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***323 COPYRIGHT AND TRADEMARK INFRINGEMENT: CURRENT TECHNIQUES FOR PLAINTIFFS
AND DEFENDANTS**

How to Handle Basic Copyright and Trademark Problems--A Satellite Program

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***327** This is an introductory guide to common issues in current copyright and trademark litigation. A basic familiarity with federal procedure is assumed.

The outline proceeds in the order that a litigation would typically proceed, from pleadings through judgment. My purpose is

to alert the litigator unfamiliar with copyright and trademark practice to the principal litigation issues. Also, I hope to bring something new to the attention of current practitioners in these areas.

This is not a comprehensive guide to all possible litigation issues. Rather, for each litigation stage, I have attempted to point out tools available to plaintiff and defendant that, in my experience, have practical value in obtaining a favorable judgment or settlement.

I have focused on proceedings in federal court because it is the only venue that can entertain ***328** statutory copyright claims [FN1] and because the broad scope now given Section 43(a) of Lanham Act permits most common law trademark and unfair competition claims to be brought in federal court. Copyright Infringement vs. Trademark Infringement

It is worth pointing out the differences and similarities of copyright and trademark infringement before proceeding to the issues that may arise in copyright and trademark litigation.

Copyright infringement may generally be described as the use of a substantial part of a copyrighted work in ways forbidden by § 106 or § 602 of the Copyright Act, to wit, copying, making derivative works, distributing copies, importing copies, and, in some instances, performing or displaying the work.

In trademark infringement, the wrong consists of the use of a trademark to create a likelihood of confusion as to the source, origin or sponsorship of goods or services.

The boundaries of copyright infringement and trademark infringement may be described, ***329** respectively, by the phrases "substantial similarity" and "confusing similarity". When the entire copyrighted work is not copied, the trier of fact must judge whether the infringing work is "substantially similar" to the protected work. When the exact trademark is not used on competing goods, the trier of fact must determine whether the alleged infringing use is "confusingly similar". In both copyright and trademark infringement actions, defenses are commonly mounted both on the basis of plaintiff's lack of ownership of the subject property and non-infringement, together with affirmative defenses including fair use.

I. PRE-LITIGATION

While it is not my purpose to provide an outline of pre-litigation counseling, at least one aspect of pre-litigation conduct may affect the course of any infringement litigation. That is the action that the plaintiff takes (or fails to take) after discovery of the infringement.

Preliminary relief is widely available for copyright [FN2] and trademark infringement, [FN3] and may be said to shape infringement litigation generally.

***330** Plaintiff's chance of getting preliminary relief can be lost by pre-litigation delay. In cases of delay between discovery of the infringement and commencement of litigation, courts tend to discount plaintiff's assertions of an urgent need for immediate relief. [FN4] In cases of longer delay (a few years) combined with some action by defendant in reliance on plaintiff's forbearance, courts may invoke the doctrines of laches or acquiescence as defenses not only to applications for preliminary relief, but permanent equitable relief as well. [FN5]

There are excuses that courts will accept for delay. Most important is good faith negotiation to settle the controversy. [FN6] However, if defendant is ***331** so heedless as to refuse to negotiate or to ignore a stream of cease-and-desist letters, plaintiff must act.

II. PLEADINGS

Basic principles of federal pleading apply to copyright and trademark infringement actions. In federal practice, notice pleading greatly reduces the importance of the pleadings. However, there is a general statutory prerequisite of registration or attempted registration of copyright claims (which is not the case with trademark claims) that must be mentioned in connection with pleadings.

1. Ownership and Registration

The basic elements of an infringement claim are ownership of a protected interest, and invasion of that interest. [FN7] Copyrights and trademark rights can exist without registration. Statutory copyrights now arise upon creation of a copyrightable work, not upon registration. [FN8] Trademark rights are generally obtained through use of the mark. [FN9]

*332 However, although the copyright exists before registration, no infringement action may be brought until after the copyright has been registered with the United States Copyright Office or the Copyright Office has rejected an application for registration. [FN10] Trademarks, by contrast, need not be registered to support a federal infringement claim since the expansion of the scope of § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). [FN11]

Registration is a powerful procedural tool in both copyright and trademark cases. In copyright cases, registration obtained within five years of first publication is prima facie evidence of the copyright's validity and of the facts set forth in the certificate, including ownership. [FN12] A trademark registration similarly provides prima facie evidence of validity, ownership and exclusive *333 rights in the trademark. [FN13] After five years, the registration can become "incontestable" (that is, except for the defenses listed in 15 U.S.C. § 1115(b)). [FN14] This prima facie effect serves as a springboard to preliminary relief.

If registration has been obtained, its particulars should be pleaded. The Official Appendix of Forms to the Federal Rules of Civil Procedure includes an approved form of complaint (Form 17), whose text includes the particulars of the registration. It is better practice, however, simply to attach a copy of the registration to the complaint as an exhibit. Exhibits to complaints become part of the complaint, [FN15] and attaching the certificate of registration (which is generally a one-page document) avoids any inadvertent omission of a particular that a court might find relevant.

Corporate plaintiffs who do not own their copyrights via assignment will have obtained them as "works made for hire". [FN16] Generally speaking, if *334 a corporate employee creates a copyrightable work within the scope of his employment, the copyright belongs to his employer. [FN17] Unlike assigned copyrights, there is no need to record or plead an instrument of transfer with the Copyright Office.

Similar issues regarding ownership may arise in the trademark context. Only a "registrant" may sue for trademark infringement under 15 U.S.C. § 1114(a). While an exclusive licensee of a trademark may have standing to sue for what is in effect infringement, using § 1125(a), the defendant should not assume that every exclusive licensee has standing. The licensee's standing depends entirely upon the terms of his license. It is not uncommon for trademark owners to reserve to themselves the right to police infringements, and this reservation destroys the licensee's standing. [FN18] Thus, a pleading that recites that the plaintiff is the exclusive licensee of the mark should alert defendant to a possible defense.

*335 2. Venue

Venue is not an issue peculiar to copyright and trademark infringement litigation. However, the common law gloss given the copyright venue section [FN19] is worth noting. That provision lays venue "in the district in which the defendant or his agent resides or may be found." [FN20] The judicial interpretation given the section is that venue will lie anywhere that the defendant is subject to in personam jurisdiction, treating the alleged infringement as a tortious act for long-arm purposes. [FN21] This is obviously broader than the words of the statute necessarily imply.

Venue in trademark cases is covered by the general federal venue rules, 28 U.S.C. §§ 1391 and 1392. Under these rules, venue may be laid in any district where a "significant amount" of defendant's tortious activity occurred. [FN22]

*336 3. Contract-Related Claims and Federal Jurisdiction

Many copyright and trademark cases are brought in federal court based on the jurisdictional sections for copyright and trademark claims (or for federal questions generally). [FN23] In contract-related cases, however, federal jurisdiction may not be properly invoked.

The basic issue arises in license cases where the licensee allegedly uses the work or mark beyond the scope of its license or continues to use the mark or work after an alleged termination based upon an alleged breach of the license agreement. The aggrieved licensor may prefer to cast its claim as a copyright or trademark infringement claim to obtain procedural

advantages including federal jurisdiction and the additional federal remedies available for copyright and trademark claims (attorneys fees, statutory damages, treble damages and preliminary injunctive relief). Federal courts, however, have held that claims that are "in their essence" contract claims rather than *337 infringement claims will not support federal jurisdiction. [FN24] Courts have been particularly reluctant to allow aggrieved authors who have not been paid for their work to attempt to collect through "infringement" actions, dismissing them on jurisdictional grounds. [FN25]

4. Fair Use

The defense of "fair use" to a copyright or trademark infringement claim is discussed infra. *338 However, regarding pleadings, it is worth noting that fair use appears to be an affirmative defense and should be pleaded as such, for the reasons stated in the discussion below.

III. PRELIMINARY RELIEF

1. Preliminary Injunctions

Probably the greatest procedural advantage available to plaintiffs in copyright and trademark infringement litigation is the ready availability of preliminary injunctive relief. [FN26] While characterized as an extraordinary remedy in most areas of the law, the preliminary injunction is extraordinary in name only in the infringement context. [FN27]

It is long been held in the Second Circuit that a prima facie case of infringement of a copyright or trademark raises a presumption of irreparable harm. [FN28] In recent years this principle *339 has been widely accepted in most circuits that have spoken on the issue. [FN29] Consequently, a plaintiff who can make out a prima facie case on a motion for preliminary injunction is presumptively entitled to relief. In this connection, both copyright and trademark registrations are of great value, because both provide a prima facie case of ownership of the mark or work. [FN30]

I have already noted the defense of delay, laches or acquiescence where plaintiff has been aware of the infringement for some time before commencing the action or seeking preliminary relief. [FN31] A defendant lacking this defense, who is faced with a prima facie case of infringement, is *340 in a difficult position. A possible response is that a preliminary injunction would put defendant out of business, [FN32] but this defense may only be effective in a jurisdiction that will consider the balance of the hardships even where likelihood of success on the merits is demonstrated. [FN33] Plaintiff will argue that defendant has no equity in continuing a business based on infringement. [FN34]

One issue that is rarely focused on that may be of great significance to both plaintiff and defendant is the scope of the preliminary injunction. If relief is granted it will surely prohibit infringement of the specific copyright that has already been proven to have been infringed. However, in cases like an action by motion picture producer against a video cassette manufacturer, plaintiff may have many more *341 copyrights than those already proven to have been infringed, and defendant may be capable of infringing them. In such a case, plaintiff should seek, and defendant should resist, a preliminary injunction generally enjoining defendant from infringing any of plaintiff's copyrights. [FN35]

2. Seizures

In addition to preliminary injunctive relief, both the copyright and trademark rules provide for ex parte seizure of infringing goods in egregious cases. [FN36] There is a set of rules governing applications for writs of seizure following § 501 of the Copyright Act.

