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BOTTLING THE FREE FLOW OF INFORMATION: A COMPARATIVE ANALYSIS OF U.S. AND EU DATABASE PROTECTION

David F. Tamaroff, Esq.†

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I. INTRODUCTION

Modern society is in the midst of the Information Age.\(^1\) Information has been described as “the life-blood by which people conduct their daily lives.”\(^2\) The economies of developed nations do not suffer from a lack of available information.\(^3\) However, difficulties do arise in the collection, organization, maintenance, access, and presentation of the information available.\(^4\)

The old cliché, time is money, has been realized.\(^5\) Accordingly, the relevant issue is no longer the ability to access information, but rather the amount of time it takes to access the information.\(^6\)

Databases are created to deal with the specific problem of information organization. Databases can be defined as “collections of information arranged in such a way that one or more items of information within them may be retrieved by any person with access to the collection containing those items.”\(^7\) Well-created databases allow users to pinpoint and access specific information in the mountains of available data. Ease of use makes databases more valuable to individuals. Society as a whole benefits from databases’ role in the creation of new information, which facilitates easier access to the stepping stones of stored data.\(^8\)

This article analyzes the current protection of databases in the United States and the European Union, and tackles the issue of harmonization. Section II analyzes database protection in the United

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1 MARK J. DAVISON, THE LEGAL PROTECTION OF DATABASES 1 (2003); DATABASE LAW 1 (Christopher Rees & Simon Chalton eds., 1998).
2 DATABASE LAW, supra note 1, at 1.
3 “It has been estimated that the volume of the increase annually in information generated today equals the total information in circulation in the world fifty years ago.” DAVISON, supra note 1, at 2 n.4 (citing Proposal for a Council Directive on the Legal Protection of Databases, COM (1992) 24 final (May 13, 1992)). Such information growth has been accelerated by an increased ability to store, access and use data. For example, the human genome can be expressed on 200,000 pages or on a few compact disks. DAVISON, supra note 1, at 2 n.5 (citing Human Genome Project Information at http://www.ornl.gov/hgmis/publicat/primer/fig14.html).
4 DAVISON, supra note 1, at 1.
5 Ian Walker, a professor of Economics at Warwick University, developed the formula \(V=(W(100-t)/100))/C\) – where \(V\) is the value of an hour, \(W\) is a person’s hourly wage, \(t\) is the tax rate, and \(C\) is the local cost of living – to calculate how people value their time in relation to their activities. The average British minute is worth just over 15 cents to men and 12 cents to women. See Time is Money, Professor Proves, CNN.COM/SCI-TECH (May 29, 2002, 12:30 PM), http://archives.cnn.com/2002/TECH/science/05/29/time.money/.
6 DAVISON, supra note 1, at 1.
7 Id.
8 DAVISON, supra note 1, at 2–3.
States, focusing on copyright protection, and looking at other common law protections available to the authors of databases. Section III discusses how European databases are protected under the EU Database Directive. Section IV examines the proposal of harmonization through the establishment of an American sui generis right. Finally, Section V concludes against the enactment of such legislation.

II. The American System

A. Copyright Protection

1. Analysis of Law

Among the enumerated powers vested in Congress through Article I of the Constitution is the authority to create and protect intellectual property rights.9 Congress uses this authority to enact copyright laws granting authors exclusive rights to their original works.10 Copyright protection is only available to works satisfying the following three prerequisites: (1) that the work is fixed in a tangible medium of expression; (2) that the work is original; and (3) that the work is an expression, rather than an “idea, procedure, process, system, method of operation, concept, principle, or discovery.”11 The requirement of originality, and the requirement that the work be an expression, both bar the copyrightability of facts.12

Originality. The United States Supreme Court has repeatedly held that originality is a constitutional requirement of copyrightable works.13 In the Trade-Mark Cases, the Court determined that “originality is required,” and explained that “[t]he writings which are to be protected are the fruits of intellectual labor.”14 In Burrow-Giles, the Court limited copyright to “original intellectual conceptions of the

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9 U.S. CONST. art. I, § 8, cl. 8 (“Congress shall have 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.”).
13 Id. at 347; Burrow-Giles Lithographic Co. v. Sarony, 111 U.S. 53, 58 (1884); In re Trade-Mark Cases, 100 U.S. 82, 94 (1879); 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 1.06[A] (2011); see also L. Ray Patterson & Craig Joyce, Monopolizing the Law: The Scope of Copyright Protection for Law Reports and Statutory Compilations, 36 UCLA L. REV. 719, 763 n.155 (1989).
14 In re Trade-Mark Cases, 100 U.S. at 94.
More recently, in *Feist*, the Court reiterated that the requirement for originality “remains the touchstone of copyright protection today.”16 The Court further defined the term “original,” as used in copyright law, as meaning that the author independently created the work and that it possesses at least a minimum degree of creativity.17

It is impossible for an author to claim originality as to facts.18 An author can only record a fact; in other words, the fact itself owes no part of its existence to the creativity of the author.19 In *Feist*, the Court offered the analogy that census takers “do not ‘create’ the population figures that emerge from their efforts; in a sense, they copy these figures from the world around them.”20 Census data therefore do not trigger copyright because these data are not ‘original’ in the constitutional sense.”21

In the past, several lower courts have misinterpreted the copyright statute by creating the “sweat of the brow” or “industrious collection” doctrine.22 This doctrine was used to justify copyright protection of factual, yet unoriginal works as a reward for the author’s labor.23 In *Feist*, the Court expressly rejected the “sweat of the brow” doctrine, stating that it “flouted basic copyright principles.”24 The *Feist* Court also noted that the Copyright Office and Congress had taken measures to ensure the requirement of originality in copyright.25

*Idea/Expression Dichotomy.* While expression is subject to copyright protection, ideas and discoveries are expressly non-

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15 *Burrow-Giles*, 111 U.S. at 58.
16 *Feist*, 499 U.S. at 347.
17 *Id.* at 345 (citing 1 *MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT §§ 2.01[A], [B] (1990)).
18 *Id.* at 347 (quoting 1 *MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 2.11[A] (1990)).
19 *Id.*
21 *Id.* (quoting 1 *MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 2.03[E] (1990)).
22 See *id.* at 352.
23 See, e.g., Leon v. Pac. Tel. & Tel. Co., 91 F.2d 484 (9th Cir. 1937); see also Jeweler’s Circular Publ’g Co. v. Keystone Publ’g Co., 281 F. 83 (2d Cir. 1922).
24 *Feist*, 499 U.S. at 354.
25 *Id.* at 354–59 (noting the Report of Register of Copyrights on the General Revision of the U.S. Copyright Law, 87th Cong., 1st Sess., p. 9 (H. Judiciary Comm. Print 1961), and Congress’ deletion of §3 and the reference of “directories . . . and other compilations” from §5 of the 1909 Copyright Act, and addition of §102(b), §103; and a definition for the term “compilation” in §101 in the Copyright Act of 1976).
copyrightable.\textsuperscript{26} This limitation of copyrightable subject matter is statutory rather than constitutional,\textsuperscript{27} and is commonly known as the idea/expression dichotomy.\textsuperscript{28} Congress divided those entitled to intellectual property protection into two categories: authors (whose expressions are protected by copyright) and inventors (whose ideas and discoveries are protected by patent).\textsuperscript{29}

The Supreme Court has further delineated support for the idea/expression dichotomy through a series of cases.\textsuperscript{30} The Court has elaborated that facts fall on the idea end of the dichotomy. In \textit{Feist}, the Court determined that “[t]he first person to find and report a particular fact has . . . merely discovered its existence.”\textsuperscript{31} In other words, “[t]he discoverer merely finds and records.”\textsuperscript{32} As such, facts “may not be copyrighted and are part of the public domain available to every person.”\textsuperscript{33}

Although ideas are not protected, original expression used in the presentation of ideas or facts is copyrightable.\textsuperscript{34} Therefore, “[o]thers may copy the underlying [ideas or] facts from [a work] but not the precise words used to present them.”\textsuperscript{35} Only those elements that are original to the author are eligible for copyright protection.\textsuperscript{36} An idea or fact that is presented in an original expression is referred to as being “dressed.”\textsuperscript{37} The amount of protection that “dressed facts” receive

\textsuperscript{26} 17 U.S.C. § 102(b) (2006).
\textsuperscript{28} See generally \textit{Feist}, 499 U.S. at 355–56 (explaining that Section 102(b) preserves the basic dichotomy between expression and idea).
\textsuperscript{29} \textit{Burrow-Giles}, 111 U.S. at 56; Baker v. Selden, 101 U.S. 99, 105 (1879).
\textsuperscript{30} \textit{Baker}, 101 U.S. at 107 (holding that the exclusive rights to a system of accounting described in a book could only be granted by patent and not by copyright); Harper & Row Pub., Inc. v. Nation Enters. Inc., 471 U.S. 539, 556–57 (1985) (“No author may copyright his ideas or the facts he narrates. . . . But copyright assures those who write and publish factual narratives . . . may at least enjoy the right to market the original expression contained therein . . . .”) (internal citations omitted); Mazer v. Stein, 347 U.S. 201, 217 (1954) (“Unlike a patent, a copyright gives no exclusive right to the art disclosed; protection is given only to the expression of the idea – not the idea itself.”).
\textsuperscript{31} \textit{Feist}, 499 U.S. at 347.
\textsuperscript{32} \textit{Id.} (quoting 1 \textsc{Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 2.03[E] (1990)).
\textsuperscript{33} \textit{Id.} at 348 (quoting Miller v. Universal City Studios, Inc., 650 F.2d 1365, 1369 (5th Cir. 1981)).
\textsuperscript{34} See, \textit{e.g.}, \textit{Baker}, 101 U.S. at 101–02; \textit{see also Feist}, 499 U.S. at 349.
\textsuperscript{35} \textit{Feist}, 499 U.S. at 348.
\textsuperscript{36} \textit{Id.}
corresponds with the quantity and quality of their expressive facade.38

**Doctrine of Merger.** Under the doctrine of merger, an idea that can only be expressed in one, or a limited number of ways, merges with that expression into an uncopyrightable whole.39 The merger doctrine developed from the First Circuit’s reasoning in *Morrissey v. Procter & Gamble Co.*:

When the uncopyrightable subject matter is very narrow, so that “the topic necessarily requires,” if not only one form of expression, at best only a limited number, to permit copyrighting would mean that a party or parties, by copyrighting a mere handful of forms, could exhaust all possibilities of future use of the substance. In such circumstances it does not seem accurate to say that any particular form of expression comes from the subject matter. However, it is necessary to say that the subject matter would be appropriated by permitting the copyrighting of its expression. We cannot recognize copyright as a game of chess in which the public can be checkmated.40

The circuit courts are split as to whether the doctrine of merger directly applies to the issue of whether a work is eligible for copyright protection or is only applicable as an affirmative defense to copyright infringement.41 The Second and Ninth Circuits have held that the merger doctrine is only applicable as a defense to copyright infringement.42 The First, Fifth, and Eleventh Circuits have applied

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38 See Robert A. Gorman, *Fact or Fancy? The Implications for Copyright*, 29 J. COPYRIGHT SOC. 560, 563 (1982) (“Even within the field of fact works, there are gradations as to the relative proportion of fact and fancy. One may move from sparsely embellished maps and directories to elegantly written biography. The extent to which one must permit expressive language to be copied, in order to assure dissemination of the underlying facts, will thus vary from case to case.”).


40 Id. (citations omitted) (holding that copyright does not extend to a set of rules for a promotional contest); see also 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.03[B][3] (2007) (explaining that “courts have invoked the merger doctrine” where “rigorously protecting the expression would confer a monopoly over the idea itself, in contravention of the statutory command.”).

41 See, e.g., Mason v. Montgomery Data, Inc., 967 F.2d 135, 138 n.5 (5th Cir. 1992) (noting a split as to the doctrine of merger).

42 Kregos v. Associated Press, 937 F.2d 700, 705 (2d Cir. 1991) (“Assessing merger in the context of alleged infringement will normally provide a more detailed and realistic basis for evaluating the claim that protection of expression would invariably accord protection to an idea.”); Ets-Hokin v. Skyy Spirits, Inc., 225 F.3d 1068, 1082 (9th Cir. 2000) (holding that merger is a defense to infringement).
the merger doctrine to determine whether a work satisfies the “originality” requirement for copyrightability. The split of authority among the circuit courts has created uncertainty as to the issue of the required degree of interconnection between an expression and an idea for the merger doctrine to apply. The Third and Sixth Circuits use a blunt test to determine when ideas and expression have merged. Under this test, the courts ask whether there is only one way or various ways to express an idea. The Second Circuit developed a more nuanced test in *Kregos v. Associated Press*, under which the merger doctrine is only applied when the ideas being expressed “undertake to advance the understanding of phenomena or the solution of problems, such as the identification of the symptoms that are the most useful in identifying the presence of a particular disease,” rather than when ideas are “infused with the author’s taste or opinion.” In the Ninth Circuit, “[t]he guiding consideration in [the application of the merger doctrine] is the preservation of the balance between competition and protection reflected in the patent and copyright laws.”

*Compilations.* Copyright law recognizes that authors can create

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43 *Morrissey*, 379 F.2d at 678 (holding that the instructions for a sweepstakes contest could not be copyrighted); see *BellSouth Adver. & Pub. Corp. v. Donnelley Info. Pub., Inc.*, 999 F.2d 1436, 1442 (11th Cir. 1993) (en banc) (applying the merger doctrine to the question of copyrightability); *Kern River Gas Transmission Co. v. Coastal Corp.*, 899 F.2d 1458, 1460 (5th Cir. 1990) (applying the merger doctrine to the question of copyrightability). The Seventh Circuit also has cases that can be read as supporting the application of the merger doctrine to the question of copyrightability, but the dicta is more convoluted. See, e.g., *Assessment Tech. of WI, LLC v. WIREdata, Inc.*, 350 F.3d 640, 643 (7th Cir. 2003) (“[I]f there is only one way in which to express an idea . . . then form and idea merge, and in that case since an idea cannot be copyrighted the copying of the form is not an infringement”).


46 See *Whelan*, 797 F.2d at 1236 (holding that the merger doctrine does not apply “where there are various means of achieving the desired purpose”); *ATC*, 402 F.3d at 707–08 (“[W]hen there is essentially only one way to express an idea, the idea and its expression are inseparable . . . .”) (quoting Kohus v. Mariol, 328 F.3d 848, 856 (6th Cir. 2003)).

47 CCC Info. Servs., v. *Maclean Hunter Mkt. Reports*, 44 F.3d 61, 71 (2d Cir. 1994) (applying the *Kregos* test to hold that the merger doctrine did not apply to a database containing future values of used cars); see *Kregos v. Associated Press*, 937 F.2d 700, 706 (2d Cir. 1991).

48 CDN Inc. v. *Kapes*, 197 F.3d 1256, 1262 (9th Cir. 1999) (quoting Herbert Rosenthal Jewelry Corp. v. Kalpakian, 446 F.2d 738, 742 (9th Cir. 1971)).
factual compilations that are original in their selection, coordination, or arrangement of data. However, for a factual compilation to be eligible for copyright protection, its original elements must be “made independently by the compiler and entail a minimal degree of creativity . . . .” Even if copyright protection is extended to the selection, coordination, or arrangement of information within a compilation, the underlying data remains in the public domain.

2. Application to Databases

Under copyright law, databases are viewed as compilation works. As such, their original selection and coordination or arrangement of data is protected. Accordingly, while copyright protection “may extend only to those components of a work that are original to the author,” the facts themselves may never become original through association with other parts of the work.

Databases, by definition, are collections of materials, but not all databases contain the same type of material. The classification of the material in the database is critical to determining whether or not that material is eligible for copyright protection. When the author of the database adds no subjective expression to the factual material within the database, the facts themselves are not copyrightable because they lack the requisite level of originality. The selection and arrangement of those facts may be protected, but the data itself is in the public

52 The Copyright Act defines a compilation as “a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship.” 17 U.S.C. §101 (2006).
53 Feist, 499 U.S. at 348.
54 Id. (citing Patterson & Joyce, supra note 13, at 800–802; Jane C. Ginsburg, Creation and Commercial Value: Copyright Protection of Works of Information, 90 Colum. L. Rev. 1865, 1868, 1868 n.12 (1990)).
55 Id. at 349.
56 See id. at 353–54 (holding that names, towns and telephone numbers of subscribers listed in a phone book are uncopyrightable facts and do not satisfy the originality requirement); see also Matthew Bender & Co. v. West Publ’g Co., 158 F.3d 693, 699 (2d Cir. 1998) (holding that “[b]ecause the internal pagination of West’s case reporters does not entail even a modicum of creativity, the volume and page numbers are not original components of West’s compilations and are not themselves protected by West’s compilation copyright”).
A database can also contain facts that the author has dressed with his or her subjective expressions. The idea/expression dichotomy requires that underlying facts be excluded from copyright protection because the facts exist independent of the author. However, the author’s original expression of facts may be subject to protection. While the hurdle of originality set by Feist is agreed to be low, the circuit courts have established minimum levels of originality at seemingly different heights.

Finally, an author may form a database by compiling nonfactual ideas or opinions. In such cases, copyright protection is not limited for want of originality, but by the idea/expression dichotomy and the doctrine of merger. The idea/expression dichotomy limits copyright protection to the author’s original expression of ideas, leaving the ideas themselves in the public domain. The expression of ideas in their most simplistic form may subject the work to the doctrine of merger, eliminating copyright protection. However, databases are most useful when “expressed in the most simple, unadorned, and direct fashion.” Thus, the author of a database must weigh the value of copyright protection against the usefulness of the database in deciding how simplisticly to present ideas and opinions. As the circuit courts have different standards for when ideas merge with expression, there is a resulting uncertainty as to what constitutes an

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57 Feist, 499 U.S. at 350.
58 Id.
59 Id. at 348.
60 Id. at 345 (“To be sure, the requisite level of creativity is extremely low; even a slight amount will suffice. The vast majority of works make the grade quite easily . . . .”).
61 See Clayton, supra note 44. Compare Southco, Inc. v. Kanebridge Corp., 258 F.3d 148, 156 (3d Cir. 2001) (rejecting copyrightability of a database that assigned numbers to products because the numbering was dictated by a system and therefore lacked originality), and ATC Distrib. Grp. v. Whatever It Takes Transmissions & Parts, 402 F.3d 700, 709 (6th Cir. 2005) (rejecting originality in the non-systematic numbering of parts because the “allocation of numbers to parts was an essentially random process, serving only to provide a useful shorthand way of referring to each part”), with Am. Dental Ass’n v. Delta Dental Plans Ass’n., 126 F.3d 977, 979 (7th Cir. 1997) (upholding copyright protection of a database of dental procedures that assigned each procedure a number and description because the author had shown originality in his numbering of the procedures and in their descriptions).
62 See supra notes 24–25 and accompanying text.
63 Feist, 499 U.S. at 350.
64 See supra pp. 5–7 (discussing the doctrine of merger).
65 CCC Info. Servs., v. Maclean Hunter Mkt. Reports, 44 F.3d 61, 70 (2d Cir. 1994).
idea versus an expression.\textsuperscript{66}

The distinction between idea and facts, or creation and discovery, “may be in the eye of the beholder.”\textsuperscript{67} The difficulty of this distinction has led some courts to avoid the issue by assuming creation and disposing of the case with the merger doctrine.\textsuperscript{68}

The second factor that must be considered when determining whether a database is eligible for copyright protection is the originality of the selection and coordination or arrangement of its contents.\textsuperscript{69} Originality requires independence and a minimal level of creativity.\textsuperscript{70} While the majority of databases possess sufficient originality in their selection or arrangement, there remains a distinct set of databases that cannot even garner copyright protection of these elements.\textsuperscript{71}

In \textit{Feist}, the Supreme Court ruled that the “selection” of the names, addresses, and telephone numbers of phone service customers contained in the white-pages of a phone book and the “arrangement” of that data in alphabetical order were practically useful, but “lack[ed] the modicum of creativity necessary to transform mere selection [and organization] into copyrightable expression.”\textsuperscript{72} In \textit{Bellsouth Advertising & Publishing Corp. v. Donnelley Information Publishing, Inc.}, the Eleventh Circuit elaborated on the issues of selection and arrangement of information within a phone directory.\textsuperscript{73} Specifically, the court rejected the idea that the geographic scope and closing date of a phonebook’s contents were original acts of selection.\textsuperscript{74} The court reasoned that holding otherwise “would protect such factual elements of every compilation . . . ‘fixed in any tangible medium of expression.’”\textsuperscript{75} The court further distinguished between “creatively original selection of facts” as subject to copyright protection and “creative means used to discover those facts” as not eligible for such protection.\textsuperscript{76} The court then focused on the arrangement of

\textsuperscript{66} Compare CDN Inc. v. Kapes, 197 F.3d 1256, 1262 (9th Cir. 1999) (holding that the present valuations of coins were protectable expressions), \textit{with} New York Mercantile Exch., Inc. v. Intercontinental Exch., Inc., 497 F.3d 109, 117–18 (2d Cir. 2007) (holding that the daily settlement price of commodity futures cannot be expressed independently of the idea and are therefore uninfringeable).

