed: Section 504(c) provides that a statutory damage award is payable for “all infringements involved in the action, with respect to any *one work*” (emphasis added).
 - a. Although the Copyright Act does not define the term “work” for purposes of Section 504(c), several courts have looked to whether a given copyright has independent commercial viability in addressing the question of whether infringement of multiple registered copyrights gives rise to an individual statutory award for each infringed copyright as a separate “work.” *See, e.g., MCA Television Ltd. v. Feltner*, 89 F.3d 766, 769 (11th Cir. 1996) (noting that the rule adopted by other circuits holds that “separate copyrights are not distinct works unless they can ‘live on their own copyright life,’” which requires a determination as to whether a given copyright “has independent economic value and is, in itself, viable,” and finding that each of plaintiff’s television shows in a series were separate “works” under this test because each show was copyrighted, produced and aired independently from the other episodes).
 - b. There is a division of authority over whether the copyright registration is determinative of the number of “works,” or whether the determinative factor is the degree to which registration covers independently copyrightable elements.
 - (i) *Costar Group Inc. v. Loopnet, Inc.*, 164 F. Supp.2d 688 (D. Md. 2001) (holding that whether a single copyright registration listing multiple works entitles a plaintiff to a single or multiple measure of statutory damages turns on whether the registration claims protection as a compilation and, if not, whether the works are listed with enough specificity to adequately describe the individual works to be registered).
 - (ii) *Gamma Audio & Video, Inc. v. Ean-Chea*, 11 F.3d 1106 (1st Cir. 1993) (court unable to find any language in either the statute or the corresponding regulations that precludes a copyright owner from registering copyrights in multiple works on a single registration form while still collecting an

award of statutory damages for the infringement of each work's copyright.).

- c. With respect to infringements of a derivative work and its underlying work, or infringements of a compilation or its separately protected elements, Section 504(c)(1) provides for a single statutory damage award for infringement of multiple copyrighted elements of a derivative work or compilation. The limitation of Section 504(c), however, may not apply in situations where a derivative and the underlying work, or the elements of a compilation and the compilation itself, are owned by separate parties.
 - (i) *UMG Recordings, Inc. v. MP3.com, Inc.*, 109 F. Supp.2d 223 (S.D.N.Y. 2000) (holding that because a plaintiff's copyrighted songs on a CD were part of the plaintiff's copyright on the CD as a compilation, and thus "one work" for purposes of calculating damages under Section 504(c), plaintiffs could only recover damages on a "per-CD" and not "per-song" basis).
 - (ii) *Teevee Toon, Inc. v. MP3.com, Inc.*, 134 F. Supp.2d 546 (S.D.N.Y. 2001) (holding that where plaintiffs owning the copyrights on derivative sound recordings are separate from plaintiffs owning the copyrights in the underlying compositions, each can recover separate statutory damage awards for their respective infringed copyrights, based on the court's interpretation that the limitation in 504(c) with respect to derivative works only applies where both the derivative and underlying works are owned by the same party).

2. Multiple Infringements of Same Work under Section 504(c): Repeated infringements of a work by the same party and infringements of the same work by multiple parties, present opportunities for plaintiffs, and risks for defendants, in terms of potential statutory damage liability.

- a. Single Party: Section 504(c)(1) provides for single recovery for "all infringements involved in the action, with respect to one work, for which any one infringer is liable individually" In certain instances courts have allowed recovery of multiple statutory damage awards where the circumstances surrounding the multiple infringements (*e.g.*, time between infringing or the similarity in nature of the different acts), are such that they constitute multiple infringements entitling the plaintiff to multiple statutory damage awards, as opposed to a continuing infringement justifying only one award under this section. *See Iowa State University Research*

Foundation, Inc. v. American Broadcasting Companies, Inc., 475 F. Supp. 78, 82 (S.D.N.Y. 1979) (summarizing the circumstances courts have looked to in deviating from Section 504(c)(1)'s requirements).