One obstacle, from the plaintiff's point of view, is the requirement of security for the value of the goods to be seized. [FN37] Putting up a large *342 amount of money that could be forfeited in the event that a mistake has been made may make the client think twice about utilizing this remedy.

Another drawback of the seizure remedy is the prospect of penalties for what a court may view as overzealous litigation. Although the case is something of a sport, plaintiff's counsel was recently sanctioned in Warner Bros., Inc. v. Dae Rim Trading, Inc. [FN38] for arranging for seizure of allegedly infringing merchandise and for doggedly pursuing substantial statutory damages for willful infringement against a family-owned grocery store where a dozen infringing dolls had been discovered. While plaintiff may justly believe (as plaintiff did in that case) that the infringements proven were merely the tip

of the iceberg, the court may take a more detached view. [FN39] In general, however, the danger of being found overzealous in prosecuting an infringement action is probably outweighed by the danger of losing the right to a *343 preliminary injunction through an overly deliberate approach.

3. Security for Costs

Before turning to the various legal issues that present themselves as possible subjects for dispositive motions at an early stage, it is worth noting what is perhaps an under-used weapon in defendant's arsenal.

Local Civil Rule 39 of the Southern and Eastern Districts of New York provides that a party may be ordered to file a bond or security for costs. [FN40] While this is relatively trivial in most cases, successful parties in many copyright cases and in certain trademark cases can recover attorneys' fees. The attorneys' fees are considered to be "costs" in copyright cases, [FN41] and may be treated as costs for purposes of a bond in trademark cases. [FN42] If defendant has a strong case, an application to compel plaintiff to post a bond *344 for costs including counsel fees can be an effective method of bringing plaintiff to its senses.

IV. DISPOSITIVE MOTIONS

The liability issues in copyright and trademark infringement cases are frequently appropriate for summary disposition (damages are another matter). [FN43] For plaintiffs, a well-documented chain of ownership and an exemplar of a clearly infringing use should result in a quick and favorable determination on liability. [FN44] Consequently, it is at the stage immediately after the pleadings and before discovery that the defendant is most exposed.

While there may be legitimate defenses based on flaws in the plaintiff's title to the mark or work, the crucial information is commonly within the knowledge of plaintiff alone. At the earliest possible moment, defendants are well advised to *345 seek discovery into plaintiff's acquisition and maintenance of the rights at issue. A defendant who rests on his oars after filing his answer will be ill-placed to complain when plaintiff moves. Moreover, the plea that the defendant needs discovery in order to meet a summary judgment motion will not fend off judgment without some specification of what defendant expects to discover. [FN45]

Conversely, of course, these considerations counsel an early summary judgment motion by plaintiff.

It is appropriate at this stage to consider the substantive issues in copyright and trademark cases that may serve as a basis for summary disposition of the case. While this is not a comprehensive list, it does represent a fair selection of issues that frequently present themselves early in infringement cases.

1. Notice of Copyright and Omission Thereof

The effect of the distribution of copies of a work without a proper notice of copyright was a complex subject before the 1976 Copyright Act. The enactment of that Act and the recent enactment of *346 the Berne Convention Implementation Act of 1988 have only added to the complexity of the issue.

Essentially, this issue represents an opportunity for an otherwise exposed defendant to limit plaintiff's remedies or, in extreme cases, to defeat them entirely. We give here the bare bones of the issue and some of the landmarks of the battleground.

Under the 1909 Copyright Act, federal copyright was obtained by publication of a work with notice of copyright. [FN46] Unpublished works could be copyrighted by registration. Absent either registration or publication with notice, copyrightable works were protected, if at all, by state law under the doctrine of common law copyright.

Because the publication of a work with notice was the act that secured copyright protection, the courts reasoned that publication of a work without notice of copyright forfeited any copyrights, or, as the phrase went, dedicated the work to the *347 public domain. [FN47] Because publication without notice was often inadvertent and because the penalty was so severe, the courts developed a doctrine of "limited publication". The doctrine grew out of cases in which copies of works were given to friends, editors, etc. without notice of copyright and not for the purpose of general distribution. The courts

reasoned that the general public could not justifiably infer from such limited distributions that it was entitled to reproduce the work and held that they did not amount to publication sufficient to dedicate the copyright to the public domain. [FN48]

*348 This doctrine reached sufficient development in recent years that the airing of a television series over nationwide network broadcast, followed by more than ten years of syndication of that series in reruns was held to be a limited publication. [FN49] However, for works first published before the effective date of the 1976 Copyright Act (generally, January 1, 1978), proof of publication without notice remains one of defendant's most potent weapons. [FN50]

*349 For publications occurring after enactment of the 1976 Copyright Act, lack of notice is still dangerous but not always the death sentence that it was before 1978. [FN51]

The 1976 Copyright Act eliminated the automatic loss of copyright for publication without notice. Instead, § 405 of the Act excuses, or permits the cure of, omission of copyright under certain circumstances: (1) omission of notices from a relatively small number of copies; (2) registration of the work within five years of publication without notice together with reasonable efforts to add notice after omission discovered; and (3) omission of notice in violation of agreement. But copyright can still be lost if none of the excuses fit, and none of the cures are effected. [FN52]

*350 Finally, the Berne Convention Implementation Act of 1988 did away entirely with forfeiture of copyright by publication without notice. [FN53] The Act is effective March 1, 1989 and is not retroactive. [FN54] Consequently, it does not save plaintiffs from the consequences of prior publications without notice.

Even if publication without notice, for whatever reason and at whatever time, has not forfeited the copyright, it still may provide defendant with defenses limiting the remedies available to plaintiffs. First, an infringer who was actually misled by the absence of copyright on an authorized published copy is exempt from liability for actual or statutory damages under § 405(b). [FN55] Secondly, even if the infringer does *351 not fit the definition of "innocent infringer", a reduction in the amount of statutory (as opposed to actual) damages may be available under § 504(c)(2). [FN56] Finally, under the Berne Convention Implementation Act, notice is no longer required but lack of notice still permits the defendant to seek reduction of statutory damages under § 504(c)(2). [FN57]

2. Acquiescence, Laches and Abandonment In Trademark Actions

A group of defenses to trademark actions springs from the trademark owner's failure to object to or prosecute infringements. Their consequences can range from inability of the trademark owner to obtain preliminary relief to *352 inability of the trademark owner to obtain any relief. At the extreme, combined with other acts or omissions, the trademark owner can lose all rights in the mark, by abandonment.

As was pointed out earlier, the failure of the trademark (or copyright) owner to act promptly to police a known infringement can prejudice its chance of obtaining preliminary relief. If the infringer is prejudiced by the trademark owner's delay, such as by making investments in his business in reliance upon the owner's noninterference, the equitable defense of laches may arise. [FN58] In trademark law, a lengthy failure to police a certain use may also be referred to as "acquiescence". [FN59]

The consequence of laches or acquiescence is that an otherwise infringing user may obtain the right to use the trademark for his particular line of business or in his particular region. [FN60] Laches *353 may, however, be averted by protest letters, preventing the infringer from claiming that he relied on the tacit consent of the trademark owner. [FN61]

In any event, acquiescence and laches should not be confused with abandonment. It is often argued that the failure to police one's trademark should result in abandonment, meaning the complete loss of the trademark owner's rights in the mark. Failure to police, by itself, however, does not result in abandonment of a mark. [FN62] Abandonment requires additional circumstances.

According to Lanham Act § 1127, abandonment results from two years or more non-use of a trademark or acts leading to the loss of secondary *354 meaning in the mark. [FN63] Courts have been reluctant to penalize trademark owners for being conservative about litigation. (The courts' willingness to withhold preliminary relief where owners do not act quickly is an exception.) Thus, it may be generally stated that courts will not let third parties take advantage of the trademark owner's failure to sue or pursue other infringers. However, as noted above, the courts will allow the tolerated infringer to continue to

use the mark.

Abandonment is more commonly found as a result of ineffective attempts to transfer trademarks. It is commonly said that a trademark is not a right "in gross" but, like certain kinds of real property *355 easements, is an "appurtenant" property. [FN64] It is appurtenant to the business that it represents and is commonly referred to as part of the goodwill of that business.

Because trademark rights arise from use of a trademark by a business, the trademark cannot be sold separately from the business or, at any rate, the business's goodwill. [FN65] A purported alienation of a trademark that is not accompanied by a going business is suspect and may result either in the buyer taking no rights in the trademark or in the trademark itself becoming void because divorced from any associated business. [FN66]

Consequently, a defendant having proof that plaintiff has known of and tolerated defendant's use of the mark may have at least a partial defense to the action. If plaintiff stopped using its mark for a significant period, received it in a transfer without any accompanying business, or otherwise has permitted it to lose its secondary meaning, *356 defendant may be able to terminate the litigation summarily at an early stage.

