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## Remedies in Software Copyright Cases, 6 Computer L.J. 1 (1985)

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# REMEDIES IN SOFTWARE COPYRIGHT CASES†

by DEXTER L. KENFIELD\*

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Chapter 5 of the Copyright Act of 1976 ("1976 Act")<sup>1</sup> provides for

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1. 17 U.S.C. §§ 501-510 (1982). Congress has granted the federal district courts original and exclusive jurisdiction over cases with a substantial claim under the copyright laws. 28 U.S.C. § 1338 (1982) provides:

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trade-mark laws.

This provision helps insure greater uniformity in copyright infringement remedies. The purpose of section 1338(b) was "to avoid 'piecemeal' litigation to enforce common-law and statutory copyright, patent, and trade-mark rights by specifically permitting such enforcement in a single civil action in the district court." Historical and Revision Notes to 28 U.S.C. § 1338(b) (1948 Revision of Judicial Code).

the remedies in copyright infringement cases. The most important provisions of this chapter for software copyright cases are contained in sections 502 through 505.<sup>2</sup> These sections provide a combination of traditional equitable remedies and special copyright remedies. Although the 1976 Act made only minor changes in prior law with respect to copyright remedies, application of those remedies to software copyright cases poses a number of special problems. The various remedies available and their practical application will be discussed under the traditional classifications of pre-trial and post-trial remedies.

## I. PRE-TRIAL REMEDIES

### A. PRELIMINARY INJUNCTIONS

Section 502(a) of the 1976 Act provides that the court in a copyright case may grant restraining orders and preliminary injunctions "on such terms as it may deem reasonable to prevent or restrain infringement of a copyright."<sup>3</sup> Such an injunction has nationwide scope, may be served anywhere in the country, and can be enforced by proceedings for contempt or otherwise in any federal court having personal jurisdiction over the defendant.<sup>4</sup> The only statutory limitation on issuance of an injunction is a reference to 28 U.S.C. § 1498, which places exclusive jurisdiction in the United States Court of Claims, and puts assorted limitations and restrictions on cases alleging infringement by the United States, a government controlled organization, or a government contractor or agent.<sup>5</sup>

The authority to issue preliminary injunctions is of long standing in copyright law.<sup>6</sup> The legislative history of the 1976 Act makes clear that section 502(a) was not intended to alter existing law in any way, but merely to codify the long-recognized authority of the courts to issue preliminary injunctions in copyright cases according to traditional prin-

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2. 17 U.S.C. §§ 502-505 (1982).

3. *Id.* § 502(a).

4. *Id.* § 502(b).

5. The purpose of 28 U.S.C. § 1498 (1982) is to enable the federal government to use copyrighted works without the disruption of injunctions arising out of private litigation. *Coakwell v. United States*, 372 F.2d 508, 511 (Ct. Cl. 1967). Under this section, the exclusive remedy for a copyright owner claiming government infringement is the "reasonable and entire compensation as damages for such infringement, including the minimum statutory damages as set forth in section 504(c) of title 17." 28 U.S.C. § 1498(b) (1982).

6. Prior to enactment of the 1976 Copyright Act, courts granted injunctions in copyright infringement cases under authority of the Act of 1909, former 17 U.S.C. §§ 25, 36. See *M. Witmark & Sons v. Calloway*, 22 F.2d 412 (E.D. Tenn. 1927). Even before their power to issue copyright infringement injunctions was codified, courts did so under their equitable powers. See *Thomas v. Lennon*, 14 F. 849 (C.C.D. Mass. 1883).

principles of equity jurisprudence.<sup>7</sup>

In general, issuance of a preliminary injunction requires a showing of some combination of four factors: a reasonable likelihood that the plaintiff will prevail on the merits; the threat of irreparable harm to the plaintiff in the absence of an injunction; a balancing of the hardship to the plaintiff in the absence of an injunction against the hardship to the defendant resulting from issuance of the injunction; and the public interest as it may be affected by the grant or denial of the injunction.<sup>8</sup>

The required showing of irreparable harm is easier to meet in a copyright case than in other sorts of cases.<sup>9</sup> The author's loss of control over his work which results from an infringement, the likelihood that a work may be disassociated from its author in the collective mind of the consuming public, and the possibility of future infringements by innocent third parties obtaining the work from the immediate infringer without notice of the author's claim have all been considered forms of irreparable harm which are likely to follow in the ordinary course from unrestrained infringement.<sup>10</sup>

Numerous courts have gone so far as to say that irreparable harm will be presumed in the absence of a factual showing to the contrary by the defendant.<sup>11</sup> In the computer context, this principle was most recently enunciated by the Third Circuit in *Apple Computer, Inc. v.*

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7. Former 17 U.S.C. § 112 (repealed 1976) gave courts the power to grant injunctions in copyright cases "according to the course and principles of courts of equity." Section 502(a) of the 1976 Act "reasserts the discretionary power of courts to grant injunctions and restraining orders." H.R. REP. NO. 553, 94th Cong., 2d Sess. 160, *reprinted in* 1976 U.S. CODE CONG. & AD. NEWS 5659, 5776 [hereinafter cited as HOUSE REPORT].

8. *See* Atari, Inc. v. North Am. Philips Consumer Elecs. Corp., 672 F.2d 607, 613 (7th Cir. 1982). One court has said that no one of these factors is determinative. *Midway Mfg. Co. v. Dirkschneider*, 543 F. Supp., 466, 478 (D. Neb. 1981). In the Second Circuit, however, a plaintiff probably must show the "likelihood of his success" to get a preliminary injunction. *See* Warner Bros., Inc. v. American Broadcasting Co., 654 F.2d 204, 211 (2d Cir. 1981); *Concord Fabrics, Inc. v. Marcus Bros. Textile Corp.*, 409 F.2d 1315, 1317 (2d Cir. 1969). Courts have frequently denied preliminary injunctions where the damage resulting to the defendant from the injunction would be out of proportion to the damage which might result to the plaintiff if the preliminary injunction were not issued. *See, e.g.*, *Rosemont Enters. v. Random House, Inc.*, 366 F.2d, 303, 310-11 (2d Cir. 1966). The threat of irreparable harm to the plaintiff if a preliminary injunction is not granted is traditionally easily shown. *See infra* notes 9-14 and accompanying text. The public interest requirement is usually no bar because of the strong federal interest expressed in the Copyright Act and the Constitution itself. *See infra* notes 15-18 and accompanying text.

9. *See, e.g.*, *American Metropolitan Enters. v. Warner Bros. Records, Inc.*, 389 F.2d 903, 905 (2d Cir. 1968); *Rushton v. Vitale*, 218 F.2d 434, 436 (2d Cir. 1955).

10. *See, e.g.*, *American Metropolitan Enters. v. Warner Bros. Records, Inc.*, 389 F.2d 903, 905 (2d Cir. 1968); *L.C. Page & Co. v. Fox Film Corp.*, 83 F.2d 196, 200 (2d Cir. 1936); *King v. Mister Maestro, Inc.*, 224 F. Supp. 101 (S.D.N.Y. 1963).

11. *See, e.g.*, *BPI Sys. v. Leith*, 532 F. Supp. 208, 210 (W.D. Tex. 1981).

*Franklin Computer Corp.*<sup>12</sup> One of the bases for that court's reversal of the denial of the requested preliminary injunction was that the district court had erred in its application of the irreparable harm requirement.<sup>13</sup> According to the Third Circuit, the "prevailing view" is that presentation of a *prima facie* infringement case, i.e. a showing of reasonable likelihood of success on the merits, "raises a presumption of irreparable harm," and that a plaintiff making such a showing "is entitled to a preliminary injunction without a detailed showing of irreparable harm."<sup>14</sup>

Similarly, the public interest factor is seldom a serious obstacle in copyright cases. The copyright statute itself, and its constitutional origin, are clear expressions of a strong public policy supporting enforcement of copyrights.<sup>15</sup> Although some courts have expressed concern about limiting human progress through overly broad application of the copyright statute,<sup>16</sup> the contrary view has prevailed.<sup>17</sup> The *Apple v.*

12. 714 F.2d 1240 (3d Cir. 1983), *cert. dismissed*, 104 S. Ct. 690 (1984).

13. *Id.* at 1254-55. The district court refused to issue a preliminary injunction against the defendant, Franklin Computer Corp., in part because it felt that the plaintiff, Apple Computer, Inc., could better withstand whatever injury it suffered during litigation than Franklin could withstand the effects of a preliminary injunction. *Apple Computer, Inc. v. Franklin Computer Corp.*, 545 F. Supp. 812, 825 (E.D. Pa. 1982), *rev'd*, 714 F.2d 1240 (3d Cir. 1983), *cert. dismissed*, 104 S. Ct. 690 (1984).

14. 714 F.2d at 1254. *Accord*, *American Metropolitan Enters. v. Warner Bros. Records, Inc.*, 389 F.2d 903, 905 (2d Cir. 1968) ("A copyright owner in the ordinary case may be presumed to suffer irreparable harm when his right to the exclusive use of the copyrighted material is invaded.").

15. The Constitution grants Congress the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. CONST. art. I, § 8, cl. 8. In *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 401-02 (1968), the Supreme Court declined to accommodate various competing considerations of copyright, communications, and antitrust policy and instead took the then-existing Copyright Act as it found it.

16. Civil copyright law is a compromise between competing social policies—one favoring the widest possible dissemination of new ideas and new forms of expression, and the other giving writers and artists enough of a monopoly over their works to ensure their receipt of fair material rewards for their efforts. The first policy predominates, which means that the system of rewards is to be no more extensive than is necessary in the long run to elicit a socially optimal [optimal] amount of creative activity.

*United States v. Bily*, 406 F. Supp. 726, 730 (E.D. Pa. 1975). *See also* *Meeropol v. Nizer*, 361 F. Supp. 1063, 1067-68 (S.D.N.Y. 1973) (public interest in information concerning Rosenberg trial outweighed interests of holders of copyright in letters written by the Rosenbergs).

17. "The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in 'Science and Useful Arts.'" *Mazer v. Stein*, 347 U.S. 201, 219 (1953) (quoting U.S. CONST. art. I, § 8, cl. 8).

*Franklin* court quoted the following language from *Klitzner Industries, Inc. v. H.K. James & Co., Inc.*:

Since Congress has elected to grant certain exclusive rights to an owner of a copyright in a protected work, it is virtually axiomatic that the public interest can only be served by upholding copyright protections and, correspondingly, preventing the misappropriation of the skills, creative energies, and resources which are invested in the protected work.<sup>18</sup>

However, computer lawyers should be aware of language in *Sony Corp. of America v. Universal City Studios, Inc.*<sup>19</sup> which suggests some caution. The Supreme Court went well out of its way in that case to suggest that a narrower approach may be appropriate. Although never explicitly rejecting the "presumption of irreparable harm," the majority emphasized what it considered the failure of the plaintiffs to offer more than speculation of possible future harm.<sup>20</sup> Particularly where the issue of fair use is present, the Court may be suggesting that trial courts should consider the irreparable harm and public interest factors not merely in terms of providing protection to copyright proprietors, but also in terms of maximizing public access to copyrighted works.<sup>21</sup> Accordingly, to the extent that there is uncertainty concerning the proper scope of copyright protection or certainty of injury in a particular case, it might be possible to argue that the public interest in encouraging creativity of programmers is outweighed by the public interest in making their work available to the public.<sup>22</sup>

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18. *Apple v. Franklin*, 714 F.2d at 1255 (quoting *Klitzner Indus., Inc. v. H.K. James & Co., Inc.*, 535 F. Supp. 1249, 1259-60 (E.D. Pa. 1982)).