\textsuperscript{67} Cohen, \textit{supra} note 11, at 300.

\textsuperscript{68} See, e.g., \textit{New York Mercantile Exchange, Inc.}, 497 F.3d at 116.

\textsuperscript{69} \textit{See supra} note 43 and accompanying text.

\textsuperscript{70} \textit{Feist}, 499 U.S. at 358.

\textsuperscript{71} \textit{Id.} at 358–59.

\textsuperscript{72} \textit{Id.} at 362–63.

\textsuperscript{73} \textit{Bellsouth Adver. & Publ’g Corp. v. Donnelley Info. Publ’g, Inc.}, 999 F.2d 1436, 1438 (11th Cir. 1993).

\textsuperscript{74} \textit{Id.} at 1446.

\textsuperscript{75} \textit{Id.} at 1441 (quoting 17 U.S.C. § 102(a) (2006)).

\textsuperscript{76} \textit{Id.} (emphasis omitted).
information, holding that a phone directory’s yellow pages, arranged as “an alphabetized list of business types, with individual businesses listed in alphabetical order under the applicable headings,” was not sufficiently original to warrant copyright protection.\textsuperscript{77} The court did note that, unlike in \textit{Feist}, there was no direct copying of “the text or graphic material from the advertisements . . . the positioning of [the] advertisements, [or] typeface . . . .”\textsuperscript{78} Thus, a competitor was able to take “the bulk of the factual material from a preexisting [database] without infringement of the author’s copyright . . . .”\textsuperscript{79}

\section*{B. Common Law Protection}

\subsection*{1. Trade Secret}

It is possible that some databases may receive legal protection through the principles of trade secret law. In the United States, courts first recognized damages as an appropriate remedy for the misappropriation of trade secrets in 1837, and recognized injunctive relief as an appropriate remedy in 1866.\textsuperscript{80} During the early 20th Century, most states adopted the common law tort of improper use or disclosure of trade secrets as set forth in Sections 757 and 758 of the First Restatement of Torts.\textsuperscript{81} Today, most states have adopted some form of the Uniform Trade Secrets Act (UTSA),\textsuperscript{82} and all states have some form of trade secret protection.\textsuperscript{83}

Databases can qualify as a trade secret if they derive “independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from their disclosure or use,”\textsuperscript{84} and reasonable efforts are made to maintain their secrecy.\textsuperscript{85}

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\begin{footnotesize}
\begin{enumerate}
\item \textit{Id.} at 1442.
\item \textit{Id.} at 1445.
\item \textit{Id.}
\item Taylor v. Blanchard, 95 Mass. 370 (1866); \textit{see} Vickery v. Welch, 36 Mass. 523, 527 (1837).
\item \textit{RESTATEMENT (FIRST) OF TORTS} \S\S 757, 758 (1939); \textit{ROBERT P. MERGES ET AL., INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE} 35 (4th ed. 2007).
\item \textit{UNIF. TRADE SECRETS ACT} \S 1(4)(i).
\end{enumerate}
\end{footnotesize}
The types of databases eligible for protection as trade secrets are limited in scope and generally contain membership, customer, pricing, marketing, distribution, and/or supplier data. However, even databases containing business related information are only eligible for trade secret protection if the information is held in secrecy and that secrecy adds to its value. 

Even if a database qualifies as a trade secret, a cause of action seeking either damages or injunctive relief only arises when the database is misappropriated. Misappropriation only occurs when a trade secret is acquired, used, or disclosed by improper means or by someone with a contractual or implied duty to protect the secret. 

While trade secret law adequately protects a limited category of proprietary databases, it is incapable of protecting creators of databases that unassociated persons are intended to use. The entire premise of trade secret protection runs contrary to the public policy of “advancing the public welfare” by encouraging the creation, publication, and distribution of “works of lasting benefit to the world.”

2. Contract

The common law of contracts is fundamentally intertwined with federal copyright protection because owners of copyrights often use contracts in order to license and profit from their work. Creators of
databases that are eligible for little or no copyright protection may use contracts to create or expand intellectual property rights in their works. 94

Although some proprietary databases are distributed to a select number of users through using original and negotiated contracts, the vast majority of databases are intended for commercial sale to the public at large. These databases are generally distributed subject to end-user licenses (commonly referred to as “shrinkwrap” or “clickwrap” licenses) purporting to protect the database and its contents. 95 In the 1996 case of ProCD, Inc. v. Zeidenberg, the Seventh Circuit first recognized the enforceability of shrinkwrap licenses. 96 Writing for the majority, Judge Easterbrook reasoned the shrinkwrap license was enforceable because the Uniform Commercial Code allows for a contract to be “made in any manner sufficient to show agreement.” 97 In other words, under the UCC, an agreement is shown to have been formed when the purchaser sees the license and fails to return the goods. 98 Although shrinkwrap licenses have since been recognized by a majority of courts, 99 a significant minority of courts continue to deny their enforcement. 100

94 E.g., MERGES, supra note 81, at 866.
95 MERGES, supra note 81, at 853. A shrinkwrap license contains restrictions on the purchaser’s use of the database and is typically found shrink-wrapped to the outside packaging, but may sometimes be located inside the packaging, in the user manual, or other locations. ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1449–50 (7th Cir. 1996). A clickwrap license is used for databases that are directly distributed or accessed over the Internet; it acts by “present[ing] the user with a message on his or her computer screen, requiring that the user manifest his or her assent to the terms of the license agreement” before accessing the database. Specht v. Netscape Commc’ns Corp., 150 F. Supp. 2d 585, 593–94 (S.D.N.Y. 2001), aff’d, 306 F.3d 17 (2d Cir. 2002).
96 Compare Zeidenberg, 86 F.3d at 1455 (7th Cir. 1996), with Vault Corp. v. Quaid, Inc. 847 F.2d 255, 269–70 (5th Cir. 1988) (license provision unenforceable), and Arizona Retail Sys. v. Software Link, Inc., 831 F. Supp. 759, 766 (D. Ariz. 1993) (end user not bound by license agreement).
97 U.C.C. § 2-204(1) (2004), construed in Zeidenberg, 86 F.3d at 1452.
98 ProCD, 86 F.3d at 1452–53.
Clickwrap licenses exhibit some significant differences from their shrinkwrap counterparts. It is unclear as to whether the sale of a license entitling the user to access a database through the Internet constitutes the sale of goods, in which case Article 2 of the UCC would govern the transaction. If not, the sale of such a license would be governed by the common law of contracts. However, in many situations there will be no essential differences between the application of the UCC and common law contract principles.

The character of online sales allows the shrinkwrap terms to be fully disclosed to the buyer before purchase, thus eliminating one of the major problems associated with shrinkwrap licensing. The ability to provide pre-transaction notice makes enforcement of clickwrap licenses significantly easier than enforcing shrinkwrap licenses. Still, clickwrap licenses must be clear to the “reasonably prudent offeree” of downloadable software in order to be upheld by the courts.

Even if a shrinkwrap or clickwrap agreement complies with and is enforceable under either the UCC or common law contract principles, federal law may nevertheless preempt the issue of whether such an agreement is enforceable. Contracts related to databases may be federally preempted under the Section 301 of the Copyright Act or the Supremacy Clause of the Constitution.

Section 301 preempts any state law that creates a right that is equivalent to one granted by copyright. Although no court has gone


Specht v. Netscape Commc’ns Corp., 306 F.3d 17, 29 n.13 (2d Cir. 2002).

102 Id.

103 MERGES, supra note 81, at 881.


105 See Specht, 306 F.3d at 31 (holding that a license, which could only be found by scrolling to a screen located below the download button, was unenforceable because its existence would not necessarily be clear to a reasonably prudent downloaddor of software).


so far as to opine that contracts can never grant rights equal to those bestowed by copyright, in *ProCD*, the Seventh Circuit elaborated on what it saw as broad categorical differences between copyright and contract rights.109 In *ProCD*, the court differentiated between what it viewed as a copyright’s grant of an exclusive right against the world—only waived by affirmative action—and a contract’s creation of a duty on the part of a specific party—with no affect on the rights of the rest of the world.110 Many academics have been skeptical about the reality of this distinction.111 Indeed, such a distinction becomes particularly suspect when considering that the contract at issue in *ProCD* was the same shrinkwrap license that was attached to every copy sent into the world.112

Other courts have used “additional element analysis” to test for preemption under Section 301.113 Under this analysis, if a state law cause of action contains at least one additional element beyond a claim of copyright infringement it is not preempted by the copyright act.114 Although the test is facially sound, many courts have taken an extremely liberal approach in their determination of what qualifies as an additional element to a state law cause of action.115 Accordingly, judicial application of additional element analysis has made it difficult for any claim in state law to be preempted by Section 301.

Under the Supremacy Clause of the Constitution, a state law that has not been explicitly preempted by federal law will still be preempted if the state law conflicts with a federal mandate or is contrary to the purpose of a federal statute.116 The Copyright Act not only provides for the grant of protection, but can also be seen as eschewing all protection of a work where Congress has determined

110 Id. at 1454.
112 MERGES, supra note 81, at 961; see *ProCD*, Inc., 86 F.3d at 1450.
113 Wrench LLC v. Taco Bell Corp., 256 F.3d 446, 456 (6th Cir. 2001).
114 MERGES, supra note 81, at 962.
115 See Nat’l Car Rental Sys. v. Computer Assocs. Int’l, Inc., 991 F.2d 426, 432 (8th Cir. 1993) (finding that use is not an element of copyright infringement); Wrench LLC, 256 F.3d at 459 (holding that the requirement of “expectation of compensation” in a claim of an implied contract prevented its preemption).
116 U.S. CONST. art. VI, cl. 2; see McCulloch v. Maryland, 17 U.S. 316, 396 (1819).
that the “free and unrestricted distribution of a [work] is . . . required by the national interest . . . .”\textsuperscript{117} The circuit courts are split as to whether shrinkwrap licenses can be preempted by the policy of public domain set forth in the Copyright Act, but the trend is towards finding against preemption.\textsuperscript{118}

### III. The European System

In Europe, the EU Database Directive protects authors’ investments in the creation of databases.\textsuperscript{119} The EU Database Directive defines databases as collections of works or other materials that are systematically arranged and can be individually accessed.\textsuperscript{120} This definition encompasses both physical and electronic databases.\textsuperscript{121} It is not necessary that database material be physically stored in an organized manner.\textsuperscript{122} While “materials necessary for the operation or consultation of certain databases such as thesaurus and indexation systems,” are included within the definition of the term “database,”\textsuperscript{123} the definition does not encompass the computer programs necessary in database creation or operation.\textsuperscript{124}

The directive established a two-pronged system of protection. The directive first recognizes that copyright is an appropriate form of database protection.\textsuperscript{125} It then goes further to establish additional measures to prevent the unauthorized extraction and reutilization of the contents within a database.\textsuperscript{126}

\textsuperscript{117} Goldstein v. California, 412 U.S. 546, 559 (1973).

\textsuperscript{118} Compare Vault Corp. v. Quaid Software Ltd., 847 F.2d 255, 270 (5th Cir. 1988), and Bowers v. Baystate Techs. Inc., 320 F.3d 1317, 1337 (Fed. Cir. 2003) (Dyk, J., dissenting) (endorsing Vault Corp.), with Davidson & Assoc. v. Jung, 422 F.3d 630, 639 (8th Cir. 2005), and Bowers, 320 F.3d at 1323. See also ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1455 (7th Cir. 1996) (reversing the district court’s holding that a shrinkwrap license was invalid because it restricted rights of uncopyrightable information, but failing to address the issue of the Supremacy Clause preemption).


\textsuperscript{120} Id. at pmbl. para. 17.

\textsuperscript{121} Id. at pmbl. para. 14.

\textsuperscript{122} Id. at pmbl. para. 21.

\textsuperscript{123} Id. at pmbl. para. 20.

\textsuperscript{124} Id. at pmbl. para. 23 (noting that computer programs are protected by Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs).

\textsuperscript{125} Id. at pmbl. para. 5.

\textsuperscript{126} Id. at pmbl. para. 6.
A. Copyright Protection

The EU Database Directive establishes database copyright protection that is nearly equivalent to its American counterpart. Under the EU copyright framework, the selection and arrangement of contents within a database represents the author’s own intellectual creation, and are therefore eligible for copyright protection. No other criteria, such as effort or cost, are considered in copyright eligibility. Copyright protection of a database does not extend to the contents therein and does not affect any right or protections of the underlying contents.

B. Sui Generis Protection

The second prong of the EU Database Directive grants authors sui generis rights in their databases. This additional protection is aimed at securing authors’ exclusive rights where “the making of databases requires the investment of considerable human, technical and financial resources . . . [and] can be copied or accessed at a fraction of the cost needed to design them independently.” Thus, the Europeans have made the public policy determination to protect the “sweat of the brow” efforts of database authors, something that was specifically rejected by the United States Supreme Court.

The EU Database Directive sets forth the EU’s reasoning for creating a sui generis database protection. The exponential growth of information highlights the importance of databases as a vital tool in all sectors of industry and commerce. Therefore, the EU recognized that promoting the investment in advanced information processing

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129 Id.
130 Id.
131 The term sui generis “is used in intellectual-property law to describe a regime designed to protect rights that fall outside the traditional patent, trademark, copyright, and trade-secret doctrines.” BLACK’S LAW DICTIONARY 1475 (8th ed., 2004).
133 Id. at pmbl. para. 7.
136 Id. at pmbl. paras. 9–10.
systems is a benefit to society.\(^\text{137}\) Furthermore, the EU reasoned that, unless measures were taken to prevent unauthorized extraction or reutilization of database contents, the necessary investment in database creation would not occur, resulting in serious economic and technical consequences.\(^\text{138}\)

The EU Database Directive establishes a *sui generis* right for:

> [T]he maker of a database which shows that there has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents to prevent extraction and/or re-utilization of the whole or of a substantial part, evaluated qualitatively and/or quantitatively, of the contents of that database.\(^\text{139}\)

While the text seems straightforward, it must be further examined to answer several relevant questions: (1) who is entitled to *sui generis* protection; (2) what databases are entitled to *sui generis* protection; and (3) what rights are conferred by *sui generis* protection?

*Sui generis* rights vest in the ‘maker’ of a database, distinguished from the ‘author’ who may be entitled to copyright protection.\(^\text{140}\) The EU Database Directive defines the maker of a database as “the person who takes the initiative and the risk of investing” in the creation of a database and excludes subcontractors.\(^\text{141}\) This definition is consistent with the Directive’s purpose of promoting investment in the creation of databases.\(^\text{142}\) The Directive protects human, technical, and financial investments in database creation.\(^\text{143}\)

There are scenarios where copyright and *sui generis* protection will vest in the same person, as well as scenarios where possession of these rights will diverge.\(^\text{144}\) When the maker of a database invests significant intellectual resources in the original selection and arrangement of material, he also qualifies as an author under

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\(^{\text{137}}\) See generally *id.* at pmbl.

\(^{\text{138}}\) *Id.* at pmbl. paras. 8, 10, 12.

\(^{\text{139}}\) *Id.* at art. 7.

\(^{\text{140}}\) *DAVISON, supra* note 1, at 82.


\(^{\text{142}}\) *DAVISON, supra* note 1, at 82.

\(^{\text{143}}\) See Council Directive 96/9/EC, *supra* note 119, at pmbl. para. 7 (explaining “the making of databases requires the investment of considerable human, technical and financial resources”); 39 (referring to financial and professional investments in databases); 40 (explaining “investment may consist in the deployment of financial resources and/or the expending of time, effort and energy”).

\(^{\text{144}}\) *DAVISON, supra* note 1, at 83.
Making a purely financial investment or human investment (through selection and arrangement of data that is significant but not creative) qualifies the investor as a maker of the database, but fails to establish authorship.\textsuperscript{146}

The EU Database Directive requires that the investment in “obtaining, verification or presentation of the contents” of a database must be either qualitatively or quantitatively substantial in order to qualify for \textit{sui generis} protection.\textsuperscript{147} Therefore, a database may qualify for \textit{sui generis} protection by satisfying one of two requirements. First, a database is eligible for protection when the author invests substantial physical or mental efforts (\textit{i.e.} sweat of the brow work).\textsuperscript{148} However, the Directive does not specify how much sweat must fall from the creator’s brow in order for a database to become eligible for \textit{sui generis} protection.\textsuperscript{149} The Directive states that the purpose of establishing “this sui generis right is to ensure protection of any investment . . . of financial resources and/or expending of time, effort and energy.”\textsuperscript{150} Although the Directive establishes a minimal requirement of investment,\textsuperscript{151} in practice, the requirement is not difficult to satisfy.\textsuperscript{152}

A database may also qualify for \textit{sui generis} protection by showing a substantial investment in obtaining, verifying, or presenting material.\textsuperscript{153} Accordingly, a work satisfying the copyright requirement that the selection and arrangement of material result from the author’s intellectual creation, will also qualify for \textit{sui generis} protection.\textsuperscript{154} An author’s original arrangement of material constitutes a qualitative investment in presentation.\textsuperscript{155} An author’s original selection of material constitutes a qualitative investment in obtaining the contents of the database.\textsuperscript{156} Therefore, a database eligible for protection under copyright law will almost always also qualify for \textit{sui generis}

\begin{thebibliography}{99}
\bibitem{146} \textit{Cf.} id. (noting that the only criterion of authorship is whether the work is the “author’s own intellectual creation”).
\bibitem{147} \textit{Id.} at ch. 3, art. 7, para. 1.
\bibitem{148} \textit{Cf.} id.; \textit{cf.} id. at pmbl., para. 40.
\bibitem{149} \textsc{Cohen} et al., \textit{supra} note 11, at 305; \textit{see also} Council Directive 96/9/EC, \textit{supra} note 119, at ch. 3, art. 7, para. 1.
\bibitem{150} Directive 96/9/EC, \textit{supra} note 119, at pmbl., para. 40 (emphasis added).
\bibitem{151} \textit{Id.} at pmbl., para. 19 (noting that the compilation of several recordings of musical performances on a CD does not represent a substantial enough investment to be eligible under the \textit{sui generis} right).
\bibitem{152} \textsc{Cohen} et al., \textit{supra} note 11, at 306.
\bibitem{154} \textit{Id.} at ch. 2, art. 3, para. 1.
\bibitem{155} \textsc{Davis}on, \textit{supra} note 1, at 84.
\bibitem{156} \textit{Id.}
\end{thebibliography}
protection, with both rights vesting in the same person.\textsuperscript{157} The Directive bestows the maker of a database with a \textit{sui generis} right “to prevent extraction and/or reutilization” of the database contents.\textsuperscript{158} This \textit{sui generis} right to prevent extraction and/or reutilization is analogous to the grant of exclusive rights in reproduction and creation of derivative works provided under copyright law.\textsuperscript{159} However, \textit{sui generis} protection diverges from copyright law by extending protection to the contents of databases and does not limit protection to the selection and arrangement.\textsuperscript{160} The protection of contents is the Directive’s most important divergence from traditional copyright law, and this protection was the primary reason for its creation.\textsuperscript{161}

Under the Directive, qualifying databases are granted a fifteen-year term of \textit{sui generis} protection.\textsuperscript{162} However, unlimited renewals of the initial fifteen-year term can be granted upon the showing of further substantial investment in the database by materially adding, removing, or altering its contents.\textsuperscript{163}

IV. ASSESSING HARMONIZATION BY ESTABLISHING AN AMERICAN \textit{SUI GENERIS} DATABASE PROTECTION

In the United States, legislation proposing greater protection of databases has been considered numerous times since the implementation of the EU Database Directive.\textsuperscript{164} The first legislative

\begin{quote}
\textsuperscript{157} Id.
\textsuperscript{160} \textit{Compare} Council Directive 96/9/EC, \textit{supra} note 119, at ch. 3, art. 7, para. 1 (“Member States shall provide for a right . . . to prevent extraction and/or reutilization of . . . the contents of that database.”), \textit{with} WIPO Copyright Treaty, \textit{supra} note 159, at art. 5 (“[Databases] which by reason of the selection or arrangement of their contents constitute intellectual creations, are protected as such. This protection does not extend to the data or the material itself . . . .”).
\textsuperscript{162} \textit{Id.} at ch. 3, art. 10, paras. 1–2.
\textsuperscript{163} \textit{Id.} at ch. 3, art. 10, para. 3.
proposals for creating *sui generis* database protection were closely modeled on the property approach set forth in the EU Database Directive.\textsuperscript{165} More recent proposals eschewed such language, opting instead for the creation of a misappropriation-based tort for “conduct that threatened an actual or potential market for a database,” but which “allow[s] some ‘reasonable uses’ by educational, scientific, and research organizations.”\textsuperscript{166} However, the proponents of further database protection failed to garner sufficient support to pass their legislation.