3. Work Made For Hire

In the copyright area, an attack on the ownership of the copyright can sometimes be made based upon plaintiff's failure to obtain the copyright from the actual author of the infringed work. [FN67]

There are three principal ways in which an entity can obtain a copyright. First, the entity may be the actual human being (or beings) who created the work, which is to say, the author or authors. [FN68] Second, title may be obtained by various kinds of transfers from the author. [FN69] Third, the employer of the creator may be treated *357 under the Copyright Act as the author if the relationship with the creator qualifies the work as a work made for hire. [FN70]

There has been a resolution of a conflict in the law regarding works made for hire recently enough that many plaintiffs may be taken by surprise and lose rights to works they thought they owned. [FN71]

The 1976 Copyright Act defines works made for hire as either a work prepared by "an employee within the scope of his or her employment" or specially commissioned works of various kinds if there is an express written agreement making the work one for hire. [FN72] Nevertheless, the Second Circuit decision in *Aldon Accessories Ltd. v. Spiegel, Inc.* [FN73] broadly defined the term "employee" in the first alternate definition as any person whose work the employer had the right or power to *358 direct. [FN74] A split in the circuits developed, which was resolved by the Supreme Court in the *Community for Creative Non-Violence* case.

In *Community for Creative Non-Violence v. Reid*, [FN75] the Supreme Court rejected the expansive interpretation of "work made for hire". While not confining that definition strictly to ordinary salaried employees, the court made it clear that ordinary independent contractor relationships were not included. [FN76] This decision gives a special weapon to the defendant with enough knowledge of the creation of the work to argue either that actual author was not an "employee" of the plaintiff or, more rarely, that the creation was not within the scope of the employee's employment.

The defendant will usually be familiar with the relationship between the actual author and the putative owner only in cases where the defendant knows or is the actual author. This should justify *359 defendants in focusing on this issue in discovery as well as by motion.

4. Fair Use

The defense of "fair use" applies in both copyright and trademark cases. [FN77] Although fact-sensitive, fair use determinations may be a matter of documentary evidence appropriate for summary determination.

Fair use in copyright cases, although the subject of a statutory section, is not well defined. Section 107 of the Copyright Act sets forth the following factors to be considered in a fair use determination: (1) the purpose and character of the use (principally, commercial versus noncommercial use); [FN78] (2) the nature of the copyrighted work; (3) the proportion of the copyrighted work infringed; and (4) the effect of the infringement upon the market for the copyrighted work. However, the

court may elect to consider other factors. [FN79] The section offers as *360 examples of possible fair uses, "criticism, comment, news reporting, teaching, scholarship, or research."

From the defendant's point of view, a fair use defense may be indicated if the portion of the work taken is relatively small and the use does not compete in the markets for the copyrighted work [FN80] (although, from plaintiff's point of view, the owner's right to license his copyright for unrelated uses may answer this argument).

While parody or satire may be a fair use, it forfeits its status as such if it takes more of the copyrighted work than is necessary to evoke the parodied original. [FN81] Satiric pornographic uses, *361 however, have generally received short shrift. [FN82]

One recent development may be of use to plaintiffs whose works were unpublished when the alleged fair use was made. The Supreme Court, in *Harper & Row, Pub. Inc. v. Nation Enters.*, [FN83] distinguished sharply between fair use of published works and fair use of unpublished works. In that case the subject work was former President Ford's memoirs. The Supreme Court reacted strongly to *The Nation's* scooping release of the book by publishing excerpts in its magazine. The Court upheld the copyright owner's right to expose the new work to the world. [FN84] After this decision, it may be *362 assumed that there is very little use of unpublished works that can constitute "fair use". [FN85]

"Fair use" in the trademark context may be summed up by saying that fair use is non-trademark use. The statutory embodiment of the trademark fair use doctrine is found in § 1115(b)(4), which provides in substance that the use of a descriptive name or picture to describe defendant's goods and services, to identify an individual associated with the business, or the geographic origin of the goods or services "fairly and in good faith" is an exception to the trademark owner's right to exclusive use of the mark.

The protection of non-trademark use of descriptive terms may be limited to uses that do not cause a likelihood of confusion. [FN86] If so, fair trademark use may have no independent life except *363 as a negation of one of the elements of infringement, namely, likelihood of confusion. What can be safely said is that descriptive uses of words, names and place names should receive special consideration and not automatically condemned as infringing. By a similar rationale is truthful comparative advertising justified - the competitor's mark is used to identify (describe) the competitor's product. [FN87]

Both the copyright and trademark fair use doctrines raise the technical procedural question: are they affirmative defenses? The easy answer, in light of the right to plead inconsistently in federal court, is to both deny infringement and, additionally, to plead fair use as an affirmative defense. However, pleadings are advocative documents and defendant's counsel may not wish to admit, even hypothetically, that there was copying to the extent of fair use.

It is possible, however, that the defense will be lost if not pleaded. The reason is that fair use does not necessarily constitute a species of non-infringing use (as noted above in the trademark context), but rather represents a defense if the use reaches the level of infringement. Defendants *364 have been held entitled to the defense of fair use even in cases where ownership of the copyright and substantial copying were established. [FN88]

This treatment of both copyright and trademark fair use, combined with cases giving defendant the burden of proof of fair use, [FN89] seems to make fair use classifiable as an affirmative defense that must be pleaded.

5. Federal Preemption Under the Copyright Act

One additional defense available to copyright infringement defendants is the preemption of similar state law claims by the Copyright Act. [FN90]

Copyright preemption is not a jurisdictional rule requiring the prosecution of copyright or copyright-like claims in federal court rather than state court. It is a doctrine of substantive law invalidating any claims or causes of action under state law "that are equivalent to any of the exclusive rights within the general scope of *365 copyright". [FN91] Preempted state law claims, whether pleaded in federal or state court, will be dismissed. [FN92]

Generally speaking, the Copyright Act is construed to preempt state law causes of action prohibiting copying or distribution of copies of any matter that might be copyrightable, even if a copyright is not available because the particular work is

unoriginal, utilitarian, or the subject of an expired copyright, or for other reasons unrelated to the nature of the work as a work of authorship. A paradigm of a preempted cause of action is the ill-defined tort of "misappropriation." To the extent that a misappropriation claim is merely a claim that someone has "reaped where he has not sown" by copying and distributing copies of another's work, the claim will be held preempted. [FN93] Claims framed *366 in conversion, interference with contractual relations, or other wrongs relating to use of objects containing copyrightable authorship will also be also dismissed when all material elements of the claim are also found in a copyright claim. [FN94] Conversely, the presence of additional material elements tends to avoid pre-emption. Claims for unfair competition, for example, are not preempted to the extent that they allege acts creating a likelihood of confusion as to the source, origin or sponsorship of a service or product. [FN95]

*367 I would note that rights or remedies under § 43(a) of the Lanham Act (as with all other federal claims) are expressly exempted from copyright preemption. [FN96] The rule preserving federal claims is particularly significant in the context of § 43(a) of the Lanham Act, because that section is now liberally interpreted to federalize common law trademark infringement and unfair competition claims. By transmuted such claims into federal claims under § 43(a), they are thereby exempted from preemption.

V. DISCOVERY

I would like to focus on a few discovery matters that deserve highlighting. I assume familiarity with the general principles and purposes of discovery.

For defendants, the most important use of discovery is to attack plaintiff's ownership of the rights claimed. This attack proceeds on basically two fronts: (1) do the rights exist? and (2) if they exist, is plaintiff the proper party to invoke them? This is information that defendants will *368 generally lack, unless they have had a preexisting relationship with the plaintiff.

In discovery, defendant has the opportunity to explore the relationship between the plaintiff and the author of the work or previous owner of the work or mark. [FN97] Frequently, the chain of ownership is lengthy, and each link of the chain may be tested. [FN98]

Ownership, of course, determines standing to sue, although complete ownership is not necessary. While standing rules are more liberal than before, under the 1976 Copyright Act plaintiff must still own some exclusive right under copyright before having standing to sue; a mere nonexclusive license will not suffice. [FN99]

*369 For trademarks, the principal targets in the ownership area are transfers or licenses to the plaintiff. As noted elsewhere, a faulty transfer or license without the accompanying goodwill of the business may be ineffective or may create an abandonment. A license may also reserve to the licensor the right and power to police the trademark, thereby excluding plaintiff. [FN100]

Regarding the existence of rights, discovery may help defendant show loss of copyright through publication without notice. Existing copies of a work lacking a copyright notice are a cue to explore whether such copies were authorized by the purported owner and how such copies were distributed.

For plaintiffs, discovery offers the opportunity to explore the extent of defendant's *370 infringements. Often, plaintiffs will have purchased one infringing article from defendant, but not know the whole scope of defendant's infringing activities. Discovery may also lead to evidence that defendant has infringed other copyrights or trademarks owned by plaintiff. On the other hand, defendant may discover that plaintiff copied its supposedly "original" work, thereby defeating the copyright.

