

COPYRIGHT LAW REVISION

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STUDIES

PREPARED FOR THE  
SUBCOMMITTEE ON  
PATENTS, TRADEMARKS, AND COPYRIGHTS

OF THE  
COMMITTEE ON THE JUDICIARY  
UNITED STATES SENATE  
EIGHTY-SIXTH CONGRESS, SECOND SESSION

PURSUANT TO  
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STUDIES 22-25

23. The Operation of the Damage Provisions of the  
Copyright Law: An Exploratory Study



Printed for the use of the Committee on the Judiciary

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## FOREWORD

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This committee print is the eighth of a series of such prints of studies on Copyright Law Revision published by the Committee on the Judiciary Subcommittee on Patents, Trademarks, and Copyrights. The studies have been prepared under the supervision of the Copyright Office of the Library of Congress with a view to considering a general revision of the copyright law (title 17, United States Code).

Provisions of the present copyright law are essentially the same as those of the statute enacted in 1909, though that statute was codified in 1947 and has been amended in a number of relatively minor respects. In the half century since 1909 far-reaching changes have occurred in the techniques and methods of reproducing and disseminating the various categories of literary, musical, dramatic, artistic, and other works that are subject to copyright; new uses of these productions and new methods for their dissemination have grown up; and industries that produce or utilize such works have undergone great changes. For some time there has been widespread sentiment that the present copyright law should be reexamined comprehensively with a view to its general revision in the light of present-day conditions.

Beginning in 1955, the Copyright Office of the Library of Congress, pursuant to appropriations by Congress for that purpose, has been conducting a program of studies of the copyright law and practices. The subcommittee believes that these studies will be a valuable contribution to the literature on copyright law and practice, that they will be useful in considering problems involved in proposals to revise the copyright law, and that their publication and distribution will serve the public interest.

The present committee print contains four studies: No. 22, "The Damage Provisions of the Copyright Law" by William S. Strauss, Attorney-Adviser of the Copyright Office; No. 23, "The Operation of the Damage Provisions of the Copyright Law: An Exploratory Study" by Prof. Ralph S. Brown, Jr., of the Yale Law School; No. 24, "Remedies Other Than Damages for Copyright Infringement" by William S. Strauss; and No. 25, "Liability of Innocent Infringers of Copyrights" by Alan Latman, formerly Special Adviser to the Copyright Office, and William S. Tager, both now engaged in the practice of law in New York City.

The Copyright Office invited the members of an advisory panel and others to whom it circulated these studies to submit their views on the issues. The views, which are appended to the studies, are those of individuals affiliated with groups or industries whose private interests may be affected by copyright laws, as well as some independent scholars of copyright problems.

It should be clearly understood that in publishing these studies the subcommittee does not signify its acceptance or approval of any statements therein. The views expressed in the studies are entirely those of the authors.

JOSEPH C. O'MAHONEY,  
*Chairman, Subcommittee on Patents, Trademarks, and Copyrights,  
Committee on the Judiciary, U.S. Senate.*

## COPYRIGHT OFFICE NOTE

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The studies presented herein are part of a series of studies prepared for the Copyright Office of the Library of Congress under a program for the comprehensive reexamination of the copyright law (title 17 of the United States Code) with a view to its general revision.

The Copyright Office has supervised the preparation of the studies in directing their general subject-matter and scope, and has sought to assure their objectivity and general accuracy. However, any views expressed in the studies are those of the authors and not of the Copyright Office.

Each of the studies herein was first submitted in draft form to an advisory panel of specialists appointed by the Librarian of Congress, for their review and comment. The panel members, who are broadly representative of the various industry and scholarly groups concerned with copyright, were also asked to submit their views on the issues presented in the studies. Thereafter each study, as then revised in the light of the panel's comments, was made available to other interested persons who were invited to submit their views on the issues. The views submitted by the panel and others are appended to the studies. These are, of course, the views of the writers alone, some of whom are affiliated with groups or industries whose private interests may be affected, while others are independent scholars of copyright problems.

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5. The Compulsory License Provisions in the U.S. Copyright Law.
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STUDY NO. 23

THE OPERATION OF THE DAMAGE PROVISIONS OF THE  
COPYRIGHT LAW: AN EXPLORATORY STUDY

BY PROF. RALPH S. BROWN, JR., WITH THE ASSISTANCE OF  
WILLIAM A. O'BRIEN AND HERBERT TURKINGTON

March 1958

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# THE OPERATION OF THE DAMAGE PROVISIONS OF THE COPYRIGHT LAW: AN EXPLORATORY STUDY

## I. INTRODUCTION

This study is an imperfect and experimental attempt to cast some light on the actual operation of the damage provisions of the Copyright Act. Those provisions, as is well known, are extraordinarily elaborate, indeed uniquely so. They include the following elements:<sup>1</sup>

- (1) "such damages as the copyright proprietor may have suffered due to the infringement";
- (2) "as well as all the profits which the infringer shall have made from such infringement \* \* \*";
- (3) "or in lieu of actual damages and profits, such damages as to the court shall appear to be just," a broad grant of discretion guided in these ways:

(a) by the permissive schedule of items "First" through "Fourth" (here set out in a footnote),<sup>2</sup> of which the most used is "\$1 for every infringing copy" of works other than paintings, statues, or sculptures.

(b) by a general maximum of \$5,000 and a general minimum of \$250.

(c) by a special minimum of \$50 and maximum of \$200 "in case of a newspaper reproduction of a copyrighted photograph."

(d) by a special maximum of \$100 for innocent infringement of an "undramatized or nondramatic work by means of motion pictures."

(e) by a special maximum of \$5,000 for innocent infringement "of a copyrighted dramatic or dramatico-musical work by a maker of motion pictures and his agencies for distribution thereof to exhibitors"—which presumably differs from the general \$5,000 maximum in that only one such \$5,000 recovery is permitted against the maker *and* his distributors.

(f) a special maximum of \$100 for innocent infringement "by broadcast" of a "lecture, sermon, address, or similar production, or other nondramatic literary work" is found in a 1952 amendment to section 1(c).<sup>3</sup>

<sup>1</sup> 61 Stat. 652, 661, 17 U.S.C. 101(b), (1952), except as otherwise indicated.

<sup>2</sup> First. In the case of a painting, statue, or sculpture, \$10 for every infringing copy made or sold by or found in the possession of the infringer or his agents or employees; Second. In the case of any work enumerated in section 5 of this title, except a painting, statue, or sculpture, \$1 for every infringing copy made or sold by or found in the possession of the infringer or his agents or employees; Third. In the case of a lecture, sermon, or address, \$50 for every infringing delivery; Fourth. In the case of a dramatic or dramatico-musical or orchestral composition \$100 for the first and \$50 for every subsequent infringing performance; in the case of other musical compositions \$10 for every infringing performance.

<sup>3</sup> 66 Stat. 752, 17 U.S.C. (1) (1952).

(g) "the limitation as to the amount of recovery [shall not] apply to infringements occurring after the actual notice to a defendant \* \* \*."

(4) Another form of statutory damages is found in section 1(e) and section 101(e), with respect to mechanical recordings. The court may require infringers to pay up to four times the statutory royalty. This subject will not be treated in this study.<sup>4</sup>

(5) "the court may award to the prevailing party a reasonable attorney's fee as part of the costs" (sec. 116).

In short, there are three major elements of the damage provisions with which this report is concerned: (1) actual damages and profits, (2) statutory damages, including all the refinements listed in items (a) to (g) above, (3) costs and attorney's fees.

Actual damages are of course the cornerstone of commonlaw remedies; infringer's profits are an equally familiar concept from equity practice. Their statutory embodiment is, however, not free of ambiguities. For example, there is the question whether the phrase "as well as" is to be read literally so as to permit the recovery of damages *and* profits, or whether it can be taken in what is usually considered a more rational disjunctive meaning.<sup>5</sup> Such questions of interpretation are not our concern, unless they seem to affect the practical administration of the statute either by the courts or by lawyers in settling cases. We will instead ask: To what extent are actual damages and profits determinable in copyright cases? To what extent are they awarded?

Similar questions should be asked about statutory damages. To what extent do parties and courts resort to them because of the supposed indeterminacy or inadequacy of actual damages? If they are preferred by plaintiffs, do they appear to contain inequities for defendants? What parts of the statutory damage scheme are actually used, and by whom? Here we have to consider the general \$250 minimum, the general \$5,000 maximum, the various special minima and maxima, and the suggested schedules "First" through "Fourth."

With respect to attorney's fees, how often are they awarded, in what amounts, and in what circumstances? What role does their possible availability play in settlements?

Partial answers to these questions have been sought from three sources. First, the reported cases; second, a questionnaire; third, interviews and correspondence which amplified the questionnaires, or which were independently initiated. We interviewed about 25 lawyers experienced in copyright matters, and had helpful letters from perhaps 10 more. Information derived from these last sources, and from the cases, will be drawn upon at appropriate places. The questionnaire requires separate analysis. It is reproduced below.

<sup>4</sup> See Henn, *The Compulsory License Provisions of the United States Copyright Law* [Study No. 5 in the present series of Committee Prints, pp. 13-21]; *Shapiro, Bernstein & Co. v. Goody*, 248 F. 2d 260 (2d Cir. 1957), holding, inter alia, the \$250 minimum damage provision of sec. 101(b) inapplicable to an infringing phonograph record, because secs. 1(e) and 101(e) create a separate statutory scheme of damages. An interviewee stated that the provisions for discretionary awards of three times the statutory license fee, in addition to the basic two cents per "part" manufactured, are not invoked in practice.

<sup>5</sup> See Strauss, "The Damage Provisions of the United States Copyright Law" [Study No. 22 in the present Committee Print, p. 5].

COPYRIGHT DAMAGES SURVEY

MARCH 1957.

(All estimates can be approximate. Please confine yourself to the postwar period.)

1. Approximately how many cases have you handled in the last 10 to 12 years that involved copyright money damage claims?
  - 1 to 5 .....
  - 6 to 10 .....
  - If more than 10, about how many.....

(By case, we mean any matter that involved communication with an opposing party, not just advice to a client.)
2. Have you handled any common law literary property cases that involved damage claims? (approximate number) .....
3. In what rough percentage of those cases in questions 1 and 2 were you representing—Plaintiffs? (include counterclaiming defendants) .....
- Defendants?.....
4. How many of these cases were settled or otherwise disposed of before judgment?.....
5. Of the cases closed before judgment, how many would you say were concluded on the basis of
  - (a) Cessation (by license or otherwise) of infringement.....
  - (b) Money settlement based on—
    - (i) Actual damages.....
    - (ii) Infringer's profits.....
  - (c) Money settlement based on statutory damages.....
  - (d) Money settlement based on expenses of suit, including attorney's fees.....
6. How many of your cases were carried to judgment?.....
7. In those cases carried to judgment in which there was a recovery, in how many was recovery—
  - (a) Based on actual damages.....
  - (b) Based on infringer's profits.....
  - (c) Based on statutory damages.....
  - (d) In how many was the successful party awarded an attorney's fee.....
8. If you had any cases involving the award of statutory damages (item 7(c) above), did any of them involve the application of (or departure from) the statutory scheme of damages in sec. 101(b) "First" through "Fourth".....
- (If so, could you describe them briefly on a separate sheet?)
- How many, if any, of the statutory damage cases resulted in the award of the \$250 minimum statutory damages?.....
9. Have you had any cases, either settled or tried, that involved statutory damages in excess of \$5,000 (because of infringement with notice, or because of a finding of multiple infringements)?.....
- (If so, could you describe them briefly on a separate sheet?)
10. Have you had any cases, either settled or tried, that involved the special minimum and maximum statutory damages, as follows:
  - (a) Newspaper reproduction of a copyrighted photo (\$50 minimum, \$200 maximum)?.....
  - (b) Innocent infringement of nondramatic work by motion picture (\$100 maximum)?.....
  - (c) Innocent infringement of nondramatic work by broadcast (sec. 1(c); \$100 maximum)?.....
  - (If so, could you describe them briefly on a separate sheet?)

The information in this questionnaire will be used in attempting to reach conclusions about the use and usefulness of the damage provisions. It will not be ascribed to you. May we communicate with you further about your experience with the damage provisions? Yes ..... No ..... Whether any further information is to be ascribed to you or quoted from you will be determined by mutual agreement in each case.

-----  
 Your name Address

## II. THE QUESTIONNAIRE

A little more than 500 copies of the questionnaire reproduced on the foregoing pages were sent out, of which about 480 went, in late March 1957, to the members of the Copyright Society of the U.S.A., through the kindness of its then President Joseph A. McDonald, and Mr. Fred B. Rothman.

Eighty-eight questionnaires were returned, of which 30 reported no "cases," as defined in the questionnaire—"any matter that involved communication with an opposing party, not just advice to a client." Five returns from performing-right societies or their counsel will be treated separately. This leaves 53 reporting one or more cases. Thirteen of these respondents, with a total of approximately 50 cases, reported that none of their cases had resulted in any monetary payments. These respondents are not included in the tabulations that follow. If they were included, the only effect would be to increase to some extent the number of settlements based on cessation of the claimed infringement—a figure which, though large, could not be tabulated (see p. 67 below). Another respondent, who had been connected with about 50 cases, was unable to provide any numerical breakdown of his cases; so his return is also omitted.

The remaining 39 respondents are those whose experience (in the postwar period) included some cases in which money payments were made, as well as those that were otherwise disposed of. This is less than half of all those responding, and less than 10 percent of those approached, not a very rewarding return, even if one considers that many of the members of the Copyright Society are libraries and others not in active practice. Nevertheless, the 39 respondents listed a total of roughly 850 cases, so the results are not altogether insignificant, even after the following qualifications are emphasized.

1. A glance at the questionnaire will show that estimates and approximations were all that was requested in most instances, and indeed all that could be provided without great difficulty. Most of the totals given here are rounded, and are the rough medians of the range of cases reported under a given question.

2. The questionnaire was apparently unclear at some points. This was of course not intended. On the other hand, deliberate effort to encourage responses by keeping the questions as simple as possible resulted in our seeking no information about the kinds of infringements reported. When it became apparent that music performing rights cases should be separated, we were able to identify plaintiffs with fair accuracy, defendants with less.

3. A few respondents account for a great many cases. Particularly, one west-coast firm reported, under question 1, 100 cases, mostly on behalf of plaintiffs and with a large preponderance of common-law cases. A New York firm reported 150 cases with a similar disproportion. Another New York firm reported more than 50 cases, usually on behalf of defendants. These three respondents thus accounted for about one-third of all the cases reported. Their special patterns must be kept in mind.

## A. GROSS RESULTS

Of the total of 850 cases, about 250 were common-law literary property cases (question 2). Half of the common-law cases came from the two respondents mentioned above with the largest numbers of cases. For this reason no inference should be drawn that common-law cases amount to almost one-third of copyright claims in actual practice. But they do so figure in these tabulations.

Representation of plaintiffs was reported in about 400 cases, for defendants in about 450 (question 3). Half of the total plaintiffs' representations are accounted for by the same two firms; representation of defendants was much more widely dispersed.

The ratio of settlements to judgments was elicited by questions 4 and 6. Of the 850 cases ("controversies" might have been a better term), about 700 were settled, and 90 were carried to judgment. Sixty were either pending, discontinued without any definite settlement, or unaccounted for because of discrepancies in reporting.

## B. BASES FOR SETTLEMENTS

The settlement of seven cases out of eight will presumably come as no surprise. What was sought in question 5 was an indication of the elements that went into these settlements. The question was not well expressed, and there was much inconsistency in the responses. Still, certain conclusions emerge. Cessation of the claimed infringement, with no money payment, was the outcome of a very substantial number of cases, for which a meaningful number cannot be given because of uncertain estimates. Many of these cases were accompanied by negotiation of a license for further use. Sixty settlements were described as based on actual damages, and only 10 on defendant's profits. Together these two factors, which would probably be influential whether or not they were explicitly sanctioned by the statute, formed the basis for only 10 percent of the settlements. Thirty-two settlements were reported to be based on "statutory damages" (we did not ask for further specification). This is less than 5 percent of the total. If we now take into account the likelihood that about one-third of the settlements occurred in common-law copyright cases where statutory damages would be inapplicable, the percentage is still only 7. Furthermore, 2 respondents, 1 listing 15 and the other 10 such cases, made up three-fourths of the modest total of 32.

Under the heading "Money Settlement Based on Expenses of Suit, Including Attorney's Fees," 135 cases were reported, 20 percent of the total. This response occurred despite some ambiguity in the question, which was intended to refer to what the *expected* expenses of litigation would be. Finally, six respondents volunteered "general bargaining power," or its equivalent, as the basis for settlement in 93 cases, 13 percent of the total.

It is apparent that statutory damages played only a minor role in the attainment of the settlements enumerated by these 40 respondents who, it should be remembered, are not intended to include parties to claims based on music performing rights. However, the possibility of statutory damages, particularly minimum damages and attorney's fees, may have been influential in the many cases

where the defending party gave some sort of undertaking that the alleged infringement would not be continued or repeated.

### C. BASES FOR JUDGMENTS

In the replies to item 7 on the questionnaire, actual damages were reported as the basis for 40 of the 54 judgments in which recoveries were reported (the remaining 36 judgments out of the total of 90 apparently went for defendants. In some only injunctive relief may have been sought). Profits were awarded in five. For this purpose it is unnecessary to separate common-law from statutory cases, since the availability of actual damages or profits is essentially the same in either kind of action.

Statutory damages were reported to underlie nine judgments. If the assumption is made that one-third (18) of the judgments were in common-law cases (following the overall ratio of common-law to statutory copyright matters in the entire sample), then statutory damages were the basis for about 25 percent of the 36 plaintiff's judgments assumed to have been awarded under the Copyright Act. This 25 percent is still subject to considerable error; the reader should not be misled by the apparent exactness of the small numbers we are now reviewing, for they also are partly estimated and contain various discrepancies. But the role of statutory damages in judgments is by any measure significantly greater than their apparent influence on settlements.

This is the one area in which the questionnaire results can meaningfully be compared with reported decisions, and such a comparison is rather startling. In the same decade to which the questionnaire was directed, there are 24 reported decisions in which plaintiffs were successful (not counting one performance right case.)<sup>6</sup> In two of these an injunction only was awarded. Two cases awarded actual damages, four profits. Four used a combination of elements for different counts—profits and statutory damages, actual damages and profits, actual and statutory damages, and (in one case) all three. It will be noted that statutory damages figured in three of these "combination" cases. The remaining 12 cases were all awards of statutory damages. Thus statutory damages appeared in 15 out of 24 cases, or about 60 percent. This ratio is so much greater than that shown by the questionnaire that some explanation is called for. Indeed, the proportion of actual damage and statutory damage cases is, between the questionnaire and the reported decisions, in effect reversed. Perhaps there are a large number of cases involving actual damages that raise no important questions of law, and are not reported.

Next, the questionnaire returns show that attorney's fees were awarded in 18 cases, 30 percent of the 60 cases going to judgment that are assumed to have been brought under the Copyright Act.

The attempt to get specific information, in questions 8, 9, and 10, about the application of the numerous components of statutory damages, did not yield any statistically meaningful returns, except in a negative way. That is, only occasional references were made to any one of the specifications of statutory damages, with the single exception of claims for "statutory damages in excess of \$5,000 (because of

<sup>6</sup> The cases were taken from "Copyright Decisions" through Copyright Office Bulletin No. 29 (1953-54) and thereafter from U.S.P.Q. through May 1957.

infringement with notice, or because of a finding of multiple infringements)" (question 9). Twelve such *claims* were reported. The information that was obtained under these headings, as supplemented by correspondence and interviews, will be discussed below.

In sum, the questionnaire results that could be tabulated, while they must be taken with caution because of the narrow base on which they rest, point to the following findings:

(1) There is an expectably high ratio of settlements to judgments (7 to 1).

(2) The statutory damage provisions (those other than actual damages and profits) seem to play a minor part in the negotiation of settlements.

(3) In a small group of cases going to judgment, the statutory damage provisions were used to a significant extent (about 25 percent). (In reported decisions of the same period, their use is much higher—60 percent.)

(4) Attorney's fees, stemming from another statutory provision, were awarded in a significant number of the judgments (about 30 percent). The basis for these awards is another matter which will be discussed below.

It should be reiterated that these observations do not apply to performance-right cases.

### III. ACTUAL DAMAGES

This section and the following one on profits are, to a greater extent than the rest of this study, simply supplementary to "Copyright Law Revision Study No. 22" by William Strauss [in the present committee print].

Though it appeared that actual damages were the basis for a substantial number of recent judgments, according to questionnaire respondents, they appear in few reported decisions. One shortcoming of actual damages as a remedy in copyright cases, it has long been considered, is the supposed difficulty of computing them. Since works subject to copyright are by and large differentiated from each other, it is difficult to establish values. If the value of the work before the infringement and its diminished value afterward are sought, in accordance with one approved technique of damage law, two valuations are necessary. Or, if the plaintiff's lost profits are proposed as a measure of his damages, there is the problem of establishing with reasonable certainty what they would have been.

On the other hand, it is suggested that where valuations are called for, expert testimony is admissible, in line with the admissibility of such testimony in cases where profits have to be apportioned. As for lost profits, the trend in damage law in recent decades has been to relax the requirements of exactness. Once the fact of damage has been established, some freedom is left to the trier to estimate the amount.<sup>7</sup>

The application of both these principles is illustrated by the well-known case of *Universal Pictures Co. v. Harold Lloyd Corp.*<sup>8</sup> There the defendant, Universal, and the codefendant, Bruckman, a script-writer employed by Universal, were found to have appropriated, in

<sup>7</sup> See note, "The Requirement of Certainty in the Proof of Lost Profits," 64 Harv. L. Rev. 317 (1950).

<sup>8</sup> 163 F. 2d 354 (9th Cir. 1947).

1943, an extensive comedy sequence from Lloyd's "Movie Crazy," in the production of which Bruckman had been employed by Lloyd in 1931-32. The trial court awarded Lloyd actual damages of \$40,000 (along with an injunction, and attorney's fees of \$10,000). This sum was considerably greater than Universal's profits attributable to the infringement; and profits as such were not included in the award.

To fix damages it was necessary to determine the value of Lloyd's movie if it were reissued or remade, and the extent to which the infringement had impaired that value. For this purpose the court heard testimony about the profitability of the movie on its initial run—\$400,000 during a period of economic depression. Harold Lloyd and two experts testified as to its possible profitability as a reissue or a remake, and to the considerable impairment of that value by the defendant's widely distributed infringement of a major component (the "magician's coat" sequence in issue accounted for about 30 percent of the original cost of production of "Movie Crazy"). Experts for the defendant gave opposing testimony—that "Movie Crazy" was obsolete and of no value. The trial court had to take into account these conflicts of testimony, and also the effect on the reissue value of "Movie Crazy" resulting from another infringement by Columbia Pictures, in a short comedy, of the same material.

The judgment withstood attack from both parties. Defendants asserted that the damages were too uncertain and speculative, and attacked the plaintiff's use of experts. Plaintiff claimed, on the one hand, that the actual damages were \$400,000, and, on the other, that the court should have given consideration to statutory damages, which according to his calculations, would be \$50 for each of the 6,636 theaters in which the infringing picture was exhibited, or \$331,800. The circuit court upheld the trial court's exercise of discretion in awarding actual damages rather than profits or statutory damages, its admission of testimony of "alleged experts," and its final figure.

It is quite possible that the use of expert testimony might be too costly a method of proof except where the amounts involved are large. There is another type of case in which actual damages may also be appropriate, and in which they are more readily computed. As distinct from plagiarism cases like *Universal Pictures*, these cases raise no issue whether the defendant used the plaintiff's material. The questions turn rather on the defendant's right to use the material, in the light of earlier or incomplete contractual relations between plaintiff and defendant. These may be called "contractual" cases. An apt illustration is the very recent case of *Szekely v. Eagle Lion Films, Inc.*<sup>9</sup> There the defendant Eagle Lion used a screenplay for which the plaintiff, under the terms of a contract with a codefendant, Geiger, was to receive \$35,000, of which only \$10,000 had been paid. The court held that the defendant's appropriation had made plaintiff's interest in the play valueless, and that plaintiff was entitled to the unpaid \$25,000 as compensatory damages.

Another recent case which illustrates the use of an earlier contract price as the measure of damages is *Advertisers Exchange v. Hinkley*.<sup>10</sup>

<sup>9</sup> 242 F. 2d 266 (2d Cir. 1957).

<sup>10</sup> 199 F. 2d 313 (8th Cir. 1952), cert. denied, 344 U.S. 921 (1953) affirming 101 F. Supp. 801 (W.D. Mo. 1951). See also *Gordon v. Weir*, 111 F. Supp. 117 (E.D. Mich. 1953). Plaintiff's recovery was computed in part on the basis of his income from previous dealings with the defendant in similar copyrighted material used in a newspaper contest. For other infringements in the same case minimum damages were awarded, and for still others, defendant's profits.



There a merchant had had a 1-year contract with the plaintiff for the use of the plaintiff's copyrighted advertising services, at a price of \$156. After the year was up the defendant merchant continued to use plaintiff's copyrighted mats for advertising in a local paper for almost 2 years. The court, rejecting plaintiff's contention that it was entitled to statutory damages of about \$90,000 (computed by plaintiff at the rate of \$1 for each copy of the newspaper in which the advertisements were published), said that the only damage the plaintiff could have suffered was \$312—2 years' income at the contract price. Judgment was awarded for this amount. Though the discussion, especially in the court of appeals, is largely in terms of statutory damages, since the plaintiff did not claim actual damages, it is clear that the computation reflected putative actual damage, measured by the contract price.

It thus appears that in appropriate cases techniques are available for determining actual damages. To the extent that these techniques seek to overcome the uncertainty of valuing a unique creation by permitting rather free estimates, they raise one further question. Suppose the plaintiff demands a jury trial on the issue of damages. Some fears have been expressed, derived from experience in unfair competition and common-law copyright cases, especially in California, that juries may make excessively large awards.<sup>11</sup>

Thus far there seem to be not enough instances to support a generalization that juries are overgenerous in this field. No cases reported under the Copyright Act seem to have resulted in large awards by juries. Awards that are "grossly excessive" or that fail to meet other measuring sticks of judicial discretion may of course be cut down by remittitur (unless the plaintiff chooses the alternative of a new trial). The scope of remittitur in the Federal courts is narrower than in many State courts, at least at the appellate level, where the courts of appeal have long deferred to the discretion of the trial judge and to the command of the seventh amendment that "no fact tried by a jury, shall be otherwise reexamined in any court of the United States, than according to the rules of the common law." But there seems to be no question that the Federal trial judge has some power to set aside excessive verdicts.<sup>12</sup> And reviewing courts are said to be more perceptive of reversible error when verdicts are swollen.

#### IV. PROFITS

The award of "all the profits which the infringer shall have made from such infringement" is a subject which seems to have been well developed in the case law, as outlined in the Strauss memorandum and elsewhere.<sup>13</sup> There may be practical difficulties in making an accurate accounting of profits in cases where an irresponsible infringer keeps inadequate records;<sup>14</sup> and any accounting may be complicated

<sup>11</sup> On the availability of jury trial, see Karp, "Copyright Litigation," in 7 Copyright Problems Analyzed 171 (1952) on their frequency in California; Carman, "The Function of Judge and Jury" in the "Literary Property" Lawsuit, 42 Calif. L. Rev. 52 (1954). Much of the California litigation has been brought in the State courts on an implied contract theory (one correspondent says this is so even when the material is copyrighted). See Kaplan, "Implied Contract and the Law of Literary Property," 42 Calif. L. Rev. 28 (1954), reporting (notes 5-6) judgments of \$25,000 and \$35,000 in the *Golding* and *Stanley* cases. Much larger jury verdicts have been reported in the trade press in cases which were not appealed and in which there was probably a settlement for a lesser sum.

<sup>12</sup> See Moore, "Federal Practice," par. 59.05(3), 59.08(6); *Neese v. Southern Ry. Co.*, 350 U.S. 77 (1950).

<sup>13</sup> Strauss, *op. cit.*, supra, note 5 at 5-7; Warner, "Radio and Television Rights," sec. 162 (1953). Warner also discusses many of the other cases and problems treated in this study.

<sup>14</sup> But the statute, by requiring the plaintiff to "prove sales only," puts most of this burden on the defendant; see *Whitman Publishing Co. v. Writsell*, 83 U.S.P.Q. 535 (S.D. Ohio 1949).

by difficulties, not peculiar to this field, of allocating overheads or other joint costs.<sup>15</sup>

A major anomaly in the award of profits was ended by the *Sheldon* case in 1940, when the Supreme Court affirmed the decision of the second circuit<sup>16</sup> that profits could be apportioned, thus, giving effect to the seemingly clear statutory mandate quoted above. The earlier rule compelling an award of all profits on an infringing production, without determining the contribution of the work infringed to the final product, may have resulted in a denial of relief in cases where the courts were unwilling to bestow a huge windfall on the plaintiff.<sup>17</sup>

The *Sheldon* case calls for liberality to the plaintiff where the extent of his contribution cannot be accurately determined. The few apportionments made in the cases since *Sheldon*, apparently influenced by the 20 percent of profits from a motion picture awarded to the author in that case, seem to have followed that admonition.<sup>18</sup> Such liberality may be misplaced when the profits of an innocent infringer are taken. After his success in the case against MGM, Sheldon sued the operators of the Capitol Theater in New York for their profits from a 2-week run of the picture. The court in this case probably had no alternative to adopting the same percentage used in the main case, with the result that the defendant had to pay over \$3,099 profits (plus \$1,500 attorney's fees, and a \$1,000 allowance to a special master), even though the court found that the respondent "is unquestionably an innocent infringer." The plaintiff had already been awarded, as his share of the profits of the producer, far more than the probable commercial value of his play. He was now in a position to exact a reward from thousands of exhibitors who ordinarily would make no direct contribution to the author.<sup>19</sup> However, an apportionment such as was made in the *Capitol Theater* case is clearly preferable to taking all the profits of an innocent infringer. The situation of the innocent infringer with respect to statutory damages will be discussed in part V below.

## V. STATUTORY DAMAGES

### A. MUSIC PERFORMING RIGHTS AND THE MINIMUM DAMAGE PROVISION

It has been previously suggested that performing rights cases stood somewhat apart from other claims for damages. There are two related reasons for this. First, the existence of powerful collective licensors of performing rights in musical compositions has permitted a vigorous enforcement of those rights. Second, in such enforcement the statutory \$250 minimum damage provision has been an important and controversial weapon.

There are three licensors of performing rights whose practices are of interest. ASCAP, the American Society of Composers,

<sup>15</sup> Consult note, "Monetary Recovery for Copyright Infringement," 67 Harv. L. Rev. 1044, 1049 (1954).  
<sup>16</sup> *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F. 2d 45 (1939), aff'd 309 U.S. 390 (1940).

<sup>17</sup> E.g. *Witwer v. Harold Lloyd Corp.*, 46 F. 2d 792 (S.D. Cal. 1930), rev'd 65 F. 2d 1 (9th Cir. 1933); see dissenting opinion at pp. 44-47. The circuit court, in reversing the district court, found no infringement of plaintiff's story in a movie which made profits of \$1 to \$2 million, though access was proved and similarities were plausible. The plaintiff had never got more than \$1,000 for a movie story.

<sup>18</sup> *Harris v. Miller*, 57 U.S.P.Q. 103 (S.D.N.Y. 1943) (35 percent of profits of play allocated to script); *Stonesifer v. 20th-Century Fox Film Corp.*, 48 F. Supp. 196, (S.D. Cal. 1942) aff'd 140 F. 2d 579 (9th Cir. 1944) (20 percent of movie profits).

<sup>19</sup> *Sheldon v. Moredall Realty Corp.*, 29 F. Supp. 729 (S.D.N.Y. 1939); cf. *Washingtonian Pub. Co. v. Pearson*, 140 F. 2d 465 (D.C. Cir. 1944). There a 10-percent apportionment was made for a few pages of a book that were unintentionally infringing. But the publisher, who had made substantial profits, was bankrupt; the judgment against the authors, who had not received most of their royalties, was for \$15.46; the printer had made no profits.

Authors & Publishers, is the oldest and largest. Broadcast Music, Inc., a rival to ASCAP formed in 1940 and controlled by broadcasters, has steadily grown in importance. SESAC, Inc., does not compare with the other two in size; it is apparently the only significant independent survivor of a number of privately owned licensors that once existed.<sup>20</sup>

For all three organizations the largest market by far is in broadcasting, and here it may be said that the statutory damage provisions are only of theoretical significance. Broadcasters negotiate licenses with the licensors, and if, as occurred in the famous dispute in 1940-41, no contract is in effect, the broadcaster avoids using the works of the licensor pending a new contract. Infringements by networks would be easily detected. However, ASCAP advises that whereas in 1940-41 there were only about 800 radio stations, and no television stations, there were as of December 1, 1956, 3,515 radio stations and 511 television stations. This presents an ever-present problem with non-network stations which may not have the necessary licenses to perform copyrighted works. In such cases, ASCAP advises, it incurs substantial expense in detecting and obtaining evidence of infringements by means of taping broadcasts throughout the country.