American intellectual property law remains largely in the confines of the pre-information age era; however, “[i]n a constantly changing society . . . the legal system must be continually restructured to reflect larger changes that occur outside the law.”\textsuperscript{167} Such is particularly true with intellectual property laws that protect our rapidly advancing technology. Yet, the creation of new intellectual property rights is a congressional action that is rarely undertaken\textsuperscript{168} and must be managed with caution.\textsuperscript{169}

Congressional authority to enact intellectual property legislation could possibly be derived from either the Intellectual Property Clause\textsuperscript{170} or the Commerce Clause\textsuperscript{171} of the Constitution. When Congress enacted *sui generis* protection of semiconductor chip design,
it based its authority on the Intellectual Property Clause, and merely used the Commerce Clause as a buttress for overwhelming support. It is important to distinguish that, unlike semiconductor designs protected by the Semiconductor Chip Protection Act, there is no inherent originality of database contents. The Supreme Court has found that originality is a requirement for copyrightability, and novelty is a requirement for patentability under federal law. This decision, along with others holding that the laws of nature, physical phenomena, and abstract ideas are not patentable, suggests that originality is a requirement of all protections granted by Congress under its authority derived from the Intellectual Property Clause. As such, case law suggests that the Intellectual Property Clause cannot be used to establish congressional authority in establishing sui generis protection of database contents.


173 See 17 U.S.C. §910(a) (2006); see also The Semiconductor Chip Protection Act of 1983: Hearing on S. 1201 Before the Subcomm. on Patents, Copyrights and Trademarks of the S. Comm. on the Judiciary, 98th Cong. 91 (1983) (statement of Professor Arthur Miller, professor of law, Harvard Law School) ("[t]he use of two constitutional clauses to protect a copyrighted work is nothing more than using a belt and suspenders to protect that work."). But cf. 1983 HOUSE HEARINGS, supra note 172, at 108 (statement of Dorothy Schrader) ("Congress has never enacted a copyright law based on the Interstate Commerce Clause.").

174 Compare Council Directive 96/9/EC, supra note 119, at pmbl., para. 39 ("[T]his Directive seeks to safeguard . . . the financial and professional investment made in obtaining and collection the contents . . . of a database . . . ."), with Brooktree Corp. v. Advanced Micro Devices, Inc., 977 F.2d 1555, 1563 (Fed. Cir. 1992) ("While some copyright principles underlie the [Semiconductor Chip Protection Act] law, as do some attributes of patent law, the Act was uniquely adapted to semiconductor mask works, in order to achieve appropriate protection for original designs while meeting competitive needs of industry and serving the public interest.") (emphasis added).

175 35 U.S.C. § 102(a) (2006) (A person shall be entitled to a patent unless “the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent.”).

176 Parker v. Flook, 437 U.S. 584, 593 (1978); Gottschalk v. Benson, 409 U.S. 63, 67 (1972); Funk Bros. Seed Co. v. Kalo Inoculant Co., 333 U.S. 127, 130 (1948) ("[M]anifestations of laws of nature, [are] free to all men and reserved exclusively to none . . . ."); O’Reily v. Morse, 56 U.S. 62, 116 (1853); Le Roy v. Tatham, 55 U.S. 156, 175 (1852) ("[A] fundamental truth; an original cause; a motive; these cannot be patented, as no one can claim in either of them an exclusive right.").

177 See Feist Publ’ns Inc., 499 U.S. at 346–49; Ry. Labor Executives Ass’n v. continued...
Congress may not directly bypass the limitations placed upon its power by the Intellectual Property Clause \(^{179}\) by legislating under the broader Commerce Clause grant of power, because the more specific clauses of the Constitution limit those that are more general. \(^{180}\) However, Congress may have the power to enact \textit{sui generis} protection of database contents under the Commerce Clause “if the statute set[s] forth a scheme of protection qualitatively different from a copyright regime.” \(^{181}\)

Proponents of such legislation argue that \textit{sui generis} rights can make significant departures from American copyright law in both the duration of protection and, more importantly, the scope of protection. \(^{182}\) While current copyright protection lasts for the life of the author plus seventy years, or one hundred twenty years from the creation of a work-for-hire, \(^{183}\) the EU Database Directive grants only a fifteen-year term of exclusivity. \(^{184}\) The Directive’s potentially unlimited term extensions could lead to the length of \textit{sui generis} protection being more akin to the length of protection afforded under copyright law. However, trademark protection is also granted for a potentially infinite length of time under the Commerce Clause dependent Lanham Act and does not run afoul of the Intellectual Property Clause’s limitations. \(^{185}\)

More importantly, proponents of establishing \textit{sui generis} database protection argue that that such legislation’s increased scope of

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\(^{179}\) The Supreme Court has described the Intellectual Property clause as “both a grant of power and a limitation.” \textit{See} Graham v. John Deere Co., 383 U.S. 1, 5–6 (1965) (describing Congress’ authority to grant patents as “limited to the promotion of advances in the ‘useful arts’”).

\(^{180}\) \textit{See} Gibbons, 455 U.S. at 468–69 (“[I]f we were to hold that Congress had the power to enact nonuniform bankruptcy laws pursuant to the Commerce Clause, we would eradicate from the Constitution a limitation on the power of Congress to enact bankruptcy laws [under the Bankruptcy Clause].”); \textit{see also} Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 155–56 (1975) (declaring constitutional bar to perpetual copyright).


protection would substantively distinguish it from copyright law. Under the EU Database Directive, liability would arise from unauthorized copying of compiled information, regardless of whether or not that information’s original selection or arrangement are copied. Proponents argue that “there is no overlap in regulated conduct, [therefore] the two regimes would not clash, and there would be no intra-Article I conflict.” However, this argument is refuted because copyright law’s failure to protect investment in non-original compilations is “the result of inherent limitations the Court has perceived to be imposed on the copyright power by the constitutional originality standard.”

Opponents additionally argue that Congress lacks the power to legislate sui generis database protection under the Commerce Clause because, while the Directive’s protections may differ in degree from copyright protections, they do not differ in kind. Federal trademark law does not afford protection against copying per se; rather, it protects the public against confusion and deception in the marketplace. In contrast, the Directive is essentially an anti-copying regulation. The sui generis rights provided under the Directive “to prevent extraction and/or reutilization” are also provided for under copyright law: the right to prepare derivative works. Therefore, “the general conduct at issue is conduct regulated by copyright, even though the conduct as applied to the subject matter of unoriginal components of compilations is not . . . .” Accordingly, Congress most likely lacks the authority to enact a sui generis protection of database contents as exists in the EU Database Directive.

V. CONCLUSION

Databases are integral to the modern practice of business, science, and law. The original selection of material and the unique arrangement of data can increase the value of a database. But, the most valuable databases are those containing all of the materially relevant information arranged that is familiar to users. These types of databases also deserve protection; while their creation may not require

186 Ginsburg, supra note 181, at 373.
188 Ginsburg, supra note 181, at 373.
190 Ginsburg, supra note 181, at 373.
192 Directive 96/9/EC, supra note 119 at ch. 3, art. 7, para. 1.
194 Ginsburg, supra note 181, at 374.
a creative spark, it does require blood, sweat, and tears, the value of which should be recognized and protected.

It is tempting to support a *sui generis* protection of database contents similar to that set forth in the EU Database Directive. However, the creation of such a *sui generis* protection would be neither constitutional nor just. If such legislation were passed, an incredible amount of factual data would be removed from the public domain and be cradled in the hands of a corporate oligarchy. Already such corporations exist and control access to entire categories of information. This creates the essential question, how do these companies exist without *sui generis* protection?

The current system of dual protections under both copyright and contract law shield the creators of databases from improper appropriation of their work. Copyright shields the original elements of their work against the world. Purchase contracts and licensing agreements shield all elements of their work against misappropriation by all licensees.

Although a few holes and bits of inconsistent pattern no doubt exist in the current patchwork of database protection, the courts often remedy defects resulting in severe inequities on a case-by-case basis. There is no need to create a new *sui generis* protection that detriments the public domain and violates the limit of Congressional power when the current system is not broken and the information industry is thriving.
COMMENT: “CLOSING PANDORA’S BOX:” SPECULATIVE INVOICING AND OPPORTUNISM IN FILE SHARING

Dirk Lasater †

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INTRODUCTION

When public access to the world-wide web expanded and advanced in 1994, copyright protection and consumer access to unauthorized files began on their inevitable collision course. This widespread consumer access eventually provided both an opportunity and a substantial risk for content owners. While early web developers may have longingly envisioned a potentially world-wide file sharing community, no one could have foreseen the impact that downloading and file sharing would have on the music and film industries’ classical business models and the market substitutes this virtual environment would provide. Online access to unauthorized files has redefined multiple generations’ definitions of permissible access and has recharacterized the debate surrounding copyright violations and the exclusive rights the law permits. Further, the explosion of file sharing sites has culminated in increased national awareness of copyright laws, on the one hand, and a quagmire of legal difficulties and policy decisions on the other. These legal difficulties have arisen prominently in the battles that have ensued between content owners and the file sharing community.

While some file sharing may have existed prior to Napster’s

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2 See O. Freestone & V.-W. Mitchell, Generation Y Attitudes Towards E-ethics and Internet-related Misbehaviours, 54 J. BUS. ETHICS 121, 126 (2004) (“In particular, Generation Y consumers seem more permissive of software piracy and . . . they feel that they are doing no direct harm to sellers as they cannot see the direct economic consequences of their actions, and that they are the victim of inflated software, music or movie prices, blaming the industry for keeping prices artificially high.”).

3 See FED. TRADE COMM’N, STAFF REPORT, PEER-TO-PEER FILE SHARING TECHNOLOGY: CONSUMER PROTECTION AND COMPETITION ISSUES 12 (June 2005), available at http://www.ftc.gov/reports/p2p05/050623p2prpt.pdf (“On the whole . . . FTC staff concludes that consumer awareness of certain risks appears to have increased . . . . [O]ne panelist stated that there has been ‘significant growth’ in consumer awareness regarding potential liability for copyright infringement for using P2P networks.”).

4 See Justin Hughes, On the Logic of Suing One’s Customers and the Dilemma of Infringement-Based Business Models, 22 CARDOZO ARTS & ENT. L.J. 725, 727 (2005) (“Peer-to-peer technology blindsided the recording industry in 1999, and . . . [t]he battle has been fought mainly in the courts, not in legislative and administrative agencies . . . [T]he choices facing the music industry have still been the same: (a) surrender, (b) seek to enforce copyright norms against the technology and its business models, and/or (c) seek to enforce copyright norms against individual consumers—the individual P2P users offering and downloading music files.”).
creation in 1999, the development of this notorious site marked a seminal event in file sharing history and gave the public its first dominant file sharing model for free distribution of unauthorized files. Following Napster’s demise, technology continued to advance, with copyright violations skyrocketing and enforcement regimes struggling to keep pace. Naturally, the music industry and a prominent lobbying group, the Recording Industry Association of America (“RIAA”), searched to find a way to close Pandora’s Box. This search was pursued by targeting file sharing websites such as Napster, Aimster, and Grokster, and, in tandem, suing individual end users. While the content industry has been arguably successful on both of these fronts, resolution of the larger problem has not been realized, Pandora’s evils are out of the box, and all similar efforts are beginning to look like a seemingly futile attempt to prevent online file sharing.

This struggle against consumers has culminated in the use of speculative invoicing, or ‘pay up or else’ schemes, which pit content owners against end users in pre-litigation disputes. Though these schemes create new opportunities for extra-judicial resolution of disputes, they also create significant opportunities for abuse. These processes are currently being utilized on a grand scale by groups referred to as “copyright trolls” (“troll”). Unlike the prototypical

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6 This proposition is evidenced in the Napster, Aimster, Grokster, and Limewire decisions, explained infra Part II.

7 Hughes, supra note 4, at 728.

8 See infra Part II.

9 See RIAA v. The People: Five Years Later, ELEC. FRONTIER FOUND. 10 (Sept. 2008), https://www.eff.org/files/eff-riaa-whitepaper.pdf (“While it is hard to precisely measure the use of P2P and the amount of illegal file sharing in the U.S., one thing is clear: after more than 30,000 RIAA lawsuits, tens of millions of U.S. music fans continue to use P2P networks and other new technologies to share music.”).

10 Similar to the patent regime, the term ‘troll’ has both a positive and negative connotation. They are generally not content creators, but are merely hired guns or third-party assignees, and they seek to benefit by acquisition or exploitation of the rights creators hold. However, trolls serve in a positive light to provide enforcement in an area seemingly ripe with derision. The term troll is used in this article for ease of reference and commonality with the existing literature. See Joe Mullin, Is This the Birth of the Copyright Troll?, CORPORATE COUNSEL (ONLINE) (Aug. 13, 2010), available at http://www.law.com/jsp/cc/PubArticleCC.jsp?id=1202466627090. The two paradigmatic examples of these entities are Righthaven, which focuses on newspaper articles and blogs, and the U.S. Copyright Group (“USCG”), which targets movie downloading. See also Ryan Kearney, D.C.’s U.S. Copyright Group continued . . .
The typical example of this pre-trial procedure begins when a troll contracts with a copyright holder to either gain assignment of a copyright, or take an enforcement case on a contingency basis. Next, the troll sends a cease-and-desist letter, coupled with a settlement offer, to individual downloaders after subpoenaing their personal information from the end users’ respective Internet service providers (“ISPs”). The letter will give the individual a limited time frame in which to settle, provide penalty for delay, and threatens suit if the individual chooses not to settle. As most individual consumers are legally unsophisticated, this model promotes a quick settlement, and none of these cases seem to ever result in actual litigation on the merits. With a threat of potential statutory damages of $150,000, the cost of going to trial being presumably around $65,000, and a standing settlement offer of $3,500, any rational actor would settle; thus, a lucrative business model is alive and thriving.

Despite this legally utopian cash cow and its apparent permissibility within the constraints of the law, many bourgeoning legal claims and authors argue that these trolls have become greedy, using demand letters indiscriminately, and in some cases, illegally. Consumer lawsuits have begun to arise, claiming incorrect analysis of the law in the cease-and-desist letters, unreasonable demands, coercion, and intimidation.

Globally, this Article provides a comprehensive overview of the


This process is discussed fully below, infra Part III.

11 See Jeffrey Edward Barnes, Attorney's Fee Awards in Federal Copyright Litigation After Fogerty v. Fantasy: Defendants are Winning Fees More Often, but the New Standard Still Favors Prevailing Plaintiffs, 47 UCLA L. REV. 1381, 1392 (2000); See, e.g., Jefferson Graham, 'Amnesty' for Song Swappers?, USA TODAY Sept. 8, 2003, at 1D, available at 2003 WLNR 6115403; Jonathan Mattise, Villanova Warns Students: Stop Illegal Downloads, PHILA. INQUIRER, Apr. 26, 2008, at B04, available at http://articles.philly.com/2008-04-26/news/25252882_1_illegal-downloads-villanova-university-students-riaa (indicating the average cost of settling a copyright infringement lawsuit for college students averages about $5,000); Mullin, supra note 10 (In referring to Righthaven’s founder, Steve Gibson: “Of the suits he's already filed, Gibson says about 30 percent have settled. While the settlements are all confidential, Las Vegas Sun reporter Steve Green reported this week that the settlement amounts range from $2,185 to $5,000. None of the settlements have included a transfer of the defendant's domain name to Righthaven, a demand made in each of the initial Righthaven complaints.”).
process of speculative invoicing and the major players currently operating in the field. Specifically, this Article argues that the existing legal structure has created opportunities for abuse that—if these new legal claims have merit—some trolls have been unable to resist, and that these abuses far exceed the schemes’ potential as a viable solution to the file sharing problem. Part I provides a brief history of file sharing generally, and explains peer-to-peer file sharing as it exists. Part II provides a background of the judicial history of secondary liability, as applied initially to VCRs and then eventually to websites. Part II further describes the suits against individual downloaders, and concludes with the paradigmatic example of Joel Tenenbaum. On a granular level, Part III explains the business model of speculative invoicing, and elucidates its prevalence in multiple areas of copyright protection, thus exposing the problem and setting the stage for the legal issues and proposed solutions in Part IV, which consists of two different potential amendments to the Copyright Act that would reduce the abuse of these models, while maintaining an avenue for the pursuit of valid claims. The first proposed Amendment creates a threshold level of due diligence regarding potential fair uses prior to sending a demand letter, which is extrapolated from other judicial decisions. The second proposed Amendment provides for substantial penalties in the event of knowing or negligent misrepresentation in a demand letter or the use of misleading coercion in the use of pre-trial settlement demands. The sum total of these Amendments would serve to maintain a private enforcement regime, which is necessary in light of governmental lethargy in this arena, while simultaneously preventing the abuse that inevitably has occurred. However, recognizing that the Amendment remedy is merely a short-term solution, Part V questions the compatibility of the speculative invoicing model with copyright law’s underlying goals and purposes, and makes some arguments in favor of systemic reform of copyright law more generally.

I. A BRIEF PRIMER ON FILE SHARING TECHNOLOGY

File sharing in its present form began as a twinkle in the eye of Shawn Fanning in 1998.13 Fanning’s model consisted of a centralized server that acted as a real time index of all the sites available at any given moment.14 This model revolutionized file sharing, and allowed a downloader to log on to one central site and find a list of all

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13 See, e.g., FUNDING UNIVERSE, supra note 5.
currently available songs or files for downloading.\textsuperscript{15} The success of this model depended entirely on its individual users, who made their own files available to other users. Thus, while one user was downloading a file, all of the user’s music files were open and available to all others connected to the server for download as well. Each user would download from another user, and not surprisingly, the term peer-to-peer (“P2P”) arose to denominate this model.\textsuperscript{16} This downloading model was wildly successful,\textsuperscript{17} but it had its limitations. If a user wanted to download a song, it was necessary for another user in possession of the song to be online simultaneously; hence, slower download times and unpredictable access plagued users. Further, this centralized model was an easy target for content owners, who could point to the central server as a conspicuous facilitator of copyright violations.\textsuperscript{18}

This problem of centralization was cured by the creation of BitTorrent technology (“BT”). A BT P2P network is “a communication structure in which individuals interact directly . . . which requires a dedicated server to record user information and accumulate pieces of shared data.”\textsuperscript{19} A BT P2P network is a mutation of the Napster model, and allows downloads at much faster speeds in a safer environment than the previous methods. Decentralized BT has usurped the centralized server model and is currently the most prevalent form of peer-to-peer network today.\textsuperscript{20} In a BT network, a user converts a file, (usually music or a film) and uploads it to a server or hosting site with the torrent file extension.\textsuperscript{21} This file contains

\textsuperscript{15} Id.

\textsuperscript{16} See, e.g., \textit{A Survey of Open Peer-to-Peer Technologies and their Applicability to Implementing an Organizational Information Repository}, ADETECH SYSTEMS, INC., http://www.adepetch.com/p2p (last visited Aug. 20, 2011) (“’[P]eer-to-peer’ is used in the network architecture sense, i.e. to indicate a distributed system in which data is exchanged between two or more equal, autonomous, general-purpose entities; as opposed to a client-server model, in which roles are rigidly fixed and specialized.”)

\textsuperscript{17} Riedel, \textit{supra} note 14 (stating that at Napster’s peak, it traded 2.79 billion songs per month).

\textsuperscript{18} Id.


\textsuperscript{21} See Bram Cohen, \textit{The BitTorrent Protocol Specification}, BITTORRENT.ORG (June 24, 2009), http://www.bittorrent.org/beps/bep_0003.html (“To start serving, a host goes through the following steps: 1. Start running a tracker. . . . 2. Start \textit{continued} . . .
“information about the file, its length, name, and hashing information, and the url of the tracker.” 22 This file does not contain the actual copyrighted material, however; the file acts as a road map that connects the uploader to the downloader for transfer of information. 23 Thus, each user shares their files with other users, without the use of a central server. This makes tracking the users and proving infringement much more difficult.

BT models are also infinitely faster than the previous direct P2P downloading model, due to the ‘swarm.’ 24 Encoding and decoding software used by the respective parties breaks the file into many small pieces, which are downloaded (leeched) and uploaded (seeded) simultaneously by each party using the file. 25 While downloading the file, all portions of a file, as they are completed, automatically seed for other users creating a swarm of users downloading and seeding from one another. 26 As opposed to Napster, where one user downloads one file from one other specific user, a torrent file can potentially have thousands of users seeding and leeching a file at the same time, allowing for much faster downloads for each end user. These P2P networks have grown in popularity due to the anonymity of the transfer and the speed at which transfers occur. Some estimates have concluded that P2P sites (due to the large size of files transferred) constitute 39% – 49%, or even as high as 83% of all Internet traffic in North America. 27 While BT continues to thrive, it has recently come running an ordinary web server, such as apache, or have one already. 3. Associate the extension .torrent with mimetype application/x-bittorrent on their web server (or have done so already). 4. Generate a metainfo (.torrent) file using the complete file to be served and the URL of the tracker. 5. Put the metainfo file on the web server. 6. Link to the metainfo (.torrent) file from some other web page. 7. Start a downloader which already has the completed file (the ‘origin’)."