Conversely, defendants and plaintiffs both should explore any actual confusion caused by defendant's use of its trademark. In determining the likelihood of confusion, it is a common tendency for courts weigh heavily the presence or absence of actual confusion, despite the fact that actual confusion is not the standard for liability. [FN101] However, courts tend to infer that there is no likelihood of confusion if actual confusion has not been demonstrated after some period of use of the trademark by the defendant. [FN102] *371 Defendants do well to bear this in mind, both in discovery, by seeking the admission that plaintiff is not aware of any actual confusion, and in the presentation of the merits. Plaintiffs, on the other hand, may discover instances of confusion by looking into the public response received by defendant to defendant's products or services.

For both parties, it is usually a valuable pressure point to seek discovery of the adversary's financial records. The relevance of such financial records is generally determined by plaintiff's demand for relief. If plaintiff claims that its sales were reduced by defendant's infringement, plaintiff opens the door to discovery of its cost structure for the purpose of determining the extent of its lost profits. On the other hand, if plaintiff seeks to recover defendant's profits, plaintiff will be entitled to find out what costs there are for defendant to deduct from gross sales to arrive at an appropriate profit figure. [FN103] These considerations may lead plaintiffs to forgo claims of damages (as opposed to defendant's profits or, in copyright law, defendant's profits and statutory damages), especially where it is *372 difficult or impossible to prove that defendant's competition cost plaintiff any sales.

The defendant (or plaintiff) confronted with demands for discovery of financial records can attempt to avoid disclosure by seeking bifurcation of discovery between liability and damages. [FN104] Somewhat less complete protection may be obtained through a confidentiality order. [FN105]

VI. TRIAL, JUDGMENT AND REMEDIES

Before getting into specific topics, it should be noted that the same remedies are now available for infringement of both registered and unregistered trademarks under the Lanham Act. [FN106]

1. Offer of Judgment

A useful tactic for defendants can be filing an offer of judgment under Federal Rule of Civil Procedure 68. [FN107] The effect of the filing of such *373 an offer is to shift to plaintiff the burden of costs incurred after the filing if (1) the plaintiff does not accept the judgment proffered, and (2) the judgment later obtained by plaintiff is no more favorable than the judgment offered. [FN108]

While the costs sanction is normally small, it takes on an entirely different dimension when attorneys' fees are included in the costs, as they often are in copyright cases and more rarely in trademark cases. For a plaintiff expecting to recover counsel fees, the cost/benefit calculus of the case can be completely changed by an offer of judgment that threatens to shift back the burden of counsel fees. [FN109] Naturally, the earlier the offer of judgment is made, the more the plaintiff has to worry about if it refuses the offer.

Note that plaintiff's reasonable counsel fees to date of the offer must be covered by the offer, which may make the correct amount difficult to gauge.

*374 2. Expert Testimony

Apart from the usual expert testimony to establish damages through analysis of projected profits and costs, there are varieties of expert testimony that are peculiar to copyright and trademark infringement cases.

On the trademark side, it is common to use survey evidence to attempt to establish either secondary meaning for the trademark or a likelihood of confusion caused by defendant.

Secondary meaning is an abstract phenomenon not readily susceptible of direct proof, since it characterizes the state of mind of persons in the market for plaintiff's goods or services. Courts typically rely on circumstantial evidence to determine whether plaintiff's alleged trademark has come to signify a source, origin or sponsor of goods or services, such as proof regarding plaintiff's presence in the market. Thus, sales and advertising figures are held to be probative of the existence of secondary meaning. [FN110]

Survey evidence is an attempt to directly establish secondary meaning (or likelihood of confusion) by questioning the relevant group of !CMPLI 375 cents *375 mpeople about their familiarity with and understanding of the meaning of plaintiff's mark.

Courts have a love-hate relationship with surveys. While some courts have remarked on the absence of a secondary meaning survey in criticizing plaintiff's case, [FN111] few surveys are accepted at face value. Courts are zealous in examining the

questions used in the survey to assure that they are not leading. [FN112]

While the survey must be geared to elicit information probative of secondary meaning or likelihood of confusion, and even though counsel will be familiar with the kinds of survey questions that courts have rejected, it is dangerous for counsel to draft the questions. [FN113] Much better practice is to explain the objectives of the survey to a professional surveyor or market researcher*376 (many of whom will have performed trademark infringement surveys previously) and then to review the questions drafted by the surveyor to minimize the likelihood that they will be rejected by the court.

In the copyright area, expert testimony is used most commonly as part of plaintiff's case to establish copying or substantial similarity. This issue only arises where defendant has not literally copied plaintiff's work in its entirety, as where defendant has taken, for example, a theme or group of notes from plaintiff's musical composition, or borrowed some part of the structure, system or function of plaintiff's computer program (without copying the computer code itself).

Historically, the so-called ordinary observer test has been applied in determining whether substantial copying had occurred, and expert testimony was deemed irrelevant. More recently, beginning at least with the music infringement case of *Arnstein v. Porter*, [FN114] courts have accepted expert testimony where, because of the nature of the work, it difficult for a layperson to determine whether copying has occurred. This applies with *377 some force in the area of music and with much greater force in the area of computer programming.

Evidence of substantial similarity is typically divided into two categories -- "extrinsic" and "intrinsic" evidence. [FN115] These tests may be roughly characterized as an "objective" and a "subjective" test. Ordinarily, expert testimony will be received to help the court evaluate the extrinsic or objective evidence of copying or substantial similarity. A computer expert, for example, may be able to compare two computer programs and explain that although none of the actual computer instructions are identical, defendant's program amounts to a translation of plaintiff's program into a new language, or that the subroutines and other parts of defendant's program are interconnected so similarly that defendant's must have been actually copied from plaintiff's. [FN116]

Until recently, the intrinsic or subjective aspect of the copying test, namely, whether copying *378 that has occurred is "substantial", has been reserved to the ordinary lay observer (in most cases the judge). However, because of the relative impenetrability of computer code to the ordinary lay observer, computer experts have been allowed to offer their opinion as to whether substantial copying [FN117] has occurred.

3. Presumptions - Deliberate Imitation of Trademark

An important aid to plaintiffs in proving secondary meaning and likelihood of confusion is the doctrine that deliberate imitation of the trademark by defendant raises a presumption that the trademark does have secondary meaning and that its use will result in confusion. [FN118] This presumption is based on the common sense equitable argument that if the trademark did not have *379 goodwill attached to it as a trademark, the infringer would not have copied it. Courts go on to reason that an infringer who manifestly intended to trade on plaintiff's goodwill and thereby confuse the public will be presumed to have succeeded, thereby providing proof of likelihood of confusion as well. [FN119]

4. Injunctions

Most copyright or trademark infringement cases turn on injunctive relief. One major issue has been the scope of the injunction, in terms of what activities are prohibited. Ordinarily, upon a finding of liability, injunctive relief is granted, at least as to the works proven to be infringed. But in cases where the copyright owner owns a catalog of copyrights, it will seek injunctive relief protecting all of them. As noted above in connection with preliminary relief, courts will be sympathetic to this argument, particularly where the infringement has been shown to be willful, as where cease-and-desist letters have been ignored. The counter-argument is that such an injunction amounts to giving the copyright owner the remedy of contempt to protect copyrights whose ownership have *380 not been tested in courts. In my experience, the defendant emphasizes arguments designed to avoid liability entirely and this point can go largely by default to plaintiff.

On the trademark side, injunctive relief may be limited to certain uses of the trademark and may be further limited by equities defendant has in the mark. As pointed out above, even if the trademark owner is the senior user of the mark, its acquiescence in permitting defendant to use the mark and develop public goodwill may limit the available relief.

These limiting principles for trademark injunctive relief apply more strongly where the owner of the mark, even if it owns a federal registration, is not the senior user. It is common for a trademark to be registered, only for the registrant to discover that a defendant can prove earlier use than the registrant. Where the mark has been registered for more than five years, and has become "incontestable," [FN120] senior use by defendant cannot divest the trademark owner of its rights or registration. [FN121] However, the defendant *381 will continue to be entitled to use the mark. Like the junior user who has been tolerated, he will be allowed to continue to use the mark subject to territorial and product line limitations. [FN122]

5. Damages

For both copyright and trademark infringement, ordinary measures of damages are available. To the extent that the rights owner has suffered damage in its business, such as lost sales, it can recover its actual damages. Recently, the Second Circuit stated in dicta that a copyright owner could also recover, as defendant's profit, enhancement of defendant's goodwill from the marketing of the infringing products at discounted prices. [FN123] However, that same opinion reversed the actual award of damages and remanded to the District Court because the evidence in the record was inadequate to support the particular award. [FN124] This indicates that such damages, while theoretically available, will be difficult to prove.

*382 a. Profits

Apart from actual damages, the rights owner may also be entitled to recover the profits made by the infringer through the use of the infringed property (without duplication). [FN125] Defendants should be aware, however, that this does not always mean 100% of the profits.

It is well settled that the rights owner may only recover that share of the infringer's profits attributable to use of the infringed work. [FN126] In *383 the case of pirated video cassettes, for example, the recovery may indeed be 100% of the profits. However, if the infringed material constitutes less than 100% of the goods or services sold by the infringer, there is an opportunity for defendants to prove that, in the case of a trademark, the sales were not entirely attributable to the trademark, or, in the case of a copyright, that the value of the infringing work was not entirely attributable to the infringement.