- b. **Multiple Parties:** Generally, two or more parties that have participated jointly in, or contributed to a single infringement are deemed jointly and severally liable for a single statutory damage award. In situations where each defendant is found to be separately responsible for his or her own distinct infringement, a plaintiff may recover statutory damage awards against each.
3. **Range of Statutory Damages:** As a general matter, the amount of statutory damages that a plaintiff is entitled to recover depends upon whether the infringement falls into one of three categories. The range of damages for each of these categories that a court, in its discretion, may award are as follows:
 - a. **Willful Infringement:** Up to \$150,000 per infringement. Although courts vary in their interpretations of this requirement, the standard is likely most often satisfied if a plaintiff can show that, at a minimum, the defendant had knowledge that his or her conduct constituted infringement at the time of the infringing act.
 - b. **Knowing Infringement:** Between \$750 to \$30,000 per infringement. The vast majority of statutory damage awards fall within this range, as opposed to the heightened or lowered ranges for willful or innocent infringement. Courts awarding damages within this range have often done so under circumstances where the facts revealed that a defendant had reason to know, or should have known, that his or her conduct constituted infringement.
 - c. **Innocent Infringement:** As low as \$200 per infringement. Satisfying this standard generally requires proving that the defendant had a good faith belief that his or her conduct was not infringing and that such belief was objectively reasonable.
 4. **Factors Considered in Determining Statutory Damage Amount:** In cases where the parties have waived the right to a jury trial, courts look to a variety of factors for determining statutory damages. (As a practical matter, given the court's broad latitude under the Copyright Act, as long as the awards come within the appropriate range of damages, depending upon knowledge or willfulness of the infringement, such awards are likely to be upheld on appeal.) Examples include:
 - a. *Arclightz and Films Pvt., Ltd. v. Video Palace, Inc.*, 2003 U.S. Dist. LEXIS 18414 (S.D.N.Y. Oct. 15, 2003) (factors to consider

in statutory awards include defendant's expenses saved and the profits earned; plaintiff's lost revenues; the deterrent effect on defendant and on third parties; defendant's state of mind and the parties' conduct and attitudes).

- b. *UMG Recordings, Inc. v. MP3.com, Inc.*, 2000 U.S. Dist. LEXIS 13293 (S.D.N.Y. Sept. 6, 2000) (noting that defendant's size and financial assets are "highly relevant" to determining statutory damages).
5. Relationship Between Statutory Damages Calculations and Actual Damage Incurred: Some courts have held that the existence and extent of actual damage incurred should play a role in determining statutory damage awards. *See, e.g., New Line Cinema Corp. v. Russ Berrie & Co.*, 161 F. Supp. 2d 293, 303 (S.D.N.Y. 2001) (holding that "New Line's statutory damages should be commensurate with the actual damages incurred...."); *UMG Recordings, Inc. v. MP3.com, Inc.*, 2000 U.S. Dist. LEXIS 13293 (S.D.N.Y. Sept. 6, 2000) (reasoning that although Congress provided plaintiffs with the option of statutory damages in lieu of having to show actual damages, it viewed the lack of proof of actual damages as a mitigating factor that favors the defendant).
6. Trier of Fact for Purposes of Determining Statutory Damages: The Supreme Court has held that "the Seventh Amendment provides a right to a jury trial on all issues pertinent to an award of statutory damages under §504(a) of the Copyright Act, including the amount itself." *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 345 (1998). Thus, a jury can hear all issues related to the statutory damages award, including the number of works infringed, whether separate infringements are entitled to separate statutory awards, innocent or willful infringement, and the specific amount of the individual statutory awards. Bringing these complicated matters before the jury present a series of trial strategy considerations, including:
 - a. Increased litigation cost due to the additional preparation and time to fully present the case to the jury.
 - b. Risk of jury instructions providing additional grounds for appeal of the verdict and diminished predictability in terms of awards.
 - c. Suitability of jury v. judge to consider and apply nuanced questions of law/fact.