23 Id.
24 Vincents, supra note 20, at 275.
25 Id. at 274.
26 Id.
27 STRYSZOWSKI & SCORPECCI, supra note 19, at 29; J.E. (Win) Basset, IV, Unanswered Arrrrguments After the Pirate Bay Trial: Dropping Sail in the Safe Harbors of the EU Electronic Commerce Directive, 12 N.C. J. L & TECH. 67, 67 (2010); see THE PIRATE BAY, http://thepiratebay.org/ (last visited Sept. 24, 2011). Arguably, the largest of the P2P BitTorrent sites, the Pirate Bay is a website which organizes and stores torrent files and facilitates their transfer. Organized by four Swedish nationals in 2003, The Pirate Bay (ironically named) was created in Sweden, and has become the poster child for the anti-copyright movement. See also Dirk Lasater, The Pirate Bay as a Service Provider: Initial Interpretation of the E-Commerce Directive, WAKE FOREST J. B. & INTELL. PROP. L. BLOG (Jan. 5, 2010), http://ipjournal.law.wfu.edu/2010/01/the-pirate-bay-as-a-service-provider-initial-

continued...
under governmental attack, and is the new target for enforcement among content owners, which is discussed below.

II. COPYRIGHT ENFORCEMENT THROUGH PRIVATE LITIGATION

Throughout the technological advances in BT technology, content owners have scrambled to create valid enforcement mechanisms within the confines of the law to mitigate the deluge of file sharing. In addition to lawsuits, content owners have promoted and lobbied for processes like graduated response and have attempted to rely on governmental policing. This Part discusses the two most common classical models for enforcement, which provided precursors for the new speculative invoicing model. Subpart A chronicles the suits against websites which were based on theories of contributory infringement and vicarious liability—beginning with Napster, and proceeding through Grokster and Limewire. Subpart B complements this analysis by describing the lawsuits conducted against end users and the backlash of popular opinion which resulted in the eventual abandonment of individual suits by the RIAA, and the assumption of their use by the trolls discussed later in Part III.

A. Origins of Contributory Infringement and Vicarious Liability: Suits Against Distributors

“When a widely shared service or product is used to commit infringement, it may be impossible to enforce rights in the protected work effectively against...
all direct infringers, the only practical alternative being to go against the distributor of the copying device for secondary liability on a theory of contributory or vicarious infringement.\textsuperscript{30}

Contributory infringement as a theory was not expressly created in the Copyright Act.\textsuperscript{31} Originally analogized from patent law and equity, it provides that when a party induces infringement or creates a product that infringes, liability may be extended to the inducer or creator by virtue of his or her involvement.\textsuperscript{32} Vicarious liability, by comparison, is similar but analytically distinct.\textsuperscript{33} An extension of respondeat superior, vicarious liability inures when a defendant has the right and ability to supervise the infringing activity coupled with the possession of a direct financial stake in the activities.\textsuperscript{34} This Subpart discusses the judicial evolution of these theories of liability, beginning with VCRs, and shifting to the eventual grafting of this liability to websites, from Napster through Grokster.

\textit{I. Sony and the Betamax}

The origins of file sharing and liability for those that act as conduits for or facilitators of infringement can be traced back to Sony, which tackled the second real medium available that allowed end users to make unauthorized copies of proprietary material.\textsuperscript{35} Betamax was a creation of Sony, and was the first popularly used VCR.\textsuperscript{36} Various television show copyright holders sued Sony on a theory of contributory infringement for its sale of VCRs to the consuming public.\textsuperscript{37} They argued that VCR sales, with constructive knowledge of the fact that consumers \textit{could} use the item to infringe their copyrights, constituted contributory infringement, and that the court should

\textsuperscript{33} A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1022 (9th Cir. 2001).
\textsuperscript{34} See, e.g., id. at 1022–24.
\textsuperscript{35} Technically the first medium was the Xerox copy machine, but the Sony case has been memorialized as the more influential judicial treatment of the issue. \textit{See generally} Williams & Wilkins Co. v. U.S., 487 F.2d 1345, 1347 (Ct. Cl. 1973) (authorizing the photocopying of scientific articles).
\textsuperscript{36} Sony, 464 U.S. at 420. While the court terms the Betamax a ‘VTR,’ the more commonly recognized term ‘VCR’ is used in this Article.
\textsuperscript{37} Id.
expand *Kalem*\(^{38}\) to include VCR sales.\(^{39}\) The Court declined this
advance, and held that despite the lack of a statutory provenance of
contributory infringement, this does not end the inquiry: its “absence .
. . does not preclude the imposition of liability . . . on certain parties
who have not themselves engaged in the infringing activity.”\(^{40}\)

The Court analogized to patent law to invoke the staple article of
commerce doctrine, which creates liability for anyone who creates an
item knowing that it is made to infringe a patent, and which is not
suitable for any substantial non-infringing use.\(^{41}\) Mere production in
this instance results in contributory infringement.\(^{42}\) But the Court
found that there were many non-infringing uses of the Betamax, not to
mention fair uses, and distinguished cases like *Kalem* in which the
contributory infringer was “in a position to control the use of
copyrighted works by others and had authorized the use without
permission from the copyright owner.”\(^{43}\) The Court explained that a
finding of contributory infringement renders the item at issue within
the purview of the monopoly granted to the patentee; thus a balance
must be struck between protection of a patent and the right to engage
in substantially unrelated commerce.\(^{44}\) Time shifting—recording to
watch later—was the predominant and ultimately determined fair use
of VCRs by consumers, and Sony avoided liability due to this
acknowledgment.\(^{45}\) This apparent safe harbor for sale of a product
that can be used for both infringing and non-infringing purposes
seemed at this point to be a sufficient defense for file sharing websites;
however, this was not to be the case.

2. *Napster*

The *Napster*\(^{46}\) case could merit an extended discussion, however
for the purposes of this Article, only a brief exposition of its impact is

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held that an
unauthorized dramatization created and sold for public performance violated the
exclusive right to distribute and that the producer was liable for the sale of the
dramatization. “The defendant not only expected but invoked by advertisement
the use of its films for dramatic reproduction of the story. . . . If the defendant
did not contribute to the infringement, it is impossible to do so except by taking part in the
final act.”

\(^{39}\) *Sony*, 464 U.S. at 436.

\(^{40}\) *Id.* at 435.

\(^{41}\) *Id.* at 439–41.

\(^{42}\) *Id.*

\(^{43}\) *Id.* at 437 (indicating that vicarious liability is possible).

\(^{44}\) *Id.* at 440–43.

\(^{45}\) *Id.* at 455.

\(^{46}\) A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2001).
warranted. Following the *Sony* rationale, *Napster* delimited contributory infringement and provided a sound analytical distinction between contributory infringement and vicarious liability. *Napster* operated a centralized server that provided an updated list of available .mp3s for downloading between users. This gave *Napster* direct control over what was listed, what was downloaded, and who participated. In scrutinizing the District Court’s opinion, the Ninth Circuit predicted that *Napster* would not likely prevail on its fair use and affirmative defenses, and proceeded to discuss *Napster*’s likelihood of liability under both contributory infringement and vicarious liability theories. As a threshold matter, the court stated that contributory infringement cannot be found without direct infringement by end users, and *Napster*’s end users concededly violated both the reproduction and the distribution rights of copyright holders.

Thus, the court stated the rule for contributory infringement: “Traditionally, one who, with knowledge of the infringing activity induces, causes, or materially contributes to the infringing conduct of another, may be held liable as a contributory infringer.” The court summarily held that *Napster* provided a material contribution to the infringing activity, satisfying the second prong. As for the first prong, the court held that *Napster* possessed both constructive and actual knowledge of direct infringement, and the court refused to extend *Sony* to include active websites like *Napster*: “We are bound to follow *Sony* and will not impute the level of knowledge to *Napster* merely because peer-to-peer file sharing technology may be used to

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48 *Napster*, 239 F.3d at 1023.

49 *Id.* at 1012.

50 *Id.* at 1011–13.

51 See *id.* at 1024–27.

52 *Id.* at 1013–14.

53 *Id.* at 1019 (quoting Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc. 443 F.2d 1159, 1162 (2d Cir. 1971)).

54 *Id.* at 1022.
infringe plaintiff’s copyrights.” However, “[i]f a computer system operator learns of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringement.” Thus, a website cannot come within the *Sony* safe harbor unless they have no actual knowledge of infringing activity and they take down infringing material pursuant to copyright holder requests.

Vicarious liability, by comparison, extends to situations where the accused “has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities.” Moreover, the *Sony* safe harbor does not extend to this theory, being strictly limited to contributory infringement. The court held that Napster’s potential increase in users would define Napster’s future income, and thus a financial benefit inured. The court also easily concluded that Napster had sufficient supervision and ability to block users and control the system to meet the second requirement. Soon after Napster, the court elucidated in *Aimster* what is required to avoid vicarious liability, despite Napster’s inability to do so: “[T]o escape imposition of vicarious liability, the reserved right to police must be exercised to its fullest extent. Turning a blind eye to detectable acts of infringement for the sake of profit gives rise to liability.” Thus, a decentralized server could potentially fit within a safe harbor defense under Napster, and despite the following case, this is as of yet unresolved.

3. *Grokster*

Grokster, a more contemporaneous file sharing website, operated as a purely P2P network and bypassed the need for a centralized server system. Thus, a user request for a file would be routed directly to another user, without the need for any intermediary. This seemed to

55 *Id.* at 1020–21.
56 *Id.* at 1021 (construing Religious Tech. Ctr. v. Netcom On-line Commc’n Svs., Inc., 907 F. Supp. 1361, 1374 (N.D. Cal. 1995)).
57 *Gershwin*, 443 F.2d at 1162.
58 *Napster*, 239 F.3d at 1022.
59 *Id.* at 1023.
60 *Id.* at 1023–24.
61 *Id.*; accord *In re: Aimster Copyright Litig.*, 334 F.3d 643, 655 (7th Cir. 2003) (In denying the safe harbors of the DMCA for ISPs to Aimster, the Seventh Circuit explained that Aimster was “far from doing anything to discourage repeat infringers of the plaintiff’s copyrights, Aimster invited them to do so, showed them how they could do so with ease using its system, and . . . disabled itself from doing anything to prevent infringement.”).
fit within the *Sony* exception, and when the case came before the Ninth Circuit Court of Appeals, the court used the opportunity to hold that the *Sony* exception was indeed available on the Internet.\(^{63}\) It held that since this software was capable of substantial non-infringing uses, and since Grokster had no actual knowledge of infringement (due to its decentralized architecture), it was not secondarily liable for the direct infringement of its users.\(^{64}\) This was to become a fleeting victory for file sharing, as the celebration was abruptly halted. Later that year, the U.S. Supreme Court granted certiorari.\(^{65}\)

The Supreme Court began its discussion by providing an in-depth analysis of Grokster’s architecture, and concluded that though no actual knowledge was proven, the express purpose behind the software was to promote, market, and distribute copyrighted files.\(^{66}\) Nor did the Court find any evidence that take-down requests were honored, or that any procedures were in place to prevent copyrighted songs from being shared.\(^{67}\) The Court weighed the competing interests, and eventually followed the rationale of the *Aimster* court, signaling what was soon to come:

> When a widely shared service or product is used to commit infringement, it may be impossible to enforce rights in the protected work effectively against all direct infringers, the only practical alternative being to go against the distributor of the copying device for secondary liability on a theory of contributory or vicarious infringement.\(^{68}\)

Thus, the right to maintain a potentially non-infringing website must yield to the prevention of rampant file sharing.

The Court disregarded MGM’s proposed vicarious liability theory, and found that a nuanced inducement theory was both preferable and sufficient.\(^{69}\) The Court held that: “One who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties.”\(^{70}\) Therefore, even with decentralized architecture and no actual

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\(^{63}\) MGM Studios, Inc. v. Grokster, Ltd., 380 F.3d 1154, 1162 (9th Cir. 2004).

\(^{64}\) Id. at 1163


\(^{66}\) Grokster, 545 U.S. at 926.

\(^{67}\) Id.

\(^{68}\) Id. at 929–30 (construing *In re: Aimster Copyright Litig.*, 334 F.3d 643, 645–46 (7th Cir. 2003)).

\(^{69}\) Id. at 930 n.9.

\(^{70}\) Id. at 936–37.
knowledge of infringement, if a court can find that the website expressed intent to promote infringement and did so, liability will attach. Despite the Plaintiffs’ success in Grokster, content owners soon realized that suits against websites were long, tedious, expensive, and unpredictable, amounting to pyrrhic victories. Further, file sharing spread swiftly while these litigations ensued, leaving the file sharing landscape realistically unimpeded, and altered only in model. Therefore, in tandem with the suits against providers, the content industry adopted a different business model, one that celebrated justice and maximum profitability: suing consumers.

B. Suits Against Individual File Sharers

While suing one’s own customers may seem counter-intuitive, there are many examples of the success of this enforcement model. These lawsuits began in 2003, and swelled through the end of 2008. These individual suits almost never reached trial, with many settling in pre-litigation negotiation—this strategy is the crux of this Article and its legal framework is discussed in detail below in Part III. Prior to an explanation of the strategy, a history of the suits is useful, and this Subpart focuses on the background of the RIAA litigation as an example of the suits between 2003 and 2008, to provide context for the litigation strategies currently used. While more than 30,000

71 Id. at 937.
72 However, this hasn’t completely prevented suits. Limewire, another decentralized file sharing website, recently settled with major recording companies for $105 million on May 13, 2011. See Debra Cassens Weiss, Limewire Settles Infringement Claims for $105M: Recording Companies Initially Wanted $75T, A.B.A. J. (May 13, 2011 8:45 AM), http://www.abajournal.com/news/article/limewire_settles_infringement_claims_for_105m_recording_companies_initially/.
73 See Elec. Frontier Found., supra note 9, at 10 (“[A]fter more than 30,000 RIAA lawsuits, tens of millions of U.S. music fans continue to use P2P networks and other new technologies to share music.”); see also Christian E. Mammen, File Sharing is Dead! Long Live File Sharing! Recent Developments in the Law of Secondary Liability for Copyright Infringement, 33 Hastings Comm. & Ent. L.J. 443, 457–459 (2011) (for an analysis of the most current state of suits against websites, including Limewire, Rapidshare, and YouTube).
74 See generally Hughes, supra note 4 (arguing that not only is suing end users the most profitable way to achieve enforcement, despite the backlash in public opinion, but also arguing that the users on the margins should be the main targets).
75 See Elec. Frontier Found., supra note 9, at 2. The EFF indicates that the recording industry has sued or threatened to sue at least 30,000 individuals as of 2008.
individuals settled without challenge for between $3,000 and $12,000 during these suits’ prominence, one notable defendant decided to challenge his settlement offer and in the process became the poster-boy for the popular resistance movement against the recording industry.\textsuperscript{77}

In 2003, Joel Tenenbaum’s parents received a letter demanding $5,250 for seven songs that sixteen-year-old Joel had allegedly downloaded.\textsuperscript{78} Joel sent a check for $500, pleading his impoverished student status, which was returned to him.\textsuperscript{79} Four years later, Sony, BMG, Warner Bros., and UMG filed a complaint against Joel, seeking the statutory maximum: $150,000 per song downloaded, under 17 U.S.C. § 504(c), for willful infringement.\textsuperscript{80} After two years of procedural posturing, the case went to trial in 2009, with the jury eventually awarding the music industry statutory damages of $675,000, which Tenenbaum quickly appealed.\textsuperscript{81} As an initial surprise, the District Court found that the award violated the 5\textsuperscript{th} Amendment’s Due Process Clause.\textsuperscript{82} The court found that Tenenbaum received a minimal amount of actual benefit from the songs, and noted that the award was egregious when analyzed within contemporary punitive damages jurisprudence.\textsuperscript{83} The award was reduced to $67,500, in light of this court’s constitutional maximum allowable of $2,250 per song (three times the statutory minimum of $750 per song).\textsuperscript{84} This ruling begged an appeal, with its seemingly arbitrary new maximum, and both parties appealed to the First Circuit.\textsuperscript{85} As expected, and

\textsuperscript{78} Id.
\textsuperscript{79} Id.
\textsuperscript{81} Sony BMG v. Tenenbaum, 721 F. Supp. 2d 85 (D. Mass. 2010). The two cases between the RIAA and individuals that have proceeded to trial have provided pleas from the bench for Congress to reevaluate the statutory damages provisions in the Copyright Act. See Will Moseley, Note, A New (Old) Solution for Online Copyright Enforcement After Thomas and Tenenbaum, 25 BERKELEY TECH. L.J. 311, 331 (2010). As of the time of publication of this Article, these pleas have gone unheeded.
\textsuperscript{82} Tenenbaum, 721 F. Supp. 2d at 116.
\textsuperscript{83} Id. at 117.
\textsuperscript{84} Id.
\textsuperscript{85} Professor Charles R. Nesson and his Harvard copyright project are currently handling the case, and this was the first file sharing case to be heard by an appellate court. See Patrick Galvin, First Circuit Hears Tenenbaum File Share Appeal, THE HARVARD CRIMSON (Apr. 8, 2011), http://www.thecrimson.com/article/2011/4/8/harrow-nesson-case-court/; see also Memorandum of Law & Order at 31, Capital
nearly nine years after the onset of litigation, the First Circuit reversed the lower court’s decision, opining that the constitutional question should have never been analyzed at the District Court level, and constitutional avoidance principles should have been engaged. 86 However, the court did not foreclose other opportunities, leaving Tenenbaum’s motion for remittitur based on excessiveness of statutory damages viable; it remanded for reconsideration of damages based on common law, which the lower court could use to reduce the amount of the award and allow the plaintiffs to move for a new trial should a reduction be awarded. 87 Thus, the Tenenbaum saga continues still in 2012, nine years later.

Consequently, any litigant considering this type of suit need only look to the unending saga of the Tenenbaum case to be dissuaded from fighting back against a charge of infringement. Even harboring a legitimate defense provides no shelter from extraordinary expense and years of litigation. Thus, the rarity of cases creating case law in copyright infringement cases is not always attributable to a lack of defenses or lack of desire to fight back, but because these cases are generally settled prior to the onset of litigation due to the costs and problems briefly mentioned above and outlined below. Despite the apparent success of this model, the RIAA and the industry suffered unendingly negative press, and in 2008 the RIAA announced a moratorium on suing individuals for file sharing, and it is currently seeking new ways to combat the file sharing epidemic. 88

III. Speculative Invoicing and Pre-Litigation Settlement

After the reluctant withdrawal of the RIAA from suits against individuals, copyright trolls have picked up the torch, given that the law currently allows for the use of this process. Modeled after the RIAA suits, these trolls find potential infringement, in one form or another, and then proceed to send a cease-and-desist letter either

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87 Tenenbaum, 2011 WL 4133920, at *18–19.

88 See, e.g., Mcbride & Smith, supra note 76.
coupled with a notice of the potential for, or threat of lawsuit. These letters generally demand a settlement amount, often far less than the statutory damages threatened in the letter, and provide a limited timeframe for settlement. Due to fear, or the collective action problem, most defendants settle, and thus these practices tend to stay under the legal radar. Subpart A below describes the purported processes of three examples of copyright trolls currently at work in the United States. The first type focuses on newspapers and copyrightability of articles, the second type relates to eBay and counterfeit goods, and the third type focuses on music and movies, using the classical RIAA framework. Following these specifics, Subpart B explains the practical effect of these pre-litigation tactics, and the potentially coercive and oppressive nature of their use. In reaction to this practical effect, a grassroots effort has arisen on the Internet, with multiple websites coming to the rescue of the file sharing community. Subpart C concludes by discussing these sites’ prominence and impact.

A. The Players

1. Righthaven and ‘Hot News’

In Nevada, an entrepreneurial group of lawyers has created a seemingly lucrative and fool-proof business model that operates within the newspaper and publishing industry. Since March 2010, Righthaven has filed more than 249 lawsuits in Nevada claiming copyright infringement. Righthaven’s purported practice is to scour...

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90 Jones, supra note 89; see ELEC. FRONTIER FOUND., supra note 89. For a brief yet sufficient explanation of the issues raised by these cases, see Swartout, supra note 29, at 511. For the sake of simplicity, the trolls focusing on pornography are included by reference and not discussed individually, as the legal issues are essentially the same.