A recent example is *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.* [FN127] In that case, a Las Vegas casino produced a revue consisting of excerpts from several famous Broadway shows, including "Kismet". After finding liability, the District Court awarded \$22,000 out of net profits of approximately \$2,500,000. The Ninth Circuit upheld the District Court's conclusion that plaintiffs failed to prove actual damages but vacated the award of \$22,000 in apportioned profits as "grossly inadequate". On remand, the District Court calculated that plaintiffs' work appeared in approximately ten minutes of a musical revue, and therefore, based the calculation on 10% of defendants' net profits. The District Court then *384 determined that 75% of that 10% was due to defendant's production talent, rather than plaintiff's underlying work.

On appeal, the Ninth Circuit noted that the District Court correctly considered the relative quality and drawing power of the show's various component parts, as well as probing into the parties' relative contributions. However, the Court stated that apportioning 75% to the defendants "grossly undervalues the importance of the plaintiffs' contributions", stating "Act IV was essentially Kismet, with contributions by the defendants; it was not essentially a new work incidentally plagiarizing elements of Kismet". [FN128] Accordingly, the Ninth Circuit reapportioned the profits from Act IV, awarding 75% to the plaintiff.

Damages can be increased for both trademark and copyright infringement if the infringement is willful. In the case of trademark infringement, the damages can be trebled, and attorneys' fees awarded in exceptional cases. [FN129] In copyright cases, only "statutory" damages are subject to *385 increase for willful violation although attorneys fees are more likely to be awarded in such a case. [FN130]

b. Statutory Damages

Unique to the Copyright Act is the variety of money damages called "statutory" damages. Codified in § 504(c), statutory damages are damages that may be awarded in lieu of (and in the absence of) proof of any actual damages or profits. Statutory damages are generally available only for infringements occurring after registration. [FN131] Statutory damages are generally resorted to when the infringement did not reduce plaintiff's income, when defendant did not make a substantial profit on the infringement (as where plaintiff can only prove the sale of a few inexpensive infringing copies) or when the infringement is

demonstrably willful, allowing an increased higher statutory award.

The amount of statutory damages lies in the discretion of the court [FN132] to be exercised within the range provided in the Copyright Act, which is *386 from \$500 to \$20,000 for each work infringed (regardless of the number of infringements by the same defendant). In the case of willful infringement, the ceiling on the award of statutory damages is increased to \$100,000. [FN133]

Courts may be influenced by defendant's prior brushes with the law in assessing the amount of willful damages. It may fairly be said that increased statutory damages for willful infringement should be subject to principles governing punitive damages, since no punitive damages other than statutory damages may be awarded for copyright infringement. [FN134]

It is plaintiff's option to select statutory damages rather than proving its damages or defendant's profits. This election need not be made early in the case. It has been held that plaintiff may wait until after the trial (but before judgment is entered) to advise the court of its election. [FN135]

*387 6. Attorneys Fees

The availability of attorneys fees in copyright cases, and, to a lesser degree, in trademark cases, together with the ready availability of injunctive relief and, in copyright cases, statutory damages, [FN136] set these cases apart from most other cases in terms of remedies.

Attorneys fees are routinely awarded to prevailing plaintiffs in copyright cases. [FN137] The courts usually do not award the successful plaintiff its full attorneys' fees, relying on the statutory rule that fees must be "reasonable." [FN138] Whether this is justifiable is another question, since it seems to amount to a presumption that the attorneys' fees commonly charged and paid are not reasonable.

The fees awarded must be for work done prosecuting the copyright claim and it is *388 plaintiff's burden to prove that the fees were so expended. [FN139] This is a caution to plaintiff's counsel in a case that includes non-copyright claims as well, to attempt to keep detailed records segregating the time spent on the copyright claims from the non-copyright issues.

While the Copyright Act on its face does not distinguish between fee awards to prevailing plaintiffs and prevailing defendants, it is generally held that prevailing defendants recover their fees only in unusual cases. The argument accepted by the courts is that the Copyright Act is designed to provide a remedy to authors and to encourage them to resort to the courts by relieving them of the burden of counsel fees. [FN140] Reading this pro-plaintiff principle into the law, most circuits hold that defendants recover attorneys' fees only where the copyright claim is clearly without merit and not merely in cases where the result happens to favor defendant. [FN141]

In trademark cases, attorneys' fees may be awarded "in exceptional cases" or where *389 "counterfeiting" has occurred. [FN142] Needless to say, this is less frequent than awards of attorneys' fees to copyright infringement plaintiffs.

CONCLUSION

As noted at the outset, this article is not a comprehensive review of all of the issues that may arise in copyright or trademark infringement cases. The issues explored are a selection that, in the author's experience and from published cases, tend to recur in infringement litigations. Nevertheless, although reasonable lawyers can differ over what are the most common and important issues in infringement litigation, we believe that this should provide a useful sampler of issues that are of the greatest concern to plaintiffs and defendants.

[FN1]. I would like to thank Helene Godin of Moses & Singer, who assisted in the preparation of this article. I would also like to thank Stanley Rothenberg and David B. Eizenman of Moses & Singer for their helpful suggestions.

[FN1] See 28 U.S.C. § 1338(a). Note, however, that the few remaining claims of common law copyright infringement do not provide an independent basis for federal jurisdiction. See Simon Flynn, Inc. v. Time Inc., 513 F.2d 832, 834 (2d Cir. 1975).

[FN2] See 17 U.S.C. § 502.

[FN3] See 15 U.S.C. § 1116.

[FN4] See, e.g., Citybank, N.A. v. Citytrust, 756 F.2d 273, 275 (2d Cir. 1985) (denying plaintiff motion for preliminary injunction for alleged trademark infringement where plaintiff waited ten weeks before seeking injunctive relief).

[FN5] See N.A.A.C.P. v. N.A.A.C.P. Legal Defense & Educational Fund, Inc., 753 F.2d 131, 137 (D.C. Cir. 1985), cert. denied, 472 U.S. 1021 (1985) (13-year delay and reasonable reliance by defendant on plaintiff's inaction created bar to permanent injunctive relief for alleged trademark infringement, despite likelihood of confusion); Pucci v. Pucci Corp., 2 U.S.P.Q.2d 1958, 1961 (N.D.Ill. 1987) (15-year delay and detrimental reliance precluded counterclaim for permanent injunctive relief).

[FN6] See Fed. R. Evid. 408 (evidence of settlement negotiations admissible to "negativ[e] a contention of undue delay").

[FN7] See Reyher v. Children's Television Workshop, 533 F.2d 87, 90 (2d Cir.) cert. denied, 429 U.S. 980 (1976) (elements of an action for copyright infringement are ownership of copyright and copying by the defendant).

[FN8] See 17 U.S.C. § 302(a).

[FN9] The Trademark Law Revision Act of 1988, P.L. 100-667, 102 Stat. 3935 (1988) made protection available for a good faith intention to use. See 15 U.S.C. § 1051(b).

[FN10] See 17 U.S.C. § 411(a). There is an exception to the registration requirement for copyrights in Berne Convention works whose country of origin is not the United States. Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2893 (1988).

[FN11] Warner Bros., Inc. v. Gay Toys, Inc., 658 F.2d 76, 78 (2d Cir. 1981).

[FN12] 17 U.S.C. § 410(c).

[FN13] 15 U.S.C. § 1057(b).

[FN14] 15 U.S.C. § 1065.

[FN15] Fed. R. Civ. P. 10(c).

[FN16] See 17 U.S.C. § 201(b) (providing that in the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author of the work).

[FN17] *Id.*

[FN18] See DEP Corp. v. Interstate Cigar Co., Inc., 622 F.2d 621, 623 (2d Cir. 1980). Compare Business Trends Analysts, Inc. v. The Freedonia Group, Inc., 650 F. Supp. 1452, 1457-58 (S.D.N.Y. 1987) (standing of exclusive licensee upheld).

[FN19] 28 U.S.C. § 1400(a).

[FN20] *Id.*

[FN21] See Vallejo v. Webb, Copr. L. Rep. ¶ 25,751 (S.D.N.Y. 1985); Business Trends Analysts, Inc. v. The Freedonia Group, Inc., 650 F. Supp. 1452, 1455-56 (S.D.N.Y. 1987) (copyright, trademark and unfair competition claims).

[FN22] See Business Trends Analysts, supra, 650 F. Supp. at 1456-57; J.T. McCarthy, Trademarks and Unfair Competition (2d Ed.), § 32:22.

[FN23] See 28 U.S.C. 1338(a); 15 U.S.C. § 1121; 28 U.S.C. § § 1331(a). Section 1338(a), expressly extending pendent jurisdiction to unfair competition claims joined with copyright or trademark claims, is largely obsolete because of the broad interpretation now given to section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).

[FN24] See T.B. Harms Co. v. Eliscu, 339 F.2d 823, 328 (2d Cir. 1964), cert. denied, 381 U.S. 915 (1965). There, the court stated:

Mindful of the hazards of formulation in this treacherous area, we think that an action 'arises under' the Copyright Act if and only if the complaint is for a remedy expressly granted by the Act, e.g., a suit for infringement or for the statutory royalties for record reproduction ... or asserts a claim requiring construction of the Act ... or, at the very least and perhaps more doubtfully, presents a case where a distinctive policy of the Act requires that federal principles control the disposition of the claim.