Among the vast number of what may be called miscellaneous users, however, there are always new or old enterprises that either through ignorance or design do not take out licenses. Miscellaneous users include—

Restaurants, taverns, dance halls, hotels, department stores, and such wired music concerns as Muzak. Of late, factories and similar industrial establishments have become important users of music.<sup>21</sup>

Licenses are always available at rates of which some representative current examples are given in table A [at page 90].

Since ASCAP pioneered in the enforcement of performing rights against such infringers, its technique may be summarized first. The practice appears not to have changed substantially from a description given in the *Yale Law Journal* 20 years ago, based on 1936 congressional hearings.\*

When the society is informed through its extensive network of investigators throughout the country that some unlicensed theatre or cafe or hotel is using copyrighted music, it writes a letter informing the proprietor that he is violating the law and suggesting that he take out a license. The relevant sections of the copyright law are quoted, the leading cases cited, and the definition of "performance for profit" as laid down by the Supreme Court in *Herbert v. The Shanley Co.*, reported in full. If there is no response, additional letters in much the same tone follow, with perhaps more emphasis on the possibility of a suit. Finally, if the proprietor persists in disregarding these warnings, suit is brought for infringement. Realizing that under the minimum damage provision there can be no defense to this action, however, the proprietor will usually capitulate before trial and obtain a license from the Society. But even when judgment has been finally entered, the Society very rarely attempts to recover upon it, and generally compromises for the cost of a license to the infringer from the time the infringement was first discovered plus the expenses of the investigation and suit.<sup>22</sup>

Through its field offices and the lawyers who represent it throughout the country, ASCAP keeps a substantial number of these enforcement

<sup>20</sup> See Warner, "Radio and Television Rights" (1953), ch. 13, especially pp. 361-366 (SESAC and minor licensors).

<sup>21</sup> Finkelstein, "Public Performance Rights in Music and Performance Rights Societies," in 7 *Copyright Problems Analyzed* 69, 78 (1952).

\* [Editor's note: A description of the present practice of ASCAP is given by Mr. Herman Finkelstein in his comments appearing on pp. 107-109 of the "Comments and Views" attached hereto.]

<sup>22</sup> Comment, "Copyright Reform and the Duffy Bill," 47 *Yale L.J.* 433, 443 (1938).

proceedings underway at all times. In response to the questionnaire, ASCAP reported about 700 cases in the last decade, of which 400-odd were settled. "Cases are usually settled," we were advised, "on the basis of the defendant paying an amount equal to what his license fee would have been during the period of infringement plus out-of-pocket expenses in ascertaining infringement." Something around 40 cases was discontinued for a variety of reasons; 131 were carried to judgment, in all of which statutory minimum damages were awarded. About 125 cases were pending. ASCAP has no central records with respect to attorney's fees, but replies from four of its representatives indicate that an award of attorney's fees is almost invariable. A great many such cases were reported in the 1930's; at that time the attorney's fees were in the range of \$50 to \$150.

A recent case history supplied by the society illustrates the process of adapting suits and judgments to the enforcement of the prescribed licensing rates. An establishment for which the license rate is \$480 a year had started unlicensed performances in September 1956. Suit was filed in December 1956, alleging infringement of two copyrights. A default judgment was entered which formed the basis for a settlement in March 1957. The judgment was for \$657, composed of minimum damages of \$250 on each copyrighted composition, costs of \$57, and an attorney's fee of \$100. The settlement provided for a license commencing March 1, and for payments totaling \$417, of which \$240 represented the license fees that would have been paid for the 6 months from September 1956 through February 1957, \$120 the first quarter's fee under the new license, and \$57 the statutory costs. No attorney's fee was included in the settlement.

Broadcast Music, Inc., appears to follow enforcement policies that are generally similar, though on a less extensive scale. Their counsel reported that, in addition to 125 to 150 licensing contracts obtained as the result of legal demand letters, 80 settlements were made which involved acceptance of a license and a money payment based on expenses including attorney's fees. Ten cases carried to judgment all resulted in statutory minimum damages, and in nine of them an attorney's fee was awarded.

If it is necessary to bring suit, however, BMI does not confine itself to a number of infringements that will roughly approximate unpaid license fees, taking each infringement at \$250. Offenders have by this time been repeatedly warned of their infringement and have had ample opportunity to take a license. In one recent instance BMI sued a metropolitan theatre which, without a license, had performed 16 BMI-held compositions. All 16 infringements were pleaded. However, the case was settled before trial.

SESAC reports no completed litigation since the 1930's, when it carried two cases to judgment to establish unsettled rights.<sup>23</sup> It attempts to persuade groups of users through trade associations, or individual users through a small staff of field representatives, of the necessity and desirability of having a license. Its spokesmen state that practically all negotiations for licensing are ordinary business negotiations in which the existence of copyright remedies does not figure.

<sup>23</sup> *SESAC v. Hotel Staller*, 19 F. Supp. 1 (S.D.N.Y. 1937); *SESAC v. WCAU Broadcasting Co.*, 39 U.S.P.Q. 261 (E.D. Pa. 1938); 46 U.S.P.Q. 198 (E.D. Pa. 1940); 47 U.S.P.Q. 310 (E.D. Pa. 1940) (preliminary issues only reported).

It may be observed that the users with whom SESAC deals have probably been made aware of the statutory remedies by the vigorous policing activities of ASCAP and BMI.

The availability of the \$250 minimum damages for a single infringement of a performing right has been a source of recurrent complaint by users. These complaints were most emphatic in the 1930's, when ASCAP was the only major licensing organization, and were extensively voiced in the 1936 hearings on the Duffy and Daly bills.<sup>24</sup>

Objections to the minimum damage provision seem to have two bases. One is that it gives licensors too powerful a weapon in demanding licenses at rates which users consider excessive. Behind this objection may lie dissatisfaction with having to recognize performing rights at all. For example, jukeboxes are exempt; but any establishment which makes broadcast music available to its customers can presumably be required to have a license. Again, court decisions establish that for a hotel to make broadcast music available to its patrons either in public rooms or in bedrooms is a public performance for profit, and thus within the act.<sup>25</sup> Hotel interests, according to an interview source, resist this interpretation, especially in its application to bedrooms. They would therefore naturally be critical of a damage provision which facilitated its enforcement. Whether the cost of licenses is excessive is of course not abstractly determinable. Under the 1950 amendments to the ASCAP consent decree, any user who objects to a rate quoted by the Society can apply to the U.S. District Court for the Southern District of New York to have a fair rate fixed by the court.

The other basic objection to the use of the minimum damage provision in music performing-right cases is that it exposes an innocent infringer to the threat of inordinate multiple damages, since each performance of a copyrighted composition may be the foundation for a claim of \$250. Note that a regular user of music has no occasion to make this objection against the major performing-right licensors, for if he takes a blanket license he will avoid infringement of anything in their catalogs. The fear of such users seems to be that they will be held for successive performances of some composition not licensed. Checking the catalogs of the three licensing organizations is laborious. Phonograph records, the most used means of performance, may or may not indicate the licensor, as is also true of sheet music; and there is no statutory or other requirement that such notice be given.

Reported decisions and cases described to us do not disclose any recent instances of successful damage claims for multiple infringements of copyrighted music, except for the well-known case of *Law v. N.B.C.*<sup>26</sup>

In the case of the user who does not have any licenses and who, if he is a regular user, presumably infringes dozens of copyrights in his normal operation, we have seen that he is urged to accept a license retroactively, in settlement of any damage claims. If he persists in infringement and is sued, the probability is that he has been put on notice and that the \$5,000 maximum would be lifted. Yet the standard procedure in suits by ASCAP is to sue on only enough infringements to cover the claimed license fees and other expenses. Another

<sup>24</sup> See comment, note 22, supra; Strauss, supra, note 5 at 25-27.

<sup>25</sup> *Buck v. Jewell-LaSalle Realty Co.*, 283 U.S. 191 (1931); *SESAC v. Hotel Staller*, 19 F. Supp. 1 (S.D.N.Y. 1937).

<sup>26</sup> 51 F. Supp. 798 (S.D.N.Y. 1943).

questionnaire respondent mentioned "two or three" cases where claims were made in excess of \$5,000 against unlicensed radio stations, but they were settled without suit. BMI sometimes sues and recovers larger amounts than the minimum \$250.

No reported decision describes a large judgment in favor of a licensing organization. Even if self-restraint did not dictate abstinence from such claims, there are other reasons for selecting only a few infringements as the cause of action. One basis for the ready availability of the \$250 minimum is that the actual damages for a single infringement of a single copyright are unascertainable. If a large number of infringements were sued on, the court could more readily resort to actual damages.

References to the availability of statutory minimum damages are conspicuous in the publications of another type of licensing organization which may be described as borderline. Two such licensors have circularized radio stations in recent years offering licenses to perform listed compositions or arrangements. The lists contain a high proportion of works that are patently in the public domain. The list of one of these licensors appeared to include all the major works of Stephen Foster; the other included, among 83 entries under the letter A, the following: "Abide With Me," "Adeste Fidelis," "All Through the Night," "America," "America the Beautiful," "Angels We Have Heard," "Annie Laurie," "Asleep in the Deep," "Au Clair de la Lune," "Auld Lang Syne," "Away in a Manger," and a number of others which, though not of such unchallenged antiquity, are surely not subject to copyright. If the licensor was offering anything with respect to these works, it must have been a particular arrangement, a fact that was, however, certainly not made clear.

#### B. OTHER USES OF MINIMUM DAMAGES

There are several other fields, besides that of music performing rights, in which copyright proprietors have found the minimum damages provision especially useful.

1. *Motion pictures*.—In the 1930's a concerted effort was made in the motion picture industry to deter exhibitors from evading rental fees. Many exhibitors were apparently guilty of a variety of trade practices which resulted in exhibitions at unauthorized times and places for which no compensation was paid to the producer. The usefulness of the minimum damage provision in this campaign is succinctly described by an expert on the subject, Edward A. Sargoy, Esq., in his comments to the Strauss study, and need not be repeated here. Mr. Sargoy writes that "the practice was virtually almost stamped out."<sup>27</sup> It should be mentioned that the recoverable actual damages or profits in these cases are rather more substantial than would ordinarily be the case for a single infringement of a musical performing right.

2. *Sheet music publishers*.—The music-publishing industry has been plagued with infringers of sheet music. Sometimes both words and music were copied; more commonly, the words of popular songs were collected in pamphlets or other publications, which were widely sold on newsstands. A systematic campaign in which the \$250 minimum was effectively invoked, was directed in the 1930's against

<sup>27</sup> Sargoy comments, p. 50.

this particular form of infringement. Newsstands were first generally warned; then infringing songbooks were purchased to fix liability; a specific warning was given, and finally, if the infringing sales continued, suit was instituted for \$250. An attorney active in this campaign reports that it was highly successful.<sup>28</sup> Nevertheless, leaflets incorporating copyrighted lyrics still are circulated for use in taverns and other places of entertainment. A more elaborate form of infringement is the clandestine preparation and sale, at a price of \$20 to \$25, of extensive compilations of copyrighted music and lyrics. An example of this sort of collection which the writer has seen bore no indication of its origin and included no notices of copyright.

3. *Packaged advertising*.—There are a number of reported cases in which suppliers of copyrighted advertising material have resorted to the \$250 minimum against defendants who continued to use the material after the contract period on their license expired or who had copied without having had a license. As the result of the Supreme Court's decision in *L. A. Westermann Co. v. Dispatch Printing Co.*,<sup>29</sup> which decided that each illustration in a packaged advertising series could be the subject of a copyright and that the \$250 minimum was recoverable for each copyright infringed, plaintiffs in these cases have on several other occasions also been awarded multiples of \$250, not without expressions of dissatisfaction by the judges. In *Advertisers Exchange v. Hinckley*, previously discussed, the court rejected the plaintiff's large claims for statutory damages and awarded what in effect were actual damages based on the contract price.<sup>30</sup>

#### C. MULTIPLE INFRINGEMENTS; THE \$5,000 GENERAL MAXIMUM AND ITS AVOIDANCE BY "ACTUAL NOTICE"

Though there have been cases where an award of statutory damages in the maximum amount of \$5,000 has provoked criticism, for example, Justice Black's dissent in *F. W. Woolworth Co. v. Contemporary Arts, Inc.*,<sup>31</sup> this provision does not seem to have created much difficulty in administration. The possibility of awards greater than \$5,000, based on "infringements occurring after the actual notice to a defendant, either by service of process in a suit or other written notice served upon him," does create concern among large users of material subject to copyright. Magazine and newspaper publishers, broadcasters, and the advertisers who support all of them, consider that their potential liability is alarming. Each has special problems.

Modern advertising campaigns are often saturation affairs that employ all media simultaneously and intensively for a limited period. A campaign, once started, cannot feasibly be stopped. If an advertiser receives notice early in the campaign that an illustration or piece of copy infringes a copyright, he has little choice but to continue, at the risk of losing the protection of the \$5,000 maximum. Larger damages than \$5,000 might be found, either by multiplication of mini-

<sup>28</sup> For a reported example, see *Johns & Johns Printing Co. v. Paull-Pioneer Music Corp.*, 102 F. 2d 282 (8th Cir. 1939).

<sup>29</sup> 249 U.S. 100 (1919).

<sup>30</sup> See note 10, supra. Multiples of \$250 were awarded in *Advertisers Exchange, Inc. v. Lauffe*, 29 F. Supp. 1 (W.D. Pa. 1938); *Kraft v. Cohen*, 32 F. Supp. 821 (E.D. Pa. 1940); *Zuckerman v. Dickson*, 35 F. Supp. 903 (W.D. Pa. 1940); *Advertisers Exchange, Inc. v. Bayless Drug Store, Inc.*, 50 F. Supp. 169 (D.N.J. 1943); *Amsterdam Syndicate, Inc. v. Fuller*, 154 F. 2d 342 (8th Cir. 1946) though plaintiff's demand characterized as "harsh and unreasonable"; single awards of \$250 were made reluctantly in *Doll v. Libin*, 17 F. Supp. 548 (D. Mont. 1936); *Lindsay & Brewster, Inc. v. Verstein*, 21 F. Supp. 264 (D. Md. 1937).

<sup>31</sup> 344 U.S. 228, 334 (1952); cf. *Douglas v. Cunningham*, 294 U.S. 207 (1935) (unanimous opinion that award up to \$5,000 is within discretion of trial court).

imum damages for separate infringements in many different outlets or by application of the statutory schedule of \$1 a copy (\$10 a copy in the case of a painting).

Broadcasters, besides being jointly liable with advertisers for the latter's infringements, have their own programs to consider. These also are advertised in advance; often some kind of synopsis will be given. Network broadcasters report that they are accustomed to receiving a number of telegrams and other communications purporting to give notice of infringement before every television spectacular. There will be insufficient time to check the claimed invasion; the show must go on. If each station outlet is considered to be the source of an "infringing performance," as *Law v. NBC*<sup>32</sup> held, substantial damages can result from the application of paragraph "Fourth" of the statutory schedule. However, for these damages to exceed the \$5,000 maximum would require 100 outlets in the case of a "dramatic or dramatico-musical or a choral or orchestral composition," and more than 500 in the case of "other musical compositions." Such a situation is unlikely to occur unless the infringement is continued through a series of programs.

Publishers of magazines and newspapers also share legal responsibility for infringing advertisements. Against these infringements, however, they (and the broadcasters, too) will ordinarily be indemnified. Most of the editorial content of a newspaper is either written by its own employees or supplied by news associations or syndicates who presumably stand behind their material. There seems to be little concern about copyright liability in the newspaper industry. Magazine publishers, however, use material from a variety of sources. They may buy material from an author who is himself a plagiarist, or they may become liable as infringers to an author if, under pressure of a deadline, they use his work while negotiations are incomplete, and have not ripened into a valid license. The publishers then, if they receive notice of infringement when the presses are already rolling, have to contemplate the theoretical possibility of damages measured at \$1 a copy for a circulation that may amount to millions.

However, all these possibilities of astronomical damages do appear to be quite theoretical. In the first place, "in lieu" damages are defined in the statute as "such damages as to the court shall appear to be just," and though the trial court's statutory discretion is extensive, the Supreme Court, in confirming that discretion in two modern cases, has in both made the point that the area of discretion lay between the \$250 and \$5,000 minimum and maximum.<sup>33</sup> Second, it has long been settled that the schedules "First" through "Fourth," which form the basis for the most exaggerated hypothetical calculations, need not be resorted to by the court; they are simply guides to discretion.<sup>34</sup> Third, there appear to be only three reported cases under the 1909 act—all from district courts—in which statutory awards greater than \$5,000 were made. In *Schellberg v. Empringham*<sup>35</sup> the total award was \$8,500, \$8,000 of which was computed at \$1 per copy for two infringing editions of a book. Four thousand dollars of this was against the publisher who participated in the second edition with knowledge of the infringement. The rest was against the plagiarist and his business. The \$5,000 maximum was not discussed. A

<sup>32</sup> 51 F. Supp. 798 (S.D.N.Y. 1943).

<sup>33</sup> Cases cited note 31, supra.

<sup>34</sup> *Turner and Dahnken v. Crowley*, 252 Fed. 749 (9th Cir. 1918).

<sup>35</sup> 36 F. 2d 991 (S.D.N.Y. 1929).



similar omission mars *Select Theatres v. The Ronzoni Macaroni Co.*<sup>36</sup> There the principal defendant plagiarized from two copyrighted versions of "Death Takes a Holiday," the Italian original and the English adaptation. Other defendants were the sponsor of the radio program in which the infringing play was presented in 20 installments, and the 2 stations over which it was presented. There was no indication that the other defendants were aware of the infringements, nor any suggestion that the plaintiffs had given them actual notice. Nevertheless, the court treated each of the 20 installments as a separate infringement, and held the \$250 minimum applicable to each. A judgment for \$5,000 was entered jointly against the plagiarist, the sponsor, and the originating station, and judgment for an equal amount was imposed on the other station. The plagiarist was also found to have committed three infringements against each of the two copyright owners in three stage presentations, making him liable for \$1,500 more.

This is not a well-considered case. There were two copyrights involved, and it might be argued that damages not exceeding \$5,000 for the radio infringement of each of them would be within the statute; but the actual division of the damages between the plaintiffs, made on the basis of the source of the material used in the various broadcasts, was \$1,500 to one plaintiff and \$8,500 to the other.

A more careful consideration of the nature of a copyright and of an infringement appears in the third case, *Harry Alter Co. v. A. E. Borden Co.*<sup>37</sup> Defendant had, in two of its catalogs, copied extensively from two of plaintiff's copyrighted catalogs. One dollar a copy was awarded for a total of 6,000 infringing catalogs. For two other infringements of less magnitude minimum damages of \$250 each were awarded.

In the questionnaire returns only 12 instances were reported of *claims* for statutory damages in excess of \$5,000. Most of these, when further explored by interviews or correspondence, turned out to be unsuccessful.<sup>38</sup> One settlement for slightly more than \$5,000 was described to us, resulting from an infringing series of 39 weekly network radio programs; the plaintiff had claimed \$250 for each program.

Though instances of recoveries going beyond the \$5,000 maximum are thus few, it must be conceded that the state of the law is uncertain. It is not clear what constitutes an "actual notice"—that is, whether an unsupported assertion of infringement is enough to put on guard a broadcaster or other user who receives many such claims, mostly empty. It is not clear how many infringements are involved when a copyrighted work or components of it are used in successive editions or broadcasts, or in simultaneous broadcasts. The definition of a "case," to which the \$5,000 maximum applies, is unsettled. These questions have been present in the decisions summarized above, and in a few others;<sup>39</sup> but it cannot be said that they have been answered in a satisfactory manner. There is therefore good reason for some uncertainty about the extent of statutory liability for multiple in-

<sup>36</sup> 59 U.S.P.Q. 288 (S.D.N.Y. 1943). Cf. Warner, *op. cit.*, supra, sec. 163, note 13, on the three cases last cited.

<sup>37</sup> 121 F. Supp. 941 (D. Mass. 1954).

<sup>38</sup> Decided and reported cases in which defendants won include *Twentieth Century-Fox Film Corp. v. Deckhaus*, 153 F. 2d 893 (8th Cir. 1946), *Jerome v. Twentieth Century-Fox Film Corp.*, 165 F. 2d 784 (2d Cir. 1948).

<sup>39</sup> *Markham v. Borden*, 221 F. 2d 586 (1st Cir. 1955) \$2,250 (9×\$250) award upheld in catalog case; *Cory v. Physical Culture Hotel, Inc.*, 14 F. Supp. 977 (W.D.N.Y. 1936), *aff'd* 88 F. 2d 411 (2d Cir. 1937); cf. note 15, supra, note, 67 Harv. L. Rev. at 973.

fringements, even though no instances are known of recovery much in excess of \$10,000.

#### D. THE SPECIAL MINIMUMS AND MAXIMUMS

This part deals with items (3) (c) through (f) in the breakdown of section 101(b) set forth in the introduction.

1. "In case of a newspaper reproduction of a copyrighted photograph, such damages shall not exceed the sum of \$200 nor be less than the sum of \$50."

There are no reported cases giving effect to this provision.<sup>40</sup> Four respondents to the questionnaire reported having had "cases" to which it would apply, but the one settlement mentioned was in a suit brought in a New York State court, on a common-law claim coupled with a charge of unfair competition. There the plaintiff was able to obtain a sum much larger than the statutory maximum.

It seems fairly probable that the statutory limits have discouraged litigation. A lawyer with long experience in representing newspapers writes that—

Prior to the enactment of the \* \* \* provision \* \* \* there were innumerable controversies, many of which reached the court, but practically all of these were prior to 1909. In some of those cases, the damages allowed by the courts appeared to be excessive. Since the enactment of this provision there have been practically no cases that have gone to litigation, because it has been the practice of newspapers, where infringement has been shown, to negotiate a settlement somewhere within the \$50-\$200 limit, thereby avoiding the expense of litigation.<sup>41</sup>

The inapplicability of this special limitation to a monthly magazine was established by *Cory v. Physical Culture Hotel, Inc.*<sup>42</sup>

It will be noted that, unlike the other special provisions, this limitation is not conditioned on the innocence of the infringement. It is therefore a sort of a compulsory license, which sets \$200 as the maximum amount that a newspaper will have to pay for the use of a copyrighted photograph. We have no information whether a photograph would ever have a higher market value to a single newspaper user. The photographer can presumably protect the valuable right of exclusive first publication by reliance on common-law copyright. He might also in some circumstances make out a claim for actual damages or profits.

2. "In the case of the infringement of an undramatized or non-dramatic work by means of motion pictures, where the infringer shall show that he was not aware that he was infringing, and that such infringement could not have been reasonably foreseen, such damages shall not exceed the sum of \$100; and in the case of an infringement of a copyrighted dramatic or dramatico-musical work by a maker of motion pictures and his agencies for distribution thereof to exhibitors, where such infringer shows that he was not aware that he was infringing a copyrighted work, and that such infringements could not reasonably have been foreseen, the entire sum of such damages recoverable by the copyright proprietor from such infringing maker and his agencies for the distribution to exhibitors of such infringing motion picture shall not exceed the sum of \$5,000 nor be less than \$250."

These provisions, added in 1912 when motion pictures were included among the statutory classifications of copyright in section 5 of the act, appear to have had no practical effect. There have been

<sup>40</sup> Cf. *Hoyt v. Daily Mirror*, 31 F. Supp. 89 (S.D.N.Y. 1939) (complaint for newspaper infringement dismissed because no copyright notice on the photograph in suit).

<sup>41</sup> The claims referred to before 1909 would presumably have arisen under 28 Stat. 965 (1895), amending R.S. sec. 4965, and limiting damages for infringement of a photograph to a \$100-\$5,000 range. There are no reported cases under this provision involving newspapers, but the correspondent quoted is certain that claims were frequent.

<sup>42</sup> See note 39, supra.

no reported cases, and no questionnaire respondent had had any experience with claims controlled by them. In practice authors suing motion picture producers ask for actual damages or profits. In any event, the special limits are available only if the defendant establishes the innocence of his infringement.<sup>43</sup>

3. "The damages for the infringement by broadcast of any work referred to in this subsection shall not exceed the sum of \$100 where the infringing broadcaster shows that he was not aware that he was infringing and that such infringement could not have been reasonably foreseen."

This amendment, which relates to nondramatic literary works, has been effective only since January 1, 1953. The standard of innocence which the infringer must meet is obviously patterned on the 1912 amendments to section 101(b) just discussed. There are no reported cases on this amendment. Questionnaire responses supplemented by interviews turned up three controversies which might have fallen within the terms of the provision and which were settled for amounts within the prescribed maximum. In a fourth case, involving a performance of a copyrighted musical composition in a dramatic setting, the limitation was interposed as a defense; but it was apparently not applicable, since the case was settled for a sum quite substantially in excess of the \$100 maximum.

The placing of this limitation in section 1(c) raises unresolved questions about its relation to the other damage provisions. For example, does it preclude an award of actual damages or profits? This limitation is not, like the others, part of the "in lieu" provisions. With respect to the determination of multiple infringements by a network broadcast, will the \$100 limitation be controlling, or will "the infringing broadcaster" be held to refer to each outlet? If there are multiple infringements in such a situation, would each outlet have to be sued separately, precluding recovery from the network for all the claimed infringements?

These questions are related to the overall problem of the extent of liability of the "innocent infringer."<sup>43a</sup> The provisions just discussed, with the exception of the atypical limitation for newspaper use of photographs, represent a piecemeal attempt to limit the liability of motion picture producers and broadcasters when they do not know or have reason to know they are infringing. This can be the situation of many others dealing with copyrighted material. The broadcaster himself when he mistakenly relies on a song's listing in a licensor's catalog;<sup>44</sup> the magazine or other publisher who buys or licenses material from an author who is in fact a plagiarist;<sup>45</sup> the contract printer of an infringing work; all these are supposedly subject to the full sweep of section 101(b). It is true that, so far as statutory damages are concerned, the \$5,000 maximum would be applicable; for an infringer who has been given the "actual notice" that removes the ceiling is no longer "innocent." But this slight comfort does not take account of the possibility that several copyrights may be in-

<sup>43</sup> Warner, *op. cit.*, supra, note 13, p. 650, says that, "The maximum of \$5,000 was prescribed to cover the unique situation of the manufacture and distribution of a motion picture plagiarizing another form of dramatic work, viz., a stage play. This provision was intended to rectify the Supreme Court's decision in *Kalem Co. v. Harper* [222 U.S. 55 (1911)] where the exhibition of the motion picture by 10,000 innocent exhibitors resulted in 10,000 separate infringing performances."

<sup>43a</sup> The Copyright Office is preparing a separate study on the liability of innocent infringers.

<sup>44</sup> *Law v. NBC*, 51 F. Supp. 798 (S.D.N.Y. 1943). The broadcaster in this case was indemnified by the performing right licensor.

<sup>45</sup> *De Acosta v. Brown*, 146 F. 2d 408 (2d Cir. 1944); cert. denied 325 U.S. 862 (1945).

volved, with the result that each may form the basis for a calculation of statutory damages; or that compliance with a notice may be unfeasible, because of close deadlines; or that a trial court's reckoning of statutory damages, which may be mechanical and quite out of proportion to the values involved in a minor case, is nevertheless almost unassailable if it is within the \$250-\$5,000 range.

The only general protection that the act gives the "innocent infringer" is in section 21, which, dealing with accidental omission of notice, states that "it shall prevent the recovery of damages against an innocent infringer who has been misled by the omission of the notice."

The supposed plight of the innocent infringer heightens the apprehensions already discussed about the possible impact of multiple infringements and calculations based on the schedules "First" through "Fourth." So far as can be determined, these apprehensions have only limited foundation in actual practice. A few reported cases do seem to deal harshly with infringers who may be innocent, and who can be described as "secondary"—a term which has no present statutory significance, but which loosely refers to persons who perform an infringing act, such as reselling, but who are not the principal actors in the infringing enterprise.<sup>46</sup>

One cannot say with assurance, however, that because an infringer is "secondary" he is innocent. For example, a printer may very well be a knowing participator with the publisher in a plagiarism, or he may be truly innocent. Since legal liability has not turned on these distinctions, except with respect to the little-used special maximums and minimums, the courts have not been obliged to make them.

"Secondary" infringers are often in a contractual relationship with "primary" infringers, so that indemnification may be available. This subject will be discussed in section VII of this paper.

#### E. SUMMARY ON STATUTORY DAMAGES

If we piece together the information and inferences derived from the questionnaires, interviews, and reported cases, the following general observations may be made about the operation of the statutory damage provisions:

1. The \$250 minimum is rigorously followed, and gives the successful litigant at least the assurance of that much recovery. Attempts to multiply the \$250 in a single case, for which there are various theoretical bases in the counting of infringements and of the number of copyrights infringed, are occasionally successful. But it does not appear that the courts will follow extreme computations blindly. The \$250 minimum continues to be most effective as a policing and deterrent device for performing rights licensors. At this time it seems to have lesser importance for motion picture producers and sheet music publishers.

2. The \$5,000 general maximum is rarely reached and hardly ever pierced. Though it is removed by a showing of "actual notice," and though (as with minimum damages) causes of actions may be multiplied so that in theory several awards of \$5,000 might be made in a single proceeding, the potential hazard of these events for defendants is much greater than their apparent actuality.

<sup>46</sup> E.g. *McCulloch v. Zapun Ceramics, Inc.*, 97 U.S.P.Q. 12 (S.D.N.Y. 1933).

The chief means of ascending to stratospheric damages, in a case of "actual notice," would be a mechanical resort to the suggested schedules "First" through "Fourth." Of these the only one that is ever used at all seems to be the "Second": \$1 a copy for other than graphic works, and this not for very large sums.

3. The special minimums and maximums have very little or no application, except as they discourage claims altogether.

4. A number of reported statutory damage cases award round sums well within the limits, such as \$1,000 or \$2,000, without explanation.<sup>47</sup> To the parties these may be quite substantial recoveries, in view of the dimensions of the case; but there is no way of estimating whether they are out of line with actual damages or profits, since presumably neither can be determined. If the case is one of considerable magnitude, in dollar terms, the plaintiff appears to be more likely to aim for, and, if successful, to get actual damages or profits.

These observations refer to litigated cases. The final inquiry goes to the influence of the statutory damage provisions on settlements. We have already noted in analyzing the questionnaire results in part II that statutory damages were considered the basis for less than 10 percent of the settlements reported. Opinions derived from interviews and correspondence are less one-sided, and indeed quite divergent. Attorneys agreed that the only damage provision which invariably affected settlements was the 2-cent-per-record compulsory royalty provision of section 1(e). It operates as a ceiling. An attorney prominent in broadcasting thought statutory damages extremely important in settlements of musical-plagiarism cases; an attorney the bulk of whose practice concerns musical plagiarism thought they were most unimportant, because the expenses of collecting them, plus the fact that attorney's fees (if awarded) tend to follow damages and tend to prove inadequate, made them of dubious bargaining utility. An attorney who represents various underwriters thought the \$5,000 statutory maximum damage provision influenced all substantial settlements of single infringements; an attorney prominent in musical controversies thought it of no influence.

Opposing points of view are best summed up by the comments of two lawyers of extensive and varied experience. One wrote:

We settle all cases on the basis of what we can get away with when we are the defendant and what the traffic will bear when we are the plaintiff.

The other reported his practice in negotiating settlements was to—determine the maximum statutory damages which might be awarded, with a reasonable attorney's fee, and offer to settle for an amount substantially less \* \* \*. In practically every case I have had the final reliance has been on statutory damages.

Attitudes toward techniques of settlement, one suspects, are as variable as the temperaments of individual lawyers. The factors that enter into the amount of a settlement (if there is any money payment; often there is not) are intimately connected with the degree of willingness to settle at all. Though most controversies do get settled, some attorneys are obviously much more resistant than others to settlement. Considerations of temperament are reinforced, in the

<sup>47</sup> E.g. *General Drafting Co. v. Andrews*, 37 F. 2d 54 (2d Cir. 1930) (road maps; \$2,000 damages, \$4,000 attorney's fees); *Zenn v. National Golf Review, Inc.*, 27 F. Supp. 732 (S.D.N.Y. 1939) (print used in magazine with 50,000 circulation; \$1,000 awarded); *M. J. Golden & Co. v. Pittsburgh Brewing Co.*, 137 F. Supp. 455 (W.D. Pa. 1956) (7,500 advertising plaques; \$1,000 awarded); cf. *Toknig v. Bruce Publishing Co.*, 181 F. 2d 664 (7th Cir. 1950) (\$1,000 award, though substantial profits determinable).

case of some of those representing users of copyrighted material, by the belief that a settlement with plaintiffs charging plagiarism, even for an amount justified by "nuisance value," is imprudent. It is thought that word gets around; and that more claims result. Consequently some clients are advised never to settle. This leads to occasional avoidable litigation: but it doubtless also disposes of many claimants who will not or cannot finance litigation.

Most lawyers will incline toward settlement, motivated largely, it appears, by the same considerations that apply in other branches of the law, notably the great expense of litigation. In some cases, and to an undeterminable extent, either the real hazard of substantial statutory awards, or the imagined hazard of enormous ones, is a factor in reaching and in putting a price on a settlement.

## VI. COSTS AND ATTORNEY'S FEES

Section 116 directs that—

In all actions, suits, or proceedings under this title, except when brought by or against the United States or any officer thereof, full costs shall be allowed, and the court may award to the prevailing party a reasonable attorney's fee as part of the costs.