91 See ELEC. FRONTIER FOUND., supra note 89.

92 Steve Green, Righthaven Accuses Defendants of Running Up Legal Fees in Copyright Case, LAS VEGAS SUN, Mar. 10, 2011, available at http://www.lasvegassun.com/news/2011/mar/10/riighthaven-accuses-defendant-running-lawyer-fees-c; see also Mullin, supra note 10 (“Critics disagree that Righthaven could have any kind of positive effect and refer to the company as a ‘copyright troll’ engaged in shaking down blogs. Stephen Bates, an assistant professor at UNLV’s Hank Greenspun School of Journalism, calls the Righthaven...
the Internet, looking for reproductions of newspaper articles from either the Las Vegas Review-Journal or the Denver Post newspapers.\textsuperscript{93} Upon finding a repost, either on a blog or on a forum of a website (irrespective of whether a citation is posted), they proceed to buy the copyright from the newspaper and sue the ‘infringing’ site.\textsuperscript{94} These suits demand the statutory maximum of $150,000 and a forfeiture of the website’s domain name.\textsuperscript{95} Unlike some of its contemporaries discussed below, Righthaven does seem to be willing to take some of these cases to trial, as it files lawsuits without issuing cease-and-desist letters.\textsuperscript{96} However, similar to its counterparts below, Righthaven seems to threaten indiscriminately, targeting bloggers, political groups, and political candidates.\textsuperscript{97} Because these cases tend to settle pre-trial, the legal issues and defenses of the bloggers remain unsettled, and at one point it seemed as if Righthaven’s ability to mine and profit from this practice was unlimited due to a lack of DMCA restriction. However, the practice is currently under searching review by the courts and, at present, Righthaven is appealing a judgment denying it standing to sue and affirming the possibility of fair use as a defense for the bloggers it sued.\textsuperscript{98}

2. \textit{eBay and Coach ‘Bagging’ Customers}

A recent case in California has exposed a similar practice by trolls

\textsuperscript{93}Green, \textit{supra} note 92; Elec. Frontier Found., \textit{supra} note 89; see also Mullin, \textit{supra} note 10.
\textsuperscript{94}See Elec. Frontier Found., \textit{supra} note 89.
\textsuperscript{95}Id.; see also Mullin, \textit{supra} note 89 (“None of the settlements have included a transfer of the defendant's domain name to Righthaven, a demand made in each of the initial Righthaven complaints.”).
\textsuperscript{96}Richard Esguerra, \textit{Righthaven's Brand of Copyright Trolling}, Elec. Frontier Found. (Sept. 2, 2010), http://www.eff.org/deeplinks/2010/09/righthavens-own-brand-copyright-trolling (“[R]ighthaven starts with a full-fledged lawsuit in federal court with no warning. It's sue first and ask questions later, which smacks of a strategy designed to churn up legal costs and intimidate defendants into paying up immediately, rather than a strategy aimed at remedying specific copyright infringements.”); see also Nicole Downing, \textit{Using Fair Use to Stop a Copyright Troll From Threatening Hyperlinkers}, 12 N.C. J. L. & Tech. On. 155, 175 (2011) (providing a comprehensive analysis of the Righthaven cases and arguing that a fair use defense generally exists for bloggers, and that it should be demonstratively and conclusively recognized by the judiciary).
\textsuperscript{97}See Mullin, \textit{supra} note 10.
attempting to prevent online counterfeiting. Gina Kim bought a Coach brand bag at an authorized retailer, which, after deciding that she no longer wanted, attempted to sell on eBay. Soon after creating a post for its sale, she received a cease-and-desist letter from Coach’s law firm demanding $300, an admission of wrongdoing, and threatening a $2 million lawsuit. Despite Coach’s final admission of mistake and the case’s ultimate dismissal, Kim filed a complaint against Coach alleging a putative class action. Many issues arise in light of this complaint, including (1) questions over a retailer’s (eBay) duty to monitor sales on its website; (2) whether these claims are frivolous, and if so, whether the filing parties should be punished; and most importantly, (3) how many victims of these demand letters have settled despite a lack of actual infringement, or without asserting a potentially viable fair use defense. This practice seems similar to that alleged in the Righthaven cases in that it seeks to find infringement indiscriminately and shoots first, asking questions later. And though this pursuit seems to be a good faith attempt to prevent counterfeiting, the existing legal structure yields the same potential for abuse—cavalier pursuit of claims.

3. The US Copyright Group and “Dear John” Letters

In contrast to the newspaper and counterfeit product examples explained above, the speculative invoicing model most reminiscent of RIAA practice is currently being pursued both in the United States and abroad. The U.S. Copyright Group (“USCG”) is the most prominent example currently operating in America due to its successes and proliferation. The purported USCG model involves either having a copyright assigned to it outright so that it may sue directly, or by taking a contingency fee case for enforcement of a copyright in a

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99 Jones, supra note 89.
100 Id.
101 Id.
103 The speculative invoicing model was rampant in England prior to 2011. For an explanation of and description of the conclusion of this practice, see ACS: Law and MediaCAT Completely Shut Down Both Their Businesses, TORRENT FREAK (Feb. 4, 2011), http://torrentfreak.com/acslaw-and-mediacat-completely-shut-down-both-their-businesses-110204. The major law firm promoting speculative invoicing in the UK, ACS: Law, has been shut down due to excessive abuses of consumers and indiscriminate use of demand letters. This should be somewhat prophetic.
film. The USCG then monitors active downloading sites and sues thousands of “John Doe” defendants, requesting a subpoena to acquire downloaders’ individual information. Once the court issues a subpoena, it is served on the users’ ISPs and demands names, addresses, and personal information about each John Doe; it then sends a demand letter to each person. According to the cases, these letters generally consist of the same features listed above: the threat of a lawsuit and potential statutory damages of $150,000, and a request to settle for pennies on the dollar. Most of these demand letters seek to settle within a limited time frame. As an example, a summary of the letter could look like the following: “pay us $1,500 within two weeks and this lawsuit will go away. If two weeks passes, you will have another two weeks, and the settlement amount will increase to $2,500. If you refuse to settle within those four weeks, we will be forced to take the case to trial.”

To date, the USCG has represented producers of The Hurt Locker, The Steam Experiment, Far Cry, and most recently, The Expendables. The firm has currently sued more than 20,000 John Does. Many on the blogosphere and Internet reporting services have labeled the efforts of the USCG and this particular model of enforcement as especially predatory and irresponsible, not to mention disingenuous. Few defendants are ever formally sued in their individual capacities, indicating a lack of desire on the part of the plaintiffs to see these cases through to trial.

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105 Complaint, supra note 104, at 4.
107 Id.
108 Complaint, supra note 104, at 7.
109 Id. at 3.
110 Id. at 2 n.1.
111 Mike Masnick, Expendables Producers Begin Process of Shaking Down Thousands for Cash, TECHDIRT (FEB. 9, 2011, 10:11 PM), http://techdirt.com/articles/20110208/15510213010/. However, this case was recently dismissed voluntarily in light of jurisdictional issues, discussed infra Part III.D.3.
perceived inequity, many organizations have begun to protect consumers from this practice by creating websites dedicated to informing them of their rights; these are discussed in detail below, in Subpart D.\textsuperscript{115} Further, some consumers targeted by the USCG have begun to strike back, filing a class action of their own.\textsuperscript{116} The complaint in Shirokov argues that speculative invoicing has been indiscriminately used, targeting consumers with insufficient evidence of actual infringement and coercing pre-trial settlement.\textsuperscript{117} Further, some of the claims argue that the demand letters are baseless, and rely on faulty interpretations of the law.\textsuperscript{118} No matter the potential outcomes of these challenges, the frequency of their occurrence indicates a shift in the tide of consumer response, from acquiescence to retaliation. These suits and the outcry regarding the practices indicate that something is amiss, that an imbalance exists, and that some level of oversight or punitive regulation of this practice is necessary to protect both sets of interests involved in a more predictable, equitable way.

\textbf{B. The Process and Statutory Framework}

“[The claimant’s] monitoring exercise cannot and does not purport to identify the individual who actually did anything. All the IP address identifies is an internet connection, which is likely today to be a wireless home broadband router. All [this] monitoring can identify is the person who has the contract with their ISP to have internet access . . . . [the claimant does] not know who did it and know that they do not know who did it.”\textsuperscript{119}

The process used by content enforcement trolls in capitalizing on copyright violations is firmly embedded in and permitted by both the

\textsuperscript{924}sued-so-far-in-mass-bittorrent-lawsuit-campaigns (stating that actual lawsuits against alleged infringers have only just begun, and over 99,000 have been sued to date).


\textsuperscript{116} See, e.g., Complaint, supra note 104.

\textsuperscript{117} Id. at 3.

\textsuperscript{118} Id.

DMCA and the common law. First developed in the RIAA litigation, this process has remained, for the most part, unaltered. The current statutory framework has developed by virtue of the safe harbor provisions of the DMCA, which provide for limited or no liability for service providers when they act in a specific capacity, with liability passing through the ISP directly to the alleged infringers. Coach (and its analogs) and the USCG follow a similar process with some variation, and this process is outlined below. The Righthaven model differs significantly, however, and is discussed in Part IV. For the sake of consistency, the USCG method, as alleged in current cases, is outlined, and deviation as exhibited by the other actors is noted below where necessary.

Initially, a content owner will solicit, or be solicited by, the potential copyright enforcement group (“troll”). At this point, the troll will either buy the copyrighted material outright (as occurs in the Righthaven cases) or the troll may take the case on behalf of the client, usually on a contingency basis. Upon securing the client, the troll will scour the Internet, looking for instances of uploading, or ‘seeding’ of the copyrighted materials; the paradigmatic case involves a movie in a P2P network. The troll will then collect the ISP addresses for each allegedly infringing user, in effect conducting their own ex parte investigation and discovery. After compiling a list of these alleged infringers, and without due regard to any potential defenses (such as fair use), they file a suit in district court, either against each alleged infringer individually, or in the form of a reverse class action suit.

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120 See Nimmer & Nimmer, supra note 32, at § 12B.01[C][4] (“[I]nstead of drawing stark lines, Section 512 outlines a myriad of minute circumstances that can either afford or preclude access to its safe harbors. For that reason, one must anticipate much litigation over the concrete issues canvassed below before the contours of the law develop sharp edges.”); see generally 17 U.S.C. § 512 (2006); Recording Indus. Ass’n of Am. v. Verizon Internet Servs., Inc., 351 F.3d 1229 (D.C. Cir. 2003) (holding that the subpoena provisions only apply to the hosting provisions of § 512(c), not to the conduit or caching provisions in § 512(a) and (b)).

121 See 17 U.S.C. § 512(a)-(c) (2006). These will not be discussed in detail here, however they include: acting as a mere conduit for information, simple system caching, and acting as a hosting site within strict parameters.

122 USCG v. The People, ELEC. FRONTIER FOUND., http://www.eff.org/cases/uscg-v-people (last visited Aug. 20, 2011). However, contrast the Righthaven cases, in which the instances of alleged infringement have already occurred.

123 Id. Righthaven needs no IP address however, since a blogger’s name and information is generally open and visible.

124 See David W. Opderbeck, Peer-to-Peer Networks, Technological Evolution, and Intellectual Property Reverse Private Attorney General Litigation, 20 BERKELEY TECH. L.J. 1685, 1689 (2005) (calling this type of suit “reverse private attorney general litigation.”). For this article, the term reverse class action will be used, since the “reverse attorney general” moniker implies an assertion of a public...
These reverse class actions join thousands of alleged infringers into one suit, and make no distinction as to frequency of download, upload, or location of the occurrence of the alleged infringement. Generally, a plaintiff must allege that the plaintiff owns the copyright, and that the alleged defendants copied this original work. To pass the pleading stage the complaint must allege: (1) the original work is protected by copyright, (2) the plaintiff owns the copyright, (3) the copyright has been registered, and (4) how and when the defendant allegedly infringed. The pleading will also generally include a claim that the infringement was willful, allowing for pursuit of statutory damages.

In properly pleading this complaint, the plaintiff requests a subpoena to obtain the names, addresses, and personal information from these, what are heretofore known as, “John Does.” This subpoena power is statutorily provided in the safe harbor provisions of the DMCA, located in § 512. The § 512(h)(1) subpoena request must include both a copy of the § 512(c)(3)(A) notification and a sworn statement that the “purpose for which the subpoena is sought is to obtain the identity of an alleged infringer and that such information will only be used for [this] purpose.” Should all information be benefit or public right, whereas here, the end sought is purely financial in nature.

See infra Part III.D.2 for explanation of the problems associated with this type of joinder.

See Feist Publ’ns., Inc. v. Rural Tel. Serv., 499 U.S. 340, 361 (1991) (citing Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539, 548 (1985)) (“To establish infringement, two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.”).


17 U.S.C. § 504(c)(2) (2006) (allowing for up to $150,000 in damages for each act of infringement, with no required showing of actual damage).

Opderbeck, supra note 124, at 1702.

See e.g. NIMMER & NIMMER, supra note 32, at § 12B.09[A] (“If it follows the procedures outlined in the statute, a qualifying provider can avoid liability for its conduct in facilitating access to . . . infringing material. But the conclusion hardly follows that all parties should escape liability. Indeed, precisely because the service provide is immunized, it becomes all the more important for the copyright owner to discover the party actually responsible for uploading the infringing content in the first instance.”).

17 U.S.C. § 512(c)(3)(A) (2006) (requiring that the notice given to the service provider (1) be signed by the plaintiff, (2) identify the work allegedly infringed, (3) state that it is to be removed or disabled, (4) give information sufficient for the service provider to contact the alleged direct infringer, (5) a statement of the plaintiff’s good faith belief that the infringer’s use is not authorized, and (6) state that the information included is correct under penalty of perjury).

17 U.S.C. § 512(h)(1), (2)(C) (2006). This Article will not discuss the continued . . .
correct, the clerk of the court will issue the subpoena, and the service provider, upon receipt, is to expeditiously disclose the information required by the subpoena. The time within which service providers must comply pursuant to these requests is not delineated by statute and may take a substantial amount of time given the volume of requests they receive. Assuming a streamlined data acquisition process, the service provider delivers the name, address, and details of exactly where and when each allegedly infringed movie or song was downloaded.

Armed with this information, the troll then delivers individual non-negotiable settlement requests, explaining to the now identified John Does that they are being sued in district court for their alleged infringement of the copyright holder’s copyrighted material. This distinction between ISPs acting as mere conduits and those that actively host material for end users, but will focus solely on the latter. For a discussion of the difference, see Opderbeck, supra note 124, at 1702.

133 17 U.S.C. § 512(h)(5) (2006). But see In re Charter Commc’ns., Inc., 393 F.3d 771, 777–78 (8th Cir. 2005) (stating in dicta that “this court has some concern with the subpoena mechanism of § 512(h). We comment without deciding that this provision may unconstitutionally invade the power of the judiciary by creating a statutory framework pursuant to which Congress, via statute, compels a clerk of a court to issue a subpoena, thereby invoking the court’s power. Further, we believe Charter has at least a colorable argument that a judicial subpoena is a court order that must be supported by a case or controversy at the time of its issuance.”).

134 See Nate Anderson, P2P Plaintiffs to Get Just 28 Time Warner IPs Each Month, ARS TECHNICA, http://arstechnica.com/tech-policy/news/2010/07/judge-limits-time-warner.ars (last visited Sept. 22, 2011) (regarding the Steam Experiment cases: “Assuming a lowball estimate of 1,000 IP addresses that belong to TWC, the company may take nearly three years to do all of its lookups.”).

135 See Nate Andersen, Time Warner Cable “A Good ISP for Copyright Infringers”, ARS TECHNICA, http://arstechnica.com/tech-policy/news/2010/06/time-warner-cable-a-good-isp-for-copyright-infringers.ars (last visited Sept. 22, 2011) (explaining the battles between the USCG on one hand, who demand swift access to subpoenaed information, and TWC, who argues that they only have the capacity to deal with 28 subpoenas per month, which, at the rate USCG serves them, would take two years to sift through).

136 Notably, the statute does not require a service provider to notify its account holder that a request for her information has been received, nor must they notify her that they have given her information to a third party. See NIMMER & NIMMER, supra note 32, at § 12B.09[A] (explaining that “Congress did not adopt that suggestion [that the service provider be required to give notice to its customer]- meaning that . . . it is under no obligation to let a subscriber even know that her personal information has been disclosed.”).

137 Opderbeck, supra note 124, at 1705–06 (describing the process for the RIAA procedure, which is substantively identical to the current USCG litigation strategy). Contra, see, e.g., Bason, supra note 98, (describing a process which does not send cease-and-desist letters but proceeds straight to the lawsuit).
letter will include a written request for pretrial settlement. Further, the letter will state that should the alleged infringer not settle, the troll will pursue a claim against the user for the statutory maximum of $150,000 per violation, plus attorneys’ fees. Additionally, settlement is generally contingent upon the alleged infringer admitting wrongdoing and swearing in writing to never download or upload these files again. However, it also demands that the alleged infringer not remove or change the status of the infringing file during the pending claim. The initial settlement generally expires within two weeks, and an extension is granted in consideration for an increased settlement amount. Should the alleged infringer decide to settle, the case will conclude at that point, and no individual suit will be filed. Should the defendant decide to fight the claim or quash the subpoena, presumably, the troll will file an individual suit to pursue its claim.

C. The Effect in Practice

At first blush, these demand letter tactics seem to be merely aggressive assertions of positive rights by copyright holders against those who have infringed their proprietary materials. However, upon closer examination, many flaws endemic to the system exist which prevent rational choice and informed decision making by the alleged infringers, and raise questions about the efficiency and usefulness of these tactics, in light of the fact that the current copyright regime not only permits but seemingly welcomes this style of private enforcement. The practical effect of these letters is to promote settlement, as the cost of going to trial in each case would be extraordinary. Putting aside the possibility that a copyright troll would actually take one of these individual defendants to trial—and assuming that it could follow through on the threats in the settlement letters—these settlement letters seem designed to elicit pretrial settlement from unsophisticated consumers. Thus, the existing system leaves coercive techniques widely available, and allows for the manipulation of unsophisticated defendants into early detrimental settlements. This Subpart discusses the coercive techniques used both

138 See Mike Masnick, Hurt Locker Subpoenas Arrive with New Language . . . And Higher Demands, TECHDIRT, Sept. 3, 2010, available at 2010 WLNR 17592474 (stating the general amount reported was around $2,500 per violation, but they have increased to $2,900).
139 Complaint, supra note 104, at 21.
140 Arguably, it seems the only purpose for this requirement is to, in fact, allow more infringement.
141 Complaint, supra note 104, at 2.
142 See Moya, supra note 114.
143 Id.
in the subpoena process and in the settlement letter itself, drawing and analogizing from principles of contract law. This Subpart further explains the nature of the collective action problem and concludes by explaining how the collective action problem squarely impacts speculative invoicing.

1. Coercion

As an initial matter, the subpoenas issued by the court not only allow unbridled access to information that would normally never be available to a third party, but the subpoenas also allow for unilateral pretrial discovery by the plaintiff *ex parte*, and without the future defendant’s knowledge. Moreover, the service provider, upon receipt of the subpoena, is not required to notify the targeted individual that another party is seeking her personal information or that it has been obtained.\(^{144}\) Fortunately for the alleged infringers, many ISPs supply this notice voluntarily, providing not only a notification, but also some brief information on the availability of the right to quash the subpoena, which is of huge benefit to the individual. As a general rule, most of these defendants have no conception of what it means to quash a subpoena, nor are they aware that they can prevent this information gathering or put up a defense. This ambush-style approach to the subpoena power, coupled with the defendants’ lack of knowledge of their legal rights, serves to make these settlement offers procedurally coercive.

Moreover, the settlement offer itself is substantively coercive in the format it is presented. The paradigmatic settlement letter lists the draconian damages that the troll will seek should the infringer not settle, and provides a limited window in which to do so.\(^{145}\) This serves to motivate settlement standing alone, and is amplified by the threat of an increase in settlement amount should the alleged infringer wait past the short allowance. This style of settlement offer also fails to inform the alleged infringer of any rights or potential defenses, and is indiscriminate in its application to infringers of all types. It does not explain the possibility of any valid defense, such as fair use, nor is each demand tailored to fit the unique circumstances of each case. An unsophisticated consumer located hundreds of miles from where the lawsuit was filed, holding a settlement letter that threatens a $150,000 lawsuit will almost always settle, out of fear if for no other reason, and despite whether or not the consumer is innocent or has a valid defense. However, in spite of the seeming unfairness of this practice, letters

\(^{144}\) See *Nimmer & Nimmer*, *supra* note 32, at § 12B.01.

\(^{145}\) See Complaint, *supra* note 104, at 1.
demanding settlement are used in all areas of law, and in kind, the Copyright Act creates no penalties or restrictions on its use.

2. Collective Action

In addition to the coercive aspect of the proposed settlements, these demands capitalize on the inability of individual defendants to challenge and reject these settlement offers. The collective action problem is prevalent in these cases, and is exploited by the disaggregation of claims and lack of sophistication of the defendants. The collective action problem is derived from economic theory and can be analogized to the prisoners’ dilemma. Broadly, this theory presumes that if a group of individuals could act collectively to mitigate their losses across a continuum (assuming that all participants are rational economic actors) they would choose to do so. However, when the participants are unaware of the leverage they would have as a group, each is motivated only by their own self-interest: to gain the best deal for oneself at that moment. Thus it follows that if a group could unite to challenge economic coercion while sacrificing some personal gain they would likely do so, if aware of the opportunity. Conversely, a lack of knowledge about the group dynamic promotes short-term self-interest.