See Silvestar Enters., Inc. v. Aday, 537 F. Supp. 236, 241 (S.D.N.Y. 1982) regarding trademarks.

[FN25] Peregrine v. Lauren Corp., 601 F. Supp. 828, 829-30 (D. Colo. 1985) (dicta). Accord Felix Cinematografica S.r.l. v. Penthouse Int'l, Ltd., 99 F.R.D. 167, 174 (S.D.N.Y. 1983).

[FN26] See W. Patry, Latman's The Copyright Law 276-77 (6th ed. 1986) ("Preliminary injunctions have been most important in copyright cases, as the grant or denial of such relief often effectively ends litigation").

[FN27] See Church of Scientology Int'l. v. Elmira Mission, 794 F.2d 38, 41 (2d Cir. 1986).

[FN28] See Wainwright Securities Inc. v. Wall Street Transcript Corp., 558 F.2d 91, 94 (2d Cir. 1977), cert. denied, 434 U.S. 1014 (1978) (copyright); Rushon v. Vitale, 218 F.2d 434, 436 (2d Cir. 1955) (copyright); Church of Scientology, supra, 794 F.2d at 41-42; (trademark).

[FN29] See Educational Testing Services v. Katzman, 793 F.2d 533, 543- 544 (3d Cir. 1986); Vaughn Mfg. Co. v. Brikam Int'l Inc., 814 F.2d 346, 351 (7th Cir. 1987); Atari, Inc. v. North American Phillips Cosumer Electronics Corp., 672 F.2d 607, 620 (7th Cir. 1982), cert. denied, 459 U.S. 880 (1982); Nat'l Football League v. McBee & Bruno's Inc., 792 F.2d 726, 729-730 (8th Cir. 1986); Apple Computer, Inc. v. Formula Int'l, Inc., 725 F.2d 521, 525 (9th Cir. 1984). But see Plains Cotton Coop. Ass'n. v. Goodpasture Computer Serv. Inc., 807 F.2d 1296, 1261 (5th Cir.), cert. denied, 108 S. Ct 80 (1987).

[FN30] 15 U.S.C. § 1057(b); 17 U.S.C. § 410(c).

[FN31] See supra, notes 4 and 5.

[FN32] See Apple Barrel Productions Inc. v. Beard, 730 F.2d 384, 390 (5th Cir. 1984) ("defendants will literally be locked out of the ... market until the conclusions of the trial on the merits").

[FN33] The Fifth Circuit is such a jurisdiction. See Plains Cotton Coop. Ass'n, supra, note 31; Apple Barrel Productions, supra, note 34 at 389.

[FN34] See Apple Computer, Inc. v. Franklin Computer Corp., 714 F.2d 1240, 1255 (3d Cir. 1983) cert. dis., 464 U.S. 1033 (1984) ("if that were the correct standard then a knowing infringer would be able to construct the business around infringement").

[FN35] See Orth-O-Vision, Inc. v. Home Box Office, 474 F. Supp. 672, 686 (S.D.N.Y. 1979) (granting permanent relief but citing contrary authority).

[FN36] See 17 U.S.C. § 503 (seizure of infringing copies and articles by which such copies are reproduced); 15 U.S.C. § 1116(d)(1)(A) (seizure of "counterfeit" goods and marks and related materials).

[FN37] Copyright seizure Rule 3 provides that the plaintiff must "file with the clerk a bond executed by at least two sureties and approved by the court or a commissioner thereof." Under Rule 4, the bond must be in an amount of not less than twice the reasonable value of the articles seized. 17 U.S.C.A. foll. § 501. The trademark rules in 15 U.S.C. § § 1116(d)(4) and (5)

leave the amount of the bond in the court's discretion, and also provide for damages and attorneys' fees to be awarded for wrongful seizure. § 1116(d)(ii).

[FN38] 877 F.2d 1120, 1128 (2d Cir. 1989).

[FN39] The court awarded then-minimum statutory damages of § 100. Id. at 1126.

[FN40] Federal courts have inherent power to require security for costs, often following local or state rules in doing so. In re Merrill Lynch Relocation Management, Inc., 812 F.2d 1116, 1121 (9th Cir. 1987).

[FN41] 17 U.S.C. § 505.

[FN42] Beverly Hills Design Studio (N.Y.) Inc. v. Morris, 126 F.R.D. 33, 36-37, 38-39 (S.D.N.Y. 1989) (security granted to cover counsel fees incurred in defending both copyright and trademark claims).

[FN43] See P. Goldstein, Copyright, § § 7.4.2, 8.1 (1989) According to Goldstein, defendants are more likely to obtain summary judgment than plaintiffs. § 7.4.2. at 38-39.

[FN44] See, e.g., Twentieth Century-Fox Film Corp. v. MCA, Inc., 715 F.2d 1327, 1330 (9th Cir. 1983) ("A grant of summary judgment is proper where works are so overwhelmingly identical that the possibility of independent creation is precluded.")

[FN45] Pasternak v. Lear Petroleum Exploration, Inc., 790 F.2d 828, 832- 33 (10th Cir. 1986).

[FN46] See 17 U.S.C. § 10 (1909) (superseded) ("Any person entitled thereto by this title may secure copyright for his work by publication thereof with notice of copyright required by this title").

[FN47] See National Comics Pub., Inc. v. Fawcett Pub., Inc., 191 F.2d 594, 598 (2d Cir. 1951).

[FN48] See White v. Kimmell, 193 F.2d 744, 746-747 (9th Cir.), cert. denied, 343 U.S. 957 (1952) ("publication which communicates the contents of a manuscript to a definitely select group and for a limited purpose, and without the right of diffusion, reproduction, distribution or sale is considered a 'limited publication' which does not result in loss of the author's common-law copyright to his manuscript"); Hemingway v. Random House, Inc., 53 Misc.2d 462, 464, 279 N.Y.S.2d 51, 55 (Sup. Ct. N.Y. Co. 1967), aff'd, 285 N.Y.S.2d 568 (1st Dep't 1967), aff'd, 23 N.Y.2d 341, 296 N.Y.S.2d 771, 244 N.E.2d 250 (1968) (distribution of galley proofs for review purposes constituted limited publication).

At the same time, courts have suggested that these limited distributions, if accompanied by a notice, were sufficient to obtain federal statutory copyright. See Hirshorn v. United Artists Corp., 243 F.2d 640, 645 (D.C. Cir. 1957) ("it takes more in the way of publication to invalidate any copyright whether statutory or common law, than to validate it."); American Visuals Corp. v. Holland, 239 F.2d 740, 744 (2d Cir. 1956) ("the courts apply different tests of publication depending on whether plaintiff is claiming protection because he did not publish and hence has a common law claim of infringement -- in which case the distribution must be quite large to constitute publication -- or whether he is claiming it under copyright statute -- in which case the requirements for publication are quite narrow.").

[FN49] See Paramount Pictures Corp. v. Rubinowitz, 217 U.S.P.Q. 48 (E.D.N.Y. 1981). Accord NBC, Inc. v. Sonnenborn, 630 F. Supp. 524, 534-36 (D. Conn. 1985).

[FN50] See, e.g., Public Affairs Associates, Inc. v. Rickover, 284 F.2d 262, 270 (D.C. Cir. 1960), judgment vacated for lack of a sufficient record, 369 U.S. 111 (1962), on remand, 268 F. Supp. 444 (D.D.C. 1967) (general and unsolicited distribution of transcripts of speeches to press and public without notice resulted in dedication of the work to the public).

[FN51] See, e.g., P. Kaufman, Inc. v. Rex Curtain Corp., 203 U.S.P.Q. 859, 860 (S.D.N.Y. 1978) (omission of notice on 27,000 copies distributed to one customer did not result in forfeiture where notices were subsequently affixed to copies).

[FN52] See King v. Burnett, Copr. L. Rep. ¶ 25,489 (D.D.C. 1982) (omission of notice from 300-500 copies out of 1,335 not relatively small number); Beacon Looms, Inc. v. S. Lichtenberg & Co., Inc. 552 F. Supp. 1305, 1313 (S.D.N.Y. 1982)

(mailing of 50,000 labels to distributors with offer to send additional labels "if needed" was not reasonable effort where 900,000 copies lacked notice).

[FN53] Berne Convention Implementation Act, § 7.

[FN54] *Id.* at § 13.

[FN55] The section provides, in relevant part:

Any person who innocently infringes a copyright, in reliance upon an authorized copy or phonorecord from which copyright notice has been omitted, incurs no liability for actual or statutory damages . . . for any infringing acts committed before receiving actual notice that registration for the work has been made . . . if such person proves that he or she was misled by the omission of notice.

But a defendant on actual notice of a claim of copyright is not "misled" by the absence of the statutory notice. M. Kramer Mfg. Co. Inc. v. Andrews, 783 F.2d 421, 446-47 (4th Cir. 1986).