D. Recovery of Actual Damages

1. Under Section 504(b) of the Copyright Act, a copyright owner is entitled to recover “the actual damages suffered by him or her as a result of the infringement. . . .” The scope of recovery for actual damages is typically determined by looking at the extent to which the infringement has diminished the market value of the work, determined as of the time of the infringement.
 - a. Lost profits often serve as the main, if imprecise, indicator of damage to a copyright’s market value, due to copyright infringement. Proving such lost revenue requires the plaintiff to first establish a causal connection between the alleged infringement and the subsequent lost revenue that, but for the infringement, plaintiff would have earned. After the plaintiff meets its burden of showing this connection, the burden shifts to the defendant to show that no such causal connection exists.
 - b. Although recovery of defendant’s profits is a separate right of recovery under the Act, determining defendant’s profits after the infringement may be somewhat useful for purposes of determining actual damages. For example, if a plaintiff’s lost profits are less than the defendant’s profits, plaintiff may be able to recover its lost revenue as actual damages while recovering the difference between its lost profits and the defendant’s profits under its separate right to recover such profits.
 - c. In an effort to avoid the harsh result of a copyright owner being unable to recover damages for infringement where actual damages and defendant’s profits are difficult to quantify and statutory damages are otherwise unavailable, several courts have held that the plaintiff’s actual damages are equal to the value of, or reasonable royalty for, the infringer’s use of the infringing work. *See, e.g., Deltak, Inc. v. Advanced Systems, Inc.*, 767 F.2d 357 (7th Cir. 1985); *On Davis v. The Gap, Inc.*, 246 F.3d 152 (2d Cir. 2001).

E. Computation of Defendant’s Profits

1. In addition to recovering actual damages under Section 504(b), a plaintiff may recover “any profits of the infringer that are attributable to the infringement and that are not taken into account in computing the actual damages.” There are several notable evidentiary challenges with respect to determining defendant’s profits:

- a. The issue of defendant's profits is likely to be a significant focus of discovery, raising issues of protecting disclosure of sensitive and confidential business records.
- b. Section 504(b) requires a plaintiff to provide only proof of the defendant's revenue, while the defendant has to prove "his or her deductible expenses and elements of profit attributable to factors other than the copyrighted work." Thus, if defendant has poor business records and cannot accurately indicate which elements of his or her gross revenue do not relate to the copyrighted work, any doubts about the evidence may be viewed in a manner most favorable to the plaintiff, resulting in a more significant judgment for the plaintiff than may otherwise be justified.
- c. As a general matter, if the relationship of the profits to the infringement at issue is remote or speculative, recovery of profits may be less likely.

F. Punitive Damages

1. An award of statutory damages of up to \$150,000 per work in case of willful infringement is intended to create a punitive remedy.
2. Recent case law in the Second Circuit, however, suggests that punitive damages in a federal copyright infringement action may be available to the plaintiff in actions where statutory damages are not available. *See TVT Records v. The Island Def Jam Music Group*, 262 F. Supp. 2d 185 (S.D.N.Y. 2003) (rejecting defendants' request for a jury instruction stating that punitive damages are not available whatsoever for a copyright claim under the Copyright Act after noting recent decisions in the Circuit implying such awards may be available in cases where malice or ill will has been shown and statutory damages do not otherwise apply).

G. Attorneys' Fees

1. Subject to the registration requirement of Section 412 for plaintiffs, a court, in its discretion may award reasonable attorneys' fees to the prevailing party (either plaintiff or defendant).
2. The factors a court may consider in determining whether to award attorneys' fees include "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in a particular circumstance to advance consideration of compensation and deterrence." *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 535, n. 19 (1994) (quoting with approval the standard set forth in *Lieb v. Topstone Industries, Inc.*, 788 F.2d 151, 156 (3d Cir. 1986)).

3. The Supreme Court in *Fogerty* indicated that the standards should be applied evenhandedly to both plaintiffs and defendants in copyright infringement cases. Ironically, defendants in practice have a significant advantage in seeking attorneys' fees in copyright actions because they, unlike plaintiffs, are not subject to the registration requirement in Section 412.
 - a. *Budget Cinema, Inc. v. Watertown Assocs.*, 81 F.3d 729 (7th Cir. 1996) (labelling plaintiff's complaint objectively unreasonable, in part because it requested attorneys' fees while not having a timely filed registration pursuant to Section 412, although the court ordered that the defendant was the prevailing party and reversed the district court's denial of defendant's request for fees).
 - b. *Screenlife Establishment v. Tower Video, Inc.*, 868 F. Supp. 47 (S.D.N.Y. 1994) (denying plaintiff recovery of statutory damages due to lack of timely filed registration under Section 412 while at the same time granting defendant's motion for attorneys' fees).
4. In practice, where a plaintiff's claims are objectively reasonable and brought without improper motive, courts are generally hesitant to award attorneys' fees to a defendant. *See Michael Cottrill, et al. v. Britney Spears, et al.*, 2003 U.S. Dist. LEXIS 11656 (E.D. Pa. Jul. 2, 2003).