The mandatory award of costs is sufficiently described in the Strauss study.<sup>48</sup> It raises no problems special to copyright, and is not ordinarily of substantial magnitude unless there has been a reference to a special master.

The discretionary power to award attorney's fees to the prevailing party is, however, an element that should always be taken into account in appraising the substantiality of recovery in a copyright case. Awards of attorneys' fees are not unique in copyright practice; a variety of Federal regulatory and welfare legislation includes such provisions.<sup>49</sup> In fields closely related to copyright they are also found, but with significant variations. In private antitrust actions a successful plaintiff, in addition to triple damages, is apparently entitled to attorney's fees as a matter of right.<sup>50</sup> On the other hand, the patent law authorizes attorney's fees only "in exceptional cases."<sup>51</sup> The Lanham Trade Mark Act permits the plaintiff to recover, "subject to the principles of equity," damages, profits, and "costs of the action."<sup>52</sup> As recently as 1937 the Second Circuit Court of Appeals held that attorney's fees could not be awarded in trademark cases, but more recently a practice has developed of making such awards to plaintiffs where "there is a showing of fraud." The award is apparently justified on general equitable principles.<sup>53</sup>

The Copyright Act differs from all these neighboring fields in that the allowance to the prevailing party is entirely a matter of judicial discretion—a discretion that is, however, reviewable by the courts of appeals (in contrast to the supposed impregnability of statutory dam-

<sup>48</sup> See note 5, supra 29-31.

<sup>49</sup> 6 Moore, *Federal Practice*, sec. 54.71(2).

<sup>50</sup> Sherman Act, 26 Stat. 209, 15 U.S.C. sec. 7.

<sup>51</sup> 66 Stat. 813, 35 U.S.C. sec. 285.

<sup>52</sup> 60 Stat. 439, 15 U.S.C. sec. 1117.

<sup>53</sup> This is substantially an amalgamation of secs. 16 and 19 of the 1906 act. *Gold Dust Corp. v. Hoffenberg*, 87 F. 2d 451 (2d Cir. 1937); *Century Distilling Co. v. Continental Distilling Corp.*, 205 F. 2d 140, 149 (3d Cir. 1953); *Admiral Corp. v. Fenco, Inc.* 106 F. Supp. 1015 (W.D.N.Y. 1952); aff'd 203 F. 2d 517 (2d Cir. 1953) (flagrant violation); compare 4 Callmann, *Unfair Competition and Trade Marks* (1950) 1902 with id., 1956 supplement. There is a general equitable power to award attorney's fees to *defendants* where an action is "brought or maintained vexatiously, wantonly, or for oppressive reasons." 6 Moore, sec. 54.77(2).

age awards).<sup>54</sup> That discretion may be exercised to withhold an allowance altogether if the courts consider the statutory damage award adequate—or excessive. On the other hand, a liberal allowance may be made that has the effect of substantially enhancing any other form of recovery.

The accompanying table B [at page 91] shows the relation of fee allowances to damage awards in cases decided in the 20-year period 1938–57.

Treated as an enhancement of damages, some of the amounts listed are substantial, at least when they are contrasted to the usual American civil practice of making no provision for the successful party's legal expenses.<sup>55</sup> But if their purpose is to provide for the *actual* reasonable expenses of prosecuting or defending an infringement, the prevailing opinion among lawyers interviewed was that fee allowances rarely are sufficient. For one thing, they are likely to be scaled roughly in proportion to the amount recovered by successful plaintiffs; and though this approach may not be inconsistent with lawyers' own habits in billing clients, it may bear little relation to the time and energy expended on a case. Second, courts do not usually make an allowance at all if an unsuccessful plaintiff's claim was not "synthetic, capricious or otherwise unreasonable," or if the losing defendant raised real issues of fact or law.<sup>56</sup> Several experienced practitioners said that they seldom received fee allowances, nor were their clients compelled to pay allowances, because the only cases they took to court involved unsettled questions of law or fact, and they did not expect the court to make an allowance to either side. Finally, there does not yet appear to be any discernible trend to adjust allowances to take account of the postwar inflation.

One expense of litigation that attorney's fees do not attempt to meet is the time lost by parties and witnesses, the cost of investigations undertaken by the client rather than the lawyer, and all the other peripheral but often major outlays attending litigation. However, no provision is ever made in our system for the recovery of such costs, except possibly in punitive damages. A few lawyers interviewed thought that fees were sometimes awarded punitively. This may be true in the sense that the court may grant fees rather than deny them because it reaches an unfavorable conclusion about the good faith of the losing party.<sup>57</sup> But there is no indication that fee allowances include any amounts beyond actual fees and disbursements.

The expected cost of litigation is, as we saw in part II, one of the factors that influence willingness to settle and the amounts acceptable in settlement. But the likelihood of getting a fee allowance at the end of litigation is so problematical that, according to our interview sources, it is not a factor that they will count on in deciding whether to settle or litigate.<sup>58</sup>

These observations about attorney's fees are not intended as an exhaustive treatment of the subject. The cases disclose a variety of

<sup>54</sup> *Hartfield v. Peterson*, 91 F. 2d 998 (2d Cir. 1937). The circuit courts also exercise discretion to award a further allowance for fees on appeal.

<sup>55</sup> Except by way of exemplary or punitive damages. See note, "Exemplary Damages in the Law of Torts," 80 *Harv. L. Rev.* 517, 519 (1957).

<sup>56</sup> *Cloth v. Hyman*, 146 F. Supp. 185 (S.D.N.Y. 1956), quotation at 193. This opinion, awarding fees to a successful defendant, include a helpful discussion of the considerations involved. See also *Eisenschimid v. Favcett Publications, Inc.*, 246 F. 2d 598, 604 (7th Cir., 1957); *Marks v. Leo Feist, Inc.*, 8 F. 2d 440 (2d Cir. 1925).

<sup>57</sup> See *Caruthers v. RKO Radio Pictures*, 20 F. Supp. 906 (S.D.N.Y. 1937) ("The allowance of fees \* \* \* constitutes a sanction which tends to be a deterrent both on infringers of copyright, and on wholly unfounded copyright claims").

<sup>58</sup> Performing-right licensors' cases seem to be the only area in which fees are routinely awarded.

miscellaneous reasons for denying fees, or for setting them at a particular figure, within a rubric that—

the court should take into account the following elements, among others: the amount of work necessary; the amount of work done; the skill employed; the monetary amount involved; and the result achieved.<sup>59</sup>

The relevance of fee allowances to the overall operation of the damage provisions is that, as an exception to the general proposition that parties pay their own legal expenses, these allowances when made increase a prevailing plaintiff's recovery. Their deterrent effect on ill-founded litigation, whether by plaintiffs or defendants, is outside the scope of this inquiry.

## VII. INDEMNITY AND INSURANCE

The incidence of damage awards may be shifted by indemnity agreements and distributed by insurance; therefore these two institutions deserve some attention.

### A. INDEMNITY

A right to indemnity may arise either from express warranties made by an author, from express contracts of indemnity made in the course of any dealings with copyright material, or from implied warranties and obligations to indemnify. Typical of the kind of warranty that may be made by an author is this provision in the uniform popular songwriters contract:

The writer hereby warrants that the composition is his sole, exclusive, and original work, that he has full right and power to make the within contract, and that there exists no adverse claim to or in the composition. \* \* \*

(with exceptions respecting ASCAP licenses and any other rights specifically excepted).

As a musical or other work moves into commercial channels of use, the person who supplies it usually agrees to indemnify the user against any liability arising from its use. These indemnities are elaborately developed in the complex of relationships among advertising agencies, producers of programs, licensors of musical performing rights, and broadcasters.

An illustration of the precise allocation of responsibility as between agency and broadcaster is found in a contract form approved by the American Association of Advertising Agencies and the National Association of Radio & Television Broadcasters for spot telecasting:

(a) *Indemnification by Agency*.—Agency agrees to hold and save Station harmless against any or all liability resulting from the telecast of programs or program material prepared, produced or furnished by Agency excepting such liability as may result from the telecast on Agency-produced telecasts of material furnished by Station and musical compositions, the performances of which are licensed by a music licensing organization of which Station is a licensee.

(b) *Indemnification by Station*.—Station will hold and save Agency and Advertiser harmless against all such liability on Station-produced telecasts excepting only such liability as may result from the telecast of commercial credits, and other material furnished by Agency. In addition, Station will hold and save Agency and advertiser harmless with respect to material furnished by Station for Agency-produced telecasts and the performances of musical compositions on Agency-produced telecasts provided the performances of such musical compositions are licensed for telecasting by a music licensing organization of which Station is a licensee.<sup>60</sup>

<sup>59</sup> *Cloth v. Hyman*, note 56, supra.

<sup>60</sup> Both this form, and the songwriters contract quoted above, are copyrighted.



Magazine publishers, it appears, routinely require indemnity from agencies and advertisers with respect to material supplied by them. Major newspaper publishers do also. A publication called Standard Rate and Data Service for newspapers includes an indemnity clause as No. 34 in a long list of suggested contract provisions and copy regulations. Newspapers using the service indicate by number which of these clauses they considered applicable. An interviewee reports, on the basis of a random sampling of this service, that smaller newspapers sometimes do and sometimes do not include No. 34.

The enforceability of express warranties or indemnity agreements seems to be taken as a matter of course; we have not found any reported cases on indemnity undertakings relating directly to copyright, except for the extreme and unsuccessful claims of the indemnitee in *Loew's Inc. v. Wolff*.<sup>61</sup>

There seems to be no modern case considering the rights of an assignee or licensee of copyrighted material when no express warranty or agreement to indemnify has been given. If the user has been held liable to a third party for infringement, it would seem that the supplier of the infringing material might, by analogy to sales law, be held to an implied warranty of title and of fitness for the intended use. Another approach, where the supplier of the material is a consciously plagiarizing author or proprietor, would be to recognize that though both the supplier and the infringing user are tortfeasors as against the owner of the material, between themselves the "active" infringer—i.e., the plagiarist—would be liable over to the "passive" infringer—i.e., the secondary and presumably innocent user. If both infringers were "active," which in this context one would take to mean that both were aware of the copying of the original plaintiff's work, or if they were both "passive," then there would be presumably no common-law right of indemnity, and perhaps no right even to contribution.<sup>62</sup>

However, it is not the purpose of this study to speculate about liabilities which seem not to arise in practice. The prevalence of express warranties and indemnity agreements, in fields where infringement claims are common, and their accepted enforceability, have already been mentioned. We are informed that indemnity agreements are enforced, as a matter of course, among business enterprises. Some variation occurs when the process of recovery overreaches the individual author. In the music-publishing world, we are advised, the erring composer is held to his SPA contract. In the book-pub-

<sup>61</sup> 101 F. Supp. 981 (S.D. Cal. 1951). This case involved an assignment of an unpublished manuscript, accompanied by extensive warranties of title and originality, and an agreement to indemnify the purchaser "against any and all loss, damage, costs, charges, legal fees, recoveries, judgments, penalties, and expenses which may be obtained against, imposed upon, or suffered by the purchaser by reason of any infringement or violation or alleged violation of any copyright or any other right \* \* \* or from any use which may be made of said work by the purchaser." The assignors were sued by a person claiming an interest in the work, and successfully defended. The assignee, having attempted to rescind while this other suit was pending, now asserted that the seller had breached a warranty of "marketable and perfect title", by analogy to real estate title warranties. The court held that the assignor had given no such warranty, and that the warranties he did give were no more extensive than those ordinarily implied in a sale of personal property, in which the doctrine of "marketable title" had no place. The assignee also claimed that he was entitled to recover, under the indemnity agreement, his expenses in the instant case. The court held that these expenses were self-imposed, and not within the contemplation of the indemnity agreement.

<sup>62</sup> See *Alfred Bell & Co. v. Catalda Fine Arts*, 86 F. Supp. 399, 409 (S.D.N.Y. 1949), aff'd 191 F. 2d 99 (2d Cir. 1951), where the court points out that the defendant printer had been given judgment over against the principal defendant on an indemnity agreement, and therefore had little reason to complain about certain aspects of the judgment against him.

<sup>63</sup> See *Pacific Iron Works v. Newhall*, 34 Conn. 67 (1867) (common-law indemnity by patent licensee against licensor); *Duke of Queensberry v. Shebbeare*, 2 Eden 329 (1758) (reporter's notes re recovery by defendant who was enjoined from printing a manuscript of Lord Clarendon's "History," for misrepresentation by his assignor of latter's right to publish); Weil, "Copyright Law," 558 (1917).

<sup>64</sup> On indemnity to "passive" from "active" tortfeasors, see *Schwartz v. Merola Bros. Constr. Corp.*, 290 N.Y. 145, 48 N.E. 2d 299 (1943).

lishing world, and among other users of literary material, resort to the author depends on the relationship between him and the publisher or other user of this material. Sometimes authors are expected to pay; sometimes they are not. Of course, the practical limit of claims against authors (and for that matter, against small enterprises) is a question of solvency. Authors are often able to make contracts that limit their liability on warranties to the amount received in royalties, or some small multiple thereof.<sup>63</sup>

To the extent that indemnity agreements exist and are enforced, they of course mitigate the situation of the innocent infringer. A "hold harmless" provision that includes expenses, legal fees, and the like, lifts his burden almost entirely.

#### B. INSURANCE

The form of insurance which is applicable to copyright damages is commonly referred to as "errors and omissions" insurance. Its coverage is far more extensive than claims of copyright infringement. Policies issued by one leading company, which seem representative in coverage, protect against liability for—

- (a) Libel, slander, defamation, or
- (b) Any infringement of copyright of or title or of slogan, or
- (c) Piracy, or unfair competition or idea misappropriation under implied contract, or
- (d) Any invasion of rights of privacy.

The language of the undertaking in this policy is that of indemnity against loss resulting from a judgment; but the insurer also undertakes to defend any suits brought against the insured, "even if such suit is groundless, false, or fraudulent." The insurer has power to settle any suit. Another form of policy indemnifies against "claims" rather than judgments. The insurer has the power to take over the defense of a case, but is not bound to contest a claim unless a neutral attorney so advises; the approval of the insured is required for a settlement.

The practical consequence of either type of contract is that any claim is referred to the insurer; and most claims are settled by the insurer.

The industries which make extensive use of this insurance protection are about the same as those which have thoroughly systematized the use of indemnity agreements: broadcasters, producers for broadcasting, advertising agencies, advertisers. However, insurance seems to be little used in the music field. Apparently only one major recording company is insured. Producers of feature motion pictures sometimes obtain insurance, especially for film libraries used on television, and recently for current production. One carrier writes insurance for newspapers, but its use is apparently not widespread in that field, nor in magazine publishing. Apparently book publishers do not insure at all.

The fact that this form of insurance is concentrated among a few carriers, with one of them seemingly dominant in fields related to broadcasting, means that the administration of the indemnities described in the first part of this section is often a matter of concern primarily to the insurer, since the same company may insure all the

<sup>63</sup> Colton, "Contracts in the Entertainment and Literary Field," "1953 Copyright Problems Analyzed," 144 (1953).

parties in a chain of indemnity agreements. However, individual authors, who theoretically are ultimately responsible in many cases, do not carry insurance, though at least one carrier offers to insure them. Insurers do not find it practical to press claims to which they are subrogated against authors.

The policies in use have a variety of provisions to protect the insurer against having to pay for liability willfully incurred by the insured. These provisions are cast sometimes in terms that except claims for acts made with knowledge that they are infringing; another form excepts acts committed "after actual notice of an infringement." The latter variation raises the question whether the notices of alleged infringement that are said to be so common in the broadcasting field, and that may operate to remove the \$5,000 limit on statutory damages, would at the same time remove the insurance protection. However, we are advised that the contracts are not so interpreted. These notices in fact form the basis of many of the claims that are accepted and processed by the insurer.

The contract written by another carrier excepts acts or omissions of the insured with knowledge "that such act or omission *might* form the basis for a claim \* \* \*." [Emphasis supplied.] This condition if literally read would make the insurance of very limited application; but apparently a literal construction is avoided.

Though no figures are available, it is probable that the legal and other expenses of the insurer in contesting claims, even though very few are litigated, are greater than the actual payments to claimants. Some expense is also incurred by insureds in that their own counsel may participate to a greater or less extent in the analysis and disposition of claims. With these considerations in mind, some indication of the amount of risk that is distributed by this form of insurance may be gained from some representative rates supplied by a leading carrier, reproduced as table C [at page 92]. However, it is not possible to say what part of these costs are attributable to claims arising under the Copyright Act, since liability arising from the whole range of interests that a literary or musical work is likely to invade are covered by "errors and omissions" insurance.

TABLE A.—*Representative ASCAP License Rates (based on material supplied by ASCAP)*

1. The license fee for ballrooms is eight-tenths of 1 percent of the annual gross receipts for admission (with an annual minimum of \$60).

2. For hotels, the fee is based on the "annual expenditure for all entertainment at hotel," as defined in a form agreement. A scale of rates is provided, of which the following are examples:

Entertainment expenditure:	<i>Annual rate</i>
Less than \$1,500.....	\$60
\$10,000 to \$14,999.99.....	240
\$65,000 to \$79,999.99.....	900
\$160,000 to \$179,999.99.....	2, 400
\$300,000 and over.....	3, 600

3. For roller skating rinks, a scale of rates is related to "annual gross receipts for admissions," of which the following are examples:

Annual gross receipts:	<i>Annual rate</i>
Up to \$7,500.....	\$60
\$10,001 to \$50,000.....	120
\$50,001 to \$75,000.....	360
Over \$100,000.....	480

4. In determining the appropriate rate for other establishments such as bars, grills, and taverns, lounges, restaurants, etc., the following factors are taken into account: Seating capacity of the establishment; the number of nights in a week during which it operates; the number and nature of the performers; for example, a single instrumentalist on the one hand, and a "name" band on the other.

For example, the license rate for a single instrumentalist playing 7 nights each week in a bar, grill, or tavern, with seating capacity up to 75, would be \$5 per month.

5. In determining the appropriate rate for nightclubs, the following factors, in addition to seating capacity and number of nights of operation in a week, are considered: A charge for admission or a cover or minimum charge; floor shows; a seminame band or talent; whether there is an alternate or relief band; and whether there are more than two complete programs of entertainment per night. The most elaborate nightclub with a seating capacity of over 600 persons, operating every night and employing all the above factors would pay a maximum fee of \$250 per month. However, the average nightclub with a seating capacity up to 150 and with a full orchestra, but with no floor show or minimum or cover charge, would pay \$20 per month.

6. During the year 1956, the Society's receipts from license fees from users other than radio and television were approximately \$3 million. Total receipts from license fees during 1956 were approximately \$24,800,000.

TABLE B.—*Fee Awards to Prevailing Plaintiffs, 1938-57*

	Damages (or Profits)	Attorney's fees
<i>Davilla v. Brunswick Balke Collander Co.</i> , 19 F. Supp. 819, mod. 94 F. 2d 567 (2d Cir. 1938)	\$1,057	\$1,000
<i>Elliot v. Geare-Marston, Inc.</i> , 30 F. Supp. 301 (E.D. Pa. 1939)	500	250
<i>Sheldon v. Moredall Realty Corporation</i> , 29 F. Supp. 729 (S.D.N.Y. 1939)	3,099	1,500
<i>Zenn v. National Golf Review, Inc.</i> , 27 F. Supp. 732 (S.D.N.Y. 1939)	1,000	400
<i>Burndy Engineering Co. v. Penn Union Elec. Corp.</i> , 32 F. Supp. 671 (W.D. Pa. 1940)	4,000	1,000
<i>Krafft v. Cohen</i> , 32 F. Supp. 821 (E.D. Pa. 1940)	750	300
<i>Sheldon v. Metro-Goldwyn Pictures Corp.</i> , 106 F. 2d 45, aff'd 309 U.S. 390, (1940). <i>Adventures in Good Eating, Inc. v. Best Places to Eat, Inc.</i> , 131 F. 2d 809 (7th Cir. 1942)	63,000	33,000
<i>Burndy Engineering Co. v. Sheldon Service Corp.</i> , 39 F. Supp. 274, (1941) aff'd 127 F. 2d 661, (2d Cir. 1942)	3,500	1,700
<i>Sammons v. Colonial Press, Inc.</i> , 126 F. 2d 341 (1st Cir. 1942)	3,500	2,000
<i>Advertisers Exchange, Inc. v. Bayless Drug Store, Inc.</i> , 50 F. Supp. 169 (D.N.J. 1943)	7,486	1,500
<i>Law v. NBC</i> , 51 F. Supp. 798 (S.D.N.Y. 1943)	250	150
<i>Rudolf Lesch Fine Arts, Inc. v. Metal</i> , 51 F. Supp. 69 (S.D.N.Y. 1943)	2,180	250
<i>Select Theatres Corp. v. The Ronzoni Macaroni Co.</i> , 59 U.S.P.Q. 288 (S.D.N.Y. 1943)	1	300
<i>Remick Music Corp. v. Interstate Hotel Co.</i> , 58 F. Supp. 523 (D. Neb. 1944)	11,500	2,000
<i>Stonesifer v. Twentieth Century Fox</i> , 48 F. Supp. 196 (S.D. Cal. 1942), aff'd 140 F. 2d 579 (9th Cir. 1944)	4,760	2,400
<i>Gurmm v. Jerry Vogel Music Co.</i> , 53 F. Supp. 191 (S.D.N.Y. 1943), aff'd 158 F. 2d 516 (2d Cir. 1946)	3,960	1,000
<i>Phillips v. The Constitution Publishing Co.</i> , 72 U.S.P.Q. 69, (N.D. Ga. 1947)	(*) 250	10,000
<i>Whitman Publishing Co. v. Writsell</i> , 83 U.S.P.Q. 535 (S.D. Ohio 1949)	10,850	250
<i>Tokitsig v. Bruce Publishing Co.</i> , 181 F. 2d 664 (7th Cir. 1950)	1,000	1,500
<i>F. W. Woolworth Co. v. Contemporary Arts, Inc.</i> , 93 F. Supp. 739 (D. Mass. 1950), aff'd 344 U.S. 228 (1952)	5,000	500
<i>Alfred Bell &amp; Co. v. Catalda Fine Arts, Inc.</i> , 86 F. Supp. 399 (S.D.N.Y. 1949), mod. and aff'd 191 F. 2d 99 (2d Cir. 1951)	5,000	2,500
<i>Malsed v. Marshall Field &amp; Co.</i> , 96 F. Supp. 372 (W.D. Wash. 1951)	10,800	7,750
<i>Gordon v. Weir</i> , 111 F. Supp. 117 (E.D. Mich. 1953)	100	500
<i>Barry Alter Co. v. A. E. Bordon Co.</i> , 121 F. Supp. 941 (D. Mass. 1954)	3,874	1,000
<i>Hollywood Jewelry Mfg. Co. v. Dushkin</i> , 136 F. Supp. 738 (S.D.N.Y. 1955)	6,500	1,000
<i>Foyal v. RCA</i> , 107 U.S.P.Q. 173, (S.D.N.Y. 1955)	3,500	500
<i>M. J. Golden &amp; Co. v. Pittsburgh Brewing Co.</i> , 137 F. Supp. 455 (W.D. Pa. 1956)	510	150
<i>Nikanov v. Simon &amp; Schuster, Inc.</i> , 144 F. Supp. 375 (S.D.N.Y.), aff'd 246 F. 2d 501 (1956)	1,000	300
	5,000	1,000

\* Accounting ordered.

TABLE C.—Representative Schedule of Representative Rates (as of Dec. 2, 1957)

(a) Rates, BL form (all limits in thousands):		
Radio stations, class A time charge \$200 per hour:		<i>Dollars</i>
25/50 limits premium.....		400
100/200 limits premium.....		568
250/500 limits premium.....		760
Radio stations, class A time charge \$75:		
25/50 limits premium.....		300
100/200 limits premium.....		426
250/500 limits premium.....		570
TV station, class A time charge \$1,000:		
25/50.....		950
100/200.....		1,349
200/400.....		1,805
TV station, class A time charge \$400:		
25/50.....		800
100/200.....		1,136
250/500.....		1,520
(b) TV show ½ hour once a week, dramatic show, new, 39 weeks:		
Per show:		
Premium \$22.50 base limits 100/200 times 39.....		877.50
Minimum premium 35 percent of annual.....		409.50
TV show 1 hour once a week, variety 52 weeks:		
Per show:		
Premium \$52 base limits 100/200 times 52.....		2,704
Minimum premium 35 percent of annual.....		846.40
Radio program, 15 minutes 5 times a week, on air 2 years, 52 weeks:		
Base premium.....		10.20
35 percent for 5 times per week.....		3.57
Per week cost.....		13.77
Times 52.....		716.04
Minimum premium 35 percent.....		250.61
Increased limits on above:		
200/400.....		1.30
250/500.....		1.40
(c) Advertiser, premium based on actual advertising expenditures in latest completed fiscal year or calendar year.		
Maximum limit policy.....		100,000
Expenditure under \$100,000.....		75
"    between \$100,000 and \$250,000.....		100
"    between \$250,000 and \$500,000.....		250
"    between \$3,000,000 and \$4,000,000.....		1,000
Higher limits of liability:	<i>Percent of base</i>	
\$200,000.....	125	
\$300,000.....	135	
\$500,000.....	145	
\$1,000,000.....	175	
(d) Advertising agency, premiums based on agency's gross billings in latest completed fiscal or calendar year.		
Minimum limit policy.....		100,000
Billings under \$1,000,000.....		250
"    between \$1,000,000 and 2,000,000.....		350
"    between \$5,000,000 and 7,500,000.....		750
"    between \$10,000,000 and 20,000,000.....		1,000
Higher limits of liability:	<i>Percent of base</i>	
\$200,000.....	125	
\$300,000.....	140	
\$500,000.....	155	
\$1,000,000.....	190	

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COMMENTS AND VIEWS SUBMITTED TO THE  
COPYRIGHT OFFICE  
ON  
THE OPERATION OF THE DAMAGE PROVISIONS  
OF THE COPYRIGHT LAW

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**COMMENTS AND VIEWS SUBMITTED TO THE COPYRIGHT  
OFFICE ON THE OPERATION OF THE DAMAGE PROVI-  
SIONS OF THE COPYRIGHT LAW**

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*By John Schulman*

APRIL 1, 1958.

Dr. Brown should be congratulated for his enlightening study on damages. It indicates that although the damage provisions of the statute are far from perfect, they have worked quite well and need little if any revision. As construed by the courts, these provisions do not seem to have worked any great hardship upon copyright proprietors or users of material, except perhaps in isolated cases.

The study supports observations of those of us who have argued that although the Copyright Law in theory contains the seeds of a large volume of litigation, in actual practice the number of lawsuits are infinitesimal, especially in view of the number of copyrights which subsist and the number of uses of them which are made each day.

Another significant disclosure in the study concerns insurance coverage against copyright infringement. Liability for infringement is included under policies which also indemnify the assured against such torts as libel, invasion of the right of privacy, and the like. It seems apparent from the report that the insurance carriers do not consider that the statutory damage provisions constitute an unusual hazard.

Since we are seeking to effect a workable revision of the Copyright Law, not one which is ideally perfect, it is my recommendation that we do as little tinkering as possible with the damage provisions.

JOHN SCHULMAN.

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*By Harry G. Henn*

APRIL 8, 1958.

Professor Brown should be complimented on the amount of worthwhile data which he and his assistants were able to compile on the operation of the damage provisions of the copyright law. The study is labeled "exploratory" and, because of the inherent nature of a survey based on questionnaires, personal interviews, and reported cases, suggests few if any definitive conclusions.

The Brown study, in my opinion, provides an excellent supplement to the earlier studies on the damages provisions by William Strauss and on the liability of innocent infringers of copyrights by Alan Latman and William S. Tager. It was particularly reassuring to note that the Brown study discussed several aspects which, as mentioned in my letters of May 13, 1957, and April 7, 1958, were not sufficiently treated in the two earlier studies. The Brown study, by its factual review of the operation of the damage provision in practice, appears to me to corroborate the tentative views which I expressed in my letters of May 13, 1957 and April 7, 1958.

While it would have been beyond the expressed scope of the Brown study, a similar analysis of the operation of other remedies for infringement (injunction, preliminary and permanent; impounding of infringing articles; delivery for destruction of all infringing copies or devices as well as all plates, moulds, matrices or other means for making infringing copies; importation restriction; and criminal sanctions) would have been helpful.

By way of one final general observation, it seems to me that if we are going to attempt to simplify the securing and maintaining of statutory copyright, we ought to attempt to simplify the enforcement thereof, by having relatively simple statutory provisions to be applied by the courts in the exercise of reasonable discretion.

HARRY G. HENN.

*By Edward A. Sargoy*

APRIL 29, 1958.

I have read with great interest the exploration into how the damage provisions of the Act of 1909 actually function in practice, as made by Prof. Ralph S. Brown, Jr., with the assistance of William A. O'Brien and Herbert Turkington.

This is a unique study of an important general aspect of copyright. Ralph Brown has turned in some very interesting observations which tend to put into more realistic perspective the practical problems of utilizing the copyright damage provisions to protect copyrighted works.

I note that at various points it is reiterated in the study that its observations do not generally apply to performance-right cases. While performance-right cases, particularly as to music, are briefly discussed, with an indication that the right to recover minimum statutory damages therefor has not been abused in practice, the study was primarily concerned with an examination of the typical treatment in practice of the more substantial type of infringement. These are usually rather isolated incidents for any given copyright, if they do occur at all. An unauthorized use of a performing right of a musical composition or, of a motion picture, which might have been licensed for a few pennies or a few dollars, is also a most substantial appropriation to the individual copyright owner concerned. Virtually his entire work is taken, in perhaps the only important market that he has, and even though it usually involves a very small monetary item in the total copyright economy, we must recognize the potentiality of like infringements of the same work being multiplied innumerable times.

Ralph Brown's study having treated with the practical problems involved in protecting the copyright against a substantial infringement, and the assertion and resistance of infringement claims in as well as out of court, for settlement purposes, I thought that I might supplement the observations of the study with my own observations of the very practical considerations that also have governed the application of minimum statutory damages to protect an entire industry's distribution system under copyright. This has been necessary, for example, to insure the availability of its mass market for performing uses of each copyrighted motion picture at thousands of theaters at which it will be licensed in the normal course of day-to-day business, and to deter unlicensed uses by the very licensees to whom the necessary weapons, the copyrighted film prints, are entrusted for other limited exhibition uses.

This, as you know, has been an experience of almost 30 years for me.

Ralph Brown indicates, I gather, the necessity for retaining such minimum statutory damages to insure licensing of the small performing rights, without dwelling particularly upon the point. My purpose here is to supplement his paper by realistically pointing up some very practical considerations that call for such retention.

If I now relate experiences and statistics going back over 25 years, it should be remembered that what was done then and the conditions which were faced and for the most part overcome during the 1930's and early 1940's existed under the present law, and utilized its present remedies. The conditions for a reoccurrence exist today, were the law to be changed in this respect, and the existing vigilance relaxed. The observations are therefore still pertinent and timely.

It has seemed to me that where the individual appropriation involves any unlicensed use which would have had a license valuation of over \$250, had it been licensed, the provisions of the statute for actual damages, or for the profits attributable to the infringement, are more likely to come into play. The study by Ralph Brown and his assistants indicates how various of these situations often work out in practice.

It is where the unauthorized appropriation involves uses of lesser license values that great difficulties would be encountered in this country to enforce licensing systems if we did not have minimum statutory damage provisions to deter mass infringements and to insure normal licensing. There are very important practical considerations in this regard.

In the motion picture industry, for example, hundreds of thousands—if not millions—of dollars may have been invested in the production of a negative of which several hundred copyrighted positive film prints are made at a cost ranging from \$250 to \$1,000 per print. There is no basic market other than the right to project the shadow of the print on the screens of the 17,000 or so available theaters. Each of these exhibiting customers will enter into an agreement with the distributor, for a license, under the film print's copyright to exhibit it on one or more designated days at a specified theater for an agreed-upon flat or percentage license fee known colloquially as a film rental. While major licensees such as a large

downtown theater in a few major cities may pay hundreds of thousands of dollars as film rental to show a given picture a number of weeks, possibly half the theater licensees (about 6,000) for the same picture may pay under \$50, and the majority of these licensees probably less than \$25 to show it a day or two or three. It is in this area of the 6,000 or so customers who pay less than a \$50 license fee for a top feature, even less than that for a lesser grade feature, and a fraction of that amount for newsreels and short subjects, that the practical problems arise. The right to play this \$50 rental feature picture for an additional day may often involve no more than an extra \$3 to \$10. Copyrighted short subject motion pictures and lesser grade features, will be available at even lower levels of a dollar or two for an extra day. When the 10 or so national distributors daily entrust some 50,000 copyrighted prints of feature, short, and newsreel releases in the United States to these 17,000 or so available theaters, the rental levels for the average daily use are in such low levels as to make it economically impossible to make personal checks of whether each print so entrusted to a licensee is being exhibited as licensed, and not bicycled or switched for exhibitions at larger theaters (which would have commanded higher rentals), or played an additional day without the knowledge of the distributor. The typical distributor may serve 20 to 40 feature pictures, and as many short subjects, to a given theater over the course of a picture season. Indeed, more often than not, the customer buys exhibition licenses for the distributor's pictures not only for the given theater but for each of a number of other theaters as well, the majority of small theaters being operated as parts of small circuits. Very often the exhibitor operates the only theater or theaters in his town. Nothing physical is appropriated, merely the shadow of the copyrighted print for a few hours or a few days, and the print is then returned intact, very often on the date it is expected back in the exchange (although this was not the case in earlier days).

