

# The Peacemaker

## NORTH CAROLINA BAR ASSOCIATION

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### The Chair's Comments



LeAnn Nease Brown

Our Section continues its work through its Section Council, committees, liaisons and members to promote alternative dispute resolution and benefit our members. Our next Section Council meeting is March 15 in Pinehurst.

Our annual meeting and CLE program will be held on March 16, also in Pinehurst. The program will focus on the importance of communication in mediation and will address the following topics: substance versus process knowledge preference in selecting a dispute resolver, workers' compensation mediation, implicit bias and cultural issues. The program includes material that meets CME requirements and provides legal ethics credits. Please mark your calendars and join us in Pinehurst.

Our Arbitration Committee is preparing an international arbitration CLE for Fall 2018. It is lining up an impressive agenda and renowned speakers.

Our Collaborative Law Committee continues to work on training opportunities for persons interested in collaborative law. It held a successful program in November.

Our Section had the honor of working with the Dispute Resolution Commission to celebrate Conflict Resolution Week Oct. 16-20, 2017, to participate in Chief Justice Martin's proclamation ceremony and to co-sponsor the reception that followed. Many members were in attendance. E-Bar's coverage of the ceremony, the Chief Justice's proclamation and the Governor's proclamation can be found at [www.ncbar.org/news/conflict-resolution-week-declared/](http://www.ncbar.org/news/conflict-resolution-week-declared/).

I look forward to seeing many of you at our annual meeting and CLE in March.

## Monetary Recovery In Copyright Disputes

By Mitch Tuchman

In a copyright infringement dispute in which the accused was indisputably liable, the plaintiff demanded \$25,000 to settle the matter; the defendant countered with \$12. You read that correctly. Yet the parties settled. More about that later.

The Copyright Act of 1976, 17 U.S.C. §§ 101 *et seq.* (the "Act"), grants certain exclusive rights to copyright owners, among them the rights to reproduce protected works (that is, the right to make copies, hence "copyright") and to distribute those copies. Owners may exercise their rights or authorize others to do so, commonly in the form of a license. Exercise of those exclusive rights without authorization (absent an express exemption provided by law) is infringement, which at its simplest takes the form of an unlicensed use.

A copyright owner who prevails in an infringement action is entitled to monetary recovery. Under the Act the sources of recovery are (a) the owner's actual damages and (b) any additional profits of the infringer or, alternatively, (c) statutory damages. 17 U.S.C. § 504(a). This deceptively simple formula reveals its complexity in practice.

To prevail on an infringement claim, the plaintiff must prove an ownership interest in a valid copyright and unauthorized copying of original elements of the protected work. **Lyons P'ship, Ltd. v. Morris Costumes, Inc.**, 243 F.3d 789, 801 (4th Cir. 2001). Validity and copying are likely to be contentious issues, but as in any mediation the parties might be willing to compromise to avoid the cost and inconvenience of trial. A settlement also may eliminate the uncertainty created by the factual circumstances affecting trial outcomes; for example, the deceptively simple term "damages" is not defined in the Act, so courts have articulated multiple rationales with respect to computations.

### Plaintiff's Actual Damages

"Damages are awarded to compensate the copyright owner for losses from the infringement." 4 **Nimmer on Copyright**, § 14.03[A] (2017) ("**Nimmer**"). Damages claimed by plaintiffs are at times more imaginative than the copyrightable creations at issue, and it is good to recall Judge Posner's trenchant axiom: "Damages must be proved and not just dreamed. ..." **MindGames Inc. v. Western Pub. Co.**, 218 F.3d 652, 658 (7th Cir. 2000), cert. denied, 531 U.S. 1126 (2001), quoted in **Nimmer**, *op. cit.* Defendants will attempt to identify and refute speculative claims.

There are numerous benchmarks for plaintiffs' computations of damages, the most common of which appears to be the hypothetical fees the infringer might

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## Monetary Recovery, continued from the front page

have paid to acquire rights legitimately. **Nimmer** at § 14.02[B]. Other benchmarks have included, among others: lost customers, **Univ. of Minn. v. Applied Innovations, Inc.**, 876 F.2d 626 (8th Cir. 1989); impairment of owner's ability to authorize derivative works, **Abend v. MCA**, 863 F.2d 1465 (9th Cir. 1988), *aff'd*, 495 U.S. 207 (1990); and loss of market value, **Faulkner v. Nat'l Geographic Soc.**, 576 F. Supp.2d (S.D.N.Y. 2008).

### Defendant's Profits Attributable to the Infringement

"The purpose of the award of defendant's profits is 'to prevent the infringer from unfairly benefit-ting from a wrongful act.'" **Nimmer** at § 14.03. The Act expresses the parties' burdens straightfor-wardly:

In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copy-righted work.

17 U.S.C. § 504(b). Questions will arise, however, with respect to what is "deductible" and what is "attributable." The Fourth Circuit has played a leading role here. See **Universal Furniture Int'l, Inc. v. Collezione Europa USA, Inc.**, 618 F.3d 417 (4th Cir. 2010) (awarding plaintiff the entirety of defendant's profits when, after repeated opportunities to do so, defendant failed to articulate its deductibles); and **Bouchat v. Balt. Ravens Football Club, Inc.**, 346 F.3d 514 (4th Cir. 2003) (excluding from the computation defendant's revenues (1) with no conceivable connection to the infringement or (2) where, despite such a connection, only speculation was offered to show a causal link between the revenue source and the infringement).

### Statutory Damages

At the instigation of the plaintiff "at any time before final judgment is rendered," a court may award statutory damages rather than actual damages and infringer's profits 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). Such award may be increased to as much as \$150,000 or diminished to as little as \$200 for each act of infringe-ment depending on the court's finding regarding the willfulness of the infringer's act. 17 U.S.C. § 504(c)(2).

A plaintiff may elect statutory damages irrespective of evidence of actual damages and in-fringer's profits, **Nimmer** at § 14.04[A], though lack of such evidence might motivate the election. While an award of statutory damages is a creature of litigation, the possibility of an election and award has its place in mediation.

### Settlement

In the case mentioned in the opening paragraph, plaintiff was the author of a book published two decades before the dispute arose. Defendant was the author a book on an identical subject who copied from the earlier book without permission or attribution. Assuming plaintiff's sales decades after first publication were miniscule, defendant reasoned that the diminished income from sales reported by plaintiff to the IRS in the years immediately preceding and following publication of the accused book would be indicative of plaintiff's damages. Further, defendant's own profits from book sales were negligible. With neither appreciable damages to one nor profits to the other, the parties settled in the low hundreds. An understanding of copyright damages is key to facilitating a successful mediation involving alleged infringement.

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