H. Injunctive Relief for Copyright Violations -- Section 502 provides for both preliminary ("temporary") and final injunctions on such terms as the court may deem reasonable to prevent or restrain infringement of a copyright.

1. Preliminary Injunctions
 - a. Different courts have different variations of the requirements necessary to obtain expedited relief. The tests applied generally involved some variation of the following elements: (1) whether the plaintiff will have an adequate remedy at law or will be irreparably harmed if the injunction does not issue; (2) whether the threatened injury to the plaintiff outweighs the threatened harm the injunction may inflict on the defendant; (3) whether the plaintiff has a reasonable likelihood of success on the merits; and (4) whether the granting of a preliminary injunction will disserve the public interest.
 - b. The predominant standard for obtaining preliminary injunctive relief involves an assessment of (1) the merits of plaintiff's claim, and (2) the likely injury to the plaintiff if relief is not granted. *See Johnson Controls, Inc. v. Phoenix Control Sys., Inc.*, 886 F.2d 1173 (9th Cir. 1989).

- c. In some jurisdictions, where a plaintiff can show a *prima facie* case of infringement, or a reasonable likelihood of success on the merits, irreparable harm is presumed. *See Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240 (3d Cir. 1983).
- d. A plaintiff's delay in taking action after notice of a defendant's conduct may undermine a showing of likely harm. *See New Era Publications, Int'l, ApS v. Henry Holt & Co.*, 684 F. Supp. 808 (S.D.N.Y. 1998) (plaintiff's delay for strategic reasons – fear that filing suit would boost defendant's sales – bars entry of TRO).
- e. Courts may be more willing to grant preliminary injunctive relief depending on the nature of the work allegedly infringed. For instance, in cases where works have short-lived market value, the denial of preliminary injunctive relief may amount to denial of any effective remedy.
- f. Because copyright cases often implicate the fair use doctrine, the idea-expression dichotomy, parody and/or First Amendment issues, likelihood of success on the merits can be difficult to assess prior to discovery, except in cases of blatant and literal copying.

2. Permanent Injunctions

- a. In addition to monetary recovery, a prevailing plaintiff in a copyright action may obtain a permanent injunction restraining further infringement.
- b. Permanent injunctive relief typically will not be granted where there is no possibility or threat of continuing or additional infringement(s). *See Harolds Stores v. Dillard's Dep't Stores, Inc.*, 82 F.3d 1533 (10th Cir. 1996), *cert. denied*, 519 U.S. 928 (1996). However, in cases where the infringement is willful or calculated, a court may be more inclined to grant a permanent injunction and assume a threat of possible continuing harm.
- c. Where a plaintiff seeks a permanent injunction in the absence of past infringement, solely based on the threat of future infringing conduct, relief may be available. *See MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 520 (9th Cir. 1993) (upholding a permanent injunction where there existed only a threat of infringement), *cert. dismissed*, 510 U.S. 1033 (1994).

3. Scope of Injunctive Relief

- a. Injunctions, whether preliminary or permanent, must be narrowly tailored to prevent or restrain the harm. *See Gates Rubber Co. v. Bando-Am., Inc.*, 798 F. Supp. 1499, 1522 (D. Colo. 1992) (an

injunction must be “coterminous with the infringement”), *aff’d in part, vacated in part*, 9 F.3d 823 (10th Cir. 1993); *Nihon Keizai Shimbun, Inc. v. Comline Business Data, Inc.*, 166 F.3d 65, 75 (2d Cir. 1999) (instead of enjoining defendant from publishing works “substantially similar to any article or work produced by (plaintiff),” for clarity [the injunction] should read “substantially similar to the copyrighted elements of any article or work produced by (plaintiff)”).