The daily potentiality for infringing uses are enormous. The potential infringers have the means, the 50,000 prints in circulation daily, to appropriate their shadow, since the distributors have actually delivered them to the theaters for specified licensed exhibition uses.

In 1930 and 1931 we made extensive investigations, the results of which are collated in the hearings on the Sirovich copyright bills in 1932, at which time there was an unsuccessful effort to eliminate minimum statutory damages or reduce the same to \$50 (General Revision of the Copyright Laws. Hearings Before the House Patents Committee, Feb. 1-29 and Mar. 1-14, 1932, Government Printing Office, 1932, at pp. 447 et seq.). The investigation first covered late returns of prints to various branch cities from which the theaters were served by the distributor exchanges. It was found, for example, that over 25,000 prints were returned 1 to 10 days late during a 5-month period to the branches in 4 of the 31 branch office cities; in another 3 cities, there were over 15,000 late returns during 6 months. It was estimated that there were then over 350,000 such late returns annually. These, of course, did not necessarily mean an infringing use in every such situation. However, the possibility that delayed returns meant possible unauthorized uses was most evident (p. 451). A 4-month investigation of showings at the 400 or so theaters serve out of the city of St. Louis had revealed that over 20 percent of available theater playing time was being serviced, without the knowledge of the distributors, by bicycled, switched and held-over exhibitions of their own pictures, by the licensees to whom they had entrusted the prints (p. 451). Blanket investigations of exhibitions were made during 1930 and 1931 of some 2,863 theaters served by the branches in 18 of the 31 branch exchange cities, regardless of whether suspected or not. These investigations covered all feature, short subject, and newsreel showings at each theater over an average 3-month period to ascertain if the pictures had been shown as booked, in accordance with their license agreements. In many of these cities over half the theaters investigated were found to have been regularly giving unlicensed showings of the pictures. In addition, some 260 theaters were specially investigated in various parts of the United States, based on suspicions reported by the branches. Here, of course, it was not surprising to find unauthorized showings a regular practice in 84 percent of the theaters so investigated. In any event, during 1931 and 1932, of some 3,323 theaters investigated for an average of 3 months over 40 percent were found to have been indulging in exhibition uses of the copyrighted prints entrusted to them, at unlicensed times or places (pp. 452-453).

There was no alternative but to proceed under the copyright law to straighten out this serious condition, and the educational process took a matter of years. By treating the unauthorized exhibition as a copyright infringement, and not

as a simple breach of contract—and so apprising the industry—not only were unauthorized exhibitions deterred, but the hundreds of thousands of unduly late return of the prints decreased by far over 90 percent.

Why was it so vital to use the copyright statute in the United States? I say the United States, advisedly, because other countries do have some rather more effective practical remedies which are just not available in this country. In the first place, in the absence of a planned and very expensive centralized investigation, isolated infringe uses would be discovered only accidentally by any one distributor, although they may have been a regular practice with the product of all distributors. The amount in controversy would be extremely small. It is likely the licensee would be willing to pay the going small rate for the single use so discovered, if and when discovered. If the issue were to be pressed by the distributor, the latter would find itself in the unhappy position of having to give up or threaten to give up many thousands of dollars of exhibition license fees for the 30 to 40 features and as many short subjects it serves to the offending exhibitor at each of the theaters in his circuit, because of a dispute over a holdover involving an additional \$5 or \$10 in rental, knowing that a competing distributor not then serving the account is waiting in the wings to pick up this windfall of new business. To treat the matter as a simple breach of contract, would mean a measure of damages based on the rental value of the additional use, which would be in the neighborhood of about \$5 or \$10. It might have cost hundreds of dollars to ascertain the evidence of the \$10 appropriation, but contract measures of damage in our jurisprudence do not take such factors into consideration.

In Great Britain, in the Scandinavian countries and, as I learned last summer in Belgium, difficulties such as these are more simply and successfully handled. The offender is reported to the Cinematographer's Rental Society, or the local equivalent of the distributor trade association. If such report is made a second time, no distributor will serve such an exhibitor. Exhibitors see to it that they do not have to go out of business, and do not indulge in the offense a second time. A perfectly proper boycott, under the laws of these countries, is obviously a most effective deterrent. Their antitrust laws, such as they may be, evidently do not prevent an agreement among distributors not to entrust their copyright property to offending customers. In the United States, the distributors did not and would not enter into agreements with each other to boycott offending exhibitors, no matter how serious the offense, and that it was committed separately as to each one's pictures. The practical question of the cost of defending an antitrust suit, even if the defense were successful, must be considered. Other countries appear also to have a healthier respect for copyright property, particularly where small rights are concerned. In a number of them, it is a criminal offense to infringe, and enforcement is likely. It is true that the Act of 1909 has misdemeanor provisions, covering willful infringement for profit, but United States attorneys would not consider as a matter for criminal prosecution these breaches of license contracts.

Furthermore, our United States system of granting small court costs in contract suits, which have no relation to the legal expenses actually incurred, is not conducive to encouraging litigation in such regard. In Great Britain, for example, where the plaintiff may recover his actual damage of 2 or 3 pounds, his bill of costs will include provision for attorney fees, for having successfully prosecuted and sustained his rights, and could easily be hundreds of pounds.

Curiously enough the danger to the motion picture industry from this disruption of its copyright distribution system, by unlicensed exhibition use which was not only an appropriation of the copyright property of the distributor, but an unfair competition to his honest theater customer in the same locality who paid for the exhibitions given as licensed, has never been from lost, stolen, or duped prints in the hands of bootleg distributors. There is no real market for such prints, and infringements of this nature, while they occasionally occur, are insignificant in the 35 mm. theatrical field (although of some importance in the 16 mm. non-theatrical field). The enormous potentiality for infringement, as shown during the early 1930's was on the part of the respected theater operators in many communities who would not dream of using a lost, stolen, or duped print, much less taking it without permission from an express office. The infringers were those to whom, as licensees for certain purposes, the print was actually entrusted by its owner. This licensee, in disregard of his license limitations, and probably justifying his appropriation to himself as exercising a bit of self-help to adjust the rental terms bid by him to secure possession of the print, then utilizes the print temporarily for some other exhibitions at other times or places than licensed. To tolerate such unauthorized uses, considering the daily volume of transactions, would have been tantamount in effect to a compulsory license system, if the

only liability when and if caught with one unauthorized use out of many, were to pay the customary rental value of the use so detected, as if negotiated in advance.

It was only by a program of educating the industry, exhibitor as well as distributor, to the fact that the copyright law and its minimum statutory damages would be applied, that effective deterrence was obtained. This was the only feasible means available to the distributors in the light of their practical situation, as above shown, and the lack of other effective remedies in other countries.

As a result of treating the unauthorized use as a copyright infringement, investigating intensively, and pressing the claims, by the latter part of the 1930's and the early 1940's, every theater owner, as well as every branch representative of a distributor, had been made acutely copyright conscious. Every exhibitor knew and understood that the copyright law provided minimum statutory damages of \$250 per copyright infringed, feature, short, or newsreel; that if he intended to holdover or show the picture elsewhere, he had better get advance permission in writing (which might well be gratis), because if discovered, resort would be made to the copyright law.

Investigations in later years, following this campaign of education and legal actions under the copyright law where necessary, showed a remarkable decrease in the unauthorized uses. Where there had been tens of thousands of unauthorized showings by licensees in earlier years, investigations in the late 1930's and early 1940's, in various distribution territories, for 4 or 5 months covering some 350 to 500 theaters per territory, revealed not as much as a newsreel was played out of turn.

Yet throughout this period, the statutory damage of \$250 was actually collected in only two cases. In *Tiffany Productions v. Dewing* (D. Md. 1930) 50 F. 2d 911, a leading case, the minimum damage award of \$250 for each of the six feature pictures involved (in the four suits), aggregating \$1,500, was paid to the distributors who had commenced the four actions, plus a \$250 counsel fee in each action. The defendant had tendered into court, as actual damage, \$7.50 per feature picture which he claimed had been the maximum rental ever paid for feature pictures at the theater to which bicycled. The court sustained the right to minimum statutory damages. In the other instance, a default judgment of \$750 for three pictures obtained in the Northern Peninsula of Michigan, was paid a number of years later when the defendant found that he had to remove this cloud on title to sell a parcel of his real property.

However, in settling the thousands of claims disclosed during these years, the matter was not treated as one of collecting or adjusting the withheld rental value, but of paying some adequate amount between the customary rental value and the minimum of \$250, which would effectively serve to deter future like appropriations of the delivered pictures.

Despite these recoveries, it still cost the distributors substantially more annually to have special counsel represent and advise them, to undertake investigations, to take legal action, and to sustain their copyrights and licensing systems. This was a cost to the industry, borne by producer, distributor, and exhibitor, made necessary only by those exhibitors tempted to violate the copyrights. This is inherently a part of the theory of allowing minimum statutory damages, since this type of cost cannot be allocated to the discovered infringements under ordinary rules of evidence. *L. A. Westermann Co. v. Dispatch Printing Co.* (6 Cir. 1916), 233 F. 609, at 613; affirmed 249 U.S. 100.

The education was successful in the sense of making an entire industry aware of the cautioning flag provided by the copyright statute with its \$250 minimum, to warn potential infringers; that additional or other exhibitions by the licensee, not covered by his license, would be treated as copyright infringement; and that there was vigilance which might well detect unauthorized uses. This educational process has not ceased. With new people entering the industry both on the exhibition and distribution sides, who do not recall these earlier days, the vigilance must still continue. In fact, there has been some increase in recent years of this type of copyright violation, but the problem is far from being as serious as it was 20 to 30 years ago.

This does not mean that the red flag of the statutory provision is no longer necessary as a deterrent. My feeling about minimum statutory damages has always been that it is not essentially a guide for the court in the one copyright use out of millions annually that ever comes before a court, because of a misappropriation. It is the flag of warning to those who engage in millions of copyright uses annually which are available for licensing, to insure that licenses are secured in the regular course.

I might observe, also, that were a single copyright involved in any of these small unauthorized uses, the practice has been to write the exhibitor a cautioning letter, to invite his cooperation in preventing the missout at a theater, the violation of its contracted rights to priority by a bicycled exhibition, and the unfair competition to it which he would object to if another exhibitor so indulged himself. It is the exhibitor who makes a regular playing policy of unauthorized showings that created or can create the industry problem that requires copyright treatment. Actually, it costs more than \$250 to sue for a single copyright infringement. Very few experienced lawyers in the country are familiar with copyright. If the plaintiff forwards the matter to such a lawyer in any major city, such counsel would want more than \$250 for the time and effort involved to familiarize himself sufficiently with the copyright law to sign his name to the complaint. Even though the real issue may be no more than the existence of a license, the defendant by certain defenses could put in issue the copyright itself. This could result in great expense to plaintiff in taking depositions in different parts of the country or of the world to sustain the validity of his very important copyright. The copyright certificate is not necessarily a perfect proof.

The vigilance still continues but there is no longer the necessity for the broad scope investigations such as took place years ago. Investigations are now made at specific theaters as to which complaints have been made, often by a competing exhibitor who objects to the competition accorded to him through unlicensed showings or whose rights to priority of exhibition have been thereby violated. Looking over the past 10 years, I would say that such theater investigations, based upon complaints or suspicions, amounted to somewhere between 100 and 135 theaters annually during the earlier part of this period, but that during the last 3 or 4 years, investigations have gone upward to some 180 to 200 theaters annually. Settlements have been made with some 15 to 35 theaters annually. Litigation has been rather sporadic. Several years might pass without an infringement suit of this nature. In 1956, however, some 16 theaters in 3 exhibitor circuits were involved in copyright litigation.

One field in which the minimum statutory damages may be taking on even greater importance as a deterrent is in that of 16 mm. rentals to nontheatrical places, such as summer hotels, summer camps, etc. Before returning the print to the distributor, many of these licensees indulge in an extra day or two of exhibition at another hotel or camp without the knowledge of the distributor and without paying the usual small rental fee.

There is still another side to this question of minimum statutory damages. What I have described above is the situation of the noninnocent infringement by the customer who secures possession of a copyrighted print through normal contract channels, and then deliberately uses the print for unlicensed showings in violation of the contract as well as in violation of the copyright. There is a species of infringement where the theater exhibitor is actually innocent. I refer to the case where the producer of the motion picture may have infringed upon some copyrighted play, story, background music, or other copyrighted material going into the production of the motion picture. When prints of this motion picture are then sent out to some 12,000 theaters in the course of its distribution, each such exhibitor, under *Kalem Co. v. Harper Bros.*, 222 U.S. 55, is himself an infringer upon the copyrighted literary, dramatic, or musical materials concerned, by projecting the exhibition of the plagiarized motion picture in his theater. The producer and distributor have to consider the possibilities of their contributory liability to each of these thousands of separate infringing exhibitions. The situation is somewhat analogous to the infringing performance of copyrighted material over a network broadcast involving many hundreds of radio or television stations. Here is a field in which the potentialities of magnifying minimum statutory damages, particularly if the infringements took place after notice, astronomically, and where each of the individual exhibitors was innocent of any intent to infringe. This is an area in which I think there should be clarification and reasonable limitation of the liability for statutory damages.

I did not realize that I would be writing as extensively as I did when I started to dictate this letter. I did feel, however, that it was an area of copyright situations in practice, which required some observations to supplement the field covered by Ralph Brown's report. I repeat, again, that what I have described is pertinent to the conditions of today, although it might seem at first blush that the problem became insignificant years ago. It became so only because we utilized certain aspects of the present law, which I feel it is necessary to continue to utilize to prevent a recurrence.

EDWARD A. SARGOY.

*By E. Gabriel Perle (of Time, Inc.)*

APRIL 30, 1958.

At long last I have finished my persual of Professor Brown's exploratory study on "The Operation of the Damage Provisions of the Copyright Law." I have nothing but praise for the study.

As you know, Time, Inc. did not reply to the questionnaire which had been circulated in connection with the study. However, I feel that, in view of present circumstances, I can add a few footnotes in terms of our own practices.

First, although from time to time copyright claims are made against various of the Time Inc. publications, the vast majority bear no fruit. Where individuals are concerned, and where, in the opinion of counsel, there is no copyright infringement but rather fair use, a firm letter is usually dispositive of the claim. Where other publishers are concerned, claims are few and far between and then, almost invariably, are asserted not for the purpose of collecting money but rather to assure that the property used without permission is not thereby dedicated to the public. Indeed, it is my feeling that most of the copyright claims in which there is any merit whatever are motivated primarily by a desire on the part of the publisher to protect his property as such. In such instances payment if any, is usually that amount which the copyright owner would initially have charged for the use of his material.

In my experience with the Time Inc. publications, profits have not been a factor in determination of infringement claims.

Professor Brown's study, more than any one document that I have seen, points up the very real need for a realistic appraisal of the damage provisions and a reweaving of the patchwork quilt that it now is. The various minimum and maximum damage provisions, and the \$1 a copy provision, make no sense whatever in the light of the realities of magazine and book publication today.

Thank you for giving me an opportunity to review Professor Brown's study.

E. GABRIEL PERLE.

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*By Melville B. Nimmer*

JUNE 4, 1958.

The following are my comments with respect to "The Damage Provisions of the United States Copyright Law," by William S. Strauss, and "The Operation of the Damage Provisions of the Copyright Law: An Exploratory Study," by Prof. Ralph S. Brown, Jr.

It would seem that both the Strauss and Brown studies can best be commented upon within the context of the "Major Issues" listed by Mr. Strauss, beginning at page 31 of his study.

1. "Should actual damages and the infringer's profits be cumulative or alternative?"

For the reasons suggested by Erwin Karp in his comments on Mr. Strauss' study, I think damages and profits should be cumulative. However, I would not permit actual damages as to those particular media where profits are obtained. That is where the infringer has used the work for motion pictures, if the plaintiff elects to recover defendant's profits from such a motion picture, he should not also be entitled to actual damages measured by loss of value of motion picture rights in plaintiff's work. Plaintiff should, however, be entitled to loss-of-value damages for other media, i.e., television, radio, legitimate stage, book publication, etc. Furthermore, in establishing profits defendant should not only have the burden of showing costs (as he is presently required to do under sec. 101 (b)), but also the burden of establishing what portion of profits was due to noninfringing matter.

2. "Should the law continue to provide for minimum and maximum amounts as statutory damages in lieu of actual damages and profits?"

The provision for minimum damages should be retained and the provision for maximum damages discarded. The importance of the minimum damages provision, in actual practice, is amply demonstrated in the Brown study. It is, of course, particularly important in the field of music performing rights. It is my opinion however, that minimum damages has an important deterrent effect in other areas as well.

The provision for maximum damages is largely meaningless and should not be continued. Insofar as it relates to the amount of damages per infringing copy (pars. First through Fourth of sec. 101(b)), it is unnecessary since the per infringing copy schedule is, in any event, not mandatory upon the court. Inso-

far as it sets a maximum on multiplication of minimum damages, see my comments on point 11, below.

3. "(a) Should statutory damages be allowable when (i) actual damages are ascertainable? (ii) profits are ascertainable? (iii) both are ascertainable?"

(i) Yes. (ii) Yes. (iii) Yes.

The purpose of minimum statutory damages should be to serve as a deterrent both where actual damages and profits are unascertainable, and also where, although ascertainable, they are so small as to not warrant a legal action. Therefore, minimum statutory damages should be recoverable, even where actual damages and profits are ascertainable if the minimum statutory damages exceed the amounts thereof.

"(b) If so, should statutory damages be allowable (i) in the discretion of the court, or (ii) at the plaintiff's option?"

For the reasons indicated in 3(a), above, this should be at the plaintiff's option.

4. "Should the present minimum amount of statutory damages (\$250) be retained, increased, or reduced?"

The current costs of litigation and the increased value of literary and musical properties warrant minimum statutory damages of \$1,000.

5. "Should a special minimum amount of statutory damages be provided, \* \* \* for newspaper reproduction of a copyrighted photograph \* \* \* any other particular infringements?"

The considerations mentioned in my answer to 4, above, do not warrant lower minimum statutory damages in any particular instances.

6. "Should the present maximum amount of statutory damages (\$5,000) be retained, increased, or reduced?"

For reasons discussed in point 3, above, and point 11, below, it is my opinion that there should be no maximum statutory damages.

7. "Should a special maximum amount of statutory damages be provided \* \* \*?"

I do not think there should be a maximum for statutory damages, even in the case of innocent infringement, since it is an unfair burden to require the plaintiff to establish that the infringement was with knowledge, and since, further, the damages suffered (even if unascertainable) are just as great where infringement was innocent, as where it is knowing. The only justifiable maximum for statutory damages should be found in the method of computing multiple infringements, as discussed in point 11, below.

8. "Should the maximum limitation on statutory damages not be applicable to infringements occurring after actual notice \* \* \* willful infringements for profit?"

See answer to 7, above.

9. "Within the minimum and maximum limits, should the law continue to specify, as it now does, an amount per infringing copy or per infringing performance? If so, should the amounts be those now specified in section 101(b)?"

This provision of section 101(b) should either be made mandatory or should be deleted, since in its present form it is largely meaningless. I think it probably preferable that this provision be deleted.

10. "(a) Should innocent secondary infringers (vendors, printers, and other processors) be absolved from liability (i) for actual damages, (ii) for profits, (iii) for statutory damages?"

No. Secondary infringers should look for protection to indemnity contractual provisions, and possibly insurance.

"(b) Should other innocent infringers (who show that they are not aware that they were infringing and that such infringement could not have been reasonably foreseen) be absolved from liability (1) for actual damages, (2) for profits, (3) for statutory damages?"

For reasons indicated above, innocent infringers should not be exempt from statutory damages. A fortiori they should not be exempt from liability for actual damages or profits, which accrued at the expense of the copyright owner.

11. "For the purpose of assessing statutory damages, should multiple infringements be treated as a single infringement:

"(a) In the case of simultaneous broadcasts over a number of stations?

"(b) In the case of multiple distribution and exhibitions of a motion picture?

"(c) In any other cases?"

This is a difficult question which requires thorough exploration. It seems to me the determining factor should be whether there is in essence one transaction, or multiple transactions performed by or licensed by the infringer. Thus, in the case of a simultaneous network broadcast, in essence the infringer has performed only one infringing transaction and should not therefore be found to be



a multiple infringer. Motion picture distribution, on the other hand, involves a number of different transactions (i.e., licensing of a number of theater exhibitors) and for this reason should be regarded as multiple infringements for purposes of statutory damages. Likewise, a single issue of a newspaper should be regarded as a single infringement for statutory damages and purposes. However, if the infringing matter is reproduced in any subsequent issue of the newspaper, then this should be regarded as an additional infringement.

12. "Should the present provisions of section 116 for the mandatory allowance of full costs, with the court having discretion to award a reasonable attorney's fee, be retained?"

Yes, except the statute should expressly provide that attorney's fees may be awarded as against a plaintiff, only where the court finds that the plaintiff did not bring the action in good faith.

The Brown factual study seems to bear out the positions taken above, in that it illustrates—

1. The importance of a statutory minimum.
2. The unimportance of a statutory maximum.
3. The unimportance of the "First through Fourth" schedule of 101(b).
4. The importance of actual damages and profits as an alternative to statutory damages.

Although I find myself in general agreement with the results indicated by the Brown study, it would appear that the very limited response to the questionnaire renders the factual data contained therein somewhat questionable.

MELVILLE B. NIMMER.

*By Vincent T. Wasilewski*

JUNE 9, 1958.

Broadcasters, I believe, are primarily concerned with the copyright law from the viewpoint of a user of copyrighted material rather than as a creator. Although I readily acknowledge the dual status of a broadcaster in this regard; nevertheless, the vast majority of the more than 3,000 radio stations and 500 television stations are concerned with copyright on a day-to-day basis, much more because of their performing copyrighted works of others than because of any concern over protecting their original productions.

The bulk of performing rights to music—not in the public domain, and available in sheet music or record form—is found in the two larger music licensing organizations; namely, ASCAP and BMI. A third music licensing organization, which is smaller than either ASCAP or BMI, is SESAC. A very small amount of music is licensed for performance by owners of relatively small catalogs.

Presumably, it would be technically possible to operate a broadcasting station without licenses from one of these licensing organizations; but, from a practical standpoint this would be completely unrealistic because it would be necessary to limit the music broadcast to public domain material or to music "cleared at the source." On the other hand, licenses from all the major licensing bodies cannot be construed as complete protection against infringement. From the thousands of records pressed each year by the hundreds of record companies active in various parts of the country, a number turn up not licensed by the major licensors.

There is no requirement in the law for recordings to reveal by their labels where ownership of the performing right lies, and to make such a determination, in many instances, requires resources not at the command of the average radio or television station.

The great majority of radio and television stations have blanket licenses from ASCAP and BMI. The number of stations operating under per-program licenses has decreased considerably during the past 18 years. This decrease has resulted from a general feeling on the part of radio licensees that the per-program contracts presented onerous and unnecessary requirements, making compliance therewith most difficult. I believe broadcasters still desire a true and free choice between the per-program license and a blanket license, but there has resulted a situation wherein the administrative burden of complying with the per-program license requirements has become so great that many broadcasters literally have thrown up their hands and taken the blanket contract.

The great majority of stations also have a license with SESAC, the smallest of the three major organizations, and the only one which does not operate under a consent decree. Consequently, SESAC has greater latitude in its licensing policies. For example, ASCAP and BMI must grant to a network a license which authorizes the network performance, by broadcasting or telecasting, of the

ASCAP and BMI repertories by stations affiliated with such networks. This means, as far as ASCAP and BMI music is concerned, performance rights on network shows are "cleared at the source," and, in order for an affiliated station to broadcast such a program, it is not necessary for that station to have an individual contract with either ASCAP or BMI or to make any payment to such organization for such programs.

On the other hand, SESAC and other music licensing organizations are not required to make available to a network a "clearance at the source." This means that, if music of SESAC or another licensing organization is utilized on a network program, an affiliated station must have an individual license with this organization. If the station does not have such a license, it is subject to a minimum \$250 damage judgment under the copyright law. This would be true even though the station had no advance knowledge of the fact that such music was being utilized.

This provision of the copyright law, of course, places in the hands of a music licensing organization, especially one which does not operate under a consent decree, a tremendous bargaining wedge; resulting, in many cases, in the radio and television stations of the country accepting a license from the organization more as an insurance factor than as payment for material utilized.

This minimum damage provision is also applicable in the case of a broadcasting station utilizing a "musical jingle" commercial announcement which is protected by copyright, and which has not been "cleared." It is quite usual for a national advertiser to place what is called "national spot business" through an advertising agency which, in turn, forwards to stations throughout the country spot announcements on transcriptions. These announcements often contain copyrighted musical selections. Here, too ASCAP and BMI must, on request, grant a clearance at the source for the performance rights in their music; thus, not necessitating any direct payment from the station to either of these organizations for playing such music.

Other music licensing organizations, however, are not required to grant such a clearance to the advertising agency, and, therefore, in order for a station to broadcast a particular spot announcement (if it has not been cleared at the source and contains copyrighted music of one of these organizations), it must have a license. Otherwise, the station would be subject to a \$250 minimum damage.

A station, of course, must have a license in order to originate live performances of copyrighted musical selections. Even though the station is making a pickup of the band music at a football game or music at a charitable function where it may not have control over the music being performed, it, nevertheless, must have a license which covers all copyrighted musical selections which go out over the air. If it does not have such a license, the \$250 minimum damage provision applies.

There are in operation today, 3,247 AM, 530 FM, and 511 TV stations in the country. All are concerned with the use of music in one form or another, whether it be live, recorded, or on a film track, and all recognize the necessity and justification of paying a reasonable amount for the public performance of such music. Obviously, however, there are only a relatively few stations with sufficient manpower and resources to make a complete check on all music utilized on a station in order to be assured that it is covered by an existing license. For example, over one-half of the radio stations have in their employ less than 15 persons.

Broadcasting stations are in receipt, daily, of recordings submitted to them in the anticipation that the material will be broadcast in order that its popularity may be enhanced. To broadcast these recordings, a license for public performance is required from the holder of the performing rights in the music. No such performing license is implied by the fact that the recordings may have been submitted gratuitously.

Stations, of course, also purchase many recordings, and, since all but a very minute portion of copyrighted music broadcast over stations in the United States is controlled by one of the three major music licensing organizations, broadcasters have been able to feel fairly confident in being protected against infringement if they have a license from each of the organizations.

Against this background of operation in the broadcasting business you can see that music licensing organizations play a large part, and broadcasting stations can easily become sitting ducks—especially for new entrants to the music licensing field. Thus, the question of minimum damages is one of great import, and I believe that modifications should be made in the law to distinguish between willful infringement and innocent. I believe that minimum damages should be removed, except possibly in regard to willful infringement.

VINCENT T. WASILEWSKI.

*By Herman Finkelstein*

MAY 28, 1958.

I have read the Exploratory Study of "The Operation of the Damage Provisions of the Copyright Law" prepared by Prof. Ralph S. Brown, Jr., with the assistance of William A. O'Brien and Herbert Turkington.

The study is an excellent one.

With respect to the ASCAP practice described at page 73, I think there have been many changes since 1936. If you are interested, we can send you the forms of letters sent to users who are found to be performing copyrighted music in the Society's repertory without a license from the Society or its members.

HERMAN FINKELSTEIN.

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*By Herman Finkelstein*

JUNE 18, 1958.

Thank you for your letter of June 2 asking that I comment on the changes since 1936 in the Society's practice in dealing with unlicensed users of copyrighted musical compositions in the Society's repertory.

This letter will supplement my letter of May 28 commenting on the study as a whole and the ASCAP practice described at page 73 in particular.

The following is a brief description of the Society's present practice:

When information is received at any of the Society's district offices that an establishment is engaged in performing publicity for profit, copyrighted musical works in the Society's repertory, the local district manager writes a letter to the user informing him that, in the absence of permission of the copyright owner, such performances constitute infringements of copyright. (See letter "A" attached.) That letter offers the Society's license and informs the user that he may, if he prefers, secure instead individual licenses from the Society's respective members. Representatives of the Society also visit the user's establishment to discuss the basis upon which the user may obtain an appropriate license.

If there is no response to that letter, or if the user refuses to secure an appropriate license from the Society or its members, additional letters are sent along the lines of letters "B" and "C" attached. Additional visits are made to the establishment by the Society's representatives to note whether the use of music in the Society's repertory is continuing, and, if so, to impress upon the user the necessity that licensing arrangements, either with the Society or with its respective members, be concluded.

If the user persists in infringing, an investigation at the user's establishment is made by two nonemployees of the Society, who are skilled in identifying musical compositions which they hear performed. As a rule, an effort is made to engage students at a local music conservatory for this purpose. Each of the investigators makes a separate list of the compositions performed, noting the time and manner of performance and other pertinent details. Before leaving the establishment, the investigators inform the proprietor that they have made an investigation and have listed the titles of the compositions which they heard performed.

The user is then advised by letter along the lines of letter "D" attached, of the infringing performances.

If the user disregards this final letter, the matter is referred to local counsel for appropriate action.

HERMAN FINKELSTEIN.

[Letters A, B, C, and D referred to above are reproduced on pages 108 and 109].

## LETTER A

-----  
 -----  
 -----

We understand that you are furnishing music for the entertainment of your patrons at the ----- . Most of the music performed at your establishment is copyrighted, and, like other forms of property, it cannot lawfully be used without its owners' permission. In other words, copyrighted music may not be performed publicly for profit without obtaining an appropriate license in advance of the performance.

Our Society is prepared to issue a license to you authorizing the performance of the compositions of all our members, a list of whom is enclosed. If you prefer, you have the privilege of obtaining individual licenses from our respective members. Until permission is secured, each unauthorized performance of a copyrighted composition at your establishment constitutes an infringement of copyright under the U.S. Copyright Law.

If you wish to obtain the license offered by this Society, please complete and return the enclosed application. We shall then quote the applicable rate for your establishment and submit a form of license agreement. If further information is desired, please write us.

We hope to have the opportunity of serving you.

Cordially yours,

AMERICAN SOCIETY OF COMPOSERS,  
 AUTHORS AND PUBLISHERS

By-----,  
*District Manager.*

## LETTER B

-----  
 -----  
 -----

We have had no reply to our letter of ----- offering the Society's license and explaining the need to acquire permission from the Society or its members before performing their copyrighted musical works at your establishment,

On -----, our representative, Mr. -----, called on you to discuss this matter. You indicated to him that you wanted to consider it further (or that you would discuss the matter with your attorney—or that you would fill out the application and return it to us—or that you would sign and return to us the license agreement which our representative left with you).

Since we have not heard from you, your attention is again called to the necessity of acquiring a license from this Society or from our respective members before performing any of their copyrighted musical works at your place of business. Unless appropriate permission is obtained, each performance of such compositions at your establishment constitutes an infringement of copyright under the U.S. Copyright Law.

[If you wish to obtain the license offered by this Society, please complete and return the enclosed application so that the appropriate rate may be indicated and a form of license agreement sent to you.]

or

[If you wish to obtain our license authorizing you to perform the musical compositions of our members, the application and license agreement left with you by our representative should be filled out and returned, together with payment of \$----- to cover license fees for the quarterly period from ----- to ----- . We are again enclosing our latest membership list, and duplicate copies of the application and agreement forms.]

Cordially yours,

AMERICAN SOCIETY OF COMPOSERS,  
 AUTHORS AND PUBLISHERS

By-----,  
*District Manager.*

LETTER C

CERTIFIED MAIL.

We have not had any reply to our letters dated... and... Copies of our letters are enclosed. Nor have we heard from you in connection with our representative's call(s) at your establishment on... (and...).

A report has been submitted to us indicating that infringing performances of our members' copyrighted musical works are being given at your premises. Unless you promptly secure our license, or individual licenses from our respective members, it will be necessary to take appropriate legal measures under the U.S. Copyright Law for infringing performances.

Although you failed to furnish the information requested in the application blank previously submitted to you, we are giving you another opportunity to obtain our license. We have prepared a form of application and license agreement based on our information as to your operating policy. This license agreement commences on... and provides for rate of \$... annually, in accordance with the rate schedule applicable to your establishment, taking into consideration the following factors:

If your operating policy conforms to the description set forth above, and you plan to continue the use of our members' works and wish to secure our license, please sign and return the enclosed forms of application and license agreement within 5 days from the receipt of this letter, together with payment of \$... to cover license fees for the quarterly period from... to...

Cordially yours,

AMERICAN SOCIETY OF COMPOSERS, AUTHORS AND PUBLISHERS

By... District Manager.

LETTER D

CERTIFIED MAIL.

We have had no reply to our letters of... and...

On..., our representative Mr. ... called on you to explain the service offered by our Society and the means available to you to secure a license or licenses to perform copyrighted music publicly for profit at your establishment.

Despite our many letters and visits in which you were advised of the necessity of a license to perform copyrighted music publicly for profit, performances of works of our members are occurring at your establishment. Specifically, such infringing performances of the copyrighted musical works of our members occurred on... between the hours of... and...

If you wish to adjust this matter amicably please advise us by return mail— or have your attorney do so. Otherwise, the matter will be referred to the firm of... for appropriate legal action under the U.S. Copyright Law.