19. The monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired. . . . Because this task involves a difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society's competing interest in the free flow of ideas, information, and commerce on the other hand, our patent and copyright statutes have been amended repeatedly.

104 S. Ct. 774, 782, *reh'g denied*, 104 S. Ct. 1619 (1984).

20. *Id.* at 793.

21. See *supra* note 19. In *Sony*, the Supreme Court ruled 5-4 that the manufacturers of home videotape recorders were not liable for contributory copyright infringement since private non-commercial use of home video recorders to timeshift copyrighted television programs was a "fair use" of those programs. *Id.* at 795. Expanding the "fair use" defense in copyright law is certainly one way of increasing public access to copyrighted works.

22. The presently burgeoning computer software industry may be cited as evidence that there is little need for copyright protection to encourage the development of computer software. Arguably, granting copyright owners more copyright protection in their software will only marginally encourage the creativity of programmers while drastically

Balancing of the hardships has also been a relatively easy hurdle for plaintiffs to overcome in seeking preliminary injunctions. In non-copyright cases, the requirement has often been used to deny a preliminary injunction which would effectively put the defendant out of business, especially where the plaintiff could theoretically recover a damage award if successful at trial.<sup>23</sup>

However, courts in copyright cases have not accorded defendants such favorable treatment. Impact on the defendant was one of the grounds for the district court's denial of the requested injunction in *Apple v. Franklin*, and the Third Circuit reversed on this point in no uncertain terms: "If that were the standard, then a knowing infringer would be permitted to construct its business around its infringement, a result we cannot condone . . . . The size of the infringer should not be determinative of the copyright holder's ability to get prompt judicial redress."<sup>24</sup>

Thus, the primary task for a plaintiff seeking preliminary injunctive relief in a software copyright case is to demonstrate a reasonable likelihood of success on the merits.<sup>25</sup> This, in effect, may require a mini-trial on the merits. Traditionally, courts have strongly resisted this approach.<sup>26</sup> This tradition, however, developed in the days when the typical work involved was a novel or play (or, somewhat more recently, a movie), where the court itself was in a position to compare the two works directly and to reach a relatively easy and prompt conclusion as

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reducing the public's access to copyrighted works. The *Sony* decision may be read as inviting courts to perform this balancing in individual cases, contrary to long-established principles.

23. For example, in trademark cases the balancing of the hardships factor has often been a stumbling block to obtaining a preliminary injunction, especially where the remedy at law—money damages—will most likely be available to the plaintiff after the trial. See *Consumers Union, Inc. v. Theodore Hamm Brewing Co.*, 314 F. Supp. 697, 699-700 (D. Conn. 1970); *Coffee Dan's, Inc. v. Coffee Don's Charcoal Broiler*, 305 F. Supp. 1210, 1216-18 (N.D. Cal. 1969).

24. *Apple v. Franklin*, 714 F.2d at 1255.

25. Some courts adopt a "sliding scale" approach here. The "strength of a showing of irreparable injury required of a plaintiff varies inversely with the strength of his showing of a likelihood of success on the merits." *Midway Mfg. Co. v. Bandai-Am., Inc.*, 546 F. Supp. 125, 142 (D.N.J. 1982). Nevertheless, the "likelihood of success" factor in the preliminary injunction decision has received "primary attention" by courts. *Dow Jones & Co., Inc. v. Board of Trade*, 546 F. Supp. 113, 117 (S.D.N.Y. 1982). Only a showing of probable success on the merits is required, not a certainty of success. *Id.* In *Herbert Rosenthal Jewelry Corp. v. Grossbardt*, 428 F.2d 551, 554 (2d Cir. 1970), a preliminary injunction was granted at the same time that cross-motions for summary judgment were denied.

26. One court of appeals noted that the purpose of a preliminary injunction proceeding is to "preserve existing rights until the end of the controversy" and that the "ultimate rights of parties are to be determined upon issue and full hearing." *Denver & New Orleans R.R. Co. v. Atchison, Topeka & Santa Fe R.R. Co.*, 13 F. 546, 550 (C.C.D. Colo. 1882), *rev'd on other grounds*, 110 U.S. 667 (1884).

to the strength of the plaintiff's case. It was partly for this reason that the Rules of Practice under the 1909 Copyright Act required a plaintiff to attach as exhibits to his complaint both his and the defendant's work.<sup>27</sup> This requirement was subsequently eliminated.<sup>28</sup>

In a software copyright case, however, it will ordinarily be difficult or impossible for the court to compare the works directly to make even a tentative conclusion as to the strength of the plaintiff's case. Few, if any, judges are able to understand or compare computer code, especially if the works involved are written in different languages.<sup>29</sup> Furthermore, both the plaintiff and the defendant will often be reluctant to actually submit their respective program codes to the court.<sup>30</sup>

Thus, a preliminary decision on the strength of the plaintiff's case will often be possible only after the parties have had an opportunity to conduct discovery, prepare presentations to the court, and gather expert opinion testimony for presentation.<sup>31</sup> Since courts are traditionally reluctant to grant preliminary injunctions on the basis of affidavits and paper showings in factually-contested cases,<sup>32</sup> the preliminary injunction will usually be issued, if at all, only after an evidentiary hearing involving live testimony.<sup>33</sup> Inevitably, such a hearing is the functional equivalent of a trial on the merits. Therefore, in these cases, it may be especially appropriate for the court to combine the hearing on the preliminary injunction request with the trial on the merits pursuant to Federal Rule of Civil Procedure 65(a)(2).<sup>34</sup> However, this procedure obviously increases the burden on both sides, requiring a great deal of ac-

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27. Section 25(e) of the Copyright Act of 1909 gave limited rule-making power to the Supreme Court with regard to actions brought under the Copyright Act. Special copyright Rule of Practice No. 2, 214 U.S. 533, 536 (1909), required in general the attachment of the plaintiff's and defendant's works as exhibits to the complaint.

28. Rule 2 was rescinded effective July 1, 1966. 383 U.S. 1031 (1966). The Advisory Committee on Rules wrote that "[t]his was a special rule of pleading unsupported by any unique justification."

29. See Marcellino, *Expert Witnesses in Software Copyright*, 6 COMPUTER L.J. — (1985).

30. For a general discussion of the problems of proof in this context, see Conley & Bryan, *A Unifying Theory for the Litigation of Computer Software Copyright Cases*, 63 N.C.L. REV. — (1985), reprinted in, 6 COMPUTER L.J. — (1985) [hereinafter cited to COMPUTER/LAW JOURNAL].

31. See Marcellino, *supra* note 29, at — (discussing the traditionally restricted role of expert witnesses in copyright actions).

32. In *Medeco Sec. Locks, Inc. v. Swiderek*, 680 F.2d 37, 39 (7th Cir. 1981), the court of appeals held that issuance of a preliminary injunction based merely upon affidavits and depositions without a hearing allowing testimony and cross-examination was an abuse of discretion by the trial court.

33. *Id.*

34. See *Drummond v. Fulton County Dep't of Family & Children's Servs.*, 563 F.2d 1200, 1204 (5th Cir. 1977), cert. denied, 437 U.S. 910 (1978). See also 7 J. MOORE, MOORE'S FEDERAL PRACTICE ¶ 65.04[4] (2d ed. 1984).



tivity and potentially enormous expenditures in a very brief period of time.<sup>35</sup> This procedure may also be difficult to reconcile with the right to jury trial, which is present in copyright cases.<sup>36</sup>

In summary, the preliminary injunction provision in the copyright statute represents a continuation of the traditional power of equity to issue such orders. However, the unusual technicality of software copyright actions, and the lack of familiarity of courts with this subject matter results in sharply increased costs and practical difficulties in preparation for what may amount to a trial on the merits relatively soon after the lawsuit is filed.

### B. IMPOUNDMENT

The Copyright Act codifies the traditional power of the courts in copyright actions to issue impoundment orders at the pre-trial stage. Section 503(a) provides that:

at any time while an action under this title is pending, the court may order the impounding, on such terms as it may deem reasonable, of all copies . . . claimed to have been made or used in violation of the copyright owner's exclusive rights, and of all plates, molds, matrices, masters, tapes, film negatives, or other articles by means of which such copies or phonorecords may be reproduced.<sup>37</sup>

If taken literally, this section provides a truly extraordinary remedy. By its terms, the statute authorizes the court in a software copyright case to impound the defendant's entire computer system on the day the case is filed.

The sweeping scope of this remedy is heightened by what may be a temporary oversight by the Supreme Court.<sup>38</sup> Under the 1909 Act, the

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35. Attorney and expert fees for discovery and trial preparation quickly mount in computer litigation cases. See *infra* note 149 and accompanying text. Consolidation of the preliminary injunction hearing and the full trial on the merits also lessens the opportunity for quick settlement before such heavy expenditures.

36. In *Gnossos Music v. Mitken, Inc.*, 653 F.2d 117, 121 (4th Cir. 1981), the court of appeals held that although section 504(c) of the Copyright Act is ambiguous on the issue of whether a defendant in a copyright infringement suit has a right to a jury trial, the seventh amendment to the Constitution requires that a defendant have such a right regardless of the existence of a request for equitable relief (an injunction) or a remedy at law (damages).

37. 17 U.S.C. § 503(a) (1982). Section 25(c) of the 1909 Act (former 17 U.S.C. § 101(c)) (repealed 1976) provided for a comparable impoundment remedy. Copyright Rules of Practice 3-13, spelling out the applicable procedures, were promulgated by the Supreme Court in 1909 and remain in effect today. 214 U.S. 533 (1909). See generally Alexander, *Discretionary Power to Impound and Destroy Infringing Articles: An Historical Perspective*, 29 J. COPYRIGHT SOC'Y 479 (1982).

38. The Advisory Committee on Rules, well before the new Copyright Act was passed in 1976, expressed

serious doubts as to the desirability of retaining Copyright Rules 3-13 for they ap-

Court was authorized to adopt rules binding on the district courts for the conduct of copyright proceedings.<sup>39</sup> Although the new Act has no explicit provision for such rules, the legislative history indicates that the intent of Congress was that this authority should be continued, and that the present rules should remain in effect unless and until the Court changes them.<sup>40</sup> To date, the Court has neither revoked nor revised the existing rules.

Under the existing rules, the plaintiff is seemingly entitled to an impoundment order as a matter of right on a relatively minimal showing.<sup>41</sup> The rules provide that the clerk "shall" issue an impoundment order upon request of the plaintiff, provided the plaintiff submits a bond based on the estimated value of the goods to be impounded.<sup>42</sup> The

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pear to be out of keeping with the general attitude of the Federal Rules of Civil Procedure [Title 28, Judiciary and Judicial Procedure] toward remedies anticipating decision on the merits and objectionable for their failure to require notice or a showing of irreparable injury to the same extent as is customarily required for threshold injunctive relief. However, in view of the fact that Congress is considering proposals to revise the Copyright Act, the Advisory Committee has refrained from making any recommendations regarding Copyright Rules 3-13, but will keep the problem under study.

Advisory Committee Note on Special Copyright Rule of Practice 3. Since 1976, however, when the new Act finally passed, no changes have been made in Rules 3-13.

39. See *supra* note 27.

40. In the House report on the 1976 Copyright Act, the Copyright Rules are discussed as if they remain fully effective after the 1976 Act is adopted. "The present Supreme Court rules with respect to seizure and impounding were issued even though there is no specific provision authorizing them in the copyright statute, and there appears no need for including a special provision on the point in the bill." HOUSE REPORT, *supra* note 7, at 160, 1976 U.S. CODE CONG. & AD. NEWS at 5776.