- b. Where only a portion of the protected work is copied, and that portion can be segregated from the remainder of an infringing work, an injunction may not restrict use of a defendant’s work in its entirety. *See A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896 (N.D. Cal. 2000), *rev’d in part*, 239 F.3d 1004, 1027 (9th Cir. 2001) (upholding injunction but reversing the scope due to overbreadth, and placing burden on plaintiff to provide notice of protected works before defendant has duty to disable access to the offending content).
 - c. Injunctions may not extend to forbid exploitation by a defendant of unprotectable elements of a copyrighted work (*e.g.*, facts, ideas, methods). *See Salinger v. Random House, Inc.* 811 F.2d 90 (2d Cir. 1987) (facts contained in author’s letters can be reported, but author entitled to injunction to protect expressive content of unpublished letters).
4. First Amendment Limitations: There are significant tensions between the injunctive remedy and the First Amendment. It is well established that “a specifically-tailored injunction in a copyright case does not offend the First Amendment, [but] attempting to shut down a critic’s speech activities, including those that do not implicate the *copyright* laws in the least, would constitute an unwarranted prior restraint on speech.” *See Religious Tech. Ctr. v. Netcom On-Line Comm. Servs., Inc.*, 923 F. Supp 1231, 1259 (N.D. Cal. 1995). Given the frequency with which courts are called upon to consider the injunctive remedy in the copyright context, however, there is a relative paucity of authority expressly considering the overlap. Examples include:
- a. *Suntrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257, 1259 (11th Cir. 2001) (vacating district court’s preliminary injunction enjoining publication of book drawn from *Gone With the Wind* because defendant had a viable fair use defense and the injunction constituted an unlawful prior restraint).
 - b. *Arica Inst., Inc. v. Palmer*, 761 F. Supp. 1056, 1061 (S.D.N.Y. 1991) (rejecting plaintiff’s request for injunction as “an effort to prevent ‘heresy’ not copyright infringement”).

- c. *In re Capital Cities/ABC, Inc.*, 918 F.2d 140 (11th Cir. 1990) (rejecting contention that injunction granted prior to initial broadcast of allegedly infringing work would constitute a prior restraint).

I. Temporary Restraining Orders/Impoundment

1. In appropriate cases, a plaintiff can obtain temporary restraining orders *ex parte* in accordance with Rule 65 of the Federal Rules of Civil Procedure.
2. Copies and phonorecords claimed to have been made or used in violation of the copyright owner's "exclusive rights" are subject to impoundment, on such terms as a court deems reasonable, at any time an infringement action is pending (whether or not a preliminary injunction has been sought). It has generally been held that the same "likelihood of success" standard applicable to preliminary injunctions applies to impoundment.

J. Digital Millennium Copyright Act ("DMCA")

1. Enacted into law in October 1998 to implement World Intellectual Property Organization copyright treaties and update U.S. copyright law for the information age. Among its provisions, the DMCA provides for independent causes of action for (a) circumvention of certain technological measures (*e.g.*, passwords and encryption) that protect access to copyrighted works (Sec. 1201), and (b) the falsification, alteration, removal, distribution, or importation of "Copyright Management Information ("CMI") (Sec. 1202)."
2. Violations of Sections 1201 and 1202 have remedies that are entirely separate from those available for traditional copyright infringement. Accordingly, they present additional sources of potential liability exposure for a defendant and may increase the leverage available to a plaintiff.
3. Although the primary impetus behind the circumvention and CMI provisions of the DMCA stems from concerns arising in the digital environment, the CMI provisions apply equally to a defendant's digital and non-digital activity.
4. Awards of civil remedies for violations of Sections 1201 and 1202 are not limited to the copyright owner. Instead, Section 1203 provides relief to "[a]ny person injured by a violation . . ." *See RealNetworks, Inc. v. Streambox, Inc.*, 2000 WL 127311 (W.D. Wash. Jan. 18, 2000) (finding that plaintiff had standing to bring suit under circumvention provisions in the absence of any claim of ownership to the copyright in the underlying work).
5. Temporary and permanent injunctive relief are available under Section 1203, subject to an express limitation on imposition of "prior restraint on

free speech or the press protected under the First Amendment to the Constitution.”