Very truly yours,

AMERICAN SOCIETY OF COMPOSERS, AUTHORS AND PUBLISHERS

By... District Manager.

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STUDY NO. 24  
REMEDIES OTHER THAN DAMAGES  
FOR COPYRIGHT INFRINGEMENT  
BY WILLIAM S. STRAUSS

March 1959

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# REMEDIES OTHER THAN DAMAGES FOR COPYRIGHT INFRINGEMENT

## SCOPE OF THIS STUDY

Civil remedies and criminal penalties for infringement of copyright are dealt with in chapter 2 of our copyright law entitled "Infringement Proceedings."<sup>1</sup> Since the provisions on damages and profits have been treated previously,<sup>2</sup> this study deals only with civil remedies other than damages and profits: that is, with injunctions,<sup>3</sup> impounding during action,<sup>4</sup> and destruction of infringing copies and devices;<sup>5</sup> and also with criminal penalties for infringement.<sup>6</sup>

## I. EQUITABLE REMEDIES

### 1. Injunction

#### (a) *History of injunctive relief in the copyright law*

Under the Copyright Acts of 1790<sup>7</sup> and 1802<sup>8</sup> remedies for copyright infringement were limited to an action in debt for forfeiture of copies and for statutory penalties,<sup>9</sup> and to a special action on the case for recovery of all damages occasioned by the infringement.<sup>10</sup> The Copyright Act of 1819<sup>11</sup> first conferred on the circuit courts of the United States—

jurisdiction as well in equity as at law of all actions, suits, controversies, and cases, arising under any law of the United States, granting or confirming to authors or inventors the exclusive right to their respective writings, inventions, and discoveries.

Upon bill in equity the circuit courts had authority to grant injunctions, "according to the course and principles of courts of equity." Provisions empowering the courts to grant injunctions have been part of the copyright law ever since,<sup>12</sup> and no question as to the appropriateness of this remedy as a general matter has been raised. Indeed, an authority on equity has stated as follows:<sup>13</sup>

When the existence of a \* \* \* copyright is conceded or has been established by an action at law, the jurisdiction of equity to restrain an infringement is too well settled and familiar to require the citation of authorities in its support.

<sup>1</sup> Title 17, U.S.C., ch. 2.

<sup>2</sup> Strauss, "The Damage Provisions of the Copyright Law" [Study No. 22 in the present Committee Print]. That study also dealt with the award of costs and attorney's fees.

<sup>3</sup> 17 U.S.C. 101(a); for recordings of music, sec. 101(e).

<sup>4</sup> 17 U.S.C. 101(c).

<sup>5</sup> 17 U.S.C. 101(d).

<sup>6</sup> 17 U.S.C. 104. Sec. 105, providing a criminal penalty for fraudulent copyright notice does not relate to infringement and is outside the scope of this study.

<sup>7</sup> 1 Stat. 124 (1790).

<sup>8</sup> 2 Stat. 171 (1802).

<sup>9</sup> Act of 1790, sec. 2; act of 1802, sec. 3.

<sup>10</sup> Act of 1790, sec. 6.

<sup>11</sup> 3 Stat. 481 (1819).

<sup>12</sup> Act of Feb. 3, 1831, (4 Stat. 436) sec. 9; act of July 8, 1870, (16 Stat. 212) sec. 106; act of Dec. 1, 1873 (Rev. Stat. 1878, 957), sec. 4970; act of Jan. 6, 1897 (29 Stat. 481); act of Mar. 3, 1897 (29 Stat. 604) revising sec. 4963 of the Rev. Stat.; act of Mar. 4, 1909 (35 Stat. 1075) secs. 25, 36.

<sup>13</sup> Pomeroy, "Equity Jurisprudence" (1941), sec. 1352.



From the nature of the right and of the wrong—the violation being a continuous act—the legal remedy is necessarily inadequate.

The Second Circuit Court has indicated that the remedy of injunction in copyright matters may well be available even if the copyright law did not expressly provide for it:<sup>14</sup>

In cases of infringement of copyright as injunction has been recognized as a proper remedy, because of the inadequacy of the legal remedy. The remedy by injunction exists independently of express provision therefor in the copyright statutes, it being granted on the well-established principle that a court of equity will protect a legal right where the remedy at law is inadequate.

Since the copyright statute provides that the question of granting or withholding an injunction is decided by the court “according to the course and principles of the courts of equity,”<sup>15</sup> it is in the sound discretion of the trial court to determine whether or not an injunction should be granted; and “an order granting the same will not be set aside on appeal, unless it is clearly shown that the court abused its discretion, or was mistaken in the view it took of the situation.”<sup>16</sup> In other words, the principles upon which injunctions are granted or withheld in the field of copyright law are those followed in all other fields of law. The cases, in this respect, show no problems peculiar to copyright jurisprudence.

(b) *Injunctive relief in the present copyright statute*

Section 101(a) provides, without any limitation, for injunctions restraining copyright infringement. The only instance in which the statute expressly restricts the courts’ discretion in issuing an injunction is the very special situation in which an infringer has been misled by the accidental omission of the copyright notice from a particular copy or copies.<sup>17</sup> In such a case—

no permanent injunction shall be had unless the copyright proprietor reimburses to the innocent infringer his reasonable outlay innocently incurred if the court, in its discretion, shall so direct.

Even this is not an absolute prohibition of an injunction: the court is to exercise its discretion as to whether or not it will require reimbursement; and only if it orders reimbursement and the copyright proprietor does not comply with the order, will the court be precluded from issuing a permanent injunction. Presumably, if the court saw fit, it could issue an injunction without imposing that condition. Also, this prohibition does not come into play if the copyright proprietor has taken no steps toward compliance with the notice requirement<sup>18</sup> or if the infringer had actual notice of the copyright despite the lack of notice on the infringed copy.<sup>19</sup>

Apart from this special rule in section 21, there exists no provision in the copyright statute preventing an injunction, temporary or permanent, to issue in any case where a court deems it appropriate, even in cases where the infringer did not know, and could not reasonably foresee, that he was infringing. The present law, in stating that “any person” who infringes is liable to an injunction,<sup>20</sup> offers no statutory protection to the innocent infringer against the possibility that he may

<sup>14</sup> *American Code Co. v. Bensinger*, 282 Fed. 829 (2d Cir. 1922).

<sup>15</sup> Title 17, U.S.C., sec. 112.

<sup>16</sup> *Supra*, note 14.

<sup>17</sup> Title 17, U.S.C., sec. 21.

<sup>18</sup> *Nat'l Comics Publications, Inc. v. Fawcett Publications, Inc.*, 191 F. 2d 594 (2d Cir. 1951).

<sup>19</sup> *W. H. Anderson Co. v. Baldwin Law Pub. Co.*, 27 F. 2d 82 (6th Cir. 1928); *Scheilberg v. Empringham*, 36 F. 2d 991 (S.D.N.Y. 1929).

<sup>20</sup> 17 U.S.C. sec. 101, first sentence in conjunction with sec. 101(a).

be enjoined. But the issuance of an injunction is a matter of the court's discretion,<sup>21</sup> and the courts may be expected to take into account the circumstances of the particular case, including the "innocence" of the infringer and the comparative effect of an injunction on him and on the complainant.

In what manner have the courts applied the provision on injunction? In *Markham v. A. E. Borden Co.*<sup>22</sup> the court said that where the infringement has come to an end before suit was commenced and there is little likelihood of its future renewal, an injunction will be denied.<sup>23</sup> An injunction will not be granted merely to allay litigants' fear without clear proof of the imminence of real injury.<sup>24</sup> As to the granting of injunctions in general, it has always been the rule of the courts that their power to issue injunctions is an extraordinary one which should be used with moderation and then only in clear and unambiguous cases.<sup>25</sup> The courts generally take great care in judiciously weighing the legitimate interest of the plaintiff in the issuance of an injunction against the possibility of undue injury to the defendant in the case that the injunction should issue. This is quite evident from the reported cases. Nevertheless, legislative proposals have purported to withhold from the courts the injunctive power under certain circumstances. These proposals will now be discussed.

(c) *Legislative proposals regarding the remedy of injunction*

A number of the general copyright revision bills submitted to Congress between 1924 and 1940 contained provisions limiting or denying altogether the remedy of injunction in some situations where the infringement was innocent, and restricting it in other cases to an injunction preventing future infringement.

Section 26(b) of the Dallinger bill<sup>26</sup> provided that the copyright proprietor of a work of architecture could not obtain an injunction restraining the construction of an infringing building if substantially begun, nor an order for its demolition or seizure.<sup>27</sup> A similar provision appeared in the Duffy bill.<sup>28</sup>

The first Vestal bill,<sup>29</sup> which limited the remedies available for innocent infringements by persons engaged solely in printing, binding, or manufacturing printed copies (except of dramatic-musical or musical works), permitted injunctions against them only as to future printing, binding, or manufacturing of printed copies.<sup>30</sup> This limita-

<sup>21</sup> By contrast, courts have expressed their dissatisfaction with the provision in sec. 101(b) which makes it mandatory to impose statutory minimum damages on innocent infringers. Cf. *Dreamland Ballroom v. Shapiro, Bernstein & Co.*, 36 F. 2d 354 (7th Cir. 1929); *Fisher v. Dillingham*, 298 Fed. 145 (S.D.N.Y. 1924). Cf. Strauss, op. cit. supra, note 2.

<sup>22</sup> 108 F. Supp. 695 (D. Mass. 1952), rev'd on other grounds 206 F. 2d 199 (1st Cir. 1953), aff'd 221 F. 2d 586 (1st Cir. 1955).

<sup>23</sup> Accord: *Trifari, Krussman and Fishel, Inc. v. B. Steinberg-Kaslo Co.*, 144 F. Supp. 577 (S.D.N.Y. 1956). However, if the plaintiff alleges he will suffer irreparable harm in the event that defendants are not restrained from pursuing their present course, a detailed showing of irreparable harm in the absence of relief is not a prerequisite to a preliminary injunction if the infringement is plain. *Geo-Physical Maps, Inc. v. Toycraft Corp.*, 162 F. Supp. 141 (S.D.N.Y. 1958); see also: *Rushton v. Vitale*, 218 F. 2d 434 (2d Cir. 1955); *Houghton Mifflin Co. v. Stackpole Sons*, 104 F. 2d 306 (2d Cir. 1939), cert. denied 308 U.S. 597 (1939); *Inge v. 20th Century Fox Film Corp.*, 143 F. Supp. 294 (S.D.N.Y. 1956). Inconvenience or loss to the defendant arising from the issuance of a preliminary injunction will not prevent its being granted where the infringement is blatant. *Geo-Physical Maps, Inc. v. Toycraft Corp.*, supra, citing *L. C. Page and Co. v. Fox Film Corp.*, 83 F. 2d 196 (2d Cir. 1936).

<sup>24</sup> *Workington Pump and Machinery Corp. v. Charles Douda*, 97 F. Supp. 656 (S.D.N.Y. 1951); *Northrop Corp. v. Madden*, 30 F. Supp. 993 (S.D. Cal. 1937). And see the very recent case of *Christie v. Raddock*, 169 F. Supp. 43 (S.D.N.Y. 1959).

<sup>25</sup> *Leland v. Morin*, 104 F. Supp. 401 (S.D.N.Y. 1952).

<sup>26</sup> H.R. 9137, 68th Cong., 1st sess., introduced May 9, 1924.

<sup>27</sup> Sec. 15(n) of this bill protected works of architecture.

<sup>28</sup> S. 3047, 74th Cong., 1st sess. (1935), sec. 17.

<sup>29</sup> H.R. 10434, 69th Cong., 1st sess., introduced Mar 17, 1926.

<sup>30</sup> Sec 16(e). The same provision was contained in H.R. 6990, 71st Cong., 2d sess., introduced Dec. 9, 1929, by Mr. Vestal.

tion did not apply where the infringer was also engaged in publishing, selling, or distributing the work or was interested in any profits from these operations.<sup>31</sup>

A subsequent Vestal bill<sup>32</sup> contained the above limitation,<sup>33</sup> and provided further that injunctions against a newspaper publisher would be granted only against the continuation or repetition of the infringement in future issues of the newspaper, but not against the completion of publication and distribution of any issue where actual printing had commenced.<sup>34</sup> This bill further provided that no temporary restraining order should issue which would prevent publication of a newspaper or periodical, and that in the case of a newspaper or periodical reproduction of a copyrighted photograph no injunction should issue.<sup>35</sup>

This last Vestal bill, H.R. 12549, also contained limitations on the courts' power to grant injunctions in the case of innocent infringement by way of advertising matter printed in a newspaper or periodical.<sup>36</sup> In such cases an injunction might be granted before manufacture of an issue had commenced, or against the continuation or repetition of infringement in future issues, but not against completion of the publication and distribution of an issue where manufacture had already commenced. The remedy of injunction was, however, fully available against the advertiser or other person responsible for the infringement,<sup>37</sup> or against the publisher if he was also interested in the advertising matter in a capacity other than as publisher.<sup>38</sup>

H.R. 12549 also generally provided<sup>39</sup> that if a defendant proved that he had acted innocently (in the situation where no copyright registration had been made and the work infringed bore no copyright notice), the plaintiff should not be entitled "to any remedy \* \* \* other than to recover an amount equivalent to the fair and reasonable value of a license, but not less than \$50 nor more than \$2,500 \* \* \*," thus denying in the stated circumstances the right to all remedies (including an injunction) except monetary recovery as stated.<sup>40</sup>

The Dill bill,<sup>41</sup> which proposed to subject performing rights' organizations to statutory control, provided that, in any action brought by an organization or by an individual whose infringed work was controlled by an organization, injunctions would be limited to works proved to have been infringed.

The first Sirovich bill<sup>42</sup> limited the remedy of injunction as follows: in respect to infringement by printing to an injunction against future printing;<sup>43</sup> in respect to infringement by presentation of advertising matter to an injunction against future public presentation of the

<sup>31</sup> Sec. 16(e).

<sup>32</sup> H.R. 12549, 71st Cong., 2d sess., introduced May 22, 1930, superseding H.R. 9639, 71st Cong., 2d sess., introduced Feb. 7, 1930. H.R. 12459 was passed by the House, and reported favorably with amendments (not germane here) by the Senate committee, but died on the Senate floor at the close of the 71st Cong.

<sup>33</sup> Sec. 15 (e).

<sup>34</sup> Sec. 15 (e), second proviso.

<sup>35</sup> Sec. 15 (a), provisos.

<sup>36</sup> Sec. 15 (f).

<sup>37</sup> Sec. 15 (f), second proviso.

<sup>38</sup> Sec. 15 (f), third proviso.

<sup>39</sup> The provisions of sec. 15 in H.R. 12549 were substantially repeated in sec. 14 of H.R. 139, 72d Cong., 1st sess., introduced Dec. 8, 1931, by Mr. Vestal, and in sec. 14 of S. 176, 72d Cong., 1st sess., introduced by Senator Hebert.

<sup>40</sup> During the hearings, Mr. Fenning, a well-known Washington attorney, said: " \* \* \* sec. (d) is a provision with respect to a man who infringes innocently and [against whom the copyright owner] is entitled to no remedy excepting a money remedy. It seems to me an injunction should be granted against his repeating that offense." Hearings on H.R. 12549, January 1931 at 22.

<sup>41</sup> S. 3985, 72d Cong., 1st sess., introduced Mar. 2, 1932, sec. 21(c).

<sup>42</sup> H.R. 10364, 72d Cong., 1st sess., introduced Mar. 10, 1932.

<sup>43</sup> Sec. 10(a).

infringing matter;<sup>44</sup> and in respect to infringement by publication of a newspaper or periodical to an injunction against publication of future issues.<sup>45</sup>

In 1935-36 three more general revision bills were introduced in Congress.<sup>46</sup> The Duffy bill<sup>47</sup> limited the remedy of injunction in a manner similar to that previously employed in the last Vestal bill, H.R. 12549. It also provided<sup>48</sup> that a broadcast of infringing advertising matter was not to be enjoined after the broadcaster had innocently begun the rehearsal of the program, and that no temporary restraining order was to issue preventing the production of a motion picture innocently commenced or its distribution or exhibition. The Sirovich bill<sup>49</sup> contained the same limitations as the bills submitted by Mr. Sirovich in 1932. The Daly bill<sup>50</sup> did not propose to change the provision on injunction in the act of 1909.<sup>51</sup>

The Thomas bill of 1940,<sup>52</sup> although it contained very elaborate and special provisions on damages, did not in any way impose limitations on the remedy of injunction.

The discussion of a limitation on the remedy of injunction during the hearings held on the various bills mentioned above began in April 1926 on the first Vestal bill, H.R. 10434.<sup>53</sup> Mr. Lucas, executive secretary of the National Publishers' Association, proposed the addition of a further limitation on the availability of injunctions in regard to advertising matter carried by a newspaper or periodical.<sup>54</sup> Such a limitative provision was incorporated in the later Vestal bills, H.R. 9639 and H.R. 12549.<sup>55</sup>

In the hearings on another Vestal bill, H.R. 6990, in April 1930,<sup>56</sup> W. B. Warner, representing the National Publishers' Association, again emphasized the need of special protection of newspapers and periodicals against enjoining publication of a whole issue where only one item contained therein was infringing. Elisha Hanson, attorney for the American Newspaper Publishers' Association, requested that a proviso be added to section 16(a) of the bill to the effect that no temporary restraining order should issue which would prevent the publication of a daily newspaper. This was incorporated in the later Vestal bill, H.R. 12549.<sup>57</sup>

During its efforts toward a new copyright law, the Shotwell committee,<sup>58</sup> early in its meetings,<sup>59</sup> considered draft proposals of the various interested groups. As regards the remedy of injunction, the radio

<sup>44</sup> Sec. 10(b).

<sup>45</sup> Sec. 10(c). The same provisions appeared in sec. 10 of H.R. 10740, 72d Cong., 1st sess., introduced Mar. 22, 1932; in sec. 11 of H.R. 10976, 72d Cong., 1st sess., introduced Mar. 30, 1932; in sec. 11 of H.R. 11048, 72d Cong., 1st sess., introduced May 7, 1932; in sec. 11, of H.R. 12094, 72d Cong., 1st sess., introduced May 16, 1932; and in sec. 11 of H.R. 12425, 72d Cong., 1st sess., introduced June 2, 1932; all by Mr. Sirovich.

<sup>46</sup> S. 3047, 74th Cong., 1st sess. (1935), introduced by Senator Duffy; H.R. 11420, 74th Cong., 2d sess. (1936), introduced by Mr. Sirovich; H.R. 10632, 74th Cong., 2d sess. (1936), introduced by Mr. Daly.

<sup>47</sup> S. 3047, sec. 17 amending sec. 25 of the act of 1909.

<sup>48</sup> In the form as passed by the Senate on May 13 (calendar day, June 17), 1935, sec. 25(a) (1).

<sup>49</sup> H.R. 11420, 74th Cong., 2d sess., sec. 25.

<sup>50</sup> H.R. 10632, 74th Cong., 2d sess.

<sup>51</sup> Act of 1909, sec. 25(a).

<sup>52</sup> S. 3043, 76th Cong., 3d sess. introduced Jan. 8, 1940; also known as the Shotwell bill. No hearings were held on this bill, nor was any further action taken on it.

<sup>53</sup> *Supra*, note 29.

<sup>54</sup> This provision was to be added in sec. 16 before (d), or after (e).

<sup>55</sup> *Supra*, note 32.

<sup>56</sup> This bill preceded H. R. 9639, *supra*, note 32.

<sup>57</sup> *Supra*, notes 32 and 35.

<sup>58</sup> National Committee of the U.S.A. on International Intellectual Cooperation, Committee for the Study of Copyright, 1938-41. The papers of the Shotwell committee are collected in the Copyright Office.

<sup>59</sup> November 1938.

broadcasters' and the book publishers' proposals contained a limitation on the remedy of injunction as follows:

Under the broadcasters' proposal, infringers would be liable to an injunction except—

\* \* \* That no temporary restraining order shall be issued which would prevent the broadcasting of a program by radio or television, the publication of a newspaper, magazine, or periodical, or the production substantially commenced or the distribution or exhibition of a motion picture.<sup>60</sup>

The broadcasters further proposed the following paragraph for section 25:

(e) In the event that advertising matter of any kind carried by a newspaper, magazine or periodical, or broadcast by radio, shall infringe any copyright work, where the publisher of the newspaper, magazine, or periodical, or the broadcaster, shall show that he was not aware that he was infringing and that such infringement could not reasonably have been foreseen, the person aggrieved shall be entitled to an injunction only before work of manufacture of the issue has commenced, or, in the case of broadcasting, before the rehearsal of the program has begun, and only against a continuation or repetition of such infringement in future issues of such newspaper, magazine, or periodical, or in future broadcasts; but shall not be entitled to any profit made by such publisher or broadcaster from his contract or employment to carry such advertising matter, nor to damages, actual or statutory, against him: *Provided, however,* That no injunction shall lie against the completion of the publication and distribution of any issue of such newspaper, magazine, or periodical, or the broadcast of any radio program, containing alleged infringing matter where the work of manufacture of such issue has commenced, or, in the case of broadcasts, where rehearsals have begun.

The book publishers in turn proposed the following provision in regard to injunctions:

(d) In any action against publishers, distributors, or sellers of periodicals, magazines, or newspapers for infringement of copyright, the plaintiff shall not be entitled to enjoin the alleged infringement as to any matter claimed to infringe such copyright when any part of such material has, prior to the time when action was commenced, been included in any issue of such periodicals, magazines, or newspapers upon which the work of manufacture has actually begun, or to sequester, impound or destroy any issue containing such alleged infringing matter, or the means for publishing such issue except upon proof to the satisfaction of the court that the manufacture of the issue containing such alleged infringing matter or the first installment thereof was commenced with actual knowledge that copyright subsisted in the work alleged to have been infringed.

During a meeting of the committee, held on March 28, 1939, Mr. Paine<sup>61</sup> pointed out that—

We have \* \* \* scouted the possibility of an innocent infringement clause, but as yet have been unable to come to any agreement as to that \* \* \*. The broadcast interests are going to take up the proposals with their principals, and Mr. Sargoy was going to discuss it with the motion picture people \* \* \*.

The next following draft bill<sup>62</sup> contained no limitation on the remedy of injunction.<sup>63</sup> Apparently, there was no further discussion of the problem by the committee.

Thus, after limitations on the remedy of injunction had been included in a number of revision bills over a period of nearly 15 years, the question must have been dropped, for the later Shotwell draft bills and the Thomas bill contained no limitation on this remedy. It is not apparent from the transcript of the committee discussions whether the reason for this omission was that the interests concerned

<sup>60</sup> Proposed amendment to sec. 25(a), draft bill of November 1938.

<sup>61</sup> ASCAP representative.

<sup>62</sup> Presumably of Apr. 15, 1939.

<sup>63</sup> Nor did subsequent draft bills contain such a limitation. For instance, the draft bill of June 14, 1939, contained a marginal note that the provision on injunction was the same as sec. 25 (a) of the act of 1909 (now sec. 101 (a), title 17, U.S.C.). So did the following draft bills.

were "unable to come to any agreement as to that"<sup>64</sup> or whether a limitation on the remedy of injunction was considered unnecessary because the courts could be expected to exercise their injunctive power in a judicious manner. This question remains open for further consideration.

## 2. Impounding and destruction of infringing copies and devices<sup>65</sup>

### (a) Impounding

This remedy is available "during the pendency of the action, upon such terms and conditions as the court may prescribe \* \* \*"<sup>66</sup> These "terms and conditions" have been further defined in the Rules of the Supreme Court<sup>67</sup> in order to prevent any undue injury to the defendant.

Under rule 3, the complainant must file a bond together with his affidavit stating the number and location of infringing articles or devices. Under rule 4, the bond may not be less than twice the reasonable value of the infringing articles or devices, and only upon filing of such bond may the court issue a writ to seize and hold the infringing articles or devices. Under rule 7, the defendant may, within 3 days after seizure, except to the amount of the penalty of the bond, and the court may order a new bond to be executed.

Award of this remedy is within the discretion of the court. In *Miller v. Goody*<sup>68</sup> the Court said that—

Since the defendant has openly appropriated the benefit of the copyrighted composition without giving statutory notice [of intention to record] or paying the royalties, I believe that it is within my power, as a matter of discretion, \* \* \* to include in the injunction a provision that the matrices, plates, molds, stamps, discs, tapes, and other matter upon which the copyrighted musical composition may be recorded or transcribed, \* \* \* shall be impounded until the defendant shall have paid the royalties and damages provided in the final decree \* \* \*.

In the *Goody* case impounding was used as a temporary remedy until the defendant complied with a decree of the court for the payment of royalties. A second purpose for the impounding provision was stated by Judge Learned Hand in *Jewelers' Circular Pub. Co. v. Keystone Pub. Co.*<sup>69</sup>

Section 25(c) [now sec. 101(c), title 17, U.S.C.] \* \* \* is ancillary to section 25(d) [now sec. 101(d)], for I take it as patent that the "impounding" is only to assure the eventual destruction of the infringing articles.

Under *Miller v. Goody, supra*, it would seem that when impounding is used as a method of compelling compliance with the court's decree, the impounded articles may be returned to the defendant upon his compliance.

As to possible return of the seized articles, the court said in *Crown Feature Film Co. v. Bettis Amusement Co.*<sup>70</sup> that a motion for an order to show cause why articles impounded as allegedly infringing should not be returned, presupposes a showing that the seized articles are not infringing. In *Universal Film Mfg. Co. v. Copperman*,<sup>71</sup> the court

<sup>64</sup> See the statement of Mr. Paine, *supra*, at note 61.

<sup>65</sup> Title 17, U.S.C., sec. 101(c) (d).

<sup>66</sup> Title 17, U.S.C., sec. 101(c). See *Foreign & Domestic Music Corp. v. Licht*, 196 F. 2d 627 (2d Cir. 1952).

<sup>67</sup> 214 U.S. 533 (1909), as amended by 307 U.S. 652 (1939).

<sup>68</sup> 125 F. Supp. 348, 351 (S.D.N.Y. 1954). On this point see also: *Miller v. Goody*, 139 F. Supp. 176 (S.D. N. Y. 1956).

<sup>69</sup> 274 Fed. 932 (S.D.N.Y. 1921), *aff'd* 281 Fed. 88 (2d Cir. 1922), cert. denied, 259 U.S. 581.

<sup>70</sup> 206 Fed. 362 (N.D. Ohio 1913).

<sup>71</sup> 206 Fed. 69, 70 (S.D.N.Y. 1913).

stated the purpose and application of the impounding provision as follows:

Congress evidently intended \* \* \* to give a very summary remedy to the copyright owner \* \* \* and the Supreme Court by its rules thought it sufficient to protect the interests of the parties, respectively, by requiring bonds adequate in amount and with sufficient sureties \* \* \*. The procedure is that the articles alleged \* \* \* to infringe \* \* \* are to be delivered up to the marshal upon the complainants' giving security to indemnify the defendant \* \* \* and upon the defendant's alleging that the articles seized are not infringements, they may be returned to him upon his giving adequate security to abide the order of the court \* \* \*.

As to proposals regarding this provision in past revision bills, section 15(a) of the Hebert bill<sup>72</sup> and section 20(d) of the Dill bill<sup>73</sup> provided for the usual method of impounding allegedly infringing articles, but with the proviso:

that in case the judgment is adverse to the complainant, the respondent shall be entitled to such damages as he may have suffered on account of such impounding and have judgment therefor rendered by the court.

As will be noted below, several of the past revision bills would have excluded the remedies of impounding and destruction in certain situations.<sup>74</sup>

(b) *Destruction*

This remedy is available after the fact of infringement has been judicially established, and is applicable only against copies or devices for making copies in the hands of the infringer. Thus, it was said in *Foreign and Domestic Music Corp. v. Licht et al.*,<sup>75</sup> that "the remedy of forfeiture and destruction is given only against an infringer<sup>76</sup> \* \* \*," and the court held that this remedy did not apply against one who was not an infringer. The cases,<sup>77</sup> would seem to indicate that delivery up for destruction of infringing articles may be awarded, together with an injunction restraining further infringement, or in conjunction with both legal and equitable remedies.<sup>78</sup>

Some of the past revision bills would have limited the remedies to an injunction or a reasonable license fee only, thereby by implication excluding impounding and destruction, where notice and registration were lacking, or in other cases of innocent infringement. Thus, the Dallinger bill provided that an injunction as to future infringement was to be the only remedy against an innocent infringer of an unregistered work.<sup>79</sup> Under the Vestal bill which passed the House in 1931, an amount equivalent to a reasonable license fee was to be the only remedy against an innocent infringer unless the work had been registered or published with copyright notice.<sup>80</sup> The Dill bill<sup>81</sup> and the Duffy bill which passed the Senate<sup>82</sup> both provided that if the

<sup>72</sup> S. 176, 72d Cong., 1st sess., introduced Dec. 9, 1931.

<sup>73</sup> S. 3985, 72d Cong., 1st sess., introduced Mar. 2, 1932.

<sup>74</sup> See infra at notes 79-88.

<sup>75</sup> 196 F. 2d, 627, 629 (2d Cir. 1952). Accord: *Lampert v. Hollis Music, Inc.*, 105 F. Supp. 3 (E.D.N.Y. 1952).

<sup>76</sup> Italic in original.

<sup>77</sup> In *Midcontinent Map Co. v. Kintzel*, 50 U.S.P.Q. 495 (E.D. Ill. 1941) plaintiff was awarded an injunction restraining the defendant from further infringement, the profits realized by defendant from the infringement and the damages the plaintiff had sustained. Defendant had to deliver up to plaintiff all copies, photostats and negatives of the infringing maps. See also: *Edward B. Marks Music Corp. v. Borst Music Pub. Co.*, 110 F. Supp. 913 (D.N.J. 1953); *Markhan v. A. E. Borden Co.*, 108 F. Supp. 695 (D.C. Mass. 1952), rev'd on other grounds, 206 F. 2d 199 (1st Cir. 1953), aff'd 221 F. 2d 586 (1st Cir. 1953); *Northern Music Corp. v. King Record Distributing Co.*, 105 F. Supp. 393 (S.D.N.Y. 1952).

<sup>78</sup> *Local Trademarks, Inc. v. Grantham*, 117 U.S.P.Q. 335 (D. Neb. 1957).

<sup>79</sup> H.R. 9137, 68th Cong., 1st sess. (1924), sec. 26(a).

<sup>80</sup> H.R. 12549, 71st Cong., 3d sess. (1931), sec. 14(d).

<sup>81</sup> S. 342, 73d Cong., 1st sess. (1933), sec. 20(e), proviso.

<sup>82</sup> S. 3047, 74th Cong., 1st sess. (1935), sec. 17 amending sec. 25(b) of the act of 1909.

work had not been registered or published with copyright notice, the remedy for any infringement was to be limited to an injunction or a reasonable license fee.

Some of the past revision bills contained express limitations on impounding and destruction. Thus, the Dallinger<sup>83</sup> and Duffy<sup>84</sup> bills provided that an infringing architectural building substantially begun was not to be subject to demolition or seizure. The Vestal bill provided that no order was to be granted to impound or destroy an issue of a newspaper containing infringing matter where actual printing had commenced.<sup>85</sup> Under the Duffy bill the remedies of impounding and destruction were not to apply to an innocent infringement by a publisher or distributor of a newspaper, magazine, or periodical, by a broadcaster, or by a motion-picture producer or distributor.<sup>86</sup>

It is interesting to note that while the Vestal<sup>87</sup> and Duffy<sup>88</sup> bills would have absolved innocent printers from liability for damages and profits, they would have been liable to "the delivery up" of the printed material as well as to an injunction against future printing.

The Sirovich bills of 1932<sup>89</sup> provided<sup>90</sup> that, upon the conclusion of the action resulting in a judgment in favor of the copyright owner, all infringing articles owned by the infringer should be destroyed if the copyright owner established that the infringer acted with intent to infringe.<sup>91</sup> In all other cases, the court was given discretion to direct the destruction of infringing articles.

The Thomas bill<sup>92</sup> contained no restriction on this remedy and included among the articles to be delivered up "for destruction or such other disposition as the court may order"<sup>93</sup> the following: all infringing copies, records, rolls, films, prints, discs, and other contrivances or devices, as well as all plates, molds, matrices, or other means for making such infringing copies, contrivances, or devices.

### *3. Provisions in foreign laws on injunction, impounding and destruction of copies*

#### *(a) Injunction*

Under article 66 of the French copyright law<sup>94</sup> the president of the court of jurisdiction may enjoin continued manufacture of infringing articles. Section 36 of the German copyright law<sup>95</sup> in conjunction with section 823, paragraph 2, of the German Civil Code, permits an injunction against infringement. Section 17 of the British Copyright Act, 1956<sup>96</sup> provides for an injunction in the same manner "as is available in any corresponding proceedings in respect of infringements of other property rights." Section 20 of the Canadian Copyright Act, 1921<sup>97</sup> provides for relief by way of an injunction; this

<sup>83</sup> H. R. 9137, 68th Cong., 1st sess. (1924), sec. 26(b).

<sup>84</sup> S. 3047, 74th Cong., 1st sess. (1935), sec. 17 amending sec. 25(a)(1) of the act of 1909.

<sup>85</sup> H. R. 12549, 71st Cong., 3d sess. (1931), sec. 14(e), proviso.