41. [T]he plaintiff or complainant, or his authorized agent or attorney, may file with the Clerk of any Court given jurisdiction under section 34 of the Act of March 4, 1909, an affidavit stating upon the best of his knowledge, information, and belief, the number and location, as near as may be, of the alleged infringing copies, records, plates, molds, matrices, etc., or other means for making the copies alleged to infringe the copyright, and the value of the same. . . .

Copyright Rule of Practice 3, 214 U.S. 533, 536-37 (1909). No explicit standard is given in this rule to guide the district courts in their impoundment decisions. The Advisory Committee Note for Rule 3 observes that Rules 3-13 governing impoundment procedures in copyright infringement actions are "objectionable for their failure to require notice or a showing of irreparable injury to the same extent as is customarily required for threshold injunctive relief." It is arguable that the same "likelihood of success" standard adopted in preliminary injunction decisions is applicable for impoundment purposes. 17 U.S.C.A. foll. § 501 (1977). *Accord* WPOW, Inc. v. MRLJ Enters., COPYRIGHT L. REP. (CCH) ¶ 25,645 (D.D.C. 1984) (requirements for impoundment must parallel requirements for injunctive relief). See also *Martin Luther King, Jr. Center for Social Change, Inc. v. American Heritage Prods., Inc.*, 508 F. Supp. 854, 861 (N.D. Ga. 1981) (after a showing of likelihood of success on the merits, court ordered impoundment of infringing booklets in addition to preliminary injunction).

42. Rule 3 concludes that a plaintiff claiming copyright infringement and seeking impoundment "with such affidavit shall file with the Clerk a bond executed by at least two

defendant must then seek a hearing in an attempt to release its property.<sup>43</sup>

At first blush, it seems that these rules are directly violative of the due process principles enunciated by the Supreme Court in such cases as *Sniadach v. Family Finance Corp.*,<sup>44</sup> *Fuentes v. Shevin*,<sup>45</sup> and *Mitchell v. W.T. Grant Co.*<sup>46</sup> The constitutionality of the rules has been upheld against such an attack,<sup>47</sup> however, and plaintiff's counsel should at least investigate the possibility of making use of this procedure.<sup>48</sup>

Arguably, the statutory provision that "the court" may order the impounding "on such terms as it may deem reasonable" requires a judicial hearing.<sup>49</sup> The question appears to be open at this time, however,

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sureties." Rule 4 provides that "[s]uch bond shall bind the sureties in a specified sum, to be fixed by the Court, but not less than twice the reasonable value of such infringing copies, plates, records, molds, matrices, or other means for making such infringing copies." 214 U.S. 533, 537 (1909).

43. The defendant, if he does not except to the amount of the penalty of the bond or the sufficiency of the sureties of the plaintiff or complainant, may make application to the court for the return to him of the articles seized, upon filing an affidavit stating all material facts and circumstances tending to show that the articles seized are not infringing copies, records, plates, molds, matrices, or means for making the copies alleged to infringe the copyright.

Copyright Rule of Practice 9, 214 U.S. 533, 538 (1909).

44. 395 U.S. 337 (1969).

45. 407 U.S. 67 (1972).

46. 416 U.S. 600 (1974).

Copyright Rules of Practice 3-13 allow an *ex parte* seizure by the state in a civil action of the alleged copyright infringer's materials, arguably in violation of the fourteenth amendment and the due process rights spelled out by the Supreme Court in its cases. In *Sniadach*, the Court held that a state's wage garnishment procedure allowing a creditor ten days in which to serve the summons and complaint on a debtor after service on the garnishee was an unconstitutional taking of property without notice and prior hearing which violated the principles of procedural due process. 395 U.S. at 342. The Court noted that wages were "a specialized type of property presenting distinct problems in our economic system." *Id.* at 340. In *Fuentes*, purchasers of household goods under conditional sales contracts challenged their states' prejudgment replevin provisions which involved *ex parte* application to court clerks upon the posting of bond. 407 U.S. at 69-70. The Supreme Court held that these statutes violated fourteenth amendment due process rights of debtors. *Id.* at 96. Finally, in *W.T. Grant Co.*, the Court upheld against a due process challenge a state statute allowing a mortgage or lien holder a writ of sequestration to forestall waste of encumbered property. 416 U.S. at 619. While the writ could be obtained *ex parte*, without notice to the debtor, it could only be issued by a judge upon a verified affidavit and sufficient bond. *Id.* at 616.

47. See *Jondora Music Publishing Co. v. Melody Recordings, Inc.*, 362 F. Supp. 494, 499 (D.N.J. 1973), *vacated*, 506 F.2d 392 (3d Cir. 1975), *cert. denied*, 421 U.S. 1012 (1975). In upholding the copyright impoundment rules against due process attack, the court noted that "what 'process' is due depends on the circumstances of each case." *Id.*

48. See 17 U.S.C. § 503(a) (1982).

49. *WPOW, Inc. v. MRLJ Enters.*, COPYRIGHT L. REP. (CCH) ¶ 25,645 (D.D.C. 1984). Because the Copyright Act makes impoundment discretionary, the court refused to order

as no case has apparently yet raised the question.<sup>50</sup> To date, there are no reported decisions ordering impounding of computer-related goods. The leading impoundment cases in recent years have involved pirated phonorecords<sup>51</sup> and printed advertisements.<sup>52</sup>

## II. POST-TRIAL REMEDIES

There are four types of post-trial remedies specifically contemplated by the 1976 Copyright Act.<sup>53</sup> As with pre-trial remedies, these provisions largely codified the law that existed under the former copyright statutes and the general powers of a court of equity. However, some of these remedies also pose special difficulties in computer cases.

### A. INJUNCTIONS

The issuance of final injunctions in copyright cases is also governed by section 502(a).<sup>54</sup> The general outline of final injunctive relief in copyright cases is little different from that awarded in other types of cases.<sup>55</sup> However, the unique nature of software creates special problems with the drafting, award, and enforcement of final injunctive relief in such cases.

One problem relates to the changeable nature of software. Computer software, even after release into the marketplace, is a continually evolving item.<sup>56</sup> Many of the changes constantly being made to software involve either the removal or repair of "bugs" which are discovered in the software, or the addition of enhancements.<sup>57</sup> However, other changes can easily be made, and frequently are made, for less functional purposes. For example, changes may be made to either add or delete commentary and other internal documentation contained in the code.<sup>58</sup> In addition, it is a trivial task, using modern-day text editing programs, to make wholesale changes in the surface appearance of

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impoundment summarily. It instead required a showing equal to that required for injunctions.

50. *Id.*

51. *Jondora Music Publishing Co. v. Melody Recordings, Inc.*, 362 F. Supp. 494, 496 (D.N.J. 1973), *vacated*, 506 F.2d 392 (3d Cir.), *cert. denied*, 421 U.S. 1012 (1975).

52. *Martin Luther King Jr. Center for Social Change Inc. v. American Heritage Prods., Inc.*, 508 F. Supp. 854, 856-57 (N.D. Ga. 1981).

53. *See* 17 U.S.C. §§ 502-505 (1982).

54. "Any court having jurisdiction of a civil action arising under this title may, subject to the provisions of section 1498 of title 28, grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright." 17 U.S.C. § 502(a) (1982).

55. *See supra* note 7.

56. *See Conley & Bryan, supra* note 30, at [insert pp. for § IIA].

57. *See id.*

58. *See id.*

software code while making little or no functional change.<sup>59</sup> For instance, a simple command to a text editor could change every occurrence of a particular name, word, formula or other identifiable fragment of code into a quite different looking, yet functionally identical fragment.<sup>60</sup>

This ability to make wholesale changes rapidly and without trace is significant with respect to injunctive relief. Consider the situation in which a court has determined that a program was copied, and has ordered the defendant not to market or sell any software product which is "substantially similar" to the plaintiff's program.<sup>61</sup> Suppose that the defendant then employs a text editor and systematically changes every variable name to a different variable name created entirely by the defendant; rearranges each mathematical formula or expression into a functionally equivalent yet facially different expression; rearranges the sequence of code to a functionally equivalent but different sequence; renames and rearranges subroutines and named procedures within the program; and prepares new advertising containing no references to the plaintiff's program. The resulting program is then placed on the market. Has the defendant violated the injunction?

In one sense, this issue has always existed in copyright law, since injunctions formulated in terms of substantial similarity could always have been violated by comparable means.<sup>62</sup> However, in order to prepare, for example, a revised book which would sufficiently change the words and sentences used in the original work to express its ideas, an

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59. *See id.* at [insert pp. for § IVD].

60. *See id.*

61. Traditionally, the broad injunctive language used prohibits the defendant from "infringing the copyright" of the successful plaintiff. *See, e.g.,* Universal City Studios v. Sony Corp. of Am., 659 F.2d 963, 976 (9th Cir. 1981), *rev'd*, 104 S. Ct. 774, *reh'g denied*, 104 S. Ct. 1619 (1984); Big Sky Music v. Todd, 388 F. Supp. 498, 501 (S.D. Ga. 1974). Applying traditional theories, any future action to enforce the injunction would center on whether a newly contested software product of the defendant is "substantially similar" to the plaintiff's software, since the finding of infringement in the initial action would leave no question as to whether the defendant had "access" to the plaintiff's program.

62. Courts have recognized that where the danger of continued copyright infringement exists, the injunctive relief must be broad enough to effectively protect the copyright. "Generally, it would appear to be an abuse of discretion to deny a permanent injunction where liability has been established and there is a threat of continuing infringement." 3 M. NIMMER, NIMMER ON COPYRIGHT § 14.06[B], at 14-55 (1983). In *Orth-O-Vision, Inc. v. Home Box Office*, 474 F. Supp. 672, 687 (S.D.N.Y. 1979), Home Box Office (HBO), a mass market distributor of audio visual shows in which it owned the copyrights, successfully won an injunction against a local cable T.V. franchise, Orth-O-Vision, Inc., prohibiting the latter's "infringement of all of HBO's present and future copyrighted works." *See also* Encyclopaedia Britannica Ed. Corp. v. Crooks, 542 F. Supp. 1156, 1187 (W.D.N.Y. 1982). Such a broad injunction may be useful in the computer software field where an infringed program may be upgraded by its owner subsequent to an infringement action.

entirely new book would have had to be written, edited, typeset, and printed. The resulting labor would be roughly equivalent to that required to create an entirely original book. Accordingly, as a practical matter, plaintiffs were relatively unconcerned with the possibility that an enjoined defendant might return to the market.<sup>63</sup>

However, computer technology makes such a scenario a real danger. Plaintiffs can no longer rely on the difficulty, expense, and time-consuming nature of the revision task to assure that relief, once obtained, will be meaningful. To the contrary, even with an extensive and highly sophisticated program, the rearrangement and disguising process described above can be performed in a matter of days or, at most, weeks.

For several reasons, the plaintiff may find it difficult or impossible to produce concrete evidence of the revision process used. First, many text editors leave no trace of the work performed.<sup>64</sup> Second, a person intent on this course of conduct will normally not leave documentary evidence of what he has done.<sup>65</sup> Third, testimony of the people involved may be impossible to obtain; either because they simply refuse to testify, because they are no longer available to testify, or because they claim a right not to testify under the fifth amendment.<sup>66</sup>

Accordingly, the only way in which a plaintiff could seek further relief through enforcement of an injunction would be to return to court to demonstrate that the resulting program is still substantially similar to the plaintiff's original program. This is an unappealing prospect,

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63. See *infra* notes 65-66 and accompanying text. Authors of textual works should note that the day may soon come when their works can be as easily and quickly "rewritten" as software is today.