Copyright trolls capitalize on this dynamic and profit directly from its impacts. In a typical case, some evidence indicates that it would cost a troll around $8,800 to sue each individual defendant and recover a profit substantial enough to justify the expense of a lawsuit. Aware of this potential cost, they decide instead to send a pre-trial settlement letter requesting $5,000, saving the troll the cost of trial, and creating a lucrative business model, with almost no overhead. Because the settlement letters are produced en masse, the costs are minimal. Conversely, the defendants must act individually, due to a lack of knowledge about the class and extensive nature of the letters and the lawsuit. Thus, should an alleged infringer take a demand letter

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147 See generally Richard H. McAdams, Beyond the Prisoner’s Dilemma: Coordination, Game Theory, and Law, 82 S. Cal. L. Rev. 209, 210–18 (explaining the prisoner’s dilemma game, and lamenting the use of this theory exclusively by law review articles when many other simple economic games exist as well).

148 Id. at 215–17.

149 Id.

150 See, e.g., Hamdani & Klement, supra note 146, at 694–95.

151 See Barnes, supra note 12, at 1392.

152 See Mattise, supra note 12, at B04 (indicating the average cost of settling a copyright infringement lawsuit for college students averages about $5,000).
to a defense attorney, the cost of a valid defense, through appeal, could approximate between $30,000 and $100,000.\textsuperscript{153} Thus, the alleged infringer is left with an illusory “choice:” (a) challenge the troll and hope for acquittal, with the eventual cost being $30,000 at least \textit{even if the alleged infringer wins}; (b) challenge the troll and lose, resulting in at least $30,000 in attorneys’ fees, plus as much as $150,000 in statutory damages, with the eventual cost approaching something as low as $180,000 or as high as $250,000; or (c) settle now for $5,000. In any rational situation, the alleged infringer would settle, and any rational attorney would likely recommend it.\textsuperscript{154} This is despite potential defenses, fair use claims, or even patently innocent behavior. Thus, the current legal structure not only allows for this practice, but indirectly promotes it, by making pre-trial settlement the least expensive and most rational alternative to vindication of rights.

Problematically, these individual defendants are isolated by not only distance, but by type of infringement. Thus, the class action method of defense is not generally a viable option.\textsuperscript{155} If the defendants were allowed to challenge this behavior in class action form, they could defray their costs, and settle on more favorable terms.\textsuperscript{156} However, due to the current structure of class action jurisprudence and the various discrepancies in each individual’s facts, this is an unlikely outcome.\textsuperscript{157}

D. Responses and Reactions

This marked discrepancy in bargaining power between trolls and alleged infringers has not gone unnoticed by both the Internet and consumer rights communities, nor has it escaped the criticism of the judiciary. In light of the superior leverage that these trolls have, many organizations and collateral white knights have entered the conflict to provide legal information and support to these alleged infringers. Further, some of the accused defendants have refuted the collective action problem, fighting back despite the cost. This Subpart first catalogs the electronic resources made available to alleged infringers

\textsuperscript{153} \textit{See, e.g.}, Graham, \textit{supra} note 12, at 1D (reporting that attorney fees for fighting the Recording Industry Association of America (“RIAA”) in court could range between $30,000 and $100,000).

\textsuperscript{154} \textit{See} Hamdani & Klement, \textit{supra} note 146, at 696–97.

\textsuperscript{155} \textit{But see} Complaint, \textit{supra} note 104 (demonstrating an example of a contemporaneous attempt to refute this statement. It remains to be seen whether the allegations in the Shirokov Complaint will proceed to trial, and whether the class action format of the suit will survive judicial challenge.).

\textsuperscript{156} \textit{See} Hamdani & Klement, \textit{supra} note 146, at 711–14.

\textsuperscript{157} \textit{Infra} Part III.D.2; \textit{cf.} Complaint, \textit{supra} note 104, at 243 (arguing why class certification is appropriate).
in response to the discrepancy in bargaining power and asymmetries in information. Next, it describes the countersuits currently developing and their impact on the practice of speculative invoicing, both in spurring new collateral litigation, and in removal and rejection of frivolous claims. Finally, it explains how these solutions, while beneficial, are insufficient to cure the problem, and segues into Part IV, which proposes and discusses possible statutory remedies for this dilemma.

1. Internet to the Rescue

In light of these conflicts, many different Internet services have arisen to help combat speculative invoicing and protect consumers from its potentially predatory tactics. Arguably, the most famous service is the Electronic Frontier Foundation (“EFF”). The EFF is a lobbying and activist group that, according to their mission statement, promotes the free exchange of ideas, and works to protect digital rights for all consumers. Founded in 1990, the EFF has conducted public interest work on free speech issues, e-privacy issues, protections for innovation, and most specifically, the file sharing battles since the nascence of the RIAA suits. The EFF has provided many resources to help individuals mired in these suits, which include but are not limited to: links to local lawyers in each state who represent file sharers, the filing of amici briefs on behalf of hundreds of individuals and groups including Joel Tenenbaum and the Righthaven targets, and the providing of an informational framework for how a putative defendant should analyze the validity of a claim on its subpoena defense page.

In addition to the EFF, many other sites have emerged to provide resources on a smaller scale. The Righthaven litigation has spawned a specific website dedicated to the protection of Internet users of copyrighted materials. The site offers up-to-date information about

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163 RIGHTHAVEN VICTIMS, http://righthavenvictims.blogspot.com (last visited Aug. 20, 2011) (providing a list of all currently pending Righthaven litigation, options for avoiding litigation, fair use information, and how to combat a lawsuit); continued...
all the Righthaven suits, and provides defense tactics and information useful for defending against these suits. Further, a website exists which is dedicated to helping all Internet users under threat of infringement litigation, aptly named subpoenadefense.org. Linked to the EFF site, subpoenadefense.org provides information on how an alleged infringer may combat a subpoena, and provides a specific list of steps to follow in order to protect digital rights should a person be targeted. Finally, an online handbook has been produced for those affected by or interested in speculative invoicing.

Chillingeffects.org also plays a large role in advocacy for digital rights on the Internet. Created by the EFF in conjunction with many prominent law school clinics, Chillingeffects.org explains online rights from a strictly legal perspective. It also contains a clearinghouse for cease-and-desist letters—including an uploading feature that allows for law student analysis of the letters—and provides information on the First Amendment and its intersection with the Internet and digital rights. Additionally, a group at the University of Washington created a site worthy of note dedicated to exposing the indiscriminate nature of take down notices and P2P copyright enforcement. This site ran bots that were “able to generate hundreds of real DMCA takedown notices for computers at the University of Washington that never downloaded or shared any content whatsoever.” They officially published their findings as well, describing how their printer received a DMCA takedown notice.

These websites are interesting considering their utility—but of


164 SUBPOENA DEFENSE, supra note 115.

165 See id.


168 See id.


171 Id.

most curious import is the sites’ proliferation and apparent necessity. The availability and frequency of these sites indicates an asymmetry in information between the litigating parties and a previously unmet need, and hints that the copyright enforcement regime is flawed because it allows these procedures to proliferate unchecked. The sheer number and size of these sites indicate grassroots dissatisfaction with the current regime, and point toward a perceived abuse of unsophisticated defendants. This grassroots movement may further indicate that suits and demands made against consumers are failing to change existing norms regarding file sharing, and conversely, are having a potentially reverse effect on its deterrence. While no empirical research has shown what impact, if any, these end user protection sites have on informing targets of their rights or preventing lawsuits, the sites’ frequencies can at least serve to indicate the existence of a present demand. One potential indicator of these sites’ impact seems to be the rise of countersuits, filed by end users, which challenge the practices of these trolls and ignore the collective action problem.

2. **Countersuits and Fighting Fire with Fire**

Of the thousands of John Does sued or whose information was subject to subpoena, a few brave souls have challenged these settlement offers, in contradiction of collective action concerns. These lawsuits have challenged the technical and procedural aspects of the claims, ranging from substantive issues such as fraud and misrepresentation to procedural issues like improper joinder. The most notable case currently pending is *Shirokov v. Dunlap*. Shirokov was one of the thousands of targets in the *Far Cry* demand dissemination by the USCG, which, according to the Complaint, offered a pretrial settlement of $1,500 if settled within the first two weeks, after which the settlement amount rose to $2,500. According to the Complaint, Shirokov claims that the USCG is not entitled to statutory damages as threatened in the demand letters, because many of the alleged infringements occurred prior to the

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173 See Odperbeck, *supra* note 124, at 1688–89.
174 Complaint, *supra* note 104.
175 *Id.* at 40 (quoting the USCG pretrial settlement letter: “In exchange for a comprehensive release of all legal claims, which will enable you to avoid becoming a named defendant, our firm is authorized to accept the sum of $1,500 as full settlement for its claims. This offer will expire at 5pm EST on June 11, 2010. Thereafter, our client will accept no less than the sum of $2,500 to settle this matter, but this increased settlement offer will expire on June 30, 2010.”).
registration of *Far Cry*’s copyright. Shirokov alleges that the USCG was fully aware of this as copyright specialist attorneys, and that it sent the demand letters in spite of this knowledge, thus coercing unsophisticated defendants into unjustified settlements on the basis of fraudulent claims and unsupported assertions. Shirokov further argues that misrepresentations were made on the copyright registration itself (alleging incorrect first dates of publication), which if true, render these claims of significantly less monetary value than they would have been if registered in a timely and effective manner. While there is some debate surrounding the legal accuracy of Shirokov’s claims, should they be substantiated, the *Far Cry* claim will be reduced to a non sequitur with regard to many defendants, and will result in mere actual damages for the others.

3. **Judicial Acknowledgement of Procedural Deficiencies**

Alternatively, many judges have begun to recognize serious flaws in the cases as filed by these various copyright trolls and the music and movie industries. Recently, cases against copyright trolls have

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176 *Id.* at 4 (“Under 17 U.S.C. § 412(I), no award of statutory damages or of attorney’s fees may be made for infringements that commence before the registration of an unpublished work.”).


178 *Complaint, supra* note 104, at 6.

179 *Id. But see* Scott Hervey, *Technicalities Surrounding Statutory Damages Under the Copyright Act Trigger Suit Against Law Firm Prosecuting Online Infringement Actions*, THE IP LAW BLOG (Dec. 12, 2010), http://thelawblog.com/archives/304473-print.html (arguing that the publication date which Shirokov’s complaint bases its allegation on, despite the Complaint’s allegations, may actually be the correct date, as the US publication date and English version may be a derivative work).

180 *See Hervey, supra* note 179.

181 *See Complaint, supra* note 104, at 49 (repeating that the actual damages of $26.99 are a far cry from $1,500); *see also* Evidence Against Bittorrent Users Slammed in Court, TORRENT FREAK (Aug. 24, 2011), http://www.torrentfreak.com/evidence-against-bittorrent-users-slammed-in-court-110824 (explaining that most recently the information gathering systems used by organizations in Europe may be indiscriminate in their processes).

182 *See Elektra v. O’Brien, Thoughtful Decision in 2007 California Case, Recording Industry vs The People* (Jan. 18, 2008), http://www.recordingindustryvspeople.blogspot.com/2008/01/thoughtful-decision-in-2007-california.html (quoting Elektra v. O’Brien, ILRWeb (P&F) 1555 (C.D. Cal. 2007)) (“The concern of this Court is that in these lawsuits, potentially meritorious legal and factual defenses are not being litigated, and instead, the federal judiciary is being used as a hammer by a small group of plaintiffs to pound settlements out of unrepresented defendants.”).
implied improper joinder of claims in federal court.\textsuperscript{183} Occurring in P2P lawsuits in which downloaders have been sued for downloading pornographic movies, and as also seen in the \textit{Righthaven} cases, judges have refused to allow these reverse class actions to go forward, citing improper joinder of claims.\textsuperscript{184} In West Virginia, Illinois, and Texas, judges have hamstrung these cases, requiring that each individual defendant bear some relationship to the state of jurisdiction.\textsuperscript{185} To properly sue a class of individuals, personal jurisdiction must be present for each person individually.\textsuperscript{186} In an extreme case, a judge reduced a potential class from 1800 to 2, \textit{sua sponte}.\textsuperscript{187} And of particular note, a case filed against in excess of 23,000 file sharers was voluntarily dismissed when the judge limited the availability of subpoenas to those within the personal jurisdiction of the D.C. court.\textsuperscript{188} The net effect of these decisions, should they become uniformly adopted, would eventually result in the requirement that the trolls sue and seek a subpoena for each person individually, sounding the death knell for the profitability of this business model, which previously required so little overhead. However, currently these decisions lack uniformity, and are jurisdiction specific. But despite such problems, these decisions do indicate a growing judicial intolerance for overbroad jurisdictional claims, which the judiciary has

\begin{footnotesize}
\begin{enumerate}
\item \leavevmode
\item Id.
\item Id.
\item Id.; see generally Phillips Petroleum Co., v. Shutts, 472 U.S. 797, 808 (1985) (explaining the rationale behind requiring minimum contacts for defendants brought into another state. “The burdens placed by a State upon an absent class-action plaintiff are not of the same order or magnitude as those it places upon an absent defendant. An out-of-state defendant summoned by a plaintiff is faced with the full powers of the forum State to render judgment against it. The defendant must generally hire counsel and travel to the forum to defend itself from the plaintiff’s claim, or suffer a default judgment. The defendant may be forced to participate in extended and often costly discovery, and will be forced to respond in damages or to comply with some other form of remedy imposed by the court should it lose the suit. The defendant may also face liability for court costs and attorney’s fees. These burdens are substantial, and the minimum contacts requirement of the Due Process Clause prevents the forum State from unfairly imposing them upon the defendant.”).\textsuperscript{187} Anderson, supra note 183.
\item See, e.g., The Expendables Makers Dismiss Massive Torrent Lawsuit, TORRENT FREAK (Aug. 25, 2011), http://torrentfreak.com/the-expendables-makers-dismiss-massive-bittorrent-lawsuit-110825 (explaining that the effect of only allowing suits to go forward against those in the District of Columbia had the practical effect of reducing the defendant class by 99%).
\end{enumerate}
\end{footnotesize}
begun to recognize as overt attempts to consolidate and mitigate court costs.

These jurisdiction and joinder issues are eerily reminiscent of those recognized by judges in cases involving the RIAA. At the height of the suits against individuals, the RIAA used these same tactics. Due to public outcry against these suits, and fearing more negative publicity, the RIAA eventually ended its use of the practice. Unlike the RIAA cases, however, copyright trolls on the whole do not have to worry about their public image, as they are not beholden to consumers for their income. Whereas grassroots resistance and judicial bench slapping eventually persuaded the RIAA to abandon these types of suits, the same disincentive does not lie with these copyright trolls. Popular opinion is predictably irrelevant to these groups, who are only in the fight to make a profit and do not rely on the end users to support their business model downstream.

As mentioned above, many websites and social groups have risen to the defense of these targets. And in most cases, these advocates have remained off the litigation radar of the trolls. However, in one notable instance, these two conflicting interests have collided, resulting in an ironic turn of events. Graham Syfert, an attorney acting in his own capacity, created a website with readymade motions to quash subpoenas. These can be purchased for $19.95, and are sufficient to challenge any subpoena for information and include a protective order. These forms and the website make no qualms about who they are intended for: “The forms were designed for self-help defendants (pro se) to file on their own behalf in lawsuits where their internet service provider contacted them, notifying them of a subpoena seeking their identity in copyright litigation (e.g. Far Cry, Hurt Locker).” This was not to be the end of the story however, as the USCG has sued Syfert and asked for $5000 to reimburse them for the amount of costs incurred in dealing with these motions to quash. The USCG has further asked for sanctions from the judge to

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189 See Odperbeck, supra note 124, at 1708 (noting the various cases in which the RIAA’s suits were dismissed for improper joinder).
190 Id.
191 See Mcbride & Smith, supra note 76.
193 Id.
194 Id.
reprimand Syfert.\textsuperscript{196} Multiple judges have thrown these complaints out, and currently, the motion for sanctions is pending.\textsuperscript{197}

Thus, the entire file sharing enforcement story can be summarized by the simple chain of events outlined above and the opportunism displayed: infringers capitalize on an antiquated copyright system belabored by new technology to achieve a windfall in free music; content owners and their lawyers leverage the flawed system by creating a speculative invoicing reverse class action model to achieve a windfall on the backs of the infringers; and other lawyers create defensive mechanisms to achieve a windfall off the backs of the content lawyers. No matter which side one takes, it seems doubtful that the system is operating efficiently, achieving just outcomes, and promoting the underlying goals of copyright law. Though the consumer defense websites protect targets in a modest way, they have not been able to stem the tide of lawsuits and subpoena requests, which will likely continue to grow as more and more content owners discover the profits that can be amassed by this model. Conversely, technology and popular opinion seem driven to rebel against these enforcement practices, but seem insufficient to fill the lacunae in the law that allow for these practices.\textsuperscript{198} Further, the judicial pushback, while inspired, is also insufficient to prevent abuses of this system and protect the legal rights of all parties involved because of disaggregation and dispersion of claims. There must be a new method introduced for resolving these problems, and this responsibility lies with Congress.

\section*{IV. Proposed Remedies}

“[Y]ou could file a complaint and have a licensing agreement or settlement two weeks later, or you could send an infringement letter, and have a license agreement or settlement letter without even filing a complaint.”\textsuperscript{199}

When examining these threats, demands, and lawsuits, one cannot help but notice that these are at best, inefficient and unpredictable ways to enforce copyright, or at worst, opportunistic and fundamentally unfair exploitation of unsophisticated consumers. In either instance, some level of regulation is necessary to prevent opportunistic, as opposed to restorative, copyright enforcement.

\begin{flushright}
\textsuperscript{196} Id.
\textsuperscript{197} Id.
\textsuperscript{198} See Odperbeck, supra note 124, at 1714–22.
\textsuperscript{199} Complaint, supra note 104, at 25 (quoting a USCG primer on licensing).
\end{flushright}
While pre-trial settlement, if performed within the confines of existing law, is technically sound, some protection for consumers is necessary to prevent the lacunae in copyright law from being converted into a windfall opportunity for attorneys at the expense of unsuspecting individuals, instead of a source for enforcement and prevention of unauthorized dissemination of proprietary materials. Copyright trolls have superior bargaining power, and if the counterclaims and allegations of their victims are true, they are exploiting the ignorance of the accused with minimal evidence and rank speculation. Unquestionably, the current regime is inefficient and unpredictable, and does not provide sufficient incentives, or disincentives, for proper adjudication of these issues or even effective judicial line drawing. On the contrary, the system seems designed to promote swift settlement, without any regard for the rights of the victims who may be innocent or within a fair use defense. Even if these cases were to be adjudicated, judges’ merit-based adjudication does not promote national uniformity or predictability. However, at least within a merit-based decision regime, there is potential for the type of judicial line drawing necessary to prevent frivolous or unfair lawsuits.

Conversely, allowing these cases to proceed in reverse class action form is questionable both in procedure and substance, as outlined above. But, wholesale copyright infringement by repeat infringers is not tolerated under the current Copyright regime; therefore, an appropriate balance must be struck to allow for the prosecution of legitimate claims while deterring frivolous and unfounded claims. Though the Internet provides some sources of information for putative defendants, this does not solve the problem; many individuals might not find this information, and those who do may not interpret it correctly—thus, this is an inefficient way to protect digital rights. While some argue that wholesale copyright law revision is the only truly predictable and reliable way to correct these problems, such

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200 See Mullin, supra note 10 (“Critics disagree that Righthaven could have any kind of positive effect and refer to the company as a ‘copyright troll’ engaged in shaking down blogs. Stephen Bates, an assistant professor at UNLV’s Hank Greenspun School of Journalism, calls the Righthaven suits ‘lawful but preposterous’ and a ‘waste of judicial resources.’”).

201 See generally Moseley, supra note 81, at 336 (citing Mark A. Lemley & R. Anthony Reese, Reducing Digital Copyright Infringement Without Restricting Innovation, 56 STAN. L. REV. 1345, 1357–58 (2004)).

202 The fair use defense, as stated above, would be most likely in the newspaper article and blog context and not as likely in the music and movie downloading cases.

203 See QUESTION COPYRIGHT.ORG, http://www.questioncopyright.org (Question copyright’s mission is to: “reframe and expand the range of public debate about copyright; to show the economic, artistic, educational and social effects of distribution monopolies; and to help creators and their allies realize the potential of continued...
sweeping Congressional action seems unlikely at this point, and is strictly aspirational at present. Given the historic influence of content holders at the bargaining table, wholesale revision rejecting the classical business models, while eventually necessary, is improbable in the short term. However, there is some precedent for Copyright Act amendment; Congress has shown willingness in the past to revise the Act. Therefore, this Part suggests two options for statutory amendment that are potentially viable, should a partial revision arise for negotiation. These options would be most effectively advocated by consumer digital rights groups, who could potentially gain a seat at the bargaining table.