<sup>86</sup> S. 3047, 74th Cong., 1st sess. (1935), sec. 17 amending sec. 25(e) of the act of 1909.

<sup>87</sup> H. R. 12549, 71st Cong., 3d sess. (1931), sec. 14(e).

<sup>88</sup> S. 3047, 74th Cong., 1st sess. (1935), sec. 17 amending sec. 25(c) of the act of 1909.

<sup>89</sup> H. R. 10364, H. R. 10740, H. R. 10976, H. R. 11948, H. R. 12094, H. R. 12425, 72d Cong., 1st sess., introduced Mar. 10, 22, 30, May 7, 16, June 2, 1932, respectively.

<sup>90</sup> Sec. 9(d), H. R. 10740; sec. 10(d), H. R. 10976, H. R. 11948.

<sup>91</sup> Sec. 10(d) H. R. 11948, H. R. 12094 reads: "if the infringer has not acted in good faith." Sec. 10(d), H. R. 12425 reads: "unless the defendant establishes that he was an innocent infringer." The Sirovich bill of 1936, H. R. 11420, 74th Cong., 2d sess., had a similar provision in sec. 24(d).

<sup>92</sup> S. 3043, 76th Cong., 3d sess. (1940).

<sup>93</sup> Sec. 19(c).

<sup>94</sup> Law of Mar. 11, 1957.

<sup>95</sup> Law of June 19, 1901.

<sup>96</sup> 4 and 5 Eliz., ch. 74.

<sup>97</sup> Can. Rev. Stat., ch. 2 (1952).



remedy, in some cases of innocent infringement is in fact the only remedy.<sup>98</sup>

(b) *Impounding and destruction of copies*

Some foreign copyright laws make a decree for destruction of infringing copies mandatory on the court. Thus, section 42 of the German copyright law requires destruction of infringing copies or devices after final judgment even where infringement in the production or distribution of such copies was neither intentional nor negligent, and whether the production was completed or not. The French copyright law provides in article 72 that in the case of conviction for repeated infringements the place of business of the infringer may be closed temporarily or permanently, and the employees of the infringer must be paid their regular salaries during the period of closing and for 6 months thereafter. In addition under article 23 all infringing articles are to be destroyed. The British Copyright Act provides in section 21(g) that—

the court before which a person is charged with an offense under this section [i.e., that he knowingly infringed] may, whether he is convicted of the offense or not, order that any article in his possession which appears to the court to be an infringing copy, or to be a plate used or intended to be used for making infringing copies, shall be destroyed or delivered up to the owner of the copyright in question or otherwise dealt with as the court may think fit.

## II. CRIMINAL PENALTY FOR INFRINGEMENT<sup>99</sup>

### 1. *Effect and application of section 104*

Section 104 makes it a misdemeanor willfully and for profit to infringe a copyright, or knowingly and willfully to aid or abet such infringement. The punishment in both cases may be imprisonment not exceeding 1 year, or a fine of not less than \$100 nor more than \$1,000 or both.

This section has rarely been invoked. The infrequency of its use, however, does not disprove its efficacy as a deterrent to willful and reckless infringements. It may be that civil actions are preferred by injured copyright owners since they offer a more lucrative result. To "charge an author with willfully infringing a copyright by plagiarism is to charge him with a crime,"<sup>100</sup> and though charges of that nature are sometimes made in civil actions there is seldom any resulting criminal prosecution.

The problems arising in the reported cases dealing with section 104 seem to be largely of a procedural nature.

In *United States v. Schmidt*,<sup>101</sup> the court denied a motion to quash an indictment which did not strictly follow the wording of section 104. It was alleged in the indictment that one defendant—

did knowingly, willfully, and for profit, and without securing permission or license so to do, print and publish certain [copyrighted] publications \* \* \*—

that another defendant—

did knowingly, willfully, unlawfully, and for profit, aid, abet, incite, counsel, and procure the [first defendant] \* \* \* to knowingly, willfully, unlawfully and for profit, infringe \* \* \*.

<sup>98</sup> Sec. 22.

<sup>99</sup> The only section on criminal penalties of title 17, U.S.C., discussed here is sec. 104.

<sup>100</sup> *Cloth v. Hyman*, 146 F. Supp. 185 (S.D.N.Y. 1956).

<sup>101</sup> 15 F. Supp. 804 (M.D. Pa. 1936).

Defendants urged that all counts were bad for duplicity, and were vague, indefinite, and uncertain. The court, setting out in detail that the indictment was sufficient, denied the motion.

In *Marx v. United States*<sup>102</sup> one of the defendants' arguments on appeal was also that the indictment was insufficient. In this case the indictment was worded in the language of the statute, but did not allege copying and did not expressly negative the possibility that the composition alleged to be infringing was an original conception. The court held that the indictment charged—

a willful infringement of the copyrighted drama by broadcasting the same to the general public. An intentional copying is sufficiently alleged.<sup>103</sup>

As to the question of willfulness, it was claimed by defendants that the evidence was insufficient to show willful infringement. The court said that admittedly defendants were familiar with the infringed work and whether they had forgotten it as they claimed, or whether they remembered but chose to disregard the rights of the proprietors, were problems for the determination of the jury.

In *United States v. Backer*,<sup>104</sup> one of the errors charged on appeal again concerned the trial court's interpretation of the word "willful." The court of appeals held that a comparison of the infringing and the infringed copies—

leaves no doubt, in view of other evidence in the case, that they [the infringing copies] are in most respects copies of the [copyrighted works] as charged in the indictment. Nor can there be any fair doubt that the appellant had the copies made and deliberately sold them for profit.<sup>105</sup>

In addition to the few reported cases, there have been several unreported criminal prosecutions for willful infringements of copyright for profit.

## 2. *Brief history of provision on criminal penalty for infringement*

By the act of January 6, 1897,<sup>106</sup> section 4966 of the Revised Statutes<sup>107</sup> was amended to provide, in part, as follows:

If the unlawful performance and representation [of a copyrighted dramatic or musical composition] be willful and for profit, such person or persons shall be guilty of a misdemeanor and upon conviction be imprisoned for a period not exceeding 1 year.

Section 28 of the act of 1909, which was identical with the present section 104, extended the scope of the criminal provision in two respects: instead of covering only infringing performances of dramatic or musical works as in the previously existing law, the new section applied to all willful infringements for profit,<sup>108</sup> and the penalty was made alternative, i.e., imprisonment or a fine, or both, could be imposed.

In several of the bills to revise the Copyright Act of 1909, changes, principally of form, were proposed in the provision on criminal penalty for infringement; in some bills the section on criminal penalty for infringement was altogether omitted. In the latter group was

<sup>102</sup> 96 F. 2d 204 (9th Cir. 1938).

<sup>103</sup> *Ibid.*

<sup>104</sup> 134 F. 2d 533 (2d Cir. 1943).

<sup>105</sup> *Ibid.*

<sup>106</sup> 29 Stat. 481.

<sup>107</sup> Act of July 8, 1870, 16 Stat. 214.

<sup>108</sup> See the explanation in the committee report, H.R. Rept. No. 2222, 60th Cong., 2d sess., on the bill enacting the Copyright Act of 1909, on sec. 28

H.R. 12549<sup>109</sup> in which remedies for infringement were limited to civil actions.<sup>110</sup>

The changes proposed varied considerably. In a bill introduced in 1931<sup>111</sup> to amend sections 23, 25, and 28 of the Copyright Act of 1909, imprisonment for willful infringement for profit was limited to 6 months and the fine to \$500, but no other substantive changes were proposed. A criminal provision of considerably enlarged scope was proposed in the first Sirovich bill.<sup>112</sup> It provided criminal penalties for other acts (involving fraudulent misrepresentations) as well as for willful infringement for profit. Section 38 of this bill read as follows:

Any person who, with intent to defraud, shall assign a copyright or grant any license thereunder, knowing that he has previously assigned and/or licensed the same right to others, or knowing that he has no right or authority to make such assignment or license, or who willfully and for profit shall infringe or conspire to infringe any copyright secured by this Act, or who, with fraudulent intent, shall institute or threaten to institute any action or other proceeding under this Act, knowing such action or other proceeding to be without foundation, or who shall register or cause to be registered a pirated work with knowledge that such work is pirated, or who shall record or cause to be recorded a false or fraudulent assignment or license with the knowledge that such assignment or license is false or fraudulent, or who shall make a false and fraudulent statement in any affidavit or other writing filed in the Copyright Office shall be deemed guilty of a misdemeanor, and upon conviction thereof, shall be punished by a fine of not more than \$2,000 and/or imprisonment for not more than six months.<sup>113</sup>

The Thomas bill<sup>114</sup> similarly combined the criminal provisions on willful infringement for profit with provisions imposing criminal penalties for other acts (involving fraudulent misrepresentations) as follows:<sup>115</sup>

Any person who willfully and for profit shall infringe any right secured by this Act, and who shall knowingly aid or abet such infringement, or who shall insert, impress, or affix any notice of copyright upon any article with knowledge that such notice is false, or any person who shall knowingly issue, publish, sell, distribute, or import into the United States any such article containing such false notice, or who shall remove or alter with fraudulent intent the copyright notice upon any article duly affixed by the persons entitled so to do, or who shall register or cause to be registered a pirated work with knowledge that such work is pirated, or who shall record or cause to be recorded a false or fraudulent grant with the knowledge that such grant is false or fraudulent, or shall knowingly make a false and fraudulent statement in any affidavit or other writing filed in the Copyright Office, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished for each offense by imprisonment for not exceeding one year, or by fine of not less than \$100 nor more than \$1,000, or both such fine and imprisonment.

### *3. Provisions in foreign laws on criminal penalties for infringement*

The copyright laws of practically all foreign countries contain provisions for criminal penalties for infringement of copyright. These provisions are used to a much greater extent, particularly in the "civil law" countries, than is the case in this country. One of the reasons for this more frequent application of criminal provisions

<sup>109</sup> 71st Cong., 3d sess., Jan. 21, 1931, as it came to the Senate from the House (passed by the House Jan. 13, 1931). H.R. 12549, 71st Cong., 2d sess., as introduced May 22, 1930, by Mr. Vestal contained, in sec. 26, a criminal provision. This provision was restored in S. 176, 72d Cong., 1st sess., introduced Dec. 9, 1931, by Mr. Hebert. Also in this group was the Dill bill, S. 3985, 72d Cong., 1st sess., introduced Mar. 2, 1932.

<sup>110</sup> Under sec. 32 of H.R. 12549 use of a fraudulent copyright notice was a misdemeanor.

<sup>111</sup> S. 5687, 71st Cong., 3d sess., introduced Jan. 5, 1931, by Mr. King.

<sup>112</sup> H.R. 10364, 72d Cong., 1st sess., introduced Mar. 10, 1932.

<sup>113</sup> The fine was reduced to \$1,000 in sec. 39 of H.R. 10976, 72d Cong., 1st sess., introduced on Mar. 30, 1932, by Mr. Sirovich, committed to the Committee of the Whole House on the State of the Union, Apr. 5, 1932 (Union Cal. No. 190).

<sup>114</sup> S. 3041, 76th Cong., 3d sess., introduced Jan. 8, 1940.

<sup>115</sup> Sec. 18. The note on the draft bills preceding the Thomas bill states as to sec. 18: "This section combines and revises secs. 28 and 29 of the law of 1909."

would seem to be that, under these foreign laws, criminal penalties and civil damages are frequently imposed in one action and both may accrue to the benefit of the plaintiff.<sup>116</sup> Another reason may be that civil damage awards are usually for smaller sums in foreign countries than in the United States. It therefore appears difficult to compare the criminal provisions of the foreign and U.S. copyright laws.

The British Copyright Act, 1956,<sup>117</sup> provides, in section 21, for penalties and summary proceedings in respect of dealings which infringe copyright. Under this section fines may be imposed from a minimum of 40 shillings for each infringing article to a maximum of 50 pounds, and in cases of repeated infringement, imprisonment not exceeding 2 months. Acts which are punishable under this section of the British Copyright Act, 1956, include, e.g., knowingly making for sale or hire, selling, exhibiting, or distributing infringing copies, making or possessing plates knowing they are to be used for making infringing copies, or knowingly and without authority performing a copyrighted work.

The Canadian Copyright Act<sup>118</sup> contains a criminal provision<sup>119</sup> which is similar to that of the British Copyright Act.

### III. ISSUES PRESENTED

#### 1. *Analysis*

Two subjects are analyzed in this paper: civil remedies other than damages, and criminal penalties for infringement. What are the problems raised in connection with these subjects?

##### (a) *Injunction*

The present law leaves it to the discretion of the court whether an injunction will be granted or denied. It has always been the rule of the courts that an injunction is an extraordinary remedy to be used only where further injury to the plaintiff is likely and the equities of the situation are on the side of injunctive relief, and the courts have denied an injunction in cases where it was thought that this remedy would be unduly harsh on the defendant.

Some of the past bills for general revision of the copyright law contained proposals to limit the power of the courts to grant injunctions in certain instances, particularly where an infringing undertaking had been innocently begun. Thus, it was proposed that no injunction shall be issued against the completion of a building or of printing innocently begun, or against the publication of a newspaper or periodical, or against the publication or broadcasting of infringing advertisements for which preparation had been innocently begun. A provision was also proposed that no temporary restraining order shall be issued against the production of a motion picture substantially begun or its distribution or exhibition.

The question whether in these or other circumstances, there should be in a revised law any express limitations on the injunctive power of the courts. It should be noted that no reported case has been

<sup>116</sup> For details see Strauss, "The Damage Provisions of the Copyright Law" [Study No. 22 in the present Committee Print, pt. A-III].

<sup>117</sup> 4 and 5 Eliz. 2, ch. 74.

<sup>118</sup> Can. Rev. Stat., 1952, ch. 55.

<sup>119</sup> Sec. 25.

found where a court has issued an injunction that the revision proposals mentioned above would have prevented.

*(b) Impounding and destruction*

Impounding is a temporary remedy to be used either to insure defendant's compliance with a decree of the court, or as a measure preliminary to possible destruction of the infringing articles. Such destruction may be ordered only after the fact of infringement has been judicially established and only against a proven infringer. Impounding and destruction are matters for the court's discretion.

As to impounding, two of the past revision bills proposed an added provision granting a successful defendant an award of such damages as he may have incurred due to the impounding. The Supreme Court Rules requiring the plaintiff to file a bond would seem to take care of this.

Some of the past revision bills provided variously that the remedies of impounding and destruction were not to be available in regard to a building under construction or an issue of a periodical or newspaper of which manufacture had innocently begun, or against an innocent broadcaster or motion picture producer or distributor, or against innocent infringers generally.

Impounding and destruction, like injunctions, are extraordinary remedies which courts, in their discretion, apply as the situation in each case seems to require in order to prevent further injury to the plaintiff; and these remedies are not applied where the court feels that they would be unduly injurious to the defendant. The proposals in past revision bills to deny these remedies in certain situations were apparently prompted by an abundance of caution. No reported case has been found in which impounding or destruction was ordered in a situation where it would have been precluded by these proposals.

*(c) Criminal penalties*

Though infrequently invoked, the criminal provision in section 104 of the present law may serve as a deterrent to willful infringement. It does not appear to have created any special difficulties in its application.

Two of the past revision bills omitted this provision entirely, without explanation; perhaps it was considered unnecessary. In other revision bills the provision was left intact, or was merely changed in form to combine this with other criminal provisions relating to fraudulent misrepresentations. Some bills proposed to change the penalties: maximum imprisonment for 6 months, instead of the present 1 year; or a maximum fine of \$500 in one bill, of \$2,000 in another, instead of the present \$1,000.

## *2. Summary of issues*

*(a)* Should any limitations be imposed by the statute on the issuance of injunctions against copyright infringements? If so, what limitations?

*(b)* Should any limitations be imposed by the statute on the impounding or destruction of infringing copies and devices? If so, what limitations?

*(c)* Should the criminal penalty for willful infringement for profit, or for knowingly and willfully aiding or abetting such infringement, be retained, eliminated, or modified?

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COMMENTS AND VIEWS SUBMITTED TO THE  
COPYRIGHT OFFICE  
ON  
REMEDIES OTHER THAN DAMAGES  
FOR COPYRIGHT INFRINGEMENT

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COMMENTS AND VIEWS SUBMITTED TO THE COPYRIGHT  
OFFICE ON REMEDIES OTHER THAN DAMAGES FOR  
COPYRIGHT INFRINGEMENT

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*By Harry R. Olsson, Jr.*

APRIL 22, 1959.

\* \* \* \* \*

*Remedies other than damages*

(a) The statute should not impose any limitations on the issuance of injunctions. Normal judicial rules are sufficient and provide more desirable flexibility than any statutory enumeration would.

(b) The statute should provide for impounding and destruction of infringing copies and devices only in the hands of an infringer or one who took with knowledge or its equivalent.

(c) The criminal penalty for willful infringement for profit should be retained.

\* \* \* \* \*

HARRY R. OLSSON, JR.

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*By Richard H. Walker (The Curtis Publishing Co.)*

MAY 4, 1959.

\* \* \* \* \*

*Remedies other than damages for copyright infringement*

The possibility of injunctive relief in many cases is a greater deterrent to willful copyright infringement than damages. Similarly, the possibility of an injunction issued because of an innocent infringement is a terrifying thought to a publisher of periodicals. As noted in the study, injunctive relief is a matter for the court's discretion. Legislation to limit this remedy is contemplated only to preclude its application inequitably. This, by definition, is impossible and in practice, to our knowledge, has never occurred. Despite the possible risk to a publisher, I do not believe that future legislation should attempt to interfere with a judicial function which shows no evidence of having been abused.

The comments above apply equally to legislative attempts to limit the discretion of the court in impounding or destroying infringing copies.

I can see no reason for eliminating criminal penalties for willful infringement. Let us hope that there will continue to be little need for their use. Still, a willful infringement is no different than a deliberate taking of the property of another, and should be subject to the same sort of criminal sanctions.

\* \* \* \* \*

RICHARD H. WALKER.

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STUDY NO. 25  
LIABILITY OF INNOCENT INFRINGERS OF  
COPYRIGHTS  
BY ALAN LATMAN AND WILLIAM S. TAGER  
January 1958

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# LIABILITY OF INNOCENT INFRINGERS OF COPYRIGHTS

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## I. INTRODUCTION

Copyright infringement consists of interference with any of a variety of rights and justifies resort to a number of remedies. Such interference may be intentional, negligent or accidental.

The law of torts, from which these terms are borrowed, considers intention relevant in several respects. For example, liability for conversion depends upon an intentional use of a chattel in such a way as to interfere with another's right to possession.<sup>1</sup> The defendant is liable even though he is under the reasonable but erroneous impression that the chattel is his and accordingly intends no such interference;<sup>2</sup> such good faith, however, may permit him to tender the chattel to the plaintiff and thus mitigate damages.<sup>3</sup>

Inasmuch as copyright infringement has been held to be an action "sounding in tort,"<sup>4</sup> the question is raised whether copyright law recognizes or should recognize similar distinctions based on the "innocence" of the infringer. Should one who copies, performs, or sells a copyrighted work unintentionally and in the exercise of due care be considered an infringer at all? Or should the remedies against him be limited? To what extent should a new Federal copyright statute modify existing law in this regard?

It is apparent that any answer to these questions is complicated by the great variety of copyright infringements. Innocent infringement occurs in various situations in which the opportunity to avoid infringement, and the impact of the infringement and of the imposition of certain remedies, differ. The innocent infringer might, for example, be shielded from liability for interfering with certain rights and not others. The copyright owner might be restricted in his choice of remedies against the innocent infringer or in the scope of any particular remedy. Many of the possible permutations have been attempted or proposed in this country or abroad. Of course, a balancing of policy considerations must dictate the relevance of intention or negligence in each situation. Moreover, the wide range of factual situations encompassed by the general concept of "innocent infringement" must be appreciated. The variety of factual or legal knowledge of which the "infringer" may be "innocent" may, where applicable, call for different answers to the broad questions posed above.

<sup>1</sup> Restatement, Torts, sec. 222 (1934).

<sup>2</sup> *Id.* at sec. 222, comment *d.*

<sup>3</sup> *Id.* at sec. 247.

<sup>4</sup> *Turton v. United States*, 212 F. 2d 354 (6th Cir. 1954); Howell, "The Copyright Law" 165 (1952).

## II. HISTORY OF THE TREATMENT OF INNOCENT INFRINGERS IN THE UNITED STATES

### A. COLONIAL STATUTES, 1783-86

The 12 colonial copyright statutes,<sup>5</sup> enacted largely as a result of the recommendation of the Continental Congress,<sup>6</sup> took three different approaches to the problem of intention and its relation to civil liability for infringement.

#### 1. *No distinction between innocent and willful infringement*

Four States<sup>7</sup> did not distinguish in their statutes between innocent and intentional infringement. Neither by limiting language in the specifications of infringement nor by proviso was state of mind made relevant. Thus, the innocent infringer was to be made liable to the same extent as one who purposely infringed. It should be noted, however, that the sole remedy afforded by three of these statutes<sup>8</sup> was recovery of a sum, limited by a stated minimum and maximum. In determining the amount of such sum which the defendant was to "forfeit and pay," it is conceivable that the courts were expected to take into consideration the degree of the defendant's culpability.

#### 2. *Liability of distributor conditioned on knowledge that consent had not been obtained to "publish, vend, utter and distribute" protected work*

The statutes of five States<sup>9</sup> appear to distinguish between those who introduce a work into circulation, without the consent of the author, and those who aid in its distribution. Liability attached to anyone who, without such consent, printed or imported the work, but only to one who—

shall *knowingly* publish, vend, and utter or distribute the same, without the consent of the proprietor thereof in writing \* \* \*. [Emphasis added.]

The distributor, to be liable, must know that his sale was unauthorized; the initiator was liable, whether he knew of his lack of authorization or not.

#### 3. *Liability of distributor conditioned on knowledge that printing or importation was unauthorized*

The statutes of Virginia, Maryland, and South Carolina may not have differed in basic approach from the five statutes discussed immediately above. The different language chosen is significant, however, for it served as a model for the first Federal copyright statute. The liability for undertaking to "sell, publish, or expose to sale" was limited to a person "knowing the same to be so printed, reprinted, or imported, without such consent first had and obtained." Thus, a seller who did not know that the *printing* of his copies was unauthorized was not liable.

<sup>5</sup> All the Original Colonies except Delaware enacted copyright statutes.

<sup>6</sup> Resolution of Continental Congress, May 2, 1783. This resolution, in addition to the colonial statutes, are reproduced in "Copyright Laws of the United States of America, 1783-1956," a publication of the Copyright Office.

<sup>7</sup> Massachusetts, New Hampshire, Rhode Island and Pennsylvania.

<sup>8</sup> The Pennsylvania statute provided for recovery of "double the value" of the infringing copies, without apparent variation.

<sup>9</sup> Connecticut, Georgia, New Jersey, New York and North Carolina.

## B. ACT OF 1790

Section 2 of the first Copyright Act passed by the Congress of the United States<sup>10</sup> provided in pertinent part:

That if any other person or persons \* \* \* shall print, reprint, publish, or import, or cause to be printed, reprinted, published, or imported from any foreign Kingdom or State, any copy or copies of such map, chart, book or books without the consent of the author or proprietor thereof, first had and obtained in writing \* \* \*; or *knowing the same to be so printed, reprinted, or imported, shall publish, sell, or expose to sale or cause to be published, sold, or exposed to sale*, any copy of such map, chart, book or books, without such consent first had and obtained in writing as aforesaid, then such offender shall forfeit all and every copy \* \* \*: And every such offender and offenders shall also forfeit and pay the sum of fifty cents for every sheet \* \* \*. [Emphasis added.]

Thus, persons who printed, published, or imported copies without consent were liable without regard to their innocence; but those who published or sold copies were liable only if they knew that the copies were printed or imported without consent. The statute was ambiguous in its reference to "publish" in both contexts.

## C. ACT OF 1870

Sections 99 and 100 of the 1870 act<sup>11</sup> retained the distinction between persons who printed, published, or imported copies, and those who sold copies; but removed the ambiguity in the dual use of the term "publish" in earlier statutes by deleting that word from the description of acts which, if innocent, did not constitute infringement.

Subsequent amendments of the law relating to copyrights prior to the 1909 act continued the requirement of knowledge on the part of the vendor.

## III. THE PRESENT LAW

## A. THE STATUTE

The general features of the law of innocent infringement were shaped prior to 1909. Except for the innocent vendor, innocence or lack of intent to infringe was not generally a defense to an action for infringement.<sup>12</sup> There is considerable evidence that this situation was realized by those participating in the drafting and enactment of the 1909 act;<sup>13</sup> although the problem of the innocent infringer was considered at some length in the hearings, the 1909 statute contained no broad provisions excusing innocent infringers.<sup>14</sup> Moreover, the act eliminated the provision in earlier statutes expressly protecting the innocent seller.

However, several provisions limiting available remedies in certain instances of innocent infringement were inserted. These provisions were supplemented by amendments in 1912<sup>15</sup> and 1952.<sup>16</sup>

<sup>10</sup> Act of May 31, 1790, ch. 15, 1 Stat. 124.

<sup>11</sup> 16 Stat. 198.

<sup>12</sup> Drone, "Copyrights" 401-403 (1879); Spalding, "The Law of Copyright" 55 (1878); Morgan, "The Law of Literature" 240, 665, (1875).

<sup>13</sup> R.F., Hearings Before Committees on Patents on H.R. 19853, and S. 6330, 59th Cong., 1st sess. 17, 137 (June 1906).

<sup>14</sup> These developments were considered significant in *DeAcosta v. Brown*, 146 F. 2d 408, 411 (2d Cir. 1944).

<sup>15</sup> 37 Stat. 489.

<sup>16</sup> 66 Stat. 752.

1. *Accidental omission of notice and the innocent infringer: Section 21*

The only section in the present copyright act which uses the term "innocent infringer" deals with only a narrow area of the problem. Section 21 seeks generally to protect the copyright proprietor from the loss of copyright where notice has been omitted by accident or mistake from a limited number of copies. The section provides that such omission shall not invalidate the copyright or prevent recovery for infringement against any person who, after actual notice of the copyright, begins an undertaking to infringe it—

\* \* \* but shall prevent the recovery of damages against an *innocent infringer* who has been misled by the omission of the notice; and in a suit for infringement no permanent injunction shall be had unless the copyright proprietor shall reimburse to the innocent infringer his reasonable outlay innocently incurred if the court in its discretion, shall so direct. [Emphasis added.]

This section appears only to bar the recovery of damages and, in some circumstances, the granting of injunctive relief against an innocent and misled infringer. The profits of an innocent infringer may apparently still be recovered even though he has been misled by the omission of the notice.<sup>17</sup>

2. *Innocent infringement by means of motion pictures: Section 101(b)*

The rapidity and frequency of the exhibition of a motion picture were considered to pose special problems as to innocent infringement. If a motion picture infringed a copyrighted work, the number of infringements in its repeated exhibitions could lead to the cumulative recovery of a potentially staggering amount of statutory damages. If such infringement were innocent, it was felt that this recovery would be unjustified.<sup>18</sup> Accordingly, in 1912, when Congress amended the 1909 act to enumerate motion pictures as a class of copyrightable works, it limited the amount of statutory damages recoverable for infringement by means of motion pictures.

(a) *Infringement of a nondramatic work*

Section 101(b) provides in part:

\* \* \* and in the case of the infringement of an undramatized or nondramatic work by means of motion pictures, where the infringer shall show that *he was not aware that he was infringing, and that such infringement could not have been reasonably foreseen*, such [statutory] damages shall not exceed the sum of \$100; \* \* \*. [Emphasis added.]

(b) *Infringement of a dramatic work*

Congress took a slightly different approach with respect to infringement in a motion picture of a work in dramatic form. Innocent infringement of such a work was to be subject to the same scale of statutory damages as an ordinary infringement, but the entire process of making the motion picture and distributing it to exhibitors was to be considered a single infringement.

Thus, in another portion of section 101(b), it was provided:

\* \* \* and in the case of an infringement of a copyrighted dramatic or dramatico-musical work by a maker of motion pictures and his agencies for distribu-

<sup>17</sup> *Strauss v. Penn. Printing & Publishing Co.*, 220 F. 977 (E.D. Pa. 1915). Sec. 21 is discussed at length in Well, "American Copyright Law" 351-354 (1917); see also Ball, "Law of Copyright and Literary Property" 327 (1944).

<sup>18</sup> H.R. Rept. No. 756, 62d Cong., 2d sess., 3 (1912).

tion thereof to exhibitors, where such infringer shows that *he was not aware that he was infringing a copyrighted work, and that such infringements could not reasonably have been foreseen*, the entire sum of such damages recoverable by the copyright proprietor from such infringing maker and his agencies for the distribution to exhibitors of such infringing motion pictures shall not exceed the sum of \$5,000 nor be less than \$250 \* \* \*. [Emphasis added.]

3. *Innocent infringement of a nondramatic literary work by broadcasting: Section 1(c)*

In 1952, section 1(c) was amended to extend public performance rights to nondramatic works.<sup>19</sup> Included in the amendment was the following provision:

\* \* \* The damages for the infringement by broadcast of any work referred to in this subsection shall not exceed the sum of \$100 when the infringing broadcaster shows that *he was not aware that he was infringing and that such infringement could not have been reasonably foreseen*; \* \* \*. [Emphasis added.]

It should be noted this limitation is almost identical to the provision of section 101(b) limiting the remedy for infringement of a nondramatic work by motion pictures.

4. *Discretion of the court in granting remedies: Sections 101(b), 101(c), 101(d), and 116*

Section 101(c) provides for the impounding of infringing articles during the pendency of an action for infringement "upon such terms and conditions as the court may prescribe." Section 101(d) provides for delivery for destruction of all infringing copies or devices for making such copies "as the court may order." There is some indication in the legislative hearings that the discretion given to the court in these provisions may have been intended to give some measure of protection to the innocent infringer.<sup>20</sup> Similarly, section 101(b) provides, in lieu of actual damages and profits, for "such [statutory] damages as to the court shall appear to be just," within a specified range of minimum and maximum amounts;<sup>21</sup> and section 116 contains a provision by which "the court may award to the prevailing party a reasonable attorney's fee as part of the costs." In granting these various remedies, the courts may mitigate the remedies accorded against an innocent infringer.

5. *Criminal provision and innocent intention: Section 104*

Section 104 makes willful infringement for profit a misdemeanor. The requirement of willfulness thus expressly excludes the innocent infringer from the sweep of this criminal provision.

<sup>19</sup> 66 Stat. 752 (1952).

<sup>20</sup> See discussion in Hearings (December 1906) 178-179 and Hearings (June 1906) 177.

<sup>21</sup> The limitations on the amount of such statutory damages are made inapplicable to: " \* \* \* infringements occurring after the actual notice to a defendant either by service of process in a suit or other written notice served upon him." The willful infringement after notice at which this provision is directed might include certain types of infringements which would otherwise be considered "innocent." Thus, one who reasonably but erroneously relies upon the supposed invalidity of a claim to copyright after written notice of the claim might not be protected by his good faith.

## B. THE TREATMENT OF THE INNOCENT INFRINGER IN THE COURTS

1. *Innocence or lack of intention as a defense*

The rule is well established that lack of intention to infringe is generally no defense to an action for infringement.<sup>22</sup> This was the general rule prior to the present statute<sup>23</sup> subject, of course, to the statutory exceptions in favor of the innocent distributor; the provisions and legislative history of the 1909 act left little room for judicial modification. Thus, no less applicable under present law are the views expressed in the early case of *Laurence v. Dana*<sup>24</sup> to the effect that—

Mere honest intention on the part of the appropriator will not suffice \* \* \* as the court can only look at the result, and not at the intention in the man's mind at the time of doing the act complained of, and he must be presumed to intend all that the publication of his work effects \* \* \*.<sup>25</sup>

This principle has been recognized by the Supreme Court which stated, by way of dictum, in *Buck v. Jewell-LaSalle Realty Co.*:<sup>26</sup> "Intention to infringe is not essential under the act."

Direct copying of copyrighted material will give rise to liability even if committed under the reasonable but erroneous assumption that the portion of the work being copied is in the public domain.<sup>27</sup> Neither is copying excused by reason of a notice in exceedingly small type,<sup>28</sup> or even by the omission of notice on the part of a licensee of the copyright owner.<sup>29</sup> And even where the user obtains the permission of the publisher of the magazine carrying an article copyrighted by the author, he cannot escape liability.<sup>30</sup>

There are still other situations in which the defendant has not consciously copied the plaintiff's work but the question of infringement is nevertheless raised. Here the defendant may be "innocent," to a varying extent, of different facts or legal results. These situations will be discussed separately in an attempt to describe the operation, in each of them, of the general rule that innocence of intention to infringe is no defense.

(a) *Indirect copying*

Copying from a publication which was itself copied from a copyrighted work constitutes infringement and is usually designated as "indirect" copying.<sup>31</sup>

Whatever doubts may exist as to the appropriate remedies to be applied, there is agreement among courts and writers that the copyist of an infringing copy is liable as an infringer, even if ignorant of the fact of copyright.<sup>32</sup> This rule was applied in *DeAcosta v. Brown*<sup>33</sup> to common law literary property. And while the Supreme Court has not specifically decided the point, it has considered a similar factual situation. In *Douglas v. Cunningham*,<sup>34</sup> the defendant pub-

<sup>22</sup> Howell, *op. cit.*, note 4, *supra*, 122; Peck, "Copyright Infringement of Literary Works," 38 *Marquette L. Rev.* 180, 187 (1955).