6. A plaintiff may elect “actual damages and profits of violator” or “statutory damages.”
 - a. Statutory Damages Measures
 - (i) Circumvention violations (Sec. 1201) – not less than \$200 and not more than \$2,500 per violation.
 - (ii) CMI violations (Sec. 1202) – not less than \$2,500 and not more than \$25,000 per violation.
 - b. In contrast to Section 504 statutory damages, which are computed on a “per work infringed” basis, the DMCA allows for recovery of actual or statutory damages for each “violation” of Sections 1201 or 1202.
 - c. Treble damages for repeated violations (*i.e.*, within 3 years after final judgment was entered against the same defendant for the same violation).
7. Attorneys’ Fees and Costs
 - a. Court may, in its discretion, allow the recovery of costs and/or reasonable attorneys’ fees to the prevailing party.
 - b. Case law on DMCA is still evolving, but early authority suggests an initial hesitance to award attorneys’ fees (but not costs). *See Universal City Studios v. Reimerdes*, 111 F. Supp. 2d 294, 345 (S.D.N.Y. 2000) (declining to award prevailing party attorneys’ fees in “test case” for violation under Section 1201, but finding no comparable reason for failing to award costs).
8. Registration Requirement for DMCA Claims
 - a. The statute is silent on the issue of whether the registration requirement under Section 411(a) applies to claims under the DMCA.
 - b. Limited authority does suggest, however, that Section 411(a) is inapplicable to claims under Sections 1201 and 1202. *See RealNetworks, Inc. v. Streambox, Inc.*, 2000 U.S. Dist. LEXIS 1889 (W.D. Wash. Jan. 18, 2000) (fact that plaintiff did not hold registrations did not bar consideration of anticircumvention claims); *Medical Broadcasting Company v. Flaiz*, No. Civ. 02-8554 (E.D. Pa. Jun. 12, 2003) (rejecting argument on summary

judgment that copyright registration is required to bring CMI claim under DMCA).

K. Criminal Penalties for Copyright Infringement/Counterfeiting -- Imprisonment, fines, impoundment/destruction of infringing goods, copying devices. 17 U.S.C. §506, 18 U.S.C. §2319.

L. Preemption

1. Preemption arguments are frequently raised by defendants in an effort to eliminate state claims, particularly in cases where state claims arise from the same conduct as alleged in infringement claim.
 - a. May have the effect of forcing a plaintiff to choose between alternative claims.
 - b. May have jurisdictional impact, particularly if sole basis for federal jurisdiction rests on copyright claim.
2. State laws that create “legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright” are preempted. *See* 17 U.S.C. §301.
3. Standard applied to preemption issue: where a state cause of action requires proof of element beyond those necessary to establish infringement of exclusive rights under Copyright Act, the state claim is not preempted. *See Bowers v. Baystate Technologies, Inc.*, 320 F.3d 1317 (Fed. Cir. 2003) (held Copyright Act does not preempt state breach of contract claim arising from breach of reverse engineering clause in shrink-wrap license agreement); *Brown v. Roy C. Ames*, 201 F.3d 654 (5th Cir. 2000) (common law misappropriation claim not preempted by Copyright Act).

IV. Insurance Coverage Issues

- A. The possibility of insurance coverage presents issues for both a defendant and a plaintiff. For example, whether alleged claims fall within or outside of the scope of a defendant’s coverage can have a significant impact on:
1. Whether a plaintiff can, as a practical matter, ultimately recover the damages it seeks.
 2. What resources are available to a defendant in responding to a suit.
 3. Who defends the action.
 4. The degree to which a defendant may control the course of the litigation and potentially negotiate the terms of settlement.

- B. Different types of policies may, or may not, provide coverage for intellectual property disputes, including (1) general liability insurance policies; (2) directors' and officers' liability policies; (3) umbrella and excess insurance policies; and (4) intellectual property-specific policies.
- C. There is no absolute test for determining whether trademark or copyright claims are covered under "advertising injury" provisions of standard form general commercial liability policy, as the analysis varies from one jurisdiction to another. *See e.g., CAT Internet Services, Inc. v. Providence Washington Insurance Co.*, 333 F.3d 138 (3rd Cir. 2002) (trademark infringement claims arising from competing Internet domain names fall within "advertising injury" language of insurance coverage); *but see Sport Supply Group, Inc. v. Columbia Casualty Co.*, 335 F.3d 453 (5th Cir. 2003) (holding that plaintiff's trademark did not meet the definition of advertising under Texas law and, therefore, infringement of the mark was not covered under the "advertising injury" coverage in the defendant's insurance policy); *Triple Crown Nutrition, Inc. v. Old Republic Ins.*, No. 01-292, 2001 U.S. Dist. LEXIS 21837 (D. Minn. Dec. 14, 2001) (holding that trademark infringement does not constitute "advertising injury" under insurance policy at issue).