64. See *infra* notes 65-66 and accompanying text.

65. The popular wisdom is that if President Nixon had destroyed the Watergate tapes, his fall from office might have been avoided. Compare *SAS Inst., Inc. v. S & H Computer Sys., Inc.*, — F. Supp. — (M.D. Tenn. 1985) in which early evidence was destroyed, but remaining scraps of evidence laid important foundation for expert testimony. Partial destruction of evidence is in many respects the *most* damaging conduct.

66. A potential witness to infringement may claim fifth amendment protection against self-incrimination and refuse to testify or answer questions in discovery. The long-standing American rule is that this privilege may be invoked if a mere possibility of prosecution for a crime suggested by the response exists. See *United States v. Johnson*, 488 F.2d 1206, 1209 (1st Cir. 1972). Under the Copyright Act, "any person who infringes a copyright willfully and for purposes of commercial advantage or private financial gain" has committed a criminal offense. 17 U.S.C. § 506(a) (1982). State criminal statutes prohibiting the stealing of trade secrets, or recently-proliferating computer crime laws, also may be peripherally involved in computer software copyright cases. In addition, criminal contempt charges may be brought against copyright infringers who violate a court injunction. Defendants may thus plead the fifth amendment to prevent discovery of their conduct. See generally Heidt, *The Conjurer's Circle—The Fifth Amendment Privilege in Civil Cases*, 91 YALE L.J. 1062 (1982).

since it would virtually require the plaintiff to retry the entire case against a new and different program. The defendant would have the advantage of having been educated by the first trial regarding the plaintiff's theories, the importance of various aspects of the plaintiff's program, the functional significance of various aspects of the program, and available defenses. As a practical matter, therefore, the injunction may simply lay the groundwork for a new and even more difficult and expensive litigation.<sup>67</sup>

A tempting solution to this problem may be to draft the injunction with a greater degree of specificity. This approach, however, runs into similar difficulties. If an injunction is written so as to prevent the defendant from employing certain words, the defendant need merely employ the text editor to change those words. The task requires only seconds. Furthermore, any specific feature not precisely described in such an injunction would presumably be validated and thus not subject to subsequent attack by the plaintiff.<sup>68</sup> Accordingly, if an injunction is to be so specifically written, the plaintiff must be certain in the original case to present *every* point of similarity between his work and the defendant's. This not only may be undesirable as a matter of trial tactics, but as a practical matter may also be difficult or impossible to carry out.

To date, most copyright cases have involved relatively brief works—such as songs, ninety-minute movies, or novels of several hundred pages. Computer software, on the other hand, may involve programs containing millions of lines of code and thousands of pages. Moreover, the code is entirely incomprehensible to the layperson. The expense and time required to identify, analyze, and prepare supporting evidentiary material for presentation at trial of every similarity is likely to be prohibitive.<sup>69</sup> Furthermore, once a saturation point is reached with a judge or jury, presenting additional evidence may weaken rather than strengthen a case.<sup>70</sup> Thus, the theoretically desirable approach of a narrowly-focused and specific injunction may fail to adequately protect a plaintiff.

The most attractive solution to this problem for the plaintiff, and

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67. Litigating one software copyright case causes a serious drain on financial resources; the cost of two software copyright cases could be devastating. See *infra* note 149 and accompanying text.

68. A defendant could argue this using the familiar principle of construction *expressio unius est exclusio alterius*—the expression of one thing is the exclusion of another. BLACK'S LAW DICTIONARY 521 (5th ed. 1979).

69. See *infra* note 149 and accompanying text, regarding the great expense of expert witnesses. It is not necessary to show every single similarity to show "substantial similarity" of the disputed software products and thus prove infringement.

70. For a general discussion of the difficulty of effectively presenting one's evidence in these cases to a jury, see Marcellino, *supra* note 29, at [note corresponding to n.17 of Manuscript].

perhaps the only way in which truly meaningful relief can be obtained, would be to draft an injunction which bars the marketing of the defendant's program, generically described, or any other program which is functionally equivalent.<sup>71</sup> Only by including an entire range of functions can the plaintiff be protected from mere "facelifting" by the defendant. This approach, however, raises issues which go to the conceptual heart of copyright law.

It is debatable today whether the prohibitions of copyright law are directed to the work under attack, i.e. the defendant's computer program, or to the conduct which was involved in the creation of that work.<sup>72</sup> The distinction is analogous to that drawn in trade secret law between a property-oriented approach identifying the plaintiff's rights in the trade secret, and a conduct-oriented approach, determining whether the defendant did something immoral or reprehensible.<sup>73</sup>

The conceptual history of copyright law has focused on the property-oriented approach.<sup>74</sup> The question was whether the work produced by the defendant was "substantially similar" to the work produced by the plaintiff; if so, the defendant would be required to remove the similar portions from the work.<sup>75</sup> This approach is illustrated in several cases involving television or film productions derived from copyrighted literary works.<sup>76</sup> Although it was clear from the succession of draft screenplays that the ultimate works were drawn from the plaintiffs' works, the question posed by the courts was whether the ultimate works as finally produced and broadcast or released were substantially similar to the plaintiffs' works.<sup>77</sup> Since they were generally not, no in-

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71. An injunction barring the defendant from marketing a functionally equivalent program seems, however, to be protecting the "idea" of the infringed program and not just the "expression of the idea." The 1976 Copyright Act expressly excludes "ideas" from protection. 17 U.S.C. § 102(b) (1982).

72. See Conley & Bryan, *supra* note 30, at [pp. corres. to § IV of Manuscript].

73. The suggestion that one has a right to exclude others from the use of his trade secret because he has a right of property in the idea has been frequently advanced and rejected. The theory that has prevailed is that the protection is afforded only by a general duty of good faith and that the liability rests upon breach of this duty, that is, breach of contract, abuse of confidence or impropriety in the method of ascertaining the secret.

Restatement of Torts § 757 comment a (1939).

74. See Conley & Bryan, *supra* note 30, at (discussing the "Nimmer View").

75. *Id.*

76. See, e.g., *Miller v. Universal City Studios, Inc.*, 650 F.2d 1365 (5th Cir. 1981); *Davis v. United Artists, Inc.*, 547 F. Supp. 722 (S.D.N.Y. 1982); *Fuld v. National Broadcasting Co.*, 390 F. Supp. 877 (S.D.N.Y. 1975).

77. *Miller v. Universal City Studios, Inc.*, 650 F.2d 1365, 1375 (5th Cir. 1981); *Davis v. United Artists, Inc.*, 547 F. Supp. 722, 723 (S.D.N.Y. 1982); *Fuld v. National Broadcasting Co.*, 390 F. Supp. 881, 881-82 (S.D.N.Y. 1975).



fringement was found.<sup>78</sup>

The conduct approach is illustrated by another line of cases which are virtually indistinguishable from those just described.<sup>79</sup> In these cases, plaintiffs demonstrated through successive versions of the defendants' works that these works were drawn from plaintiffs' works, but that alterations were made to produce the impression of independent creation.<sup>80</sup> In these cases, the defendants' efforts were found, in the words of one court, to be "too little, too late,"<sup>81</sup> and infringement was found.<sup>82</sup>

Even in a case in which the "clean-up" process<sup>83</sup> is found to be inadequate, however, the traditional copyright approach seems to dictate that the appropriate relief is merely the completion of the clean-up effort, i.e. that those remaining points of substantial similarity be removed. In the case of a computer program, if the points of similarity being attacked are, for example, the variable names or the structure and sequence of the steps, the necessary "repairs" can be made in a matter of days at affordable cost. As a result, the defendant can rapidly return to the market with a cleaned-up product, which is still essentially the result of copying.

A viable solution to this problem can be found through the creative

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78. *Davis v. United Artists, Inc.*, 547 F. Supp. at 727 (S.D.N.Y. 1982); *Fuld v. National Broadcasting Co.*, 390 F. Supp. at 881-82 (S.D.N.Y. 1975).

79. *See, e.g., Tennessee Fabricating Co. v. Moultrie Mfg. Co.*, 421 F.2d 279 (5th Cir.), *cert. denied*, 398 U.S. 928 (1970); *Davis v. E.I. DuPont de Nemours & Co.*, 240 F. Supp. 612 (S.D.N.Y. 1965).

80. In *Tennessee Fabricating Co. v. Moultrie Mfg. Co.*, the original copyrightable work involved was a one-foot square architectural metal casting unit used in combination or singly for a decorative screen or room divider which had a filigree pattern formed by intercepting straight and arc lines. 421 F.2d 279, 281 (5th Cir.), *cert. denied*, 398 U.S. 928 (1970). The defendant merely redesigned this unit by adding four intersecting straight lines in the form of a diamond. *Id.* The Fifth Circuit found this new design infringed the original design. "The defendants concede, as they must, that the starting point for their redesign was the plaintiff's work. Infringement is not confined to exact reproduction but includes colorable alterations made to disguise the piracy." *Id.* at 284. In *Davis v. E.I. DuPont de Nemours & Co.*, Davis wrote a play for the theater based on Edith Wharton's novel *Ethan Frome*. 240 F. Supp. 612, 614 (S.D.N.Y. 1965). A motion picture screenplay was produced based on the book and the Davis play. *Id.* The court found that a television screenplay based on the motion picture screenplay infringed the Davis play. *Id.* at 620. The court was not persuaded by the defendants' efforts to "unDavis" the T.V. script when they learned of the existence of the Davis play. *Id.*

81. *Davis v. E.I. DuPont de Nemours & Co.*, 240 F. Supp. 612, 621 (S.D.N.Y. 1965).

82. *Tennessee Fabricating Co. v. Moultrie Mfg. Co.*, 421 F.2d 279, 284 (5th Cir.), *cert. denied*, 398 U.S. 928 (1970); *Davis v. E.I. DuPont de Nemours & Co.*, 240 F. Supp. 612, 622 (S.D.N.Y. 1965).

83. *See, e.g., Davis v. E.I. DuPont de Nemours & Co.*, 240 F. Supp. 612, 620 (S.D.N.Y. 1965).

use of the expanded "derivative work" concept found in the 1976 Act.<sup>84</sup> If it can be shown that the defendant's work is an infringement, then the defendant should be enjoined not only from marketing *that* work, but also from marketing any derivative work based upon either the plaintiff's or the infringing work. Of course, a defendant may still argue that the changes made through the text editor are so substantial and fundamental that the result is a new, rather than derivative, work.<sup>85</sup> However, if the derivative work concept is to be applied by the courts as broadly as the drafters of the 1976 Act seem to have intended,<sup>86</sup> then it seems reasonable to place upon the defendant the burden of demonstrating that it has achieved in a short time, by means of editing, the creation of an entirely new work.

Successful plaintiffs may also be able to achieve practical enforceability by incorporating creative provisions in their injunctions. For example, a court could grant the plaintiff the right to examine any product produced by the defendant before its release, to determine whether it continues to suffer from copying. The injunction could also require approval of the court prior to any marketing.

The court might also fashion an effective remedy requiring that the defendant pay a royalty to the plaintiff for each copy distributed of any program prepared by the defendant for use in a similar application.<sup>87</sup>

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84. A "derivative work" is a work based upon one or more preexisting works, such as translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a "derivative work."

17 U.S.C. § 101 (1982). In *SAS Inst., Inc. v. S & H Computer Sys., Inc.*, — F. Supp. — (M.D. Tenn. 1985) adopted the approach suggested in the text.

85. See, e.g., *Eden Toys, Inc. v. Marshall Field & Co.*, 675 F.2d 498, 501 (2d Cir. 1982); *Warner Bros., Inc. v. American Broadcasting Cos.*, 654 F.2d 204, 211 (2d Cir. 1981).