[FN56] § 504(c)(2) reduces the minimum statutory damages award from \$250 to \$100 where "such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright" for infringements occurring before March 1, 1989. For infringements occurring after March 1, 1989, the minimum statutory damages award is increased to \$500, which is reduced to \$200 for innocent infringement. Berne Convention Implementation Act, § 10.

[FN57] Berne Convention Implementation Act, § 7.

[FN58] Whittaker Corp. v. Execuair Corp., 736 F.2d 1341, 1347 (9th Cir. 1984).

[FN59] See 1 J.T. McCarthy, *Trademarks and Unfair Competition* (2d ed.) § 31:14.

[FN60] Tandy Corp. v. Malone & Hyde, Inc., 769 F.2d 362, 367 (6th Cir. 1985), cert. denied, 476 U.S. 1158 (1986); Conan Properties, Inc. v. Conans Pizza, Inc., 752 F.2d 145, 151 (5th Cir. 1985) (laches and acquiescence on part of trademark owner relative to use by restaurant in violation of trademark owner's rights did not result in abandonment nationwide, but only in the area where restaurant was located).

[FN61] See, Conan Properties, supra, 752 F.2d at 151-52 (receipt of cease and desist letters after first infringing use precluded defense of laches and acquiescence as to second use).

[FN62] See Sweetheart Plastics, Inc. v. Detroit Forming, Inc., 743 F.2d 1039, 1046-48 (4th Cir. 1984) (failure to prosecute results in abandonment only where such failure amounts to the mark's losing its significance as an indication of source).

[FN63] Secondary meaning is a phrase used in trademark law, in effect, to denote that a word or picture has become a trademark. While there are trademarks that are inherently distinctive, sometimes referred to as "technical" trademarks, many trademarks are said to be "descriptive" of the products with which they are used. These "descriptive" marks consequently do not primarily indicate a particular source, origin or sponsorship of goods or services. E.g. "Cozy Warm ENERGY-SAVERS" for women's pajamas. 20th Century Wear, Inc. v. Sanmark-Stardust Inc., 747 F.2d 81, 86-90 (2d Cir. 1984), cert. denied, 470 U.S. 1052 (1985). They obtain such a connotation only after being used for a period of time in conjunction with goods or services. The connotation that the mark indicates who is responsible for the goods or services that it accompanies is called "secondary meaning".

[FN64] See, e.g., Limited Drug Co. v. Rectanus Co., 248 U.S. 90, 97-98 (1918).

[FN65] See 15 U.S.C. § 1060 (a registered mark "shall be assignable with the goodwill of the business in which the mark is used").

[FN66] See Haymaker Sports, Inc. v. Turian, 581 F.2d 257, 260-62 (C.C.P.A. 1978); (assignment to attorneys as collateral for fee invalid where attorneys never played an active role in owner's business).

[FN67] See Kinelow Pub. Co. v. Photography In Business, Inc., 270 F. Supp. 851, 855 (S.D.N.Y. 1957) (publisher could not

recover for copyright infringement where author did not give publisher copyright in allegedly infringed work).

[FN68] See 17 U.S.C. § 201(a) ("Copyright in a work protected under this title vests initially in the author or authors of the work. The authors of a joint work are coowners of copyright in the work").

[FN69] See 17 U.S.C. § 201(d)(1) ("The ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law, and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession").

[FN70] See 17 U.S.C. § 201(b) ("In the case of a work made for hire, the employer or other person for whom the work is prepared is considered the author for purposes of this title. . .")

[FN71] See Community for Creative Non-Violence v. Reid, 109 S. Ct. 2166 (1989).

[FN72] See 17 U.S.C. § 101.

[FN73] 738 F.2d 548, 553 (2d Cir.), cert. denied, 469 U.S. 982 (1984).

[FN74] Compare Easter Seal Society for Crippled Children and Adults of Louisiana, Inc. v. Playboy Enters., 815 F.2d 323, 334-35 (5th Cir. 1987), cert. denied, 485 U.S. 981 (1988) (work for hire only if the seller is an employee within the meanings of agency law or the buyer or seller comply with the requirements of § 101(2)).

[FN75] 109 S. Ct. 2166 (1988).

[FN76] 109 S. Ct. at 2174.

[FN77] See 17 U.S.C. § 107 (copyright); 15 U.S.C. § 1115(b)(4) (trademark).

[FN78] See Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 448 (1984) (commercial use "presumptively" unfair).

[FN79] See Brewer v. Hustler Magazine, Inc., 749 F.2d 527, 529 (9th Cir. 1984) ("[S]ection 107 sets forth four nonexclusive factors"); D.C. Comics Inc. v. Unlimited Monkey Business, Inc., 598 F. Supp. 110, 119, n.2 (N.D. Ga. 1984) ("Section 107 does not limit a court to consideration of only the four factors enumerated in the statute").

[FN80] See Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc., 626 F.2d 1171 (5th Cir. 1980) (reprinting cover of TV Guide Magazine in comparative advertising purposes held fair use, whereas copying of "the essence" of the magazine, i.e., the television schedules and articles, might not have been so regarded).

[FN81] See Warner Bros. Inc. v. American Broadcasting Companies, Inc., 654 F.2d 204, 211 (2d Cir. 1981) (questioning whether the fair use defense could be used to shield a parody that is substantially similar to and in competition with the copyrighted work); Berlin v. E.C. Pub., Inc., 329 F.2d 541, 545 (2d Cir. 1964), cert. denied, 379 U.S. 822 (1964) (finding of infringement would be improper where parody has neither intent nor effect of fulfilling demand for original and parodist does not appropriate greater amount of original than necessary to "recall or conjure up" object of his satire).

[FN82] See Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd., 604 F.2d 200 (2d Cir. 1979); Walt Disney Prod. v. Air Pirates, 581 F.2d 751 (9th Cir. 1978), cert. denied, 439 U.S. 1132 (1979); Pillsbury Co. v. Milky Way Products, Inc., 215 U.S.P.Q. 124 (N.D. Ga. 1981).

[FN83] 471 U.S. 539 (1985).

[FN84] Id. at 569.

[FN85] See Salinger v. Random House, Inc., 811 F.2d 90, 99-100 (2d Cir.), cert. denied, 484 U.S. 890 (1987) (biographer's copying of portions of author's copyrighted, unpublished letters not protected by fair use defense); New Era Pub. Int'l ApS v.

Henry Holt and Co., 873 F.2d 576, 583 (2d Cir. 1989).

[FN86] See also, 1 J.T. McCarthy, *Trademarks and Unfair Competition* (2d Ed.), § 11:17; Lindy Pen Co., Inc. v. Bic Pen Corp., 725 F.2d 1240, 1248 (9th Cir. 1984), cert. denied, 469 U.S. 1188 (1985). But see Soweco, Inc. v. Shell Oil Co., 617 F.2d 1178, 1189 n. 30 (5th Cir. 1980), cert. denied, 450 U.S. 981 (1981) (dictum).

[FN87] See Saxony Products, Inc. v. Guerlain, Inc., 513 F.2d 716, 722 n. 17 (9th Cir. 1975).

[FN88] See Maxtone-Graham v. Burtchael, 803 F.2d 1253, 1263 (2d Cir. 1986), cert. denied, 481 U.S. 1059 (1987), commenting that even wholesale copying may be fair use.

[FN89] See Salton Inc. v. Cornwall Corp., 477 F. Supp. 975 (D.N.J. 1979) (trademark); Dow Jones & Co., Inc., v. Bd. of Trade of the City of Chicago, 546 F. Supp. 113, 121 (S.D.N.Y. 1982) (copyright).

[FN90] See 17 U.S.C. § 301.

[FN91] *Id.*

[FN92] See, e.g., Durham Indus., Inc. v. Tomy Corp., 630 F.2d 905, 918, 919 (2d Cir. 1980) (dismissing unfair competition claims based on copying of uncopyrightable product).

[FN93] See, e.g., Mayer v. Josiah Wedgwood & Sons, Ltd., 601 F. Supp. 1523, 1533-36 (S.D.N.Y. 1985) (plaintiff's claim for misappropriation of her time, talent and effort by reproduction of plaintiff's snowflake design held preempted); Harper & Row, Pub., Inc. v. Nation Enters., 501 F. Supp. 848, 851 (S.D.N.Y. 1980), *aff'd* on this ground, 723 F.2d 195, 199-201 (2d Cir. 1983), *rev'd* on other grounds, 471 U.S. 539 (1985) (preempting publisher's claim for conversion and tortious interference with contract arising out of unauthorized publication of copyrighted article; publisher sought to vindicate rights equivalent to rights protected under copyright laws, i.e., right to reproduce and distribute copyrightable work).

[FN94] Walker v. Time Life Films, Inc., 784 F.2d 44, 53 (2d Cir. 1986), cert. denied, 476 U.S. 1159 (1986) (author's cause of action for unfair competition against makers of film preempted to extent it sought protection against copying of book).

[FN95] See, e.g., Ronald Litoff, Ltd. v. American Express Co., 621 F. Supp. 981, 985-86 (S.D.N.Y. 1985) ("Although some claims for unfair competition are preempted, the 'passing off' variety asserts claims qualitatively different than those protected by copyright"); Meyers v. Waverly Fabrics, 65 N.Y.2d 75, 78, 489 N.Y.S.2d 891, 893, 475 N.E.2d 236 (1985) (false labeling claim not preempted).