<sup>23</sup> See note 12, *supra*.

<sup>24</sup> 15 Fed. Cas. 26, Case No. 8, 136 (C.C.D. Mass. 1869).

<sup>25</sup> *Id.* at 60.

<sup>26</sup> 283 U.S. 191, 198 (1930).

<sup>27</sup> *Tolsvig v. Bruce Pub. Co.*, 181 F. 2d 664 (7th Cir. 1950).

<sup>28</sup> *Advertisers Exchange, Inc. v. Laufe*, 29 F. Supp. 1 (W.D. Pa. 1939).

<sup>29</sup> *American Press Ass'n v. Daily Story Publishing Co.*, 120 Fed. 766 (7th Cir. 1902).

<sup>30</sup> *Insurance Press v. Ford Motor Co.*, 255 Fed. 896 (2d Cir. 1918).

<sup>31</sup> Amdur, "Copyright Law and Practice" 688 (1936).

<sup>32</sup> *Altman v. New Haven Union Co.*, 254 Fed. 113 (D. Conn. 1918). See *American Press Ass'n v. Daily Story Publishing Co.*, 120 Fed. 766 (7th Cir. 1902); Weil, "American Copyright Law" 400 (1917); Shafter, "Musical Copyright," 238 (1939).

<sup>33</sup> 146 F. 2d 408 (2d Cir. 1944).

<sup>34</sup> 294 U.S. 207 (1935).



lished the plaintiff's copyrighted story in the belief that the material which had been orally related to defendant's employee by a third person represented an original recounting of actual happenings. The Court, in finding improper the interference by the court of appeals with the discretion of the trial court in fixing statutory damages, apparently accepted the liability of the defendant, notwithstanding his innocence.

(b) *Innocent printers*

During the hearings preceding the 1909 act, George W. Ogilvie, a Chicago publisher, stated:

\* \* \* There is no printer in the United States whom I cannot get in trouble—serious trouble—so serious that it might put him out of business. I take to him a set of plates about which he knows nothing as to the existence of copyright on them. He prints them for me \* \* \* and then the owners of the copyright can get after him and collect damages \* \* \*.<sup>35</sup>

Mr. Ogilvie thought the law should be changed to protect a printer who unwittingly prints infringing copies; but the law was not changed and the innocent printer has been held liable by the courts.<sup>36</sup> Insofar as the printer, innocent or not, is independent of the publisher and in no way a coadventurer, it has been held that he is not jointly liable for the publisher's profits, but is accountable only for his own.<sup>37</sup>

(c) *Innocent vendors*

Since the removal in 1909 of the protective provision of earlier statutes, innocent nonmanufacturing vendors have also been held to be infringers.<sup>38</sup> The good faith of the defendants in the recent *Woolworth* litigations<sup>39</sup> was acknowledged by both the majority<sup>40</sup> and dissent<sup>41</sup> in the Supreme Court, without apparently casting doubt on the vendor's status as an infringer. Thus, it is not surprising that in recent litigation,<sup>42</sup> the defendant dealers conceded that—

the sale or vending of an unauthorized copy of a copyrighted article by anyone is an infringement of the copyright irrespective of the position of the vendor in the distributive process, his bona fides, his innocence, or the unknown peril to which he may have been subjected.<sup>43</sup>

And the court, relying in part on the *Woolworth* case, found that "this is undoubtedly the law."

(d) *Vicarious liability*

The normal agency rule that a master is liable for his servant's wrongful acts committed within the scope of employment has been considered applicable to copyright infringement.<sup>44</sup> A few courts have refused to apply this rule where its effect would have been, in the court's view, essentially penal. Thus, in *Taylor v. Gilman*,<sup>45</sup> the court regarded as a penalty the statutory amount required by a former provision to be divided equally between the plaintiff and the U.S. Government. Although the court refused to consider the em-

<sup>35</sup> Hearings (December 1906) at 49.

<sup>36</sup> See *American Code Co. v. Benstinger*, 282 Fed. 829, 834 (2d Cir. 1922).

<sup>37</sup> *Sammons v. Larkin*, 126 F. 2d 341 (1st Cir. 1942).

<sup>38</sup> E.g., *McCulloch v. Zapun Ceramics, Inc.*, 97 U.S.P.Q. 12 (S.D.N.Y. 1953).

<sup>39</sup> *F. W. Woolworth Co. v. Contemporary Arts, Inc.*, 193 F. 2d 162 (1st Cir. 1951), rev'd, 344 U.S. 228 (1952).

<sup>40</sup> 344 U.S. 229.

<sup>41</sup> *Id.* at 234-235.

<sup>42</sup> *Miller v. Goody*, 139 F. Supp. 176 (S.D.N.Y. 1956), rev'd sub nom *Shapiro, Bernstein v. Goody*, 248 F. 2d 260 (2d Cir. 1957). The court of appeals apparently extended this principle to the sale of unauthorized phonograph records.

<sup>43</sup> 139 F. Supp. 180.

<sup>44</sup> See *M. Whitmark & Sons v. Calloway*, 22 F. 2d 412, 414 (E.D. Tenn. 1927).

<sup>45</sup> 24 Fed. 632 (S.D.N.Y. 1885).

ployer liable for such amount, it was conceded that the defendant "might be civilly liable." And in an isolated instance under the present statute, though it provides in section 101(b) that statutory damages "shall not be regarded as a penalty," the court relied upon *Taylor*, the absence of actual damage, and what the court considered the "accidental" copying of the plaintiff's work, to deny recovery of statutory damages.<sup>46</sup> Despite these two cases, the rule seems well established that an employer may be held liable for infringing acts committed by his employees.<sup>47</sup>

An interesting application of the theory of vicarious liability to copyright law results in the liability of innocent proprietors of theaters and dance halls for infringements committed by hired musicians. Such liability apparently goes beyond the ordinary rules of *respondet superior* and does not require a strict common law master-servant relationship. Thus, in *Dreamland Ballroom, Inc., v. Shapiro, Bernstein & Co.*,<sup>48</sup> the court stated:

The authorities are, we believe, unanimous in holding that the owner of a dance hall at whose place copyrighted musical compositions are played in violation of the rights of the copyright holder is liable, if the playing be for the profit of the dance hall. *And this is so, even though the orchestra be employed under a contract that would ordinarily make it an independent contractor.* [Emphasis added.]

## 2. Innocence or lack of intention and remedies for infringement

Innocence or lack of intention is of greater relevance to the fashioning of remedies for infringement than it is to the substantive question whether infringement has taken place. The copyright statute provides a battery of remedies for infringement; and the culpability of the defendant has played a significant role in judicial selection and adaptation of these remedies.

### (a) Damages

It has been noted that one court considered the remedy of awarding statutory damages sufficiently penal to warrant denial of the remedy for an "accidental" use of plaintiff's work by defendant's agent where no actual damage to the plaintiff resulted.<sup>49</sup> More typically, a court is concerned with the amount of the statutory damages to be selected between the statutory maximum and minimum and may use the defendant's culpability as a guide to making such a selection.

In some of the cases discussed earlier, the innocence of the defendant, while insufficient to excuse his infringement, was a factor in the court's refusal to award more than the statutory minimum.<sup>50</sup> However, several Supreme Court decisions have made it clear that where the trial court has fixed a higher amount of statutory damages, the amount awarded may not be reduced by an appellate court, however innocent the infringer might have been.<sup>51</sup>

It has long been accepted that all who participate in an infringement are jointly and severally liable for all the damage sustained by the copyright owner.<sup>52</sup> There have been recent instances, however, where courts influenced by one defendant's innocence have ignored

<sup>46</sup> *Norm Co. v. John A. Brown Co.*, 26 F. Supp. 707 (W.D. Okla. 1939).

<sup>47</sup> Warner, "Radio and Television Rights," 609 (1953).

<sup>48</sup> 36 F. 2d 354, 355 (7th Cir. 1929).

<sup>49</sup> See note 46, *supra*.

<sup>50</sup> See, e.g., *Altman v. New Haven Union Co.*, 254 Fed. 113 (D.C. Conn. 1918); *Sammons v. Larkin*, 38 F. Supp. 649 (D.C. Mass. 1940); judgment vacated and cause remanded sub nom *Sammons v. Colonial Press*, 126 F. 2d 341 (1st Cir. 1942).

<sup>51</sup> *F. W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228 (1952); *Douglas v. Cunningham*, 294 U.S. 207 (1935).

<sup>52</sup> Ball, "Law of Copyright and Literary Property" 332 (1944); Warner, *op. cit.*, note 47, *supra*, at 648.

or modified this rule. Thus, in *Northern Music Corp. v. King Record Distributing Co.*,<sup>53</sup> the corporate defendants made and distributed recordings of a song actually copied by other defendants from the plaintiff's copyrighted song. The corporate defendants had no knowledge or reason to know of the plaintiff's copyright and were held liable for only "that portion of the damage which is attributable to their individual infringements of plaintiff's copyright." And in *Gordon v. Weir*,<sup>54</sup> the court refused to hold innocent infringers, misled by a certificate of registration issued to the original willful infringer, liable for the damages inflicted by the original infringer.

These decisions go further than the earlier decision in *Detective Comics, Inc. v. Bruns Publications*,<sup>55</sup> which found joint liability but modified its enforcement in favor of innocent infringers. The distributors of the infringing articles were there to be held accountable for damages, profits, and counsel fees only if the principal infringer could not answer therefor. It remains to be seen whether the *Northern Music* and *Gordon* cases represent a trend against applying general principles of joint liability for tort to copyright infringement.<sup>56</sup>

It should be noted that in *DeAcosta v. Brown*, which involved the question of the liability of one who innocently published a story which infringed a common law right of literary property, the issue which divided the dissenting Judge Learned Hand from the majority was the liability of such innocent infringer for damages. Judge Learned Hand believed that while injunction and recovery of the innocent infringer's profits were appropriate, an award of damages was not.

#### (b) Profits

An innocent infringer may partially escape liability for profits if the copyright owner, though aware of the infringement, fails to notify the infringer within a reasonable time. In *Haas v. Leo Feist, Inc.*,<sup>57</sup> the court provided for reduction of the plaintiff's recovery in accordance with the length of time each plaintiff knew of the infringement and yet allowed the defendant to continue infringing. The court stated:

If the defendant be a deliberate pirate, this consideration might be irrelevant \* \* \*; but it is no answer to such inequitable conduct, if the defendant Feist is innocent, to say that its innocence alone will not protect it. It is not its innocence, but the plaintiff's availing himself of that innocence to build up a success at no risk of his own, which a court of equity should regard.

#### (c) Injunction

Innocence alone will not preclude a court's granting an injunction against a defendant. Nevertheless, in some situations innocence combines with other factors to lead a court to deny or modify injunctive relief.

A recent illustration of this approach is found in *Trifari, Krussman & Fishel, Inc. v. B. Steinberg-Koslo Co.*,<sup>58</sup> in which a preliminary

<sup>53</sup> 105 F. Supp. 393 (D.C.N.Y. 1952).

<sup>54</sup> 111 F. Supp. 117 (E.D. Mich. 1953) aff'd, 216 F. 2d 508 (6th Cir. 1954).

<sup>55</sup> 111 F. 2d 432 (2d Cir. 1940).

<sup>56</sup> In *Shapiro, Bernstein & Co. v. Goody*, 248 F. 2d 260 (2d Cir. 1957), the court decided that the release of the manufacturer of unauthorized recordings did not release the sellers of the recordings, on the ground that "the liability of each infringer, whether he be manufacturer, distributor or seller is several." *Id.* at 267. It is not clear that this interpretation of sec. 101(e) would be extended to sec. 101(b).

<sup>57</sup> 234 Fed. 105, 108 (S.D.N.Y. 1916). It is generally accepted on the basis of principles of equity that coinfringers are not jointly liable for profits. *Alfred Bell & Co. v. Catalda Fine Arts, Inc.*, 86 F. Supp. 369 (S.D.N.Y. 1949), modified, 191 F. 2d 99 (2d Cir. 1951); *Washingtonian Publishing Co. v. Pearson*, 140 F. 2d 465 (D.C. Cir. 1944).

<sup>58</sup> 144 F. Supp. 577 (S.D.N.Y. 1956).

injunction was denied where the defendants had no notice of plaintiff's copyright and did not intend to infringe during the pendency of the action. There have also been instances of denial of an injunction against an innocent defendant where the plaintiff was guilty of laches,<sup>60</sup> or where it would have been difficult to distinguish between infringing and noninfringing parties of the work.<sup>60</sup> And the court in *Lawrence v. Dana* observed—

\* \* \* but cases frequently arise in which, though there is some injury, yet equity will not interpose by injunction to prevent the further uses, as where the amount copied is small and of little value, if there is no proof of bad motive.<sup>61</sup>

(d) *Counsel fees and costs*

A court may be influenced by a defendant's innocence in determining the amount to be awarded as attorney's fees or in refusing to give attorney's fees at all.<sup>62</sup> And in *Gross v. Van Dyk Gravure Co.*,<sup>63</sup> the court refused to award not only counsel fees against an innocent infringer, but other costs as well. An occasional decision has gone even further and refused to award costs against an innocent infringer who was the only party defendant, despite the apparently mandatory statutory language concerning the award of costs in general, as opposed to attorney's fees.<sup>64</sup>

The cases considered above indicate that innocence can be of some importance, in the selection of remedies in a particular case. It should be noted, however, that in most of the cases other factors—such as mere technical character of an infringement involving little or no loss to the plaintiff, laches on the part of the plaintiff, or the presence of willful infringers who could be taxed to compensate the plaintiff—combined with the defendant's innocence in influencing the court's decision.

### 3. *Innocence or lack of intent and contributory infringement*

It has been stated that with respect to—

\* \* \* parties who aid, induce, or contribute to the infringement \* \* \*, guilty knowledge is the basis of liability for contributory infringements \* \* \*<sup>65</sup>

In other words, one who unwittingly aids the commission of infringement is not liable.<sup>66</sup> This is one area where knowledge or intention is required for liability.<sup>67</sup> Such intention was found by the Supreme Court in *Kalem v. Harper Bros.*,<sup>68</sup> where the producer-distributor of a plagiarizing motion picture expected it to be exhibited in violation of copyright; the producer was held liable as a contributory infringer.

<sup>59</sup> *West Pub. Co. v. Edward Thompson Co.* 176 Fed. 833, 838 (2d Cir. 1910).

<sup>60</sup> *Webb v. Powers*, 29 Fed. Cas. 511, Case No. 17,323 (C.C.D. Mass. 1847).

<sup>61</sup> 15 Fed. Cas. 26, 60, Case No. 8,136 (C.C.D. Mass. 1860).

<sup>62</sup> E.g., *Haas v. Leo Feist, Inc.*, 234 Fed. 105 (S.D.N.Y. 1916).

<sup>63</sup> 230 Fed. 412 (2d Cir. 1916).

<sup>64</sup> *Altman v. New Haven Union Co.*, 254 Fed. 113 (D.C. Conn. 1918).

<sup>65</sup> 45 Colum. L. Rev. 644, 645, n. 6 (1945).

<sup>66</sup> *Harper v. Shoppell*, 26 Fed. 519 (S.D. N.Y. 1886), motion for new trial denied, 28 Fed. 613.

<sup>67</sup> See *Amdur*, op. cit., note 31, supra, at 968; 38 *Marquette L. Rev.* 180, 187.

<sup>68</sup> 222 U.S. 35 (1911).

4. *Probative effect of intention or innocence*(a) *Copying*

In *Harold Lloyd Corporation v. Witwer*,<sup>69</sup> the court stated:

In considering the weight of the circumstantial evidence of copying derived from an analysis of similarities between the play and the story, the question of intent to copy is an important factor, although, as has been stated, an intentional copying is not a necessary element in the problem \* \* \*.

Thus, evidence of an intent or willingness to infringe may be a link in the chain of circumstantial evidence indicating copying.<sup>70</sup> Moreover, in *Meccano, Ltd. v. Wagner*,<sup>71</sup> the court took into consideration defendant's intentional acts of unfair competition in determining whether or not he had infringed plaintiff's copyright.

(b) *Fair use*

The state of mind of the user of copyrighted material is of significance in determining whether his copying constituted infringement or "fair use."<sup>72</sup> For example, in *New York Tribune, Inc. v. Otis & Co.*,<sup>73</sup> defendant contended that its distribution of a photostatic copy of a copyrighted newspaper editorial was for noncommercial purposes. The court, in declining to rule on this issue on motion, recognized the relevance of the purpose of the claimed fair use and the defendant's intention.

IV. LEGISLATIVE PROPOSALS SINCE 1909<sup>74</sup>

As indicated earlier,<sup>75</sup> a significant legislative development with respect to innocent infringers occurred in 1912. It was in that year that the Townsend Act<sup>76</sup> furnished the special limitation applicable to infringements by means of motion pictures presently in section 101(b) of the Copyright Act. Other attempts to cover the problems of innocent infringement were made in the series of general revision bills introduced from 1924 to 1940.

## A. DALLINGER BILLS, 1924

The Dallinger bills,<sup>77</sup> maintained the provision, presently in section 101(b), which removes the statutory damage limitations in the case of infringements after actual written notice.<sup>78</sup> The second bill main-

<sup>69</sup> 65 F. 2d 1, 17 (9th Cir. 1933).

<sup>70</sup> Peck, "Copyright Infringement of Literary Works," 38 Marquette L. Rev. 180, 188 (1955). Warner, op. cit., note 47, supra, 606. See also Howell, "The Copyright Law" 122 (1952).

<sup>71</sup> 234 Fed. 912 (S.D. Ohio 1916), modified on other grounds 246 Fed. 603 (6th Cir. 1918).

<sup>72</sup> Peck, op. cit., note 70, supra at 187. Warner op. cit., note 47, supra. The relevance of intent in this area was recognized prior to the present statute. See, e.g., *Lawrence v. Dana*, note 61, supra, at 60. "Innocent intention" in this context has been roughly equated by one writer with "good faith." Cohen, "Fair Use in the Law of Copyright," Copyright Law Symposium No. 6, 43, 60 (1955). In *Broadway Music Corp. v. F-R Pub. Corp.*, 31 F. Supp. 817, 818 (S.D. N.Y. 1940), the court found the absence of an "intent to commit an infringement" to "go to fill out the whole picture" with respect to fair use.

<sup>73</sup> 39 F. Supp. 67 (S.D. N.Y. 1941).

<sup>74</sup> In addition to the general copyright revision bills to be discussed, a number of bills proposed granting to designs for useful articles protection based on copyright principles. These bills generally provided for more generous treatment of the innocent infringer than the copyright revision bills. For example, sec. 10(b) of H.R. 11852, 71st Cong., 2d sess. (1929), authorized the court to dispense with an accounting for damages and profits "in cases where the copying complained of was without knowledge or notice of copyright." In addition extensive protection was granted to distributors. This basic philosophy apparently continues to guide the drafting of design proposals. For example, see exceptions in the definition of infringement in sec. 9(b) of H.R. 8873, 85th Cong., 1st sess. (1957).

<sup>75</sup> See pp. 141-142, supra.

<sup>76</sup> See note 15, supra.

<sup>77</sup> H.R. 8177 and H.R. 9137, 68th Cong., 1st sess. (1924).

<sup>78</sup> See note 21, supra.

tained the Townsend limitations as well, as did most of the revision bills. In addition, section 26(a) of both Dallinger bills provided:

In any action for infringement of copyright of any work, if the defendant proves that he was not aware that he was infringing and that he acted in good faith, or has been subjected to fraud, or substantial imposition by any third person or persons, the plaintiff shall not be entitled to any remedy other than an injunction in respect to future infringement: *Provided*, That this provision shall not apply in the event of registration of copyright or of any instrument affecting the same prior to defendants entering into or upon the undertaking which results in such infringement: *And provided further*, That the mere failure to register a work or to affix a notice shall not, per se, be deemed to create either a presumption of innocence in infringement or be deemed evidence of such innocence.

Thus, the innocent infringer of an unregistered work was to escape such remedies as liability for damages and for profits. This provision does not appear to have been specifically discussed in the hearings on the second Dallinger bill.

#### B. THE PERKINS BILLS, 1925

The Perkins bills<sup>79</sup> offered no innovations with respect to innocent infringement. The Townsend damage limitations in the case of innocent infringement by motion pictures were retained. Otherwise, the bills made no distinctions based upon the state of mind of the infringer. Thus, the Perkins bills represent an adherence to the 1909 position, in contrast with the more sweeping exculpatory approach of the Dallinger bills.

#### C. THE VESTAL BILLS, 1926-31

The Vestal bills reverted generally to the Dallinger approach of limiting the remedies against innocent infringers. A refinement of the provision in the Dallinger bills set forth above, appeared in section 16(d) of H.R. 10434,<sup>80</sup> the first Vestal bill. This section, which seemed to be restricted to infringement of copyright in dramatic works, also limited the remedy against the innocent infringer to an injunction. But the section was made inapplicable not only where the plaintiff's work had been registered, but also where it had been published with notice, or performed in a "first class public production." Register of Copyrights Solberg expressed the view that the notice proviso imposed an undue burden on the copyright owner in a bill that provided for only optional notice;<sup>81</sup> but the section was favored by representatives of the motion picture industry.<sup>82</sup> The provision was modified in the amended Vestal bill which passed the House.<sup>83</sup> It then clearly applied to all copyrighted works but substituted for the injunctive remedy recovery of "an amount equivalent to the fair and reasonable value of a license, but not less than \$50 nor more than \$2,500."

The Vestal bills also included the protection of the innocent printers sought in the 1909 hearings. Section 16(e) of H.R. 10434 protected the printer who "was not aware that he was infringing and \* \* \* was acting in good faith" as long as he did not participate in the publishing, distributing or selling activities. The remedies against such innocent printers included only injunction and forfeiture of the infringing copies.

<sup>79</sup> H. R. 11258 and S. 4355, 68th Cong., 2d sess. (1925) and H. R. 5841, 69th Cong., 1st sess. (1925).

<sup>80</sup> 69th Cong., 1st sess. (1926).

<sup>81</sup> Hearings Before House Committee on Patents on H. R. 10434, 69th Cong., 1st sess. 237 (1926).

<sup>82</sup> *Id.* at 249-250.

<sup>83</sup> H. R. 12549, 71st Cong., 2d sess. (1931), sec. 15(d).

Notwithstanding the objections raised by Mr. Solberg to the proposed protection to different classes of infringers in derogation of the rights of the copyright owner,<sup>84</sup> the provisions in favor of innocent infringers were extended even further in the later Vestal bills, with respect to newspapers and periodicals. Thus, section 16(f) of H.R. 12549, included a special immunity as to advertising matter in newspapers and periodicals. The publisher who showed that he "was not aware that he was infringing and that such infringement could not reasonably have been foreseen" was to be subjected to an injunction only with respect to issues the manufacture of which had not been commenced. This immunity was inapplicable if the publisher was interested in the advertising phase of the enterprise. This provision had been proposed at earlier hearings by the periodical publishers on the ground that they, like the printers, are merely a medium for the advertiser.<sup>85</sup> Support was finally obtained from the Authors' League in 1930.<sup>86</sup>

#### D. THE DILL AND SIROVICH BILLS, 1932

The proposed revision bills in 1932 were not as sweeping as the Vestal bills with respect to the question of innocent infringers. The Dill bill<sup>87</sup> even retreated from the position taken in the amended 1909 act with respect to motion pictures; it included only the accidental omission of notice provision of section 21 of the 1909 act. The Sirovich bills<sup>88</sup> followed the Vestal bills in protecting innocent printers and periodical publishers of advertising matter.<sup>89</sup> In addition, the Sirovich bills, in effect, exempted the infringer who acted "without intent to infringe" or "in good faith" from liability for profits, but not for damages.<sup>90</sup>

The House committee considered the provisions of the 1909 act too harsh as against the innocent infringer. Thus, in its report on H.R. 10976,<sup>91</sup> one of the Sirovich bills, the committee stated:

The present law further imposes upon an infringer, whether innocent or guilty, a tremendous penalty by awarding all the profits made by the infringer to the injured party contrary to the usual measures of compensation in force throughout the country. It is even possible that courts have hesitated with good reason<sup>92</sup> before decreeing an infringement because of the very heavy penalties involved.<sup>93</sup>

The committee also explained:

The present law, except in the case of certain infringements by motion-picture producers, takes no account of innocence in the matter of infringements. The new bill takes account of innocence—for instance, innocent printers who act merely to print a work, and who have no other interest in it are subject only to injunctions against future printing.

Aside from these specific instances, all innocent infringers are treated alike under the provisions of the bill and are protected by provisions which limit the amount of recovery and the character of the remedy, according to the registration or non-registration of the work. Under the present copyright law all profits are taken from an infringer, whether innocent or otherwise. As pointed out, we believe that the success of infringement suits has been hampered by the drastic provisions of this kind in the law.<sup>94</sup>

<sup>84</sup> Hearings, note 81, supra, 235-237.

<sup>85</sup> Id. at 169.

<sup>86</sup> Hearings Before House Committee on Patents on H.R. 6990, 71st Cong., 2d sess. 139 (1930).

<sup>87</sup> S. 3985, 72d Cong., 1st sess. (1932); S. 342, 73d Cong., 1st sess. (1933).

<sup>88</sup> H.R. 10364, 72d Cong., 1st sess. (1932); H.R. 10740; H.R. 10976; H.R. 11948; H.R. 12094; H.R. 12425.

<sup>89</sup> E.g., sec. 10, H.R. 10364.

<sup>90</sup> E.g., sec. 10(b), H.R. 12094.

<sup>91</sup> H.R. Rep. No. 1008, 72d Cong., 1st sess. (1932).

<sup>92</sup> Id. at 2.

<sup>93</sup> Id. at 4.

## E. DUFFY, DALY AND SIROVICH BILLS, 1935-36

The first Duffy bill<sup>94</sup> contained comprehensive provisions mitigating the effects of innocent infringement. Section 17 included: (1) General limitation of available remedies against an innocent infringer to recovery, "for all infringements by such defendant up to the date of judgment, [of] an amount equivalent to the fair and reasonable value of a license," unless the work had been registered or published with notice; (2) limitation of remedies against innocent printers to injunction and forfeiture of infringing copies and devices; (3) limitation of remedy to injunction with respect to advertising matter innocently broadcast or published in a newspaper, magazine or periodical, and (4) immunity from delivering up infringing copies and devices for the publisher of a newspaper, magazine, or periodical, a broadcaster, or a motion-picture producer or distributor, who has acted in good faith.

In addition, an injunction and a reasonable license fee not in excess of \$1,000 were the only remedies available against *any* infringer if the work was not registered or published with notice. The provision described in (1) above was omitted in the second Duffy bill.<sup>95</sup>

In contrast to the Duffy bill, the Daly bill,<sup>96</sup> contained no provision modifying the 1909 act with respect to innocent infringers. The 1936 Sirovich bill,<sup>97</sup> as did earlier Sirovich bills, contained provisions absolving the innocent periodical publisher of advertising matter, and the innocent printer, from liability for profits.

Although the Duffy bill, which passed the Senate, was strongly opposed as "an infringer's bill,"<sup>98</sup> the radio broadcasters felt that it did not go far enough in protecting the innocent infringer, and that there should be no liability whatsoever for certain types of infringement, by radio.<sup>99</sup>

## F. THOMAS (SHOTWELL) BILL, 1940

Despite the great variety of treatment of the problem under consideration in revision attempts from 1924 to 1936, the Shotwell committee apparently adopted the approach of relying upon the discretion of the trial judge in awarding damages to protect the innocent infringer. In any event, section 12(b) of the Thomas bill<sup>100</sup> excused "the incidental and not reasonably avoidable infringement of a copyrighted work in the depiction or representation of current news events." This exemption was made inapplicable to any use for advertising purposes. In addition, section 19(e) reduced the possible recovery for infringement by motion pictures and radio by considering multiple infringements in certain situations as a single infringement.

<sup>94</sup> S. 2465, 74th Cong., 1st sess. (1935).

<sup>95</sup> S. 3047, 74th Cong., 1st sess. (1935).

<sup>96</sup> H. R. 10632, 74th Cong., 2d sess. (1936).

<sup>97</sup> H. R. 11420, 74th Cong., 2d sess. (1936). The relevant provisions are found in secs. 24 and 25.

<sup>98</sup> See Hearings Before House Committee on Patents on Revision of Copyright Laws, 74th Cong., 2d sess. 1087 (1936); 47 Yale L. J. 433, 436 (1938).

<sup>99</sup> Hearings, note 98, *supra* at 478. Thus, it was argued that the liability for network programs should be restricted to the originating broadcaster. Limited relief was also sought with respect to broadcasts by remote control.

<sup>100</sup> S. 3043, 76th Cong., 3d sess. (1940).



V. LAWS OF FOREIGN COUNTRIES <sup>101</sup>

The interrelation of civil and criminal remedies for copyright infringement found in the laws of many foreign countries complicates consideration of foreign treatment of the problem of innocent infringement.

For example, in the Greek law,<sup>102</sup> the sole pecuniary remedy of the copyright owner is through disposal of infringing copies after conviction of the infringer. Such conviction must be based on "willful or fraudulent" infringement. Confiscation may often be effected in the course of a criminal action. This is the rule in France where the proceeds of such confiscation may be used to indemnify the copyright owner, with no statutory mention of intent or innocence. In Belgium, confiscation is the core of civil remedies with respect to which nothing is said about intent; the Belgian criminal provision<sup>103</sup> is made applicable to "any willful or fraudulent violation of copyright."

In view of the interrelation of remedies noted above, the laws of many foreign countries apparently do not distinguish between innocent and willful infringers for the purposes of civil liability. These include France, Italy, Switzerland, Argentina, Brazil, Peru, Portugal, Monaco and Mexico. At the other extreme, the German law<sup>104</sup> appears to require intent or negligence for every case of infringement. Between the extremes are varied approaches and different limitations of the remedies available against the innocent infringer.

Innocence is quite relevant to liability under the Spanish law. Article 45 makes the author of an infringing work "responsible in the first instance" for copyright infringement. It is further provided that if such approach is not successful, liability is fastened on "the publisher and printer, successively, *unless they are able to prove their respective innocence.*" The law of Chile similarly protects those deemed less directly responsible for infringement. Article 19 excuses "utilization for profit" of infringing copies if "good faith can be proved in the acquisition and use of the copies."

One approach to the problem of remedies is to absolve the innocent infringer from liability for damages. For example, section 18 of the Hungarian law grants immunity from any pecuniary remedy except profits to the infringer who is not guilty of either "willfulness or negligence." The Polish law<sup>105</sup> imposes liability for damages only "in the case of willful infringement." And article 21 (4) of the Guatemalan law specifically limits the remedy of damages to willful and negligent violations. Article 21 of the Norwegian law of 1930 permits damages only where infringement has been committed "willfully or by gross negligence." Profits are expressly made available "in any case" even where good faith is shown.

Denmark modifies the remedy of delivery and destruction of infringing copies where the infringement was committed "in good faith." In such a case, the infringer is permitted by section 16 to place copies in public custody until the expiration of the copyright term.

<sup>101</sup> The statutes of foreign countries are translated in "Copyright Laws and Treaties of the World" (1956), which collection, including its 1957 supplement, is the basis for the discussion of all foreign laws except the recent statutes of France (Law No. 57-298), India (Law No. 14 of 1957), and the United Kingdom, 1956 (4 and 5 Eliz. 2, ch. 74).

<sup>102</sup> Art. 16.

<sup>103</sup> Art. 22.

<sup>104</sup> Secs. 36 and

<sup>105</sup> Art. 56.

The laws of the British Commonwealth nations are most elaborate in this area and afford considerable protection to the innocent infringer in certain situations. The United Kingdom Act of 1956 has not significantly altered the approach, and may serve as an example: (1) Under various provisions of section 5, one who does not know of the infringing nature of an article is not guilty of infringement at all by reason of his unauthorized importation, sale, or exhibition; nor is one an infringer who permits the use of his premises for an infringing public performance if he had no reason to suspect the performance would be infringing or if he received no profit from granting such permission; (2) one "who was not aware and had no reasonable grounds for suspecting that copyright subsisted" is absolved by section 17(2) from liability for damages arising out of the infringement, but is liable for profits; (3) section 18 precludes any pecuniary remedy for conversion or detention of infringing copies not only where the defendant did not and could not reasonably know of the existence of copyright protection, but also if he reasonably believed that the copies were not infringing copies.