86. Between them the terms "compilations" and "derivative works" which are defined in section 101, comprehend every copyrightable work that employs pre-existing material or data of any kind. There is necessarily some overlapping between the two, but they basically represent different concepts. A "compilation" results from a process of selecting, bringing together, organizing, and arranging previously existing material of all kinds, regardless of whether the individual items in the material have been or ever could have been subject to copyright. A "derivative work," on the other hand, requires a process of recasting, transforming, or adapting "one or more preexisting works"; the "preexisting work" must come within the general subject matter of copyright set forth in section 102, regardless of whether it is or was ever copyrighted.

HOUSE REPORT, *supra* note 7, at 57, 1976 U.S. CODE CONG. & AD. NEWS at 5670.

87. In *Universal City Studios Inc. v. Sony Corp. of Am.*, the Ninth Circuit suggested that home video recorder manufacturers found liable for infringing copyrighted audiovisual material might pay a continuing royalty to copyright owners because of the great public injury a permanent injunction might cause. The court stated: "In the case of other infringements, even without express statutory authority, where great public injury would

Such a royalty could be set on a declining basis. Initially, the royalty would in effect require the defendant to disgorge its total gross income from the program. The royalty would then decline, over the period of time which would have been required to design and develop the program in the absence of copying, to a level approximating the plaintiff's net profit on each sale. Copying would not benefit the defendant under such a scheme, since all additional profit it could make by the expedited development of a product through copying (which might be termed the "head start value") would be transferred to the plaintiff. At the same time, the plaintiff would not obtain a windfall, because the royalty would terminate when the defendant could have had an independently-developed product on the market.<sup>88</sup>

The authority of the court to issue such creatively drafted injunctions seems clear based upon the broad language of the statute,<sup>89</sup> the stated intent of Congress that extends the power of the court to the full extent of equity jurisprudence,<sup>90</sup> and the analogy to comparable remedies awarded in contexts such as patent and trade secret law.<sup>91</sup> Indeed, it is by analogy to those bodies of law that courts will be most easily persuaded to adopt these creative approaches to injunctive relief.

## B. DESTRUCTION

A previous portion of this Article discussed the provisions of section 503(a) of the 1976 Act for pre-trial impoundment of allegedly in-

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be worked by an injunction, the courts might follow cases in other areas of property law, and award damages or a continuing royalty instead of an injunction in such special circumstances." 659 F.2d 963, 976 (9th Cir. 1981) (quoting 3 M. NIMMER, *supra* note 62, at § 14.06[B], at 14-55), *rev'd on other grounds*, 104 S. Ct. 774, *reh'g denied*, 104 S. Ct. 1619 (1984).

Patent law has recognized the use of a royalty requirement in lieu of a permanent injunction. See *Royal-McBee Corp. v. Smith-Corona Marchant, Inc.*, 295 F.2d 1, 6 (2d Cir. 1961). In fact, the 1976 Copyright Act expressly allows for such a remedy. 17 U.S.C. § 405(b) (1982). In those instances where the infringer innocently copies the original work of authorship because the copyright owner omits the copyright notice, the court "may require, as a condition of permitting the continuation of the infringing undertaking, that the infringer pay the copyright owner a reasonable license fee in an amount and on terms fixed by the court." *Id.*

88. In *Royal-McBee Corp. v. Smith-Corona Marchant, Inc.*, the Second Circuit denied the patentee's request for a permanent injunction barring the infringer from producing its automatic margin regulator for typewriters. Rather the court allowed a reasonable continuing royalty for the remaining life of the patent. 295 F.2d 1, 6 (2d Cir. 1961). Thus, in that case, the royalty terminated when the infringer could have had a similar product on the market. *Id.*

89. 17 U.S.C. § 502 (1982).

90. See *supra* note 7 and accompanying text.

91. See *supra* notes 87-88 and accompanying text.

fringing copies and associated goods.<sup>92</sup> Section 503(b) contains a related provision for final relief. After trial, "the court may order the destruction or other reasonable disposition of all copies or phonorecords found to have been made or used in violation of the copyright owner's exclusive rights," and of all goods or articles "by means of which such copies or phonorecords may be reproduced."<sup>93</sup>

The breadth of this provision is comparable to that of section 503(a), and in theory permits a court to order the destruction or surrender to the plaintiff of the defendant's entire computer system.<sup>94</sup> It is almost inconceivable that a court would issue such an order,<sup>95</sup> but a successful plaintiff in a software infringement suit should at a minimum seek an order from the court that all complete or partial copies of the infringing software, including disks, tapes, semi-conductor chips, hard copy, and all other manifestations be turned over to him or destroyed.<sup>96</sup>

The issue will be complicated, of course, if the injunctive relief granted is limited to removal from the defendant's product of the "similar" portions. In that situation, the plaintiff will probably be limited to an order requiring the defendant to delete from his disks and tapes the offending portions.<sup>97</sup> For the reasons discussed above,<sup>98</sup> the enforcement of such an order would be exceedingly difficult. It might be impossible for the plaintiff to later prove that a defendant's successor product was generated by the simple expedient of applying a text editor to the supposedly deleted portions.

For this reason, the plaintiff may wish to have the court order the defendant to turn over to the plaintiff, or perhaps place in escrow or

92. See *supra* notes 37-52 and accompanying text.

93. 17 U.S.C. § 503(b) (1982).

94. According to the House Report of the 1976 Copyright Act, however, section 503(b) is less draconian than its predecessor, 17 U.S.C. § 101(d), which also provided for the destruction of infringing materials and the means of making infringing copies. Section 503(b) is more flexible because it gives

"the court discretion to order 'destruction or other reasonable disposition' of the articles found to be infringing. Thus, as part of its final judgment or decree, the court could order the infringing articles sold, delivered to the plaintiff, or disposed of in some other way that would avoid needless waste and best serve the ends of justice."

HOUSE REPORT, *supra* note 7, at 160, 1976 U.S. CODE CONG. & AD. NEWS at 5776.

95. To the author's knowledge, no court has ordered this extreme remedy.

96. Surrendering to the plaintiff all infringing software and other manifestations may be "other reasonable disposition" of such infringing material which is an alternative to its destruction. See quote from HOUSE REPORT, *supra* note 94. See also *Pickford Corp. v. De Luxe Laboratories, Inc.*, 169 F. Supp. 118, 120 (S.D. Cal. 1958).

97. See, e.g., *Breffort v. I Had A Ball Co.*, 271 F. Supp. 623, 625-26 (S.D.N.Y. 1967). But see *Burroughs v. Metro-Goldwyn-Mayer, Inc.*, 683 F.2d 610, 620 n.9 (2d Cir. 1982) ("the district court normally should not assume the role of film editor").

98. See *supra* notes 62-68 and accompanying text.

some other secure depository, a complete set of all program code then possessed by the defendant, whether or not actually a part of the product attacked at trial.<sup>99</sup> The willingness of a court to enter such an order would probably depend primarily upon the court's conclusions as to the degree of good faith shown by the defendant through its conduct in the course in the litigation.<sup>100</sup> By the same token, some defendants may voluntarily agree to such an order as a means of documenting the status of their software development at a particular point in time. This would serve to create an evidentiary record for defending a subsequent infringement or enforcement action.

### C. DAMAGES

Section 504 of the 1976 Act offers the copyright plaintiff a choice between the traditional legal remedy of an award of actual damages and the special copyright remedy of "statutory damages." The election between these alternatives may, under the statute, be exercised at any time before final judgment is rendered.<sup>101</sup>

The provision in the 1976 Act for recovery of actual damages is similar to the remedies available under the common law in trade secret cases.<sup>102</sup> The copyright proprietor is entitled to recovery of all damages actually suffered, which may include his lost profits.<sup>103</sup> In an appropri-

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99. This would make it easier for the plaintiff to bear its burden in a subsequent action to show continued infringement if, in fact, the defendant merely changed the infringing software product in cosmetic ways, as by using a text editor. In the second action the plaintiff could show the status of the defendant's software development at the time of the initial infringement and explore the likelihood that the defendant had subsequently and independently developed the second contested product.

100. An order requiring a defendant to place its software materials in escrow or trust is an exercise of the courts' equitable powers. *See supra* note 7. A plaintiff who has had to deal with a defendant who has acted in bad faith throughout the litigation will be in a better position to seek from the court greater protection from future infringements by the defendant.

101. "[T]he copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award for statutory damages. . . ." 17 U.S.C. § 504(c)(1) (1982). However, the author is aware of at least one case in which the trial judge required the election to be made before the start of trial.

102. According to the first *Restatement of Torts*, one whose trade secret has been misappropriated

may recover damages for past harm, or be granted an injunction against future harm by disclosure or adverse use, or be granted an accounting of the wrongdoer's profits, or have the physical things embodying the secret, such as designs, patterns and so forth, surrendered by the wrongdoer for destruction. Moreover, he may have two or more of these remedies in the same action if the court is competent to administer them.

*Restatement of Torts* § 757 comment e (1939). *Compare* 17 U.S.C. § 504 (1982) (copyright owner may recover actual damages and profits or statutory damages).

103. Lost profits were part of the damages allowed to copyright owners in *Thomas*

ate case, the plaintiff's lost profits may be measured in whole or in part by the profits the defendant received from the infringement.<sup>104</sup> In addition to actual damages, the plaintiff is also entitled to recover the full amount of the defendant's profits.<sup>105</sup> This is essentially a codification of the traditional common law remedy of disgorgement of illegally obtained gains.<sup>106</sup> Of course, the defendant's profits may not be counted twice, so use of profits in calculating the plaintiff's damages cannot be repeated in recovering lost profits.<sup>107</sup>

Under the 1909 Copyright Act, differences of opinion arose with respect to which party bore the burden of proof in establishing the defendant's profits.<sup>108</sup> The general rule was that the plaintiff was entitled to recover only net profit, and if that profit was attributable to both infringing and non-infringing activities, an apportionment was required.<sup>109</sup> The courts disagreed with respect to the allocation of the

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Wilson & Co. v. Irving J. Dorfman Co., 433 F.2d 409 (2d Cir. 1970), *cert. denied*, 401 U.S. 977 (1971); Baldwin Cooke Co. v. Keith Clark, Inc., 420 F. Supp. 404 (N.D. Ill. 1976).

104. In *Scribner v. Clark*, 50 F. 473, 476 (C.C.N.D. Ill. 1888), *aff'd. sub nom. Belford v. Scribner*, 144 U.S. 488 (1892), the court held that the measure of damages was the amount of profits realized by the infringer and not the amount of profits that would have accrued to the copyright owner by the sale of an equal number of copies of the copyrighted work.

105. "The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages." 17 U.S.C. § 504(b) (1982).

The HOUSE REPORT, *supra* note 7, at 161, 1976 U.S. CODE CONG. & AD. NEWS at 5777, explains that:

Damages are awarded to compensate the copyright owner for losses from the infringement, and profits are awarded to prevent the infringer from unfairly benefiting from a wrongful act. . . . However, in cases where the copyright owner has suffered damages not reflected in the infringer's profits, or where there have been profits attributable to the copyrighted work but not used as a measure of damages, subsection (b) authorizes the award of both.

106. A tort action in equity was possible under common law to create a constructive trust for the benefit of the plaintiff of profits gained by a wrongdoer. *See Dow v. Berry*, 18 F. 121 (C.C.E.D. Wis. 1883).