[FN96] 17 U.S.C. § 301(d).

[FN97] For example, a defendant can rebut an author's title with evidence that the putative author was an employee who had made the work for hire or an employer whose employee had not made the work for hire. E.g., Rand McNally & Co. v. Fleet Management Sys., Inc., 591 F. Supp. 726, 737 (N.D. Ill. 1983) (presumption of ownership in charts established by copyright registration not rebutted by contention that charts were work made for hire because insufficient proof that charts were prepared for another).

[FN98] See Van Cleef & Arpels, Inc. v. Schecter, 308 F. Supp. 674, 677 (S.D.N.Y. 1969) (evidence in suit for infringement of copyrights in jewelled clip did not support plaintiff's contention that it was the assignee of the copyright in the clip).

[FN99] See 17 U.S.C. § 501(b), providing that "[t]he legal or beneficial owner of an exclusive right under copyright is entitled, subject to the requirements of section 411 [registration of a claim to copyright], to institute an action for any infringement of that particular right committed while he or she is the owner of it."

[FN100] Compare G.H. Mumm Champagne v. Eastern Wine Corp., 142 F.2d 499, 502 (2d Cir. 1944), cert. denied, 323 U.S. 715 (1944) (exclusive regional licensee had standing) with DEP Corp. v. Interstate Cigar Co., Inc., 622 F.2d 621, 622-24 (2d Cir. 1980) (exclusive license restricted standing to licensor).

[FN101] It is, however, generally a prerequisite to the recovery of damages. Getty Petroleum Corp. v. Island Transp. Corp., 878 F.2d 650, 655 (2d Cir. 1989).

[FN102] See Oreck Corp. v. U.S. Floor Systems, Inc., 803 F.2d 166, 173 (5th Cir. 1986), cert. denied, 481 U.S. 1069 (1987); Amstar Corp. v. Domino's Pizza, Inc., 615 F.2d 252, 263 (5th Cir. 1980), cert. denied, 449 U.S. 899 (1980).

[FN103] See 17 U.S.C. § 504(a) and (b); 15 U.S.C. § 1117(a).

[FN104] E.g., Giro Sport Design Inc. v. Pro-Tec Inc., 10 U.S.P.Q. 2d 1863, 1864-65 (N.D. Calif. 1989).

[FN105] E.g., McCarthy v. Barnett Bank of Polk County, 876 F.2d 89, 90-91 (11th Cir. 1989).

[FN106] WSM, Inc. v. Wheeler Media Services, Inc., 810 F.2d 113, 116 (6th Cir. 1987); Rickard v. Auto Publisher, Inc., 735 F.2d 450, 457-58 (11th Cir. 1984).

[FN107] This procedure is available to a plaintiff defending against a counterclaim, as well as a defendant. 12 Wright and Miller, Federal Practice and Procedure, § 3001 n.7 (1973).

[FN108] Quintel Corp., N.V. v. Citibank, N.A., 606 F. Supp. 898, 915 (S.D.N.Y. 1985).

[FN109] See Marek v. Chesny, 473 U.S. 1, 9 (1985) (the term "cost" refers to all costs properly awardable under the relevant substantive statute or other authority). Section 505 of the Copyright Act states that reasonable attorneys' fees are part of costs.

[FN110] RJR Foods, Inc. v. White Rock Corp., 603 F.2d 1058, 1060 (2d Cir. 1979).

[FN111] See Mattel, Inc. v. Azrak-Hamway Int'l, Inc., 724 F.2d 357, 361 (2d Cir. 1983).

[FN112] See Universal City Studios, Inc. v. Nintendo Co., 746 F.2d 112, 118 (2d Cir. 1984); American Footwear Corp. v. General Footwear Co. Ltd., 609 F.2d 655, 660 n.4 (2d Cir. 1979), cert. denied, 445 U.S. 951 (1980).

[FN113] See American Home Products Corp. v. Barr Laboratories, Inc., 656 F. Supp. 1058, 1062, 1070 (D.N.J. 1987), aff'd, 834 F.2d 368 (3d Cir. 1987) and criticism in 2 J.T. McCarthy, Trademarks and Unfair Competition (2d Ed.), § 32:50 at 777-78.

[FN114] 154 F.2d 464, 468, 473 (2d Cir. 1946), cert. denied, 330 U.S. 851 (1947).

[FN115] See Sid & Marty Krofft Television Prods. v. McDonald's Corp., 562 F.2d 1157, 1164-66 (9th Cir. 1977).

[FN116] See Whelan Assoc., Inc. v. Jaslow Dental Laboratory, Inc., 797 F.2d 1222, 1242-46 (3d Cir. 1986), cert. denied, 479 U.S. 1031 (1987).

[FN117] Id. at 1232-33. An alternative formulation of the substantial similarity test, whether defendant has taken the "total concept and feel" of plaintiff's work, has become popular since its announcement by the Ninth Circuit in Roth Greeting Cards v. United Card Co., 429 F.2d 1106, 1109 (9th Cir. 1970). The "total concept and feel" test, also called the "look and feel" test, is undergoing vigorous development in the computer program area.

[FN118] Centaur Communications, Ltd. v. A/S/M Communications, Inc., 830 F.2d 1217, 1227-28 (2d Cir. 1987); Harlequin Ent. Ltd. v. Gulf & Western Corp., 644 F.2d 946, 949 (2d Cir. 1981).

[FN119] Boston Athletic Ass'n v. Sullivan, 867 F.2d 22, 34-35 (1st Cir. 1989).

[FN120] 15 U.S.C. § 1065.

[FN121] 15 U.S.C. § 1115(b).

[FN122] See National Footwear Ltd. v. Hart, Schaffner & Marx, 760 F.2d 1383, 1397 (3d Cir. 1985), cert. denied, 474 U.S. 920 (1985).

[FN123] Business Trends Analysts, Inc. v. The Freedonia Group, Inc., 887 F.2d 399, 404 (2d Cir. 1989).

[FN124] Id.

[FN125] See 17 U.S.C. § 504(a) (infringer liable for either copyright owner's actual damages and any additional profits of the infringer or statutory damages); 15 U.S.C. § 1117 (plaintiff entitled "subject to the principles of equity", to recover (1) defendant's profits, (2) any damages sustained by plaintiff and (3) the costs of the action). However, the "subject to the principles of equity" language of the Trademark Act has been interpreted to require a finding of bad faith or willfulness on the infringer's part before an accounting will be allowed. See Champion Spark Plug Co. v. Sanders, 331 U.S. 125, 131 (1947) (injunction alone would "satisfy the equities" where infringer not guilty of "fraud or passing off").

[FN126] Under the Copyright Act, the plaintiff is required to present proof only of the infringer's gross revenue. The infringer is then required to prove deductible expenses and elements of profit attributable to factors other than copyrighted work. 17 U.S.C. § 504(b). Similarly, under the Trademark Act, the plaintiff is required to prove defendant's sales only; defendant must prove all elements of costs or deductions claimed. 15 U.S.C. § 1117(a).

[FN127] 886 F.2d 1545 (9th Cir. 1989).

[FN128] 886 F.2d at 1549-50.

[FN129] 15 U.S.C. § 1117(a); M.A. Friend & Co. v. Friend & Co., 270 F. Supp. 707, 717-18 (C.D. Ca. 1967), aff'd, 416 F.2d 526 (9th Cir. 1969), cert. denied, 397 U.S. 914 (1970).

[FN130] 17 U.S.C. § 504(c).

[FN131] 17 U.S.C. § 412. Note the three-month grace period after publication of the work.

[FN132] Sid & Marty Krofft Television Prod. Inc. v. McDonald's Corp., 562 F.2d 1157, 1177-78 (9th Cir. 1977).

[FN133] 17 U.S.C. § 504(c).

[FN134] Oboler v. Goldin, 714 F.2d 211, 213 (2d Cir. 1983); Kamakazi Corp. v. Robbins Music Corp., 534 F. Supp. 69, 78 (S.D.N.Y. 1982).

[FN135] United Feature Syndicate, Inc. v. Sunrise Mold Co. Inc., 569 F. Supp. 1475, 1480 (S.D. Fla. 1975); Kamakazi, supra, 534 F. Supp. at 74.

[FN136] As with statutory damages, attorneys' fees are generally available only for infringements post-dating registration. 17 U.S.C. § 412.

[FN137] McCulloch v. Albert E. Price, Inc., 823 F.2d 316, 322-23 (9th Cir. 1987); Micromanipulator Co., Inc. v. Bough, 779 F.2d 255, 259 (5th Cir. 1985).

[FN138] 17 U.S.C. § 505; Silverman v. CBS, Inc., 675 F. Supp. 870, 871 (S.D.N.Y. 1988), aff'd, 870 F.2d 40 (2d Cir.) cert. denied, 109 S. Ct. (1989); 3 Nimmer on Copyright § 14.10[c].

[FN139] Silverman, supra, 675 F. Supp. at 871.

[FN140] See Diamond v. Am-Law Pub. Corp., 745 F.2d 142, 148 (2d Cir. 1984).

[FN141] Id.; McCulloch, supra, 823 F.2d at 322-23.

[FN142] 15 U.S.C. § 1117(a) and (b).

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