

# ***Legal News You Can Use***

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## **The Benefits of Registration**

*This issue of Legal News You Can Use focuses on a David v. Goliath story involving Lowry's Reports ("Lowry's"), a small research firm, and Legg Mason ("Mason"), a billion dollar financial services firm. Lowry's sued Mason for copyright infringement. At trial, the jury awarded Lowry's \$18.9 million in damages for Mason's infringement of some 240 timely registered copyrights.*

Because Lowry's had timely registered, it had the right to have the jury award a special form of damages called statutory damages. A jury may set those damages, not simply to compensate for actual losses resulting from the infringement, but to deter further infringements and punish the infringer.

Mason claimed that Lowry's actual damages from the infringement were approximately \$60,000. With timely registration, Lowry's was able to ask the jury to award **millions more**. The case thus highlights the importance of timely registration. Here are its facts, court rulings and the lessons it teaches.

### **The Facts**

Lowry's publishes a daily and weekly financial newsletter (the "Newsletters"). Lowry's protects the Newsletters against infringement by placing copyright notices on them and by supplying them only to individuals who agreed in writing not to copy or disseminate them. Sometime in the early 1990's one Mason employee in its research department bought a yearly subscription for about \$700.

### **Mason's Infringement**

Beginning in 1994, that research department faxed copies of the Newsletters to its branch offices where Mason brokers duplicated and further distributed the Newsletters. In July 1999, the infringement grew. Mason started posting daily the Newsletters on the firm-wide intranet where they were downloaded more than 16,000 times. Then, in late 1999, Mason also began to distribute copies of the Newsletters to at least six members of its research department.

Lowry's learned of this massive infringement from a former Mason employee and on July 30, 2001, demanded that it end. Although Mason removed the Newsletters from the intranet, Lowry's later learned that Mason continued to

email copies of the Newsletters to employees, including at least each member of the research department through June 2002.

## **The Suit**

In late 2001, Lowry's sued Mason for infringement. After both sides took depositions and produced documents, each requested the court to grant summary judgment. Mason sought to dismiss all claims; Lowry's sought to have the court rule that Mason was liable for copyright infringement.

Mason sought to avoid liability because of its express corporate policy against infringement. In rejecting this argument, the court stated, "an infringer of a copyright copies at its peril and an intent to infringe or knowledge of infringement is not necessary."

Mason was also unsuccessful in arguing that the copying by its research department was fair use. The court said that Mason's distribution of the Newsletters to the six members of the research department saved it from paying for at least these additional subscriptions. The court determined, a "use that supplants any part of the normal market for a copyrighted work cannot ordinarily be deemed fair." The court did, however, note that there were factual disputes regarding what happened in the final months of Mason's infringement that prevented summary judgment as to those last few Newsletters.

For all other Newsletters, the court held Mason's liable for copyright infringement. The case then went to trial where the jury was asked to decide the amount of statutory damages to be assessed against Mason.

## **The Trial**

At trial, Mason argued that it should be assessed minimal statutory damages. Lowry's argued that, because Mason was a sophisticated user of copyrights and had engaged in long-running willful infringement, it should be assessed the maximum statutory damages. Lowry's sought statutory damages only with respect to the Newsletters it had timely registered (beginning in 1999 for its weekly Newsletters and 2002 for its dailies).

At the end of trial, the court gave the jury the jury charge, which is a series of legal principles the jury must apply in deciding the case. The charge included the following:

1. only one grant of statutory damages may be awarded for each registered work infringed, even though it may have been infringed hundreds of times;
2. if the infringement was not willful, damages had to be between \$750 and \$30,000 for each registered work;

3. if the infringement's willful, damages could be up to a maximum of \$150,000 per work;
4. an infringer willfully infringes where the infringer knows its actions are infringing or recklessly disregards a copyright holder's rights;

The court also said that the jury could award statutory damages in an amount to deter future copyright infringements. The court went a step further and stated the jury could set the amount to punish the defendant, with "systematic or major infringements" calling for a greater degree of punishment. The court added that the jury could consider Mason's wealth, stating, "an amount that would severely punish a small or poor defendant might have little or no material effect on a large and wealthy defendant."

### **The Verdict**

The jury in Mason's hometown of Baltimore assessed statutory damages of \$50,000 for each Newsletter that Mason infringed before Lowry's gave notice of the infringement on July 31, 2001 and \$100,000 for each Newsletter Mason infringed thereafter. The total award of statutory damages for infringement was a whopping \$18,900,000.

### **The Court Refused To Set Aside the Verdict**

Mason then requested the judge to set aside the jury verdict as excessive, arguing that Lowry's had suffered actual damages of only \$59,000. The court rejected that argument, stating, "statutory damages are appropriate even when actual damages cannot be proven."

The court also found that the jury was not required to believe Mason's assertions of negligent infringement, especially because Mason "was a sophisticated entity that repeatedly infringed Lowry's copyright's even when asked to stop." But the court refused to assess Lowry's attorneys' fees against Mason finding the statutory damage award sufficiently compensated Lowry's while serving to deter future infringements.

Although Mason has now appealed to the 4th Circuit Court of Appeals, it is unlikely that the appellate court will overturn the verdict. The trial court's decisions appear to be sustainable on appeal; and the jury's award was within the range of statutory damages set by Congress.

## Lessons to Be Learned

There are a few:

- 1. It pays to timely register.** As the Lowry's case indicates, juries may be generous in fixing statutory damages especially when dealing with a sophisticated infringer like Mason who offers no good faith defense to its infringement.
- 2. Review your inventory of works and register those that are likely to be infringed.** Your most successful works are the prime candidates for infringement because they are most visible and commercially attractive. Due to the ease of Internet infringement, you should also register what you post on the web.
- 3. Timely registration (either before infringement or within three months of initial publication of the work) will greatly increase your bargaining power before trial.** An infringer, knowing that the jury has the authority to set statutory damages of as much as \$150,000 for each work infringed, may wish to settle, not fight.
- 4. Protect your works to avoid infringement and to enhance their value if infringed.** Place your copyright notice on the front of your work. On the back, place another copyright notice and a warning against unauthorized use. An infringer who appropriates that work will be unable to show its infringement was innocent.
- 5. Demand that infringers end their infringement.** If you see infringement, demand in writing that it end. If a website is infringing your work, send them what is called a "take down" letter. Many web sites have (for their protection) designated an agent to receive and act upon such requests. See <http://www.copyright.gov/onlinesp/list/index.html>. Here is what you should say in your take down letter:

*I write to give you the required notice under 17 U.S.C. § 512 (c) (3) of the Online Copyright Infringement Liability Limitations Act. [name of web site] has posted on its site [identify your work] belonging to me.*

*I have a good faith belief that I did not authorize your use of these works. Please take them down immediately. You may contact me at the above address. The statements above are accurate and are made under penalties of perjury.*

Make sure you include your contact information on the take down request. Most web sites will comply with your request immediately.

**In sum, the Lowry's case demonstrates that statutory damages can be a mighty club in dealing even with the biggest infringers. With timely registration and a few simple steps to protect your work, you will be able to wield that club should infringement occur.**

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