107. The HOUSE REPORT, *supra* note 7, at 161, 1976 U.S. CODE CONG. & AD. NEWS at 5777, cautioned that "[w]here the defendant's profits are nothing more than a measure of the damages suffered by the copyright owner, it would be inappropriate to award damages and profits cumulatively, since in effect they amount to the same thing."

108. Section 25(b) of the 1909 Copyright Act (former 17 U.S.C. § 101(b)) (repealed 1976), provided that "in proving profits the plaintiff shall be required to prove sales only and the defendant shall be required to prove every element of cost which he claims."

109. The initial view, held even under the 1909 Act, was that if profits attributable to the infringing and noninfringing elements could not be separated, the plaintiff received all the profits realized by the defendant. *See Belford v. Scribner*, 144 U.S. 488, 508 (1892); *Dam v. Kirk La Shelle Co.*, 175 F. 902, 908-09 (2d Cir. 1910). The Supreme Court in *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 402 (1940), construed old cases as prohibiting apportionment of profits only where the evidence is not "sufficient to provide a fair basis of division so as to give to the copyright proprietor all the profits that can be

burden of proof on different aspects of these calculations.<sup>110</sup> The calculations can be exceedingly difficult to make,<sup>111</sup> and it has always been tempting for courts to resolve the matter by relying largely on the burden of proof. Thus, if the court placed the burden of proof on the plaintiff, the plaintiff would ultimately recover less. The 1976 Act resolves this dispute by specifying that the plaintiff need only prove the infringer's gross revenue.<sup>112</sup> The burden is specifically placed upon the defendant to prove all deductions from gross revenue,<sup>113</sup> as well as any apportionment between infringing and non-infringing conduct which it claims. The legislative history of the 1976 Act shows that the intent of Congress was to place the impact of any uncertainty in the proof on the defendant.<sup>114</sup>

The provision for actual damages and lost profits would not seem to

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deemed to have resulted from the use of what belonged to him." Courts subsequently apportioned profits where "the evidence suggests some division which may rationally be used as a spring-board." *Orgel v. Clark Boardman Co.*, 301 F.2d 119, 121 (2d Cir.), cert. denied, 371 U.S. 817 (1962). See generally 3 M. NIMMER, *supra* note 62, at § 14.03[C].

110. Dictum by the Supreme Court in *Sheldon v. Metro-Goldwyn Pictures Corp.* appeared to place the burden of proving that profits should not be apportioned on the plaintiff, although inseparable profit was to be given to the infringed owner:

But assuming, as had been found, that the additions were non-infringing and valuable improvements, and a *prima facie* case of contribution to profits thus appearing, the burden of apportionment would rest upon the plaintiff. . . . The question of burden of proof does not arise in the instant case, as here the defendants voluntarily assumed that burden. . . .

309 U.S. 390, 403 (1940). Notwithstanding this dictum, a recent case held that "the law is clear that defendants had the burden of proving what portion of their total profits resulted from the non-infringing recordings." *Lottie Joplin Thomas Trust v. Crown Publishers, Inc.*, 592 F.2d 651, 657 (2d Cir. 1978). See 3 M. NIMMER, *supra* note 62, at § 14.03[C].

111. For example, in the *Lottie Joplin Thomas Trust v. Crown Publishers, Inc.*, the plaintiff's infringed song was on an album with nine non-infringing songs. 456 F. Supp. 531, 538 (S.D.N.Y. 1977). The plaintiff claimed that it should recover all of the album's profits, since the album was advertised as the "complete works" of Scott Joplin. *Id.* The defendant argued that only ten percent of the profits were attributable to the plaintiff's song. *Id.* The district court gave the plaintiff fifty percent of the profits and the court of appeals affirmed. 592 F.2d at 651, 656 (2d Cir. 1978).

112. "In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue. . . ." 17 U.S.C. § 504(b) (1982).

113. "[T]he infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work." *Id.* In *Deltak, Inc. v. Advanced Sys., Inc.*, 574 F. Supp. 400 (N.D. Ill. 1983), although the court did not award damages, it designated the percentage of the infringer's revenues attributable to deductible expenses in the event that a court of appeals awarded damages.

114. "[W]here some of the defendant's profits result from the infringement and other profits are caused by different factors, it will be necessary for the court to make an apportionment. However, the burden of proof is on the defendant in these cases. . . ." HOUSE REPORT, *supra* note 7, at 161, 1976 U.S. CODE CONG. & AD. NEWS at 5777.

pose any special difficulties in computer software cases.<sup>115</sup> It is likely that the bulk of software infringement actions will be brought before the infringing product has developed a firm market position.<sup>116</sup> Thus, there will often be no profits to disgorge and no provable damages suffered. This is particularly true where the plaintiff obtains a preliminary injunction prior to market release of a product.<sup>117</sup> For these reasons, it is likely that the injunctive and statutory damages provisions of the Copyright Act will be of much greater importance in software cases than the provisions allowing for recovery of damages and profits.<sup>118</sup>

Statutory damages are a special copyright remedy which has long been available under various copyright statutes. The foundation of these provisions lies in the recognition that the nature of copyright is such that proof of actual damages is often difficult or impossible.<sup>119</sup> Accordingly, the copyright statutes have historically provided for recovery of damages within specified ranges even where the plaintiff was unable to prove any actual damages.<sup>120</sup>

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115. As is true in other types of copyright infringement cases, a preliminary injunction is relatively more easily obtained by a software copyright owner against an alleged infringer because irreparable harm is presumed on a *prima facie* showing of copyright infringement. *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240, 1254 (3d Cir. 1983), *cert. dismissed*, 104 S. Ct. 690 (1984). Timely action by the software copyright owner can thus prevent accrual of significant damages to the owner or profit to the alleged infringer. *See, e.g., id.*

116. In *Apple Computer, Inc. v. Franklin Computer Corp.*, for example, Apple claimed that Franklin had infringed the copyrights of fourteen operating programs used in its microcomputer by using them in its own microcomputer. At the time the preliminary injunction was considered by the district court, Apple had sold over 400,000 of its Apple II computers while Franklin had sold fewer than 1000 ACE 100 computers. 714 F.2d 1240, 1242-43 (3d Cir. 1983), *cert. dismissed*, 104 S. Ct. 690 (1984).

117. The primary goal of a plaintiff in a software copyright case, as in other proprietary rights cases, is to stop infringement as soon as possible. Thus, relief after trial in the form of an award of lost and disgorged profits is not as effective as the preliminary injunction. Further, most cases are settled after the grant or denial of a preliminary injunction.

118. Indicative of this relative importance is *Synercom Tech., Inc. v. University Computing Co.*, 462 F. Supp. 1003 (N.D. Tex. 1978). In that case the federal district court held that the defendant had infringed the plaintiff's copyright in its computer program instruction manuals. *Id.* at 1014. The court first entered injunctive relief forbidding further infringement by the defendant, and then directed the parties to proceed with discovery on the issue of "the amount of damages, profits, and other awards as may be proper in the accounting phase of this case." *Id.* at 1015-16.

119. Section 25(b) of the 1909 Act (former 17 U.S.C. § 101(b)) (repealed 1976) provided for statutory damages at the discretion of the court so as to grant "the owner of a copyright some recompense for injury done him, in a case where the rules of law render difficult or impossible proof of damages or discovery of profits." *Douglas v. Cunningham*, 294 U.S. 207, 209 (1935). *See Peter Pan Fabrics, Inc. v. Jobela Fabrics, Inc.*, 329 F.2d 194 (2d Cir. 1964).

120. Section 25(b) of the 1909 Act (former 17 U.S.C. § 101(b)) (repealed 1976) allowed for statutory damages "in lieu of actual damages and profits." Under the 1976 Act, "the



Under the 1976 Act, statutory damages may be awarded in the discretion of the court in any amount within the range of \$250 to \$10,000.<sup>121</sup> In the case of "willful" infringement, the court may in its discretion increase the award to as much as \$50,000.<sup>122</sup> If the defendant proves that the infringement was committed without reason to believe that it was unlawful, however, statutory damages may be reduced to \$100.<sup>123</sup> Finally, in certain cases involving non-profit schools, libraries, archives, or public broadcasting stations, statutory damages may be remitted entirely.<sup>124</sup>

The most critical aspect of statutory damages in software cases is contained in section 412 of the Copyright Act. That section prohibits an award of statutory damages in a case involving an infringement "commenced" before the effective date of registration of the copyright.<sup>125</sup> Many software proprietors do not routinely register their works, but rather wait until signs of possible infringement appear, whereupon re-

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copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action." 17 U.S.C. § 504(c)(1) (1982).

121. *Id.*

122. "In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than \$50,000." 17 U.S.C. § 504(c)(2) (1982). In *Broadcast Music, Inc. v. Dendrinos*, COPYRIGHT L. REP. (CCH) ¶ 25,646 (N.D. Ill. 1983), a district court awarded statutory damages of \$500 for each of 19 copyrighted musical compositions which defendants infringed willfully, knowingly, in bad faith, and with malice.

123. 17 U.S.C. § 504(c)(2) (1982) reads in part:

In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court, [in] its discretion may reduce the award of statutory damages to a sum of not less than \$100.

124. The court shall remit statutory damages in any case where an infringer believed and had reasonable grounds for believing that his or her use of the copyrighted work was a fair use under section 107, if the infringer was: (i) an employee or agent of a nonprofit educational institution, library, or archives acting within the scope of his or her employment who, or such institution, library, or archives itself, which infringed by reproducing the work in copies or phonorecords; or (ii) a public broadcasting entity which or a person who, as a regular part of the nonprofit activities of a public broadcasting entity (as defined in subsection (g) of section 118) infringed by performing a published nondramatic literary work or by reproducing a transmission program embodying a performance of such a work. *Id.*

125. In any action under this title, other than an action instituted under section 411(b), no award of statutory damages or of attorney's fees, as provided by sections 504 and 505, shall be made for—

(1) any infringement of copyright in an unpublished work commenced before the effective date of its registration; or

(2) any infringement of copyright commenced after first publication of the work and before the effective date of its registration, unless such registration is made within three months after the first publication of the work.

gistration is made on an expedited basis.<sup>126</sup> In those circumstances, it is likely that infringement has already "commenced," and statutory damages will not be available.

There is substantial ambiguity, however, as to when an infringement "commences" within the meaning of section 412. Consider the classic software infringement situation in which a licensee of software: (a) uses the licensed software for a purpose not authorized by the license agreement, i.e., as an aid to preparation of an infringing work; (b) based on the licensed software, prepares an unauthorized derivative work; (c) produces numerous copies of the derivative work in preparation for marketing; and (d) sells or otherwise distributes those copies. If the licensor does not routinely register the copyrights in its software, warning signs of the infringement would be most likely to first appear at the period between (c) and (d). If the licensor sues for infringement and seeks an injunction to prevent marketing, when did the infringement "commence"?

Section 501(a) of the Act defines an infringer as "anyone who violates any of the exclusive rights of the copyright owner."<sup>127</sup> Those exclusive rights are enumerated in section 106,<sup>128</sup> and include as separate categories the reproduction of the work in copies, the preparation of derivative works, the distribution of copies, and the public display or performance of the work. Thus, the hypothetical licensor can argue that the sole purpose of the action is to restrain and prevent an infringement which has not yet commenced, the distribution of the infringing product. The forms of conduct described in (a), (b), and (c), each of which is also copyright infringement,<sup>129</sup> arguably constitute other *kinds* of in-

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17 U.S.C. § 412 (1982).

The HOUSE REPORT, *supra* note 7, at 158, 1976 U.S. CODE CONG. & AD. NEWS at 5774, explains the policy rationale behind this prohibition:

The need for section 412 arises from two basic changes the bill will make in the present law.