A. DMCA Amendment Proposal #1: Fair Use

As a threshold matter, a fundamental lacuna in the current system stems from the potential for indiscriminate use of the subpoena power by content owners and the use of the reverse class action device to join multiple defendants. With the current minimal checks on the use of these methods, abuse can, and seems to have proliferated, allowing for widespread dissemination of coercive settlement letters to individuals who may, or may not be actually infringing or within an arguably sufficient legal defense, such as fair use. Currently, § 512(h) requires a plaintiff to submit to the court a copy of notification, a proposed subpoena, and a sworn declaration that the purpose for which the subpoena is sought is to identify an infringer and that it will be used for no other purpose. Further, the notification required in § 512(c)(3)(A) requires a good faith declaration that the copyrighted material is owned by the claimant, and that the claimant believes that it is being infringed. If amended, this provision could serve to better deter indiscriminate suits and favor merit based suits. This provision should require a higher standard of sworn statement, and it should additionally require some due diligence on the part of the plaintiff. This higher threshold can be accomplished by the addition of a section (vii), which would, in addition to the requirements above, create an additional requirement of:


204 See e.g., Copyright Law of the United States of America, U.S. COPYRIGHT OFFICE, http://www.copyright.gov/title17/92preface.html (providing a list of all amendments to the Copyright Act, which as of the date of this Article, total 62 separate amendments since 1976) (last visited Aug. 20, 2011).


(vii) A statement that the complaining party has examined the purported infringement and believes in good faith that there is no potential fair use or exempt use, as defined by this Act, of the alleged infringer.

While this would certainly transfer an additional burden to the copyright owner, it would be minimal, and would stimulate a proper cost-benefit analysis by the content owner or troll prior to initiation of the lawsuit. The Copyright Act should serve to restore injured parties, not provide a windfall for those levying unmeritorious suits. Currently, suits are filed with minimal information and fail to take into account any potential fair or exempt uses the defendants might be engaging in.\textsuperscript{207} While this provision would require an increase in investigation costs for content owners, the protections given to consumers would be vast, and this would protect their private information from all except the most worthy of adversaries. Moreover, this would not remove the remedy of private enforcement for content owners, which is necessary in the current regime. It would only prevent abuse and cavalier filings.

Notably, this is not an entirely novel approach, as a similar rule was prescribed in the \textit{Lenz} case.\textsuperscript{208} In \textit{Lenz}, a YouTube movie (created by Lenz) which featured a baby dancing to a Prince song (“Let’s go crazy”) received a take-down notice from YouTube on the basis of copyright infringement for the use of the song.\textsuperscript{209} Lenz and the EFF sued Universal under § 512(f), claiming that Universal issued the takedown, with the knowing material misrepresentation that she was infringing their copyright.\textsuperscript{210} Though the case is still pending, the court indicated that a copyright owner has some duty to investigate a potential fair use of an alleged infringer prior to issuing take down notices.\textsuperscript{211} \textit{A fortiori}, a party who intends to send a letter demanding

\textsuperscript{207} See Moseley, supra note 81, at 326–27 (explaining that while fair use in the P2P context is not currently resolved, the courts, at least in dicta, have indicated some awareness and recognition of potential fair uses for P2P file sharers); \textit{see, e.g.}, Memorandum and Order at 35–37, Sony BMG Music Ent. v. Tenenbaum, No. 07cv11446-NG (D. Mass. Dec. 7, 2009).

\textsuperscript{208} Lenz v. Universal Music Corp., 572 F. Supp. 2d 1150 (N.D. Ca. 2008).

\textsuperscript{209} \textit{Id.} at 1152.

\textsuperscript{210} \textit{Id.} at 1155.

\textsuperscript{211} \textit{Id.} at 1154. (“Accordingly, in order for a copyright owner to proceed under the DMCA with ‘a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law,’ the owner must evaluate whether the material makes fair use of the copyright.’); this is of specific import in the \textit{Righthaven} cases, which some have argued should require a DMCA take-down notice prior to the initiation of a lawsuit. \textit{See generally} Esguerra, \textit{supra} note 96. Should the law come to require Righthaven style trolls to issue take take continued . . .
settlement and payment should have to surmount a similarly high burden prior to issuing these letters. Congress should take the opportunity to close the loop on the predictive fair use analysis, requiring in demand letters and subpoenas what the courts are beginning to require in take down notices. The Amendment above would create this burden, and protect alleged infringers and innocent infringers from these potentially coercive settlement claims. However, while this provision would provide substantial protection for the victims in the newspaper and blog context, this type of amendment would not likely protect the movie and music sharers, who do not potentially have a fair use defense. Thus, an alternative amendment is necessary to protect their interests, while vindicating the interests of content owners simultaneously.

B. DMCA Amendment #2: Deterring Meritless Lawsuits

As an alternative to the proposed Amendment above, another regulation for protection should be implemented to protect alleged infringers burdened by unfounded speculative invoicing methods. Despite the potentially coercive nature of these settlement letters and their allegedly exploitative methods, technically these practices are legally sound (excepting the abuses of the DMCA listed above).\textsuperscript{212}

Barring a wholesale ban on the practice, which is both unlikely and unprecedented, a new amendment should be inserted into the Copyright Act to punish actors who do not demand settlements within the confines of the existing legal structure or operate fairly. Thus, a new provision should be added which allows for substantial penalties, including treble damages, for attorneys who request subpoenas in bad faith, or who send settlement letters to innocent parties or those whom they know, or should have known, would be exempt. The proposed amendment would fit within the existing § 512(h) and should read:

\begin{quote}
(7). — Unless otherwise provided, any person who threatens a lawsuit by mail, electronically, or in person; or any person who issues requests for pretrial settlement of infringement claims after obtaining a subpoena under this section and who knows, or should have known, that the alleged settlement was based on false statements or misrepresentations, including material omissions, shall be liable for any damages,
\end{quote}

\textsuperscript{212} See supra Part III.
including costs and attorneys’ fees incurred by the alleged infringer, and any damages including costs and attorneys’ fees of any service provider who is injured by such conduct as the result of the service provider relying upon such subpoena in removing or disabling access to the material or activity claimed to be infringing, or in disclosing the identity and private information of the alleged infringer. Treble damages shall be available in cases of willful or wanton disregard by the party obtaining the subpoena.

With this proposed Amendment, the party seeking a subpoena under § 512(h) would be required to perform some level of due diligence prior to its issuance of a wave of pretrial settlement letters. Importantly, though this Amendment would add some burden on content owners and trolls, it would not remove this settlement device from use; it would merely require that the use be merited by the facts and existing law, and make mandatory that which should already be ethically pursued. This provision would deter frivolous claims, and would prevent the innocent from being targeted, or being negligently caught in a web of disseminated claims. Further, this provision would provide draconian treble damages in its prevention of false claims, and deter their filings, supplementing the existing Rule 11 requirements. Most importantly, this provision does not hamstring plaintiffs, who may still sue alleged infringers and pursue the existing business model, so long as they are pursuing meritorious claims and are making these claims in good faith. This Amendment merely attempts to protect the innocent, who may not be able to defend a case or are pigeonholed by the collective action problem, by deterring frivolous suits.

These proposed amendments would serve to deter frivolous suits in two ways: (1) by requiring some due diligence on the part of the plaintiff prior to the issuance of coercive settlement letters and the filing of lawsuits; and (2) by creating substantial penalties for violations or misrepresentations in the pursuit of claims. These provisions are necessary not only for the protection of end users who are unaware of their rights, but to additionally act as a check on the growth and outsourcing of copyright infringement enforcement, which is arguably on a path toward becoming a form of electronic bounty hunting. However, while these provisions would serve, in the short run, to prevent the abuse of innocent infringers and protect the rule of law in this limited arena, they do not counteract the more systemic problem present in the speculative invoicing scheme, that of its misalignment with copyright’s goals and purpose. Part V discusses
this conflict below.

V. MISALIGNMENT WITH COPYRIGHT FUNDAMENTALS

“Just at the time digital technology could unleash an extraordinary range of commercial and noncommercial creativity, the law burdens this creativity with insanely complex and vague rules and with threat of obscenely severe penalties.”

Aside from the granular problems stated above, and recognizing that the proposed amendments would in fact add to the problem astutely noted in the quote above by Lawrence Lessig, there is a global, more systemic conflict at issue within the realm of copyright enforcement litigation deserving mention. The practice of copyright law has devolved to a model of pure profiteering, with vindication generally coming in the form of a quick and dirty pre-trial settlement. More fundamentally, the law itself necessitates the hiring of an expert to analyze and decipher its labyrinthine procedures and regulations. Panning out, and examining the forest, as opposed to the trees, it seems questionable how any of these specific styles of litigation serve copyright law’s fundamental goal of promoting the progress of science and the useful arts. This Part briefly analyzes the premises on which copyright law in America is based. It then questions whether the current copyright enforcement scheme and the use of speculative invoicing serve to incentivize authors to create, and whether or not the processes serve copyright law’s fundamental goals. It concludes with a preliminary recommendation for future amendment to the copyright regime and endorses in theory some manner of global reform.

Copyright law in America, as opposed to many other regimes, is premised on utilitarian notions. Whereas Europe, most notably

214 U.S. Const. art. I § 8, cl. 8 (“The Congress shall have 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 . . . .”).
215 See Jane C. Ginsburg, A Tale of Two Copyrights: Literary Property in Revolutionary France and America, 64 Tul. L. Rev. 991, 992 (1990) (“By contrast, [to the moral rights system in France] the U.S. Constitution's copyright clause, echoing the English Statute of Anne, makes the public's interest equal, if not superior, to the author's. This clause authorizes the establishment of exclusive rights of authors as a means to maximize production of and access to intellectual creations.”); see also Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 154–55 (1975) (stating that the Copyright Act’s grant to the author is limited and delimited by exclusive rights. The author does not have an unlimited monopoly under her control merely by virtue of her being the author); see also Jessica Litman,
France, considers copyright a moral right in the Lockean sense, inuring to the author upon creation and having inextricable ties to its creator. American copyright law is premised on the foundation that progress is achieved by allowing proprietary works to pass back into the public domain, thus allowing for greater access, resulting in greater eventual societal growth. This premise exists as a contract between the public and the creator, which confers a limited monopoly on the author, provided that the work passes to the public upon its termination. The public domain purpose is reflected not only in the copyright laws but also in the patent laws. It was no coincidence

*The Public Domain, 39 EMORY L.J. 965, 970 (1990) (explaining the public goods problem and the need for incentives to create). For an extended analysis of the Statute of Anne and the development of Copyright law in America, see Laura N. Gasaway, Copyright Basics: From Earliest Times to the Digital Age, 10 WAKE FOREST INTELL. PROP. L.J. 241, 244 (2009) (“The grant of a limited monopoly to authors is predicated on the premise that the public benefits from the creative activities of the authors. The exclusive rights granted to the copyright owner are a necessary condition to the full realization of such creative activities.”).

See, e.g., Ginsburg, *supra* note 215, at 991 (“French copyright law is said to enshrine the author: exclusive rights flow from one’s (preferred) status as a creator.”). For a theoretical underpinning of the moral right theory, see JOHN LOCKE, TWO TREATISES OF GOVERNMENT 305–06 (Peter Laslett ed., Cambridge Univ. Press 2d ed. 1967) (1690) ([E]very man has a property in his own person. . . . The labour of his body, and the work of his hands, we may say, are properly his. Whatsoever then he removes out of the state that nature hath provided, and left it in, he hath mixed his labour with, and joined to it something that is his own, and thereby makes it his property.”). For a critique of this theory, compare Wendy J. Gordon, A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property, 102 YALE L.J. 1533 (1993), with Justin Hughes, The Philosophy of Intellectual Property, 77 GEO. L.J. 287, 298–314 (1988).

See L. Ray Patterson & Craig Joyce, Monopolizing the Law: The Scope of Copyright Protection for Law Reports and Statutory Compilations, 36 UCLA L. REV. 719, 790 (“The limitation on Congress's power to grant copyrights only ‘for limited Times’—in tandem with the denial of copyright to matter which, by its nature, is not the original expression of an ‘Author’—protects and continually enlarges the public domain, which is as significant to the cause of learning as the creation and distribution of new works.”); see also Gordon, *supra* note 216 at n.236.

See, e.g., Sony Co. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 429 (1984) (“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.”). But see Litman, *supra* note 215, at 1013–14 (arguing that the ‘quid pro quo’ justification of copyright law cannot explain the denial of protection for *scenes a faire*, neologisms, or the protection granted to facts in directories and catalogs).

That both patents and copyrights exist for limited terms embodies the notion that protection is merely an incentivizing force and not one to reward authors continued . . .
that these two provisions would be linked in the Constitution, as the intent underlying both principles, copyright and patent, is the same: America’s growth depends on creativity; creativity builds on earlier creativity, and there is nothing truly new under the sun. Thus, protection of intellectual property is a primary instrument for protecting creativity, but this is the by-product of a more fundamental goal; copyright law is predominantly a vessel for incentivizing creative and intellectual growth, with the eventual result being a rich and diverse public domain. Hence, the Constitution secures only for limited times to authors and inventors the right to exploit the value of their work. Eventually the public is to receive the fruits of this labor, to build and create upon ad infinitum. However, some have argued that the tide respecting this delicate balance has shifted imperceptibly to a culture of creators’ rights.

Arguably, society has come to value the rights of authors and creators above all else, reflecting a moral or natural rights view, and resulting in complex laws and Sisyphean procedures for licensing and using others’ work. While copyright in its infancy only protected against republication of others’ works, it has evolved to encompass those who build upon or transform others’ works as well. Lawrence Lessig, in his seminal account of societal regression away from free culture in America argues: “[T]he law’s role is less and less to support creativity, and more and more to protect certain industries against competition.” Despite this innocuous yet pervasive shift away from copyright’s roots, the original tenants of copyright should still technically apply, and Congress should take the opportunity to force exclusively. Contrast trademarks and trade secrets, which may exist in perpetuity so long as the statutory or common law factors and pre-requisites are met.

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220 See Litman, supra note 215, at 966 (“The process of authorship, however, is more equivocal than that romantic model admits. To say that every new work is in some sense based on the works that preceded it is such a truism that it has long been a cliché, invoked but not examined. But the very act of authorship in any medium is more akin to translation and recombination than it is to creating Aphrodite from the foam of the sea.”). For an interesting visual depiction of this theory, see Nina Paley, All Creative Work is Derivative (Minute Meme #2), QUESTIONCOPYRIGHT.ORG (Feb. 9, 2011), http://questioncopyright.org/minute_memes/all_creative_work_is_derivative.

221 U.S. CONST. art. I, § 8, cl. 8.

222 LESSIG, supra note 213, at 18–19.

223 Id.


225 LESSIG, supra note 213, at 19.

226 Id.
back the tide of “creatorism” washing on its shores. The discussion above regarding pre-trial settlement provides a perfect example of this trend—the current wave of lawsuits outlined above seemingly do nothing to promote or protect the fundamental goals of copyright law. In the beginning, the RIAA could plausibly argue that its suits were pursued for two reasons: (1) to recoup its hemorrhagic losses seen in the 1990s, and (2) to deter future downloading, thus incentivizing creation.\textsuperscript{227} Since the RIAA was representing authors and creators, these goals were not entirely misaligned with those of copyright law generally. Thus, these suits were arguably defensible, although these damages the RIAA pursued were not compensatory, nor at their core incentivizing, but were actually punitive and opportunistic.\textsuperscript{228} The current regime however, is even more attenuated and less defensible under the American quid pro quo utilitarian model. Within the modern speculative invoicing scheme, copyright trolls in many instances own the copyrighted work, be it through purchase as in the newspaper article cases, or assignment, as in some movie and music scenarios. These trolls are not vindicating creators’ rights and the system is not rewarding or incentivizing creation by allowing these third parties to profit. This regime does not incentivize creation, nor does it promote the progress of science. If anything, these actions stifle creativity by deterring any author reasonably aware of copyright enforcement from creating something that could begin to encroach on an earlier work.\textsuperscript{229} This, in fact, prevents creation in the most sinister of ways: the instant an author rejects an idea or stops the creative process to concern herself with copyright laws and restrictions, the creative process has been forever changed, even if imperceptibly, and the end product will never be the same as it would have been without this abortive interference.

These lawsuits seek not to recoup costs so that authors and inventors—or even future authors and inventors—can continue to create and add to the cultural milieu; they instead relish a system that makes infringement enforcement profitable. Trolls cannot be blamed for the existing system; that dubious distinction lies with those in Congress who have shifted the focus of copyright law from utilitarian ideals to one of moral rights. From a purely economic standpoint, the end of infringement would be a negative result for the trolls discussed above. The net profit margin on these lawsuits is much higher than any standards that record or movies sales would net. One classic

\textsuperscript{227} See Swartout, supra note 29, at 502–05.

\textsuperscript{228} See Elektra, supra note 182.

example was evidenced by the RIAA suits in 2003, where the RIAA sued four students for a combined total of $100 billion, which at the time, constituted six times the total profit of the film industry in 2001.230 Thus, this practice serves not to support and buttress copyright goals, but seeks to exploit gaps in the system which occur when underlying policy is distorted by conflicting positive rules drafted and lobbied by interested parties.

Therefore, Congress should reevaluate the current copyright regime as it stands, and recognize that Pandora has opened the box with regard to infringement on the Internet. The box is wide open, and the technological advancements that have emerged, including P2P technology and circumvention software, will continue to outpace enforcement regimes. As seen by file sharing websites like Napster, Grokster, Limewire, and The Pirate Bay, technology will continue to find new ways to provide free software, music, and movies on the Internet to an ever-increasing number of downloaders. Acknowledgment of this fact will catalyze evolving recognition that the current regime is incapable of accommodating this level of consumer access. The solution may be criminal enforcement against individual downloaders, and the current administration has indicated interest in pursuing IPR as a policy agenda.231 Further, the solution may lie in continuing to sue file sharing websites as they present, in a game of veritable “Whac-a-Mole.”232 An alternative solution may be to scratch the Copyright Act and start over, this time allowing consumer rights’ groups to have a seat at the negotiating table with the content owners who have traditionally drafted this legislation.233 No matter, the

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230 LESSIG, supra note 213, at 51.
233 Drew Wilson, Consumer Groups Want to Halt ACTA Negotiations, continued...
system should be adjusted to recognize the difference between an author and an assignee, and delimit the protection granted to each. This is not unprecedented, as seen with VARA. Congress should create a distinction between these two types of IP enforcers, and should definitively create law making the current regime of speculative invoicing, which is ethically questionable, conclusively prohibited.

In the short run, while suits against individuals and websites will likely continue, the rest of these proposed solutions are unlikely to occur anytime soon. As explained above, the political currents seem to be moving toward a more content/current creator focused direction, and are less concerned with the public domain, future creators, or end users. Thus, the proposed amendments to the Copyright Act listed above should be adopted to provide an intermediary, stop-gap remedy that could serve to protect consumers from false or improper claims in the interim. Further, Congress should recategorize the types of actors allowed to enforce copyright and define and delimit the parameters of this allowance to both support creators’ rights, and curtail assignee rights. In any case, Pandora’s Box will not be closing anytime soon, nor will the contents of the box ever be reclaimed; consumers have embraced the evils that have come forth, and have vowed to defend them and prevent their reclamation.

VI. CONCLUSION

The current proliferation of reverse class actions and speculative invoicing has elucidated a chasm between the legal theory and the actual practice of copyright enforcement. Not only do some of the copyright enforcers described above allegedly abuse the procedures outlined in the Copyright Act, these types of enforcement fundamentally distort the purpose of copyright law and undermine the utilitarian goals on which the American system is premised. There are two solutions to these problems stated above, one of which focuses on the short term and the other on the long term. In the short term, Congress could amend the Copyright Act again, requiring further

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diligence on the part of plaintiffs’ attorneys prior to the onset of litigation. Further, an amendment providing for severe penalties for improper techniques in pretrial settlement could make the current copyright enforcement scheme fair to both parties engaged in its system. The long-term solution is one debated heavily in all aspects of copyright scholarship; that of systemic reform. Copyright law’s purposes and goals as a utilitarian model are undermined and eroded by the current enforcement regime. Moral rights have innocuously invaded the legal and corporate consciousness, and legislation has begun to reflect this paradigm as persuaded by these lobbies. \(^{235}\) Congress must eventually confront the labyrinthine structure of the Copyright Act and its internal inconsistencies, otherwise conflicts like those outlined above will continue to manifest as the Act falls hopelessly behind the rapid technology curve. The Legislature should rethink the current regime and should create a new model, re-focusing on creativity, sharing, and the public domain.

COMMENT: CONSIDERING THE RISK OF WILLFUL PATENT INFRINGEMENT: GUIDANCE FOR THE SMALL ENTITY

Robert C. MacKichan III†

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INTRODUCTION

Just before funding is completely depleted, after years of research and development, contracts for your newly finished product are coming in faster than you can handle. You have offered the market an improvement on the current standard. Competitors are not happy, but you checked out their patents during product development, and you do not think there should be any problems. Just as things fall into place, you get a letter demanding that you cease operations that allegedly

violate a competitor’s patent.

This is the worst-case scenario for the small entity. A cash-strapped startup has barely enough money to get their product to market, let alone, money for thorough assessments of the risks of patent infringement. Direct copying of a patent is not the only basis for patent infringement liability. Patent infringement is a strict liability tort and does not even require knowledge of another’s patent. Unknowingly infringing another patent with a sufficiently similar product can lead to major problems.