Apparently, the British courts had interpreted the clause "was not aware, and had no reasonable ground for suspecting, that copyright subsisted in the work" quite narrowly under the 1911 act.<sup>106</sup> It, therefore, did not furnish as much assistance to the innocent infringer as the language might suggest. In addition, the Canadian statute imposes another limitation on the immunity of the innocent infringer. Section 22 provides that where a work has been duly registered under the act, "the defendant shall be deemed to have reasonable ground for suspecting that copyright subsisted in the work."<sup>107</sup>

The Indian copyright law of 1957 accepts generally the philosophy of the United Kingdom Act. At least one significant modification has been introduced, however. While one who innocently permits, though for profit, the use of his premises for an unauthorized performance of a copyrighted work is excused from liability for infringement, the innocent seller, importer, and exhibitor are apparently considered infringers.<sup>108</sup> As in the United Kingdom Act, injunction and an award of profits are the only remedies available against anyone who "was not aware and had no reasonable grounds for believing that copyright subsisted in the work."<sup>109</sup>

Provisions concerning the state of mind of the defendant are found more frequently in criminal sanctions where such provisions are separated from civil remedies. Thus, the Swiss law<sup>110</sup> specifically provides that the penal law applies only if the infringement is "inten-

<sup>106</sup> See Copinger, "The Law of Copyright" 170-171 (1948) wherein the author states:

"Judging from its marginal note, the section is intended to afford protection to innocent infringers, but is framed in such language that it is difficult to imagine a case in which it can be invoked in aid. The section must be specifically pleaded, and the burden is upon the defendant to prove that 'at the date of the infringement he was not aware, and had no reasonable ground for suspecting, that copyright subsisted in the work' \* \* \* Nor is it, under section 8, sufficient to prove mere innocence and absence of carelessness; the innocence that must be proved is ignorance that 'copyright subsisted in the work', i.e., the work which has, in fact been pirated. \* \* \*

"In what cases, then can the section apply? What 'reasonable ground' can a direct copyist have for not suspecting the work he copies to be the subject of copyright? It is submitted that the proper attitude of mind of a copyist toward a work that he copies is that copyright in the latter subsists unless he has evidence to the contrary. The only grounds for not suspecting copyright appears to be either (a) that the period of protection has run out; (b) that he thinks that the work is of such a character that it ought not to be a subject of copyright; or (c) that the work is a foreign work."

<sup>107</sup> For a discussion of the Canadian provisions, see Fox, "Evidence of Plagiarism in the Law of Copyright," 6 U. of Toronto L.J., 414, 446 (1946).

<sup>108</sup> Sec. 51(a)(ii).

<sup>109</sup> Sec. 55.

<sup>110</sup> Art. 46.

tionally committed." And the Monaco law requires "bad faith" for the imposition of criminal penalties.<sup>111</sup> Section 17 of the Danish law limits criminal penalties to a willful or grossly negligent violation.

Such express provisions are not universal even in those countries making every infringement a criminal offense. For example, the laws of France, Portugal, and Argentina do not specify intent or willfulness as an element of the offense of infringement. The Italian law<sup>112</sup> clearly indicates that negligence is sufficient to invoke the criminal provisions, but reduces the fine in such a situation.

## VI. REVIEW OF UNDERLYING PROBLEMS

As indicated by the foregoing, innocent infringement is not a unitary concept. As broadly understood, the term encompasses a number of factual situations in which infringement is not intended, for example: (1) use of material on which notice has been omitted; (2) belief that certain material in a copyrighted publication is in the public domain; and (3) a variety of secondary infringements where infringing material has been received for reproduction or distribution with the reasonable assumption of its originality.

Statutory provisions dealing generally with the problem of the culpability of the defendant also vary greatly in their approach. Thus, to enjoy the limitations on recovery for infringement by motion pictures imposed by section 101(b) of the present law, an infringer must establish freedom from negligence as well as lack of intent. Negligence would not seem to be sufficient for liability under a strict reading of section 5 of the British Act. On the other hand, in some of the revision bills, even good faith and freedom from negligence would not have shielded the infringer from the full battery of remedies, if the work in question had been registered or published with notice.<sup>113</sup>

A possible general definition of the innocent infringer is one who invades the rights of the copyright owner without intending to do so and without having reason to suspect that he is doing so. The basis for the innocent infringer's ignorance will vary according to the factual situation. The consequences attached to his innocence will similarly vary.

The problem basic to all the variations discussed above is the conflict between the full enjoyment of rights by the copyright owner on the one hand, and the interests of users who, even though scrupulously attempting to respect such rights, commit infringement. Thus, Mr. Solberg argued that the provisions of the Vestal bill—

are virtually inroads upon the author's right to the protection of his exclusive privileges, and they have the regrettable effect of cutting down the powers of the courts to properly adjudicate the trespass committed.<sup>114</sup>

On the other hand Representative Townsend viewed his ultimately successful proposal to limit damages for infringement by motion picture as a bill which "merely seeks to make the damage reasonable," rather than one which "excuses" infringers.<sup>115</sup>

Some judges and commentators have expressed disapproval of certain applications of the rule that innocence is no defense. In

<sup>111</sup> Art. 21.

<sup>112</sup> Art. 172.

<sup>113</sup> E.g., Vestal bill, H.R. 10434, 69th Cong., 1st sess. (1926), see pp. 150-151, *supra*.

<sup>114</sup> Hearings, note 81, *supra*, at 237 (1926).

<sup>115</sup> Hearings Before Committee on Patents on H.R. 15263 and H.R. 20596 at 5 (1912).

*DeAcosta v. Brown*,<sup>116</sup> Judge Learned Hand, accepting the majority's analogy of conversion, likened the innocent indirect infringer to one who carries off a watch in his bag without any knowledge that it is there. This is to be contrasted with the innocent direct infringer who, by analogy, intentionally takes the watch believing that it was not the property of the plaintiff. Judge Hand felt that only an injunction and accounting for profits should be imposed against an innocent indirect copyist. Similar views were expressed in a dictum by the court in *Barry v. Hughes*.<sup>117</sup> Others have pointed out that the blanket imposition of liability in the indirect infringement situation fails to take into account the problems faced by the radio, television, and motion picture industries, and the complex problems of publication where the author is no longer identified with the publisher or the artist with the lithographer.<sup>118</sup>

Mr. Solberg's remarks suggest an argument against any extensive legislation in this area. The flexible powers of a court in granting remedies, rather than a legislative attempt to provide for an infinite variety of factual situations, may arguably represent the more appropriate technique for solving the problems raised by innocent infringement. The court may consider all the factors involved and fashion a tailor-made remedy within such areas of discretion as the statute provides. For example, the power of the court to withhold an award of counsel fees in the absence of willfulness was considered by the representative of the book publishers, in the hearings on the amendment of section 1(c), to represent an effective tool with which to adjust problems raised by innocent infringement.<sup>119</sup>

The problems common to a particular group, such as vendors, printers, periodical publishers or broadcasters, may call for special treatment. Mr. Ogilvie pointed out at the hearings leading to the 1909 act that "it is utterly impossible" for the printer to "read everything that goes into his place" and that he is not in a position to guard against copyright infringement.<sup>120</sup> Vendors are also "secondary infringers" who must rely on their publishers. This relationship may have motivated the court's action in *Detective Comics, Inc. v. Bruns Publications, Inc.*,<sup>121</sup> whereby the liability of the distributor of the infringing work was made secondary to that of the publisher. This general approach has been codified by the Spanish law where a hierarchy of liability is established subject to a showing of innocence by the publisher or printer.<sup>122</sup> This approach recognizes the importance of permitting the plaintiff to have recourse against several defendants, in order to facilitate enforceability of a judgment. It may be argued that to immunize printers and vendors from liability might remove the only financially responsible parties from the plaintiff's reach.<sup>123</sup>

Similar considerations apply in the case of newspaper or periodical publishers with respect to advertising matter. Their ability to guard against secondary infringement through the publication of such matter would seem slight.

<sup>116</sup> 146 F. 2d 408, 413 (2d Cir. 1944) (dissenting opinion).

<sup>117</sup> 103 F. 2d 427 (2d Cir.), cert. denied, 308 U.S. 604 (1939).

<sup>118</sup> See 45 Colum. L. Rev. 644, 648 (1946).

<sup>119</sup> Hearings Before Subcommittee of Committee on the Judiciary on H.R. 3589, 82d Cong., 1st sess. 34 (1951).

<sup>120</sup> See note 35, supra.

<sup>121</sup> 28 F. Supp. 399 (S.D.N.Y. 1939). See p. 147, supra.

<sup>122</sup> See p. 153, supra.

<sup>123</sup> Cf. *Miller v. Goody*, 139 F. Supp. 176, 182 (S.D.N.Y. 1956) rev'd sub nom, *Shapiro, Bernstein & Co. v. Goody*, 248 F. 2d 260 (2d Cir. 1957) (effects of insolvency of disk pirates).

The broadcasters pose a slightly different problem. They are primary, rather than secondary users, of copyrighted material. Nevertheless, the relative speed with which a great mass of material is used is said to create special problems.<sup>124</sup> The broadcasters themselves have gone so far as to say that "a deliberate, willful infringement by a broadcasting station is a very rare thing, and in practically every infringement case, an intent to infringe is completely absent."<sup>125</sup> On the other hand, broadcasters are a principal user of copyrighted material and the representatives of authors and publishers have resisted any special treatment for them.<sup>126</sup>

Even as to special groups such as printers or vendors, the remedial problems may be more significant than the general question of liability. In other words, state of mind might be considered irrelevant to the question of infringement but might be made determinative of the remedies available against the infringer. This is basically the approach of the Lanham Act<sup>127</sup> with respect to trademark infringement. Under that act, an innocent printer or an innocent periodical publisher who publishes infringing advertising matter is subject only to injunction.<sup>128</sup> The statutory provision uses the description "innocent infringers" rather than any more detailed standard.

Perhaps the problem might be analyzed in terms of which of two innocent parties can more appropriately protect against the infringement. This analysis would suggest, for example, expansion of section 21 so as to shield the innocent infringer from liability where the notice was omitted by a licensee of the copyright owner. Such a result would be based on the fact that the copyright owner is better equipped than the infringer to prevent the infringement; at least he might secure indemnification from his licensee for any loss. On the other hand, the infringer would be made to bear the loss imposed on the copyright owner where such infringer receives infringing material from a third person with assurances that the material is original.

Even under this approach, the loss need not be completely imposed on one party. The remedy of injunction could, as in the Vestal bills, be available in any event; but the compromise in available remedies or selection of damage limitations might be weighted against the person whose contractual or other dealings would permit protection against unintended infringements.

The problem of innocent infringement is obviously part of the larger question of liability and remedies for infringement in general. Perhaps less obvious is its potential relationship with the question of formalities. The history of previous attempts at revision of the statute illustrate how close this relationship could be. For example, in some proposals, formalities replace provisions concerning good faith. Thus, the second Duffy bill<sup>129</sup> limited the remedies against infringement of a work which had not been registered, published with notice or publicly performed, regardless of the good or bad faith of the infringer. This development is to be contrasted with earlier pro-

<sup>124</sup> See e.g., Hearings Before Committee on Patents, 74th Cong., 2d sess. 478-480 (1936).

<sup>125</sup> Hearings, note 119, supra, at p. 19.

<sup>126</sup> *Id.* at 5, 32.

<sup>127</sup> 60 Stat. 427 (1946), as amended 15 U.S.C. 1051-1127 (1952), as amended 68 Stat. 509 (1954).

<sup>128</sup> Sec. 1114(2). In addition sec. 1114(1) provides—

"Any person who shall, in commerce, \* \* \* (b) reproduce, counterfeit, copy or colorably imitate any such [registered] mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in connection with the sale in commerce of such goods or services, shall be liable \* \* \* [for damages and profits only if] the acts have been committed with knowledge that such mark is intended to be used to cause confusion or mistake or to deceive purchasers."

<sup>129</sup> S. 3047, 74th Cong., 1st sess. (1935).

posals, such as in the Dallinger bills,<sup>130</sup> whereby registration merely precluded the immunity which good faith might otherwise have warranted. In other words, the Dallinger bills focused on good faith but made registration a factor which could negate good faith. The question of good faith or innocence was irrelevant in the approach of the second Duffy bill. More objective criteria there determined results which were primarily dependent in the Dallinger bills on the question of good faith.<sup>131</sup>

#### VII. SUMMARY OF MAJOR ISSUES IN REVISION OF LAW

Examination of present statutory and case law, previous proposals for revision of the law, and provisions in foreign laws reveals several major issues for policy decision. These issues are posed most sharply in particular areas which will be suggested below. Although the issues may be isolated for discussion purposes, it is apparent that the problem of the innocent infringer might be solved by an infinite combination of different provisions. The major issues may be posed as follows:

A. Should all innocent infringers (i.e., all those who act in good faith without knowing or having reason to suspect that they are infringing) either be absolved from liability, or be subjected only to limited remedies?

B. If not, should immunity be given, or the remedies be limited for innocent infringements in the case of—

1. Printers?
2. Vendors?
3. Periodical publishers with respect to advertisements?
4. Motion picture producers?
5. Broadcasters?
6. Any others?

C. Should innocent infringement be related to formalities so that—

1. A copyright notice, or registration, will preclude the defense of innocence?
2. Reliance in good faith upon the absence of a copyright notice, or of registration, will constitute innocence?

D. Under A or B or C-2, above, what remedies should be available against the innocent infringer:

1. Actual damages?
2. Profits?
3. Statutory damages in the usual amounts or in reduced amounts?
4. Reasonable license fees, with or without a stated minimum and maximum?
5. Injunction?
6. Impounding and destruction of infringing copies?
7. Costs?

<sup>130</sup> H.R. 8177, H.R. 9137, 68th Cong., 1st sess. (1924).

<sup>131</sup> The Lanham Act, note 127, *supra*, also attempts to deal with this problem. Damages are recoverable only if the defendant had notice, actual or through a mark on the goods, that the goods are protected by a mark registered under the act.

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COMMENTS AND VIEWS SUBMITTED TO THE  
COPYRIGHT OFFICE  
ON  
LIABILITY OF INNOCENT INFRINGERS  
OF COPYRIGHTS

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COMMENTS AND VIEWS SUBMITTED TO THE COPYRIGHT  
OFFICE ON LIABILITY OF INNOCENT INFRINGERS OF  
COPYRIGHTS

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*By John Schulman*

JANUARY 13, 1958.

The study of "Innocent Infringers" prepared by Latman and Tager gives a good review of the problem's legal history.

I think that Mr. Solberg's analysis, although made many years ago, is still valid, and that there is little substantial danger to the person who acts with ordinary caution.

On the other hand, it is sometimes necessary to make compromises to dispel fears. That is, if you remember, what we did in the amendment to section 1(c) (see study, p. 143).

Although this kind of limitation may be acceptable in very specific areas, it should not be adopted as a general philosophy or policy. In order to determine the areas wherein the exception would lie, each category should be considered separately.

JOHN SCHULMAN.

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*By J. A. Gerardi*

JANUARY 31, 1958.

\* \* \* \* \*  
In one of your studies the subject of "Innocent Infringement" was discussed. It is my feeling that the law on this subject should be clarified or amended in some degree. For instance, a court should not be bound to grant the minimum statutory damage for copyright violation in a case of innocent infringement of the following type: Supposing that the Government in one of its many circulars or bulletins republished an article from a magazine without permission and without the knowledge of the magazine publisher, should a person who uses the material, in whole or in part, in connection with another article be subjected to liability for infringement? I do not think the present law gives the court any discretion in the matter.

J. A. GERARDI.

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*By George E. Frost*

MARCH 1, 1958.

Re: "Liability of Innocent Infringers."

The essay by Messrs. Latman and Trager on the above subject is an excellent piece which I have read with interest and profit.

My general feeling is that the law should leave a maximum range for judicial discretion in varying the award in accordance with the culpability of the defendant. With this basic thought in mind, I would answer the questions on page 158 along the following lines:

A. I would not absolve innocent infringers or limit the remedies available against them. I would, however, arrange the statutes so that a trial judge could reduce the monetary award when confronted with a really innocent infringer.

B. In my judgment the cases listed justify special statutory treatment only if this is necessary to get a bill passed, and I would resist strongly any exemption of printers.

C. Lack of a copyright notice probably should be listed in a statute as an element to go into the exercise of discretion as to the award.

D. My feeling is that actual damages, profits, statutory damages, impounding and destruction of copies, and costs should be discretionary in cases of innocent infringement. I would doubt that injunction should be other than mandatory

in all cases, but if this is not so handled it would seem that this is the only case where reasonable license fees should enter into the picture. They should then be the alternative to injunction.

Needless to say, the above is based only upon my own experience. I would certainly listen to those having other ideas and experience to back them up.

GEORGE E. FROST.

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*By Ralph S. Brown*

MARCH 19, 1958.

The attempts at statutory formulation of categories and immunities for innocent infringers persuade me that this approach is unsatisfactory. Certainly an attempt to classify and distinguish the situations of printers, vendors, broadcasters, etc., seems doomed to obsolescence, in view of the changing patterns and media of distribution that are bound to arise. I would suggest that, except in the cases arising from absence of copyright notice (referred to in my comments on the notice study), it is unnecessary to make any statutory provision for the innocent infringer, except for the possible confinement of remedies to injunction, actual damages, and profits.

Does this leave the innocent infringer defenseless? I suggest that it does not, because in most cases he has a right of indemnity—a right which, if there is any uncertainty about its existence by implication, can usually be assured as a matter of contract. This matter is given some attention in my study on the operation of the damage provisions, but it deserves more extensive investigation. Of course, a right of indemnity is of no value if the indemnitor is judgmentproof, but this possibility points up the underlying principle which seems to me decisive in these cases. It is well stated by Messrs. Latman and Tager in their study at page 157, where it is pointed out that “the problem might be analyzed in terms of which of two innocent parties can more appropriately protect against the infringement.” If the primary infringer is in fact judgmentproof, who should bear the loss? The copyright owner or the party who dealt with the primary infringer? Recent court decisions seem clearly to be moving toward a recognition of the secondary nature of the liability of an innocent infringer. (See cases discussed in the study at p. 147.) If the innocent infringer can be relieved of the sometimes capricious burden of statutory damages, it seems to me not unreasonable that he should take some of the risk for the wrongdoing of those with whom he deals.

RALPH S. BROWN.

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*By Joseph S. Dubin*

APRIL 1, 1958.

Re: “Liability of Innocent Infringers.”

In connection with the study covering the above matter, while it is true that intention to infringe is not essential under the Copyright Act, innocence should be a defense for infringement of both a common law as well as a statutory right, particularly where only a distributor is involved, since by analogy in defamation cases the distributor is only held liable where there is negligence or knowledge on his part of the defamatory nature of the material.

JOSEPH S. DUBIN.

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*By Harry G. Henn*

APRIL 7, 1958.

I am submitting my comments and views on the issues presented in the study on the “Liability of Innocent Infringers of Copyrights” prepared by Alan Latman and William S. Tager.

A. All innocent infringers should neither be absolved from liability nor be subjected only to limited remedies.

B. Neither should immunity be given nor the remedies be limited for innocent infringements in the case of printers, vendors, periodical publishers with respect to advertisements, motion picture producers, broadcasters, or others, except to the extent presently provided in the copyright statute. Since profits would remain on an individual basis, and liability for damages, whether actual or statutory, would remain joint and several, the aggrieved party would remain well protected, and any innocent secondary infringer could seek indemnity from the

noninnocent primary infringer. (In this respect, the study might have explored more fully the principles of indemnification applicable to such situations.)

C. If the present copyright notice requirements be retained and the copyright notice is accidentally omitted from some copies, or if the copyright notice be made permissive, incentives offered for the voluntary use of such notice by limiting the remedies available against one who uses the work in reliance on the absence of notice, remedies against such innocent infringer should be limited as outlined in my letter to you of March 24, 1958, stating my comments and views on the notice of copyright study.

D. Where the copyright notice is omitted, and the innocent infringer relies in good faith upon such omission, such innocent infringer should be subject to an injunction only upon reimbursement of his reasonable outlay innocently incurred, but not be subject to any other remedies. In the other cases of innocent infringement when the aggrieved party has done all that he can to secure and maintain statutory copyright protection, the innocent infringer should bear the risk, protecting himself by contract and general indemnification principles, having his liability for damages limited by the statutory maximum amounts in prescribed situations, and enjoying the benefits of whatever discretion the courts might properly exercise in his favor.

HARRY G. HENN.

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*By Elisha Hanson*

APRIL 9, 1958.

Mr. Elisha Hanson has asked me to forward to you the comments set forth below relative to the study entitled "Liability of Innocent Infringers of Copyrights."

While the granting of blanket immunity from liability to all innocent infringers would not be desirable, there are certain areas in which the restriction of remedies are warranted by special considerations.

Statutory revisions of the copyright law respecting the liability of the innocent infringer should balance the rights of the proprietor against the equities in favor of the innocent infringer, as measured by the infringer's good faith and the availability of a practical means of avoiding the invasion of the proprietor's interest. An innocent infringer may or may not have this practical means of avoiding injury, depending upon the conditions under which the infringement occurs. The manner in which general advertising matter is utilized by newspapers, magazines, and other publications serves to illustrate the point.

Substantially all of what is commonly referred to as "national" or "general" advertising is supplied to the newspaper or magazine by an advertising agency or by the individual advertiser. Advertising material is processed in tremendous volume. Copy is furnished to publications, quite frequently prepared for insertion without change by the publisher. However furnished, it is prepared by or for the advertiser and not by the publisher. It is not possible, without prohibitive expense for publications, to conduct a complete copyright search of advertising so submitted. In fact, they should not be called upon to do so. Although publishers do investigate generally the persons or agencies supplying advertising and do screen the copy for general compliance with ethical business practices, they must insofar as copyright is concerned rely upon the good faith of those submitting advertising for publication.

Another factor of crucial importance is time. Advertising copy is submitted to newspapers daily and to magazines on a deadline schedule. Thus, while the advertising agency and the advertiser have both the time and the opportunity to ascertain the copyright status of any material used in their advertising before it is submitted, the newspaper or magazine does not have such before publication.

In the field of national or general advertising, liability of the newspaper or magazine, if any at all, should be nominal and, in a case of innocent infringement, no injunction should be granted where it would delay the regularly scheduled times of publication and distribution. However, it is possible that a provision for nominal damages would, in fairness to the proprietor, leave an area for the operation of a sound judicial discretion, depending upon the facts presented in each individual case, and would tend to discourage nuisance suits.

Since the problem inherent in innocent infringement in advertising copy is essentially similar to that inherent in innocent infringement of photographs, any revision of the present law properly might provide that in the case of the repro-

duction of a copyrighted photograph or copyrighted material in general advertising by a newspaper, magazine, or other publication, such damages should not exceed the sum of \$200 nor be less than the sum of \$50. The present liability of an innocent infringer under existing law could still be applied in regard to advertising prepared by the publisher and not furnished to him in completed form.

The innocent infringer's status should be related generally to the formalities of copyright. However, in the case of newspapers and other publications, the controlling inquiry in regard to photographs or general advertising copy submitted for publication in a completed state should be whether or not a copyright notice appears on the face of the work. If a notice appears, it is a red flag of warning; if no notice appears, there is in the ordinary case no warning or suggestion that the work may be registered in the Copyright Office. Yet, despite the absence of notice there might be in a rare case some additional reason to believe that the work of a proprietor was being infringed. In such circumstances, a provision related to reasonable foreseeability of a possible infringement would offer the proprietor a sufficiently broad protection.

EMMETT E. TUCKER, Jr.  
(For Elisha Hanson).

*By Walter J. Derenberg*

APRIL 16, 1958.

It is difficult to comment on the question of "Liability of Innocent Infringers of Copyrights" because so many answers to this problem would depend upon or overlap with the answers to problems in certain related fields. For instance, the problem of inadvertent use by motion picture producers of copyrighted background material and similar questions would seem more properly to fall within the study on "fair use" and have been treated there.

In my opinion, the question of innocent infringers cannot be separated from the basic problem dealing with the requirement of copyright notice. Many of us, in commenting upon the copyright notice study, are already on record as favoring a new copyright act which would eliminate the requirement of notice as a formality upon which the existence and validity of copyright depend. But much could be said for a provision which would make the presence of the type of notice contemplated in the Universal Copyright Convention not a condition precedent to copyright protection, but a prerequisite for the awarding of damages or profits against "innocent" infringers, i.e., an infringer without *actual* notice.

In other words, I would favor a provision in the proposed Copyright Act which would substantially incorporate section 29 of the Trademark Act of 1946. Under that section, to which the Latman-Tager study also refers at page 157, the use of the registration notice, either the full notice or the R in a circle, is optional to the extent that its absence will deprive the registrant of his right to damages and profits unless he can prove that the particular defendant had *actual* notice of the registration. You will note that section 29 does not deprive the trademark owner of his right to injunctive relief against an innocent defendant and I believe the same should be true in case of technical infringement of copyright. Furthermore, I believe that the specific exemptions for the protection of innocent printers and publishers which are included in section 32(2) of the Lanham Act of 1946 might also serve as a basis for similar exceptions in a new copyright statute, particularly since here, too, innocence is no defense with regard to the issuance of an injunction against future printing.

Generally speaking, I agree with Mr. Solberg's approach as referred to at page 156 of the study, that extensive legislation in this area with regard to specific factual situations should be avoided and that we need not go beyond the enactment of some basic general rule, such as that contemplated in section 29 of the Trademark Act.

WALTER J. DERENBERG.

*By Edward A. Sargoy*

APRIL 30, 1958.

Re: Copyright Office panel study, "Liability of Innocent Infringers."

I have read the above study by Alan Latman and William S. Tager and feel that they have done a very perspicacious job in breaking down into more manageable connotations what we may be thinking or talking about when we otherwise use the broad term innocent infringer.

I liked particularly the distinction brought out between the liability ordinarily imposed by courts for infringement regardless of innocence or intent to infringe, as distinguished from the consideration given to these factors by the statute and by the courts in according varying degrees of remedies. We generally do not think of the problem in such terms until an analysis of this type focuses it upon our attention. The historical approach to the problem, with regard to enacted as well as proposed legislation, was also of special interest.

Their review of the underlying problems puts into perspective some of the difficult questions which have to be considered.

In the final analysis, however, it always seems to come down to the fact that the policy decisions cannot be divorced from what future copyright law we generally propose to have, and particularly so in respect of formalities. The summary of major issues in the study is evidently appreciative of this fact, in indicating that it is apparent that the problem of the innocent infringer may be solved by an infinitive combination of different provisions.

Of necessity, in attempting to isolate questions of "innocence" for policy discussion purposes, the summary had to be rather broad and general. The questions being of that nature, they call for like answers. I am assuming "innocence" as being used in the sense of the study (p. 155), i.e. involving one who invaded the rights of the copyright owner without intending to do so, and without having reason to suspect that he was doing so.

In answer to A, I do not think any infringer should be absolved from total liability. If a man uses or exercises a right with respect to intellectual property which he did not himself create, and it appears that the property or right belonged to another from or under whom proper permission was not obtained, the user should assume the responsibility of liability for the appropriation. If he relied upon the wrong party for alleged permission, it would seem that it is a responsibility that he should assume rather than the owner of the right. So much generally as to total liability.

As to the extent of the remedies which may be available, other considerations may be appropriate, as they have been in the past under the statute and by judicial consideration, depending upon having acted in good faith without knowing or having reason to suspect that the acts were infringing, or where the owner should bear some responsibility for having made the situation possible. I do not necessarily mean that we reincorporate old law, statutory or judge-made, in this regard.

I would find it very difficult to make any general answer as to the categories of innocent infringers referred to in the items of B.

As to C, I think that innocent infringement could be generally related to formalities. I am strongly for the elimination of formalities as a mandatory condition upon the recognition or continued enjoyment of the copyright. At the same time, I am very strongly for a system which would make it extremely attractive to register and deposit a copy of the work, published as well as unpublished, and for a strong system of recordation of grants of rights under the copyright. I think limitations on certain kinds of remedies may be a very effective way of so doing, so long as the limitations do not put us into any situation where we would be acting contrary to the basic conceptions of the Universal Copyright Convention, or interpose provisions which might make it more difficult for us to come closer to the systems of the other major countries of the world, if we were to desire later expansion of the UCC or adjustment to the Berne Union. We should, therefore, not do anything which would condition the initial recognition of the copyright, or curtail its future enjoyment so as in effect to deny it any further validity at all. Curtailing certain of the remedies, while leaving others available, assuming we do so on a nondiscriminatory basis as between our own citizens and the nationals of any country with whom we have multilateral or bilateral copyright relationships, would not seem to be flying into the face of such international arrangements.

More specifically, I would be generally inclined to relate limitation of remedies to formalities such as registration and deposit, so that the infringer would have to

show that he had relied upon the absence thereof to constitute innocence. I prefer subdivision 2 to subdivision 1 of paragraph C, in that even in the absence of registration and deposit, the alleged innocent should show reliance in good faith. I do not feel as strongly about the desirability of future utilization of notice. If a good case were made that some form of notice should be retained (but not as a mandatory formality), reliance in good faith upon its absence might also be shown to constitute some aspect of innocence.

Treating paragraph D in connection with paragraph C-2, it is very difficult to answer in general terms, and here the answer may well depend on the different classifications of works and the nature of the infringement; also whether the infringers are primary or secondary infringers and the available opportunities in the particular field for a prior exploration of the copyright status by the potential infringer.

I would think generally that injunctive relief should be obtainable against continued infringement, since the true situation is now fully available to the infringer. Whether there should be compensation of some kind to the infringer in such case for the expense previously incurred in innocence, now that the work can no longer be utilized, would be a factual matter which the court in its discretion would probably have to determine, and there might possibly be provision to give courts such discretion. Depending upon the factual situation as to innocence, there might likewise be similar discretion in the court, in respect of impounding and destruction of infringing copies, as to whether some reimbursement might be made by having the copies turned over to the owner or an authorized distributor at some reasonable price based on the going wholesale rate for copies, or the amount invested in making them or some other basis, if the owner or distributor wanted them, or whether the infringer might be permitted to dispose of the copies previously made in innocence if the owner did not elect to take them over. As to infringing plates or matrices similar considerations might be possible.

I would be inclined to think that the innocent infringer should not be permitted to make a profit out of the infringement and that the owner should have a right to an account of profits, but not to actual damage, statutory damage in the usual or in reduced amounts, nor to reasonable license fees where he has failed to register and deposit prior to the infringement, or if similar treatment is to be given with respect to encouraging notice, has failed to have notice affixed prior to infringement to all copies publicly distributed by or under his authority. As I said before, I am still somewhat skeptical of whether the use of notice of copyright should assume such importance, compared to encouraging registration, deposit, and recordation.

There is an additional field which I have pointed out in comments on other studies, where I think there should be a limitation in respect of possible astronomical liability for statutory damages. This is in the case of the primary liability of an infringer for contributing to a great mass of secondary infringements. I refer in this connection to the liability of the producer of a copyrighted motion picture and of its national or regional distributor, if the producer is not itself the distributor, for turning over prints of a copyrighted motion picture (containing in whole, or in some lessor or even minor part, some material infringing on another copyrighted literary, dramatical, musical or motion picture work) to some 10,000 or so theaters in the United States within a short period of time for exhibition purposes, and thereby contributing to the infringing exhibition committed in the theater by each of its thousands of exhibition licenses. This is the problem to which the Townsend amendment of 1912 was directed, but which was never itself an adequately drawn provision in my opinion to accomplish what it intended. A similar situation is the primary liability of a broadcasting company and the sponsors of the program, for a broadcast which is either simultaneously projected over a large network of radio or television stations, or later rebroadcast from an electrical transcription or kinescope within a short period. There should be some way of limiting the fantastic theoretic liability of the originating source for these thousands of secondary infringements. Perhaps this is not a question of innocent infringement and does not appropriately belong in this study, but as I said before, it is difficult to break down each study into its individual category, when in the final analysis we have to think of the revision as a whole.

I should like to express this caveat concerning my very general observations. I have been trying to pass along rough impressions by way of response to the inquiries, but I would like to reserve my judgment, of course, to when I can see these bits and pieces fitted into the context of a proposed general revision statute as a whole.

EDWARD A. SARGOY.

*Melville B. Nimmer*

JUNE 16, 1958.

The following are my views with respect to "Liability of Innocent Infringers of Copyrights," by Alan Latman and William S. Tager.

It is my view that basic to the problem of innocent infringement must be the underlying premise that as between two innocent parties (i.e., the copyright owner and the infringer), it is the innocent infringer who must suffer, since he, unlike the copyright owner, either has an opportunity to guard against the infringement (by diligent inquiry), or at least the ability to guard against the infringement (by an indemnity agreement from his supplier and/or by insurance). Moreover, it is generally true that the volume purveyors of copyrighted materials (e.g., motion picture companies, television networks, music publishers, etc.) are, in fact, innocent of any knowledge of infringement. Even where there is an absence of such innocence, it is usually on the basis of negligence (of a type difficult to establish), rather than knowledge. Therefore, to render a complete or partial exemption for the innocent infringer would seriously impair the protection afforded to a copyright owner.

Relating innocent infringement to formalities does not seem to me to be a helpful approach. Obviously, this would have no application to the secondary infringer (i.e., one who himself copies from an infringer), since the primary infringer would in no event register the work or carry a copyright notice in the name of the true copyright owner. Yet, as discussed above, to exempt the innocent secondary infringer would be to seriously curtail the scope of copyright protection. Tying formalities to the innocent primary infringer is more meaningful, but even here is undesirable. One who knowingly copies the work of another should be put on diligent inquiry, even in the absence of a copyright registration or notice.

For the reasons discussed above, I would answer the summary of major issues listed by Messrs. Latman and Tager at page 158, as follows:

A. Innocent infringers should not be absolved from liability or be subjected only to limited remedies merely by reason of innocence.

B. Immunity should not be given and remedies should not be limited as to any type of user.

C. Innocent infringement should not be related to formalities.

D. All existing remedies should be available as against innocent infringers.

MELVILLE B. NIMMER.