(1) Copyright registration for published works, which is useful and important to users and the public at large, would no longer be compulsory, and should therefore be induced in some practical way.

(2) The great body of unpublished works now protected at common law would automatically be brought under copyright and given statutory protection. The remedies for infringement presently available at common law should continue to apply to these works under the statute, but they should not be given special statutory remedies unless the owner has, by registration, made a public record of his copyright claim.

126. Section 202.3 of the Copyright Office Regulations prescribes the conditions for the registration of a copyright and the application for registration, under 17 U.S.C. §§ 408-409 (1982).

127. 17 U.S.C. § 501(a) (1982).

128. 17 U.S.C. § 106 (1982).

129. A licensee (a) using the licensed software for a purpose not authorized by the license agreement (*i.e.* as an aid to preparation of an infringing work), or (b) preparing an

fringement, and might not even be involved in the action.<sup>130</sup> Therefore, the licensor would argue, statutory damages are recoverable. The defendant, on the other hand, could argue that what is involved is a continuous course of conduct that commenced long before registration of the copyright, and that the plaintiff should not be allowed to "Balkanize" its claim.<sup>131</sup> The defendant would rely heavily on the traditional refusal of courts to encourage "claim splitting." Here again, a conflict

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unauthorized derivative work based on the licensed software would violate the copyright owner's exclusive rights "(1) to reproduce the copyrighted work in copies or phonorecords; (2) to prepare derivative works based upon the copyrighted work." 17 U.S.C. § 106(1), (2) (1982). A licensee (c) producing numerous copies of the derivative work in preparation for marketing also violates section 106(2). The act (d) of selling or otherwise distributing those copies violates the copyright owner's right "to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending." 17 U.S.C. § 106(3) (1982).

130. The five fundamental rights that the bill gives to copyright owners—the exclusive rights of reproduction, adaptation, publication, performance, and display—are stated generally in section 106. These exclusive rights, which comprise the so-called "bundle of rights" that is a copyright, are cumulative and may overlap in some cases. Each of the five enumerated rights may be subdivided indefinitely and, as discussed below in connection with section 201, each subdivision of an exclusive right may be owned *and enforced separately*.

HOUSE REPORT, *supra* note 7, at 61, 1976 U.S. CODE CONG. & AD. NEWS at 5674 (emphasis added).

Thus, a plaintiff who has not registered his work and becomes aware of an attempt to infringe his copyright may then register and carefully draft his pleadings so as to bring actions to enforce only rights infringed after registration in order to collect statutory damages as well as to obtain an injunction. For example, a computer program owner whose program is unregistered may learn of a competitor about to market a software program derived from his program. He could then register his program and, when the infringer begins to market the infringing program, seek an injunction and statutory damages claiming violation of his right to market derivative programs of the original computer program. By avoiding an action based on his infringed right to prepare derivative works from his computer program, the copyright owner could attempt to escape section 412's denial of statutory damages where an action is based on rights infringed before registration of the copyright. The copyright owner could perhaps bring separate actions based on rights infringed before registration and seek injunctive relief and any possible actual damages arising from those particular infringements. These separate actions could be joined with the action seeking statutory remedies pursuant to FED. R. CIV. P. 18.

131. First, the defendant could argue that allowing copyright actions to be fine-tuned in such a manner would allow almost complete evasion of 17 U.S.C. § 412 (1982), would be contrary to its spirit, and would undermine the important public policy of encouraging registration which is embodied in that section.

Second, the defendant could argue that such action by a plaintiff is inconsistent with "notice pleading" under the Federal Rules of Civil Procedure. FED. R. CIV. P. 8(f) calls for a liberal construction of pleadings. "All pleadings shall be so construed as to do substantial justice." The Supreme Court has explained that "all the Rules require is 'a short and plain statement of the claim' that will give the defendant fair notice of what the plaintiff's claim is and the grounds upon which it rests." *Conley v. Gibson*, 355 U.S. 41, 47 (1957). Prior to this modern view of pleading, more exact pleading was required by many

can be seen between the traditional "snapshot" approach to copyright law and the more modern "conduct" approach.

A line of cases has developed under the 1909 Copyright Act which can provide limited guidance. Under that Act, statutory damages were awarded in the specified amount "for each infringing copy" of the plaintiff's work.<sup>132</sup> Thus, the courts were required to count the number of infringements which occurred and were involved in the action. A number of cases arose involving continuing courses of conduct which could arguably constitute either single or multiple infringements.

Typical of these were cases involving distribution of catalogs.<sup>133</sup> It could have been argued that the distribution of each individual catalog was a separate infringement. However, courts were unwilling to permit statutory damages to rise to astronomical levels by this method of

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courts, sometimes causing injustices when cases were dismissed because of poorly drafted pleadings.

The more liberal pleading rules reflect a change in the purpose of pleadings.

One reason that the courts can afford to be so liberal on the matter of pleading is, of course, the broad scope which the Rules give to the various pre-trial devices for discovery of facts and formulation of issues. Under the old practice the pleadings not only served the function of giving notice of the claim asserted, but they also carried the burden of formulating the issues and to a large extent of advising the adverse party of the facts involved. Now the deposition and discovery procedure under Rule 26-37 and the pre-trial conference under Rule 16 afford a much more efficient method of getting at the facts than pleadings ever offered, and they also bear much of the burden of making up the issues, so that the only real office which the pleadings continue to serve is that of giving notice.

2A J. MOORE, MOORE'S FEDERAL PRACTICE ¶ 8.13 (2d ed. 1984).

Arguably, then, it would be contrary to the intent of the drafters of the Federal Rules of Civil Procedure to allow a copyright owner to carefully sculpt his pleadings so as to delineate the issues to his advantage. The present system calls for issue development after the pleadings, which merely serve as notice devices.

132. Section 25(b) of the 1909 Act (former 17 U.S.C. § 101(b)) (repealed 1976) provided statutory damages of a specified amount for every infringing copy or performance:

First. In the case of a painting, statute, 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, statute, 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 a choral 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."

That section limited these damages in certain situations such as where an infringer showed lack of awareness of the infringement.

133. See, e.g., *Burndy Eng'g Co. v. Sheldon Serv. Corp.*, 127 F.2d 661 (2d Cir. 1942); *Hedeman Prods. Corp. v. Tap-Rite Prods. Corp.*, 228 F. Supp. 630 (D.N.J. 1964); *Markham v. A.E. Borden Co.*, 108 F. Supp. 695 (D. Mass. 1952), *rev'd on other grounds*, 206 F.2d 199 (1st Cir. 1953).

counting. Therefore, multiple copies mailed at one time were conventionally viewed as a single infringement. If later a new edition of the catalog were issued and distributed, however, a second infringement might be found.<sup>134</sup> Similarly, placing the same infringing advertisement in successive editions of Sunday newspapers was sometimes characterized as a series of separate infringements.<sup>135</sup>

The courts developed a general approach of case-by-case analysis to determine whether the similarity between the various acts, their proximity in time and space, and other relevant factors indicated a single or multiple infringements.<sup>136</sup> Courts could never fully agree on the tests, however, and often arrived at irreconcilable results in factually indistinguishable cases.<sup>137</sup>

To resolve this situation, section 504(c)(1) of the 1976 Act was carefully drafted to eliminate this multiple counting.<sup>138</sup> It provides that the

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134. See *Burndy Eng'g Co. v. Sheldon Serv. Corp.*, 127 F.2d 661, 662 (2d Cir. 1942) (four separate printings of infringing catalogue were separate infringements for purpose of applying statutory damages).

135. See, e.g., *Zuckerman v. Dickson*, 35 F. Supp. 903, 904 (W.D. Pa. 1940).

136. Several courts have attempted to synthesize the diverse strands of the 1909 Act law on this issue. The Court of Appeals for the Second Circuit stated: "We take the rule to be that when the components of the infringing activity are heterogeneous, the presumption is that each infringing activity is a separate infringement." The Court found such heterogeneity, and therefore separate infringements where "each of the defendants' performances was given pursuant to a separately negotiated agreement made with a specific auditorium, and in conjunction with separately arranged advertising with local newspapers and radio stations [and where the] financial arrangements which defendants made with numerous auditoriums varied in their terms." Another court has invoked both the "time" test, "which looks to the proximity in time of repeated infringements in deciding whether to treat them as multiple infringements or as one continuing infringement" and the "heterogeneity" test, "which looks to differences between the advertisers, financial arrangements, locales, audiences and other significant variables in determining whether the circumstances surrounding successive infringements are so similar that those infringements should be treated as one continuing infringement or so different that they should be treated as multiple infringements.

3 M. NIMMER, *supra* note 62, at § 14.04[E] at 14-42. The quote refers to *Robert Stigwood Group, Ltd. v. O'Reilly*, 530 F.2d 1096 (2d Cir. 1976) and *Iowa State Univ. Research Foundation, Inc. v. American Broadcasting Cos.*, 475 F. Supp. 78 (S.D.N.Y. 1979).

137. For example, in *Robert Stigwood Group, Ltd. v. O'Reilly*, the court found that each performance of a rock opera during a tour of one or two night stands was a separate infringement because "[e]ach of the defendants' performances was given pursuant to a separately negotiated agreement made with a specific auditorium and in conjunction with separately arranged advertising with local newspapers and radio stations." 530 F.2d 1096, 1103 (2d Cir. 1976). *But cf.*, *Davis v. E.I. DuPont de Nemours & Co.*, 249 F. Supp. 329 (S.D.N.Y. 1966). The *Davis* court found that an infringing network dramatization, telecast over 162 local stations, was just one infringement for purposes of determining statutory damages. *Id.* at 342-43. The 162 stations were located in different cities, each station had the right not to broadcast the infringing show, and all but a few of the stations were independently owned. *Id.* at 331.

138. 17 U.S.C. § 504(c)(1) (1982) provides statutory damages:

court may make only one award of statutory damages "for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally." The statute further provides that for this purpose, the various parts of a compilation or derivative work are considered as a single work.<sup>139</sup>

It is therefore no longer necessary or permissible to "count" infringements for purposes of calculating statutory damages. Nevertheless, the cases under the 1909 Act may provide a useful analogy for the

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(1) Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than \$250 or more than \$10,000 as the court considers just. For the purposes of this subsection, all the parts of a compilation or derivative work constitute one work.

The HOUSE REPORT, *supra* note 7, at 162, 1976 U.S. CODE CONG. & AD. NEWS at 5778, summarizes the principal provisions of section 504(c)(1):

1. As a general rule, where the plaintiff elects to recover statutory damages, the court is obliged to award between \$250 and \$10,000. It can exercise discretion in awarding an amount within that range but, unless one of the exceptions provided by clause (2) is applicable, it cannot make an award of less than \$250 or of more than \$10,000 if the copyright owner has chosen recovery under section 504(c).

2. Although, as explained below, an award of minimum statutory damages may be multiplied if separate works and separately liable infringers are involved in the suit, a single award in the \$250 to \$10,000 range is to be made "for all infringements involved in the action." A single infringer of a single work is liable for a single amount between \$250 and \$10,000, no matter how many acts of infringement are involved in the action and regardless of whether the acts were separate, isolated, or occurred in a related series.

3. Where the suit involves infringement of more than one separate and independent work, minimum statutory damages for each work must be awarded. For example, if one defendant has infringed three copyrighted works, the copyright owner is entitled to statutory damages of at least \$750 and may be awarded up to \$30,000. Subsection (c)(1) makes clear, however, that, although they are regarded as independent works for other purposes, "all the parts of a compilation or derivative work constitute one work" for this purpose. Moreover, although the minimum and maximum amounts are to be multiplied where multiple "works" are involved in the suit, the same is not true with respect to multiple copyrights, multiple owners, multiple exclusive rights, or multiple registrations. This point is especially important since, under a scheme of divisible copyright, it is possible to have the rights of a number of owners of separate "copyrights" in a single "work" infringed by one act of a defendant.

4. Where the infringements of one work were committed by a single infringer acting individually, a single award of statutory damages would be made. Similarly, where the work was infringed by two or more joint tortfeasors, the bill would make them jointly and severally liable for an amount in the \$250 to \$10,000 range. However, where separate infringements for which two or more defendants are not jointly liable are joined in the same action, separate awards of statutory damages would be appropriate.

139. "For the purposes of this subsection, all the parts of a compilation or derivative work constitute one work". 17 U.S.C. § 504(c)(1) (1982).

argument in our hypothetical action that under section 412, the single infringement involved—the distribution of infringing copies—had not commenced at the time of registration, and thus statutory damages could be awarded.

However, not only is this argument weakened by congressional efforts to eliminate these cases in its drafting of section 504, but it also runs directly counter to the policy expressed in section 412. The purpose of section 412 is to encourage early registration of copyrights.<sup>140</sup> Since registration is not a prerequisite to the existence and validity of a copyright,<sup>141</sup> the only remaining sanction available to Congress for delayed registration was the denial of certain remedies.<sup>142</sup> The hypothetical licensor, then, must argue that the policy expressed by section 412 is outweighed by the policy of awarding statutory damages. Given the force of the language in section 412 and the relative weakness of the now-obsolete cases under the 1909 Copyright Act, however, this argument seems unpersuasive. Software authors should register their copyrights early.

#### D. COSTS AND ATTORNEYS' FEES

The final remedy provided by copyright law is the award of costs and attorneys' fees. Section 505 of the 1976 Act provides that the court may in its discretion award "full costs" in favor of or against any party other than the federal government or its officers.<sup>143</sup> This provision is relatively insignificant since "costs" in this context is a narrow category usually not rising to significant dollar amounts.<sup>144</sup> In any event, an

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140. Congress believed that copyright registration (not required under the 1976 Act) "is useful and important to users and the public at large, would no longer be compulsory, and should therefore be induced in some practical way." HOUSE REPORT, *supra* note 7, at 158, 1976 U.S. CODE CONG. & AD. NEWS at 5774.

141. In general, "such registration is not a condition of copyright protection." 17 U.S.C. § 408(a) (1982). Nonetheless, "no action for infringement of the copyright in any work shall be instituted until registration of the copyright claim has been made in accordance with this title," except for audiovisual works for which fixation occurs simultaneously with transmission. 17 U.S.C. § 411(a) (1982).

142. The copyright owner is not allowed statutory damages or attorney's fees if infringement commences before the effective date of registration. 17 U.S.C. § 412 (1982). *See supra* note 125.

143. 17 U.S.C. § 505 (1982). The legislative history is silent as to the basis for this exception. Normally, however, the federal government is the defendant rather than the plaintiff in copyright infringement suits. Not allowing plaintiffs to recover attorney fees and other court costs from the federal government should discourage copyright infringement suits against the federal government. This policy of reducing the impact of such suits on the federal government and its functions is consistent with that of 28 U.S.C. § 1498 (1982) which does not allow injunctions to be issued against the government in copyright cases. *See supra* note 5.

144. Costs allowed to the victorious party in copyright cases have included expenses of

award of costs to the prevailing party is routine in civil litigation.<sup>145</sup> Section 505 goes on, however, to provide that "the court may also award a reasonable attorney's fee to the prevailing party as part of the costs."<sup>146</sup> As experienced trial lawyers know, the potential award of attorney's fees is a strong incentive to plaintiffs to litigate all colorable claims, and this was precisely the congressional intent in allowing for such recovery.<sup>147</sup>

On its face, the attorney's fee provision presents no particular difficulties. It is comparable, if not identical, to provisions in numerous other state and federal statutes.<sup>148</sup> However, its application in computer cases may be somewhat more difficult. This is due in part to the fact

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taking the opposing party's deposition and travelling expenses for witnesses. *Mailer v. RKO Teleradio Pictures, Inc.*, 332 F.2d 747, 749 (2d Cir. 1964). The costs of all transcripts of all the depositions of the winning side were allowed by one court. *National Comics Publications v. Fawcett Publications*, 93 F. Supp. 349, 359 (D.N.Y. 1950), *rev'd on other grounds*, 191 F.2d 594 (2d Cir. 1951), *supplemented*, 198 F.2d 927 (2d Cir. 1952). Costs of a daily copy of the trial transcript were not allowed in another case where the court had not ordered that such a transcript be prepared. *Stein v. Rosenthal*, 103 F. Supp. 227, 232 (S.D. Cal. 1952), *aff'd*, 205 F.2d 633 (9th Cir. 1953). At the appellate level, disbursements for printing briefs were not taxable as costs against the unsuccessful plaintiff in *Stein v. Expert Lamp Co.*, 107 F. Supp. 60, 62 (N.D. Ill. 1952).

145. Except when express provision therefor is made either in a statute of the United States or in these rules, costs shall be allowed as of course to the prevailing party unless the court otherwise directs; but costs against the United States, its officers, and agencies shall be imposed only to the extent permitted by law.

FED. R. CIV. P. 54(d).

Note that allowance of costs under this rule is subject to the court's discretion.

This latter qualification states an equitable principle; and, subject to the exceptions imposed by the Rule, vests in the district court a sound discretion over the allowance, disallowance, or apportionment of costs in all civil actions, whether formerly at law or in equity," [sic] or, following the 1966 merger, in admiralty.

6 J. MOORE, MOORE'S FEDERAL PRACTICE ¶ 54.70[5] (2d ed. 1983).

146. See 17 U.S.C. § 505 (1982).

147. Allowing the award of reasonable attorney's fees thus furthers the strong federal policy, based in the Constitution, of encouraging the creativity of authors by granting them the fruits of their labors. See U.S. CONST. art. I, § 8, cl. 8. Diverse reasons have been given by the courts for the imposition of attorney's fees in copyright cases: to vindicate the statutory policy, rather than to punish the infringer, *Blumcraft v. Newman Bros., Inc.*, 337 F. Supp. 859, 865 (S.D. Ohio 1971); to insure availability of courts to all alike but not render them prohibitive to the poor through imposition of heavy costs, *Breffort v. I Had a Ball, Co.*, 271 F. Supp. 623, 627 (S.D.N.Y. 1967); and to penalize a plaintiff for bringing a frivolous suit, *Jartech, Inc. v. Clancy*, 666 F.2d 403, 407 (9th Cir. 1982).

Traditional American practice, as opposed to traditional English practice, has been not to allow attorney's fees to the prevailing party. See generally 6 J. MOORE, *supra* note 144, at ¶ 54.70[2]. Section 505, however, explicitly allows for the award of attorney's fees to the victorious party.

148. See, e.g., Truth-in-Lending Act, 15 U.S.C. § 1640(b) (1982); Civil Rights Attorney's Fees Awards Act of 1976, 42 U.S.C. § 1988 (1982).



that preparation and trial of software copyright cases is vastly more sophisticated, and consequently more expensive, than is much other litigation. Assuming that costs of experts may be lumped with attorney's fees for this purpose,<sup>149</sup> it is not at all remarkable for fees to climb to six-figure amounts within the first few months after filing of the complaint. This makes the attorney's fee provision vital in at least two respects.

First, litigation in a complex software copyright case can be prohibitively expensive for both parties. The threat of imposition of fees on the losing party can be an extraordinarily powerful motivating force for either the prosecution or defense of such a case.<sup>150</sup> Second, and paradoxically, the very magnitude of the fees involved makes it less likely that a court will order full recovery of the fees.<sup>151</sup> Courts simply are not accustomed, outside perhaps of the antitrust field, to the award of such massive fees in civil litigation.<sup>152</sup> At the same time, the award of

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149. In general, the fees of computer experts are not recoverable as costs from the losing side. "Fees and disbursements for printing and witnesses" are allowed to be taxed as costs by a federal judge or clerk of the court. 28 U.S.C. § 1920(3) (1982). A party who calls a witness into federal court must pay him a per diem attendance fee (currently \$30) and reasonable transportation costs. 28 U.S.C. § 1821 (1982). Courts and respected commentators have said that, generally, expert fees in excess of these statutory witness fees are not recoverable from the losing party as costs. See *Copper Liquor, Inc. v. Adolph Coors Co.*, 684 F.2d 1087, 1100 (5th Cir. 1982); *Jones v. Diamond*, 636 F.2d 1364, 1382 (5th Cir. 1981); 8 J. WIGMORE, EVIDENCE § 2203 (McNaughton rev. 1961); 6 J. MOORE, *supra* note 144, at ¶ 54.77[5.-3].

On the other hand, "[c]ourts of appeal have approved trial court discretion to award the full fee charged by the expert in exceptional circumstances, for example, when the expert testimony was necessary or helpful to the presentation of civil rights claims, or indispensable to the determination of the case." *Copper Liquor*, 684 F.2d at 1100. A strong argument can be made that expert testimony is indispensable to the determination of a software copyright infringement case. See generally Marcellino, *supra* note 29.

Since no statutory authority exists for allowing expert witness costs in software copyright cases, "the better practice is to seek court approval before calling the expert witness" if counsel plans to seek allowance of the entire expert's fee. *Copper Liquor*, 684 F.2d at 1100. See also *Worley v. Massey-Ferguson, Inc.*, 79 F.R.D. 534, 541 (N.D. Miss. 1978).

150. In view of the increasing sensitivity of clients to the rapidly increasing cost of litigation, the attorney's fee provision is highly significant; it can potentially double (for the loser) the already steep cost of a software copyright case. See *supra* note 149 and accompanying text.

151. Trial courts are already reluctant to grant such fees because of the long established American rule that each party should pay its own attorney's fees. See *supra* note 147. For example, the Supreme Court relied on the American rule in not allowing fee awards in private antitrust actions which would make the private party plaintiffs "private attorney generals." *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 269 (1975). The potential magnitude of attorney's fees in software copyright cases tends to make courts even less willing to award them.

152. The Hart-Scott-Rodino Antitrust Improvement Act of 1976, Pub. L. No. 94-435, 90

fees is essential if plaintiffs are to be able to vigorously prosecute software infringement claims.<sup>153</sup> The fact that courts are not accustomed to awarding six-figure amounts does not mean that such amounts are unreasonable in litigation of this sort.

An additional important aspect of section 505 is that it also is limited by section 412. No award of attorney's fees may be made for an infringement commencing before registration of the copyright in the plaintiff's work.<sup>154</sup> Since the amounts at stake here will in many cases vastly exceed statutory damages which will be recoverable, this is the more meaningful incentive supplied by Congress for early registration of software copyrights. Counsel for software authors should be well aware of this restriction in advising their clients as to the desirability of early registration.

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Stat. 1383 (1976), amended section 16 of the Clayton Act to provide the statutory basis—which the Supreme Court had felt to be lacking in the *Alyeska Pipeline* case—for the granting of attorney's fees in private antitrust actions.

153. An award of attorney's fees helps to insure that all litigants have equal access to the courts to vindicate their statutory rights. It also prevents copyright infringements from going unchallenged where the commercial value of the infringed work is small and there is no economic incentive to challenge the infringement through expensive litigation. . . .

Quinto v. Legal Times, Inc., 511 F. Supp. 579, 581 (D.D.C. 1981), *quoted in* 3 M. NIMMER, *supra* note 62, at § 14.10.

154. *See supra* note 125.