Every business must evaluate the risks and costs associated with its actions. With respect to intellectual property, the cost of protecting a right must be weighed against the anticipated value of doing so. Likewise, the risk of liability for violating another’s intellectual property right must be weighed against the cost of reducing such a risk. In particular, the risk of infringing another’s patent is an important consideration for any business dealing with technology.

For any business, it is impossible to eliminate the risk of patent infringement entirely. In particular, for the small business, startup, or independent inventor, the high costs of thoroughly monitoring intellectual property rights can be very difficult to bear and in many cases be a poor allocation of limited resources. Therefore, it is critical that small entities devote resources toward preventing infringement in a cost-effective way through a strategy that balances the risk of liability against the associated costs.

While patent infringement is a strict liability tort, there is a wrinkle to assessing the potential risk of infringement liability. Under statutory authority, the damages for patent infringement can be increased up to three times for “willful infringement.” While in some cases the risk of patent infringement may be acceptable, the risk of willful infringement should be mitigated as much as possible. The small entity with few resources to devote to monitoring intellectual property needs to understand how, at the very least, to avoid “willful infringement.” In 2007, the standard for willful infringement that was applied for twenty-four years was changed. This comment will highlight relevant changes the new standard has brought for the small entity and will offer observations on how a small entity can avoid willful infringement.

I. “WILLFUL INFRINGEMENT” STANDARD BEFORE SEAGATE

From 1983 to 2007, the standard of Underwater Devices Inc. v. Morrison-Knudsen Co. (“Underwater Devices”) was used in assessing

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1 See infra notes 4–7 and accompanying text.
willful infringement. In *Underwater Devices*, the accused infringer, Morrison-Knudsen ("M-K") was awarded a contract to lay a significant amount of pipe underwater. The patentee, Underwater Devices, informed the accused infringer that the apparatus they were going to use to lay the pipe would infringe their patent. Underwater Devices offered M-K a licensing deal to use the allegedly infringing technology. Based on a preliminary opinion of M-K’s in-house attorney that the patent was invalid, M-K refused to license the technology from Underwater Devices. M-K proceeded with the allegedly infringing contract work and did not obtain an opinion from patent counsel until after they were sued by Underwater Devices for patent infringement.

At trial, the jury found that M-K had willfully infringed the Underwater Devices patent. Damages were assessed at $200,000 and trebled to $600,000. The Federal Circuit considered the award and set forth the standard for willful infringement:

> Where, as here, a potential infringer has actual notice of another’s patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing. Such an affirmative duty includes, *inter alia*, the duty to seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity.

Under this standard, the Federal Circuit concluded that M-K failed to exercise its affirmative duty to exercise due care and upheld the District Court’s finding of willful infringement and award of treble damages. In this decision, the court gave a lot of weight to the fact that M-K did not obtain advice from patent counsel until after it commenced its infringing activities. M-K tried to argue that it had relied on the opinion of its in-house attorney that the Underwater Devices patent was invalid. The Federal Circuit rejected this

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3 *Id.* at 1384.
4 *Id.*
5 *Id.* at 1384–85.
6 *Id.* at 1385.
7 *Id.*
8 *Id.* at 1386.
9 *Id.* at 1389–90.
10 *Id.* at 1390.
11 *Id.*
argument, reasoning that M-K knew or should have known that the opinion of an in-house attorney is not the type of competent legal advice upon which a company could justifiably have relied.\textsuperscript{12} The court further reasoned that even if M-K was justified in believing that its in-house counsel, who was not a patent attorney, was capable of rendering an independent and competent opinion, counsel did not take the steps normally considered to be necessary and proper in preparing an opinion.\textsuperscript{13}

\textit{Underwater Devices} demonstrates the Federal Circuit’s effort at the time to protect the rights of patentees and discourage patent infringement. The decision came “at a time when widespread disregard of patent rights was undermining the national innovation incentive.”\textsuperscript{14} The willful infringement standard of \textit{Underwater Devices} focused on the infringer’s subjective state of mind and was intended to increase respect for patentee’s rights by punishing infringers who disregarded the rights of a patentee.\textsuperscript{15}

After \textit{Underwater Devices}, a number of factors emerged to assess the willfulness of the defendant’s infringement. The first three factors adopted, the \textit{Bott} factors, included:

1. whether the infringer deliberately copied the ideas or design of another;
2. whether the infringer, when he knew of the other’s patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed, and
3. the infringer’s behavior as a party to the litigation.\textsuperscript{16}

The \textit{Read} court adopted this list and added:

4. the “[d]efendant's size and financial condition,”
5. the “[c]loseness of the case,”
6. the “[d]uration of defendant’s misconduct,”
7. the “[r]emedial action by the defendant,”
8. the “[d]efendant’s motivation for harm,” and
9. “[w]hether defendant attempted to conceal its misconduct.”\textsuperscript{17}

The subjective assessment based on these factors was in addition to the affirmative duty to avoid patent infringement upon actual notice of another’s patent. Thus, if the patentee could prove that the defendant had actual notice of the patent before infringing, a burden was in effect shifted to the defendant to prove that it exercised due care to determine

\textsuperscript{12} Id.
\textsuperscript{13} Id.
\textsuperscript{14} Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp., 383 F.3d 1337, 1343 (Fed. Cir. 2004).
\textsuperscript{15} See, e.g., Read Corp. v. Portec, Inc., 970 F.2d 816, 828 (Fed. Cir. 1992).
\textsuperscript{16} Bott v. Four Star Corp., 807 F.2d 1567, 1572 (Fed. Cir. 1986).
\textsuperscript{17} Read, 970 F.2d at 827.
whether or not it was infringing. ¹⁸

I. SEAGATE AND THE “OBJECTIVE RECKLESSNESS” STANDARD

Under the Underwater Devices affirmative duty doctrine, a favorable opinion of counsel became an important shield to claims of willful infringement. However, asserting such a defense required a waiver of the attorney-client privilege. This led to a number of problems with respect to the scope of the required waiver of the attorney-client privilege. In 2006, the Federal Circuit held that “when a party defends its actions by disclosing an attorney-client communication, it waives the attorney-client privilege as to all such communications regarding the same subject matter.”¹⁹ The Federal Circuit, however, did not address whether the waiver relating to opinion counsel extended to communications with trial counsel. This was the main issue of the Federal Circuit’s en banc decision in In re Seagate Tech., LLC (“Seagate”).²⁰

In Seagate, Convolve, Inc. and the Massachusetts Institute of Technology sued Seagate for infringement of three patents relating to computer disk drive technology.²¹ Before being sued, Seagate retained a patent attorney solely for the purpose of obtaining opinions on the patents at issue.²² After being sued, Seagate informed Convolve that it intended to rely on the opinions of its patent counsel for defending against Convolve’s claim of willful infringement.²³ Seagate waived the attorney-client privilege with respect to all communications with its patent counsel.²⁴ In response, Convolve sought to compel discovery of all communications and work product of Seagate’s other counsel, including its trial counsel.²⁵ Seagate, after denial by the trial court of a stay and certification of an interlocutory appeal, filed a writ of mandamus to the Federal Circuit.²⁶ The Federal Circuit stayed the discovery orders and agreed to review Seagate’s petition.²⁷

On review, the Federal Circuit went beyond the issue of the scope of the attorney-client privilege waiver. The Federal Circuit also took up the question of whether the Underwater Devices standard itself

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¹⁸ Underwater Devices, 717 F.2d at 1389–90.
¹⁹ In re EchoStar Commc’ns Corp., 448 F.3d 1294, 1301 (Fed. Cir. 2006).
²⁰ In re Seagate Tech., LLC, 497 F.3d 1360, 1367 (Fed. Cir. 2007).
²¹ Id. at 1366.
²² Id.
²³ Id.
²⁴ Id. at 1366–67.
²⁵ Id. at 1367.
²⁶ Id.
²⁷ Id.
should be reconsidered. Even though the issue of actual infringement had yet to be decided, the Federal Circuit stated that the “proper legal standard for willful infringement informs the relevance of evidence relating to . . . the proper scope of discovery.”

In reconsidering the proper standard for willful infringement, the Federal Circuit unambiguously declared the affirmative duty doctrine of *Underwater Devices* overruled. The court rejected the *Underwater Devices* standard as misaligned with the meaning of the word “willful” in other legal contexts. The court reasoned that “willful,” as used in awarding enhanced damages for copyright infringement “has consistently been defined as including reckless behavior.” The court was also persuaded by a then recently decided case where the Supreme Court, in considering the standard for imposing punitive damages under the Fair Credit Reporting Act, found that “the ‘standard civil usage’ of ‘willful’ includes reckless behavior.” The court compared these interpretations of the word willful with its use under the standard of *Underwater Devices* and held that *Underwater Devices* “sets a lower threshold for willful infringement that is more akin to negligence,” and thus “fails to comport with the general understanding of willfulness in the civil context.”

To align the standard for willful infringement with the word’s general usage in the civil context, the Federal Circuit held that “proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness.” This is the threshold prong of *Seagate*. Under this threshold prong, a “patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” This first prong is an entirely objective inquiry made without regard to the accused infringer’s state of mind. If the “threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer.”

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28 *Id.*
29 *Id.* at 1371–72.
30 *Id.* at 1365.
31 *Id.* at 1370.
32 *Id.* at 1370–71.
33 *Id.* at 1371.
34 *Id.*
35 *Id.*
36 *Id.*
II. THE IMPLICATIONS OF SEAGATE ON THE BUSINESS BEHAVIOR OF THE SMALL ENTITY

The Federal Circuit in Seagate explicitly left it “to future cases to further develop the application of [the] standard.”37 In the time since being decided, the subsequent application of Seagate has revealed important changes in the willful infringement doctrine. These changes should be considered by the small entity in developing a strategy with respect to avoiding patent infringement. The remainder of this comment will highlight emerging trends in the application of Seagate that have a direct impact on how the small entity can mitigate the risk of willful infringement.

A. Size and financial condition of the infringer has diminished importance for assessing willful infringement under the “objective recklessness” test of Seagate.

Before Seagate, the infringer’s size and financial condition was one of nine factors considered when assessing willful infringement.38 Since the standard of Underwater Devices focused on the state of mind of the infringer, the relative size, financial condition, or sophistication of the infringer was factored into evaluating whether the infringer acted with culpable intent.39 Thus, larger entities were expected to take more thorough precautions to avoid willful infringement than smaller entities with fewer resources to do so.40 While it is still unclear exactly what factors are to be considered in determining “that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent,” it appears that the infringer’s size and financial condition has diminished in importance under the predominately objective test of Seagate.41

The first indication that size and financial condition are less important under Seagate is the diminished persuasiveness of the Read factors in the willful infringement analysis. After Seagate, district courts split on whether the Bott and Read factors, including the infringer’s size and financial condition, were still relevant in assessing willful infringement.42 While some of the nine Read factors may be

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37 Id.
39 See, e.g., Metabolite Labs., Inc. v. Lab. Corp. of Am. Holdings, 370 F.3d 1354, 1371 (Fed. Cir. 2004).
40 Id. (“In addition to the second Read factor, the record also reflects that LabCorp is a large company with extensive financial means, i.e., Read factor four.”).
41 In re Seagate, 497 F.3d at 1371.
emerging as central to the threshold objective recklessness standard of *Seagate*, many of them should be rejected for their focus on the subjective state of mind of the infringer.

The Federal Circuit has recently addressed the continued relevance of the *Read* factors stating that the “test for willfulness is distinct and separate from the factors guiding a district court’s discretion regarding enhanced damages.” Thus, it seems that the *Seagate* test is “distinct and separate” from the *Read* factors. Thus, the *Read* factors should only be considered after a finding of willful infringement by the district court in deciding by how much to enhance damages.

At this point, it is abundantly clear that the Federal Circuit abandoned the subjective test of *Underwater Devices* for the more objective test of *Seagate*. The question that remains is whether an objective standard can appropriately consider the size and financial condition of an infringer. In *Seagate*, the Federal Circuit avoided setting forth guidance for application of the standard. However, the Federal Circuit agreed with the concurring opinion that standards of commerce would be relevant to the objective recklessness standard of *Seagate*. Arguably, an assessment of the relevant standards of commerce should involve considerations of the infringer’s size and financial condition. That is, what is commercially reasonable for a large company may not be considered reasonable for a small entity. Nevertheless, the Federal Circuit’s suggestion in *Seagate* is only dicta. Cases since *Seagate* suggest that the objective prong of the willfulness inquiry is almost purely objective with little consideration given to the size and financial condition of the infringer. Perhaps size and financial condition should be given weight under the subjective prong of *Seagate*. However, most claims of willful infringement are disposed of based on the first, objective prong. It is important to note, however, that while size and financial condition will not be considered under the objective inquiry of *Seagate*, it will be considered by the court in assessing the appropriate amount of

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44 *i4i Ltd. P'ship*, 598 F.3d at 859.

45 *In re Seagate*, 497 F.3d at 1371 n.5 (“We would expect, as suggested by Judge Newman, post at 1377, that the standards of commerce would be among the factors a court might consider.”).

46 See, e.g., infra notes 70–85 and accompanying text.

enhanced damages after a finding of willful infringement. Greater size and financial strength will be weighed in favor of enhancing damages.

B. Small entities should use cost-effective efforts to monitor and assess the likelihood of willful infringement.

Before *Seagate*, the risk of enhanced damages was increased significantly upon an accused infringer’s actual notice of another’s patent. Actual notice of another’s patent triggered a duty to investigate potential infringement or the validity of the patent discovered. This affirmative duty standard of *Underwater Devices* may have created a strong disincentive for small entities to search for non-expired patents related to their field of invention. By discovering a problematic patent, a small entity could potentially trigger a duty to take precautions they could not afford, or risk enhanced damages later on. Such a result is contrary to the purposes of the patent system, which aims to encourage the exchange of new ideas and knowledge.

In *Seagate*, the Federal Circuit unequivocally abolished the affirmative duty doctrine. As a result, *Seagate* has eliminated a major disincentive to search for issued patents related to an inventor’s field of work. Actual knowledge of another’s patent will only be considered if a court finds an objectively high likelihood that the infringer’s actions constituted infringement. Further, actual knowledge is not required to satisfy the second prong of *Seagate* where the objectively high risk of infringement found under the first prong was “so obvious that it should have been known to the accused infringer.” Although a few cases have considered a lack of actual knowledge of the patent at issue in finding no willful infringement, it

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51 Id.
52 Timothy R. Holbrook, *Possession in Patent Law*, 59 SMU L. REV. 123, 142 (2006) (“Given the risk of enhanced damages, a competitor has a significant incentive not to review patents at all”).
53 Id. at 143 (“The willfulness doctrine, therefore, creates a huge barrier to the effective operation of the patent system’s disclosure function.”).
54 *In re Seagate Tech.*., LLC, 497 F.3d 1360, 1365 (Fed. Cir. 2007).
55 Id. at 1371.
is mostly unsettled what circumstances will suffice for a showing that the objectively high risk found under the first prong was “so obvious that it should have been known to the accused infringer.” This is because most accused infringers under the Seagate standard have successfully defended against willful infringement under the objective prong. Thus, a defense to willful infringement based on a lack of knowledge is mostly untested and uncertain to succeed.

Overall, the value of discovering problematic patents early on far outweighs any possible benefit of avoiding actual notice. For reasons beyond the threat of enhanced damages, knowledge and awareness of potentially problematic patents is valuable to a small entity. Early notice of a problematic patent can make remedial measures less costly than they may be later on. Additionally, as one of the purposes of the patent system, issued patents can be a valuable resource for information and ideas. Even searching for expired patents can be a valuable practice. If the technology at issue is covered by an expired patent, this is a good indicator that the technology is now in the public domain and can be used freely.

As discussed in the remainder of this section, small entities with limited resources should take an active approach to monitoring patents, even without the help of a specialized patent attorney. Unlike under the standard of Underwater Devices, such a strategy will not necessarily expose the entity to an increased risk of willful damages. On the contrary, actions taken to monitor and assess the potential for infringement will serve as favorable considerations for an accused infringer defending against a claim of willful infringement.

1. Infringement under the doctrine of equivalents is unlikely to support a finding of willful infringement.

For any size entity, searching for problematic patents that may give rise to infringement liability is complicated by the possibility of infringement under a more abstract theory of liability, the doctrine of


Id.

CONSIDERING THE RISK OF WILLFUL PATENT INFRINGEMENT

equivalents. Under the doctrine of equivalents, the scope of a patent is extended beyond its literal term to all equivalents of the claims described.\(^{60}\) Thus, evaluating whether something infringes under the doctrine of equivalents requires an intensely factual inquiry of whether the difference between the element and the patent’s claim limitation are insubstantial to one of ordinary skill in the art.\(^{61}\) Even before \textit{Seagate}, the fact that liability for infringement was based on the doctrine of equivalents weighed against a finding of willful infringement.\(^{62}\) However, this fact did not always preclude a finding of willful infringement before \textit{Seagate}.\(^{63}\) After \textit{Seagate}, it appears that liability under the doctrine of equivalents will contribute even more weight against a finding of willful infringement.

The Federal Circuit has addressed the issue of whether willful infringement can be found when the underlying theory of liability is based on the doctrine of equivalents. In a case where infringement depended on whether the accused infringer’s conically shaped feature infringed the patentee’s “spherically-shaped” limitation, liability was found by the jury only under the doctrine of equivalents.\(^{64}\) After this finding, the District Court granted JMOL of no willfulness.\(^{65}\) In affirming the decision of no willfulness, the Federal Circuit gave significant weight to the fact that infringement was found under the doctrine of equivalents.\(^{66}\) The Federal Circuit reasoned that the issue of infringement by equivalents involved a question of whether a spherical feature was interchangeable with a conical feature, an “intensely factual inquiry.”\(^{67}\) Furthermore, the Federal Circuit noted that even interchangeability was not dispositive on the issue of infringement under the doctrine of equivalents.\(^{68}\) Thus, the Federal Circuit reasoned that it was clear that “the jury could have reasonably found for either party on the question of equivalence.”\(^{69}\) As a result,

\begin{footnotes}
\item[60] E.g., 60 AM. JUR. 2d Patents § 787 (2003).
\item[61] Cortland Line Co. v. Orvis Co., 203 F.3d 1351, 1359 (Fed. Cir. 2000).
\item[62] WMS Gaming, Inc. v. Int'l Game Tech., 184 F.3d 1339, 1354 (Fed. Cir. 1999) (“‘[I]t is not a rule of law that infringement that is not literal can never be sufficiently culpable to warrant enhanced damages . . . .’”).
\item[63] See, e.g., Hoechst Celanese Corp. v. BP Chemicals Ltd., 78 F.3d 1575, 1584 (Fed. Cir. 1996).
\item[66] Id. at 1336–37.
\item[67] Id. at 1337 (citing Vehicular Tech. Corp. v. Titan Wheel Int'l, Inc., 212 F.3d 1377, 1381 (Fed. Cir. 2000)).
\item[68] Id. at 1336–37.
\item[69] Id. at 1337.
\end{footnotes}
the Federal Circuit held that “an objectively high likelihood of infringement could not have been found under Seagate’s first prong.”\textsuperscript{70}

Similarly, the Federal Circuit upheld a denial of enhanced damages by the Northern District of California where the jury found willful infringement based on infringement under the doctrine of equivalents.\textsuperscript{71} The Federal Circuit noted the fact that infringement “is found under the doctrine of equivalents, rather than literal infringement . . . may be weighed as part of the analysis” in determining whether, and by how much, to enhance damages.\textsuperscript{72}

For the small entity, it can be difficult enough to search for and analyze patents that may give rise to literal infringement. Assessing the potential for infringement under the doctrine of equivalents is much more difficult and unpredictable. However, for the sake of avoiding willful infringement, cases since Seagate indicate that less predictable theories of infringement liability, like the doctrine of equivalents, are unlikely to support an appurtenant finding of willful infringement.

2. “Close cases” of infringement will not support a finding of willful infringement.

Before Seagate, the strength of the infringer’s argument for invalidity or non-infringement, referred to as the “[c]loseness of the case,” was one of nine factors considered when assessing the willfulness of the infringer’s actions.\textsuperscript{73} After Seagate, closeness of the case is emerging as perhaps the most persuasive factor in the willful infringement analysis. The importance of this factor demonstrates the significant shift from a subjective test to a predominately objective test under Seagate. As discussed in this section, this shift makes strategies for avoiding willful infringement more achievable by small entities.

In the Seagate opinion itself, the Federal Circuit indirectly indicated that the “objective recklessness” standard should be considered in light of the strength of the patentee’s infringement case.\textsuperscript{74} In discussing willful infringement based on post-complaint acts of the accused infringer, the Federal Circuit noted that “if a patentee attempts to secure injunctive relief but fails, it is likely the

\begin{itemize}
    \item \textsuperscript{70} Id.
    \item \textsuperscript{71} Funai Elec. Co., v. Daewoo Electronics Corp., 616 F.3d 1357, 1376–77 (Fed. Cir. 2010).
    \item \textsuperscript{72} Id.
    \item \textsuperscript{73} See supra note 14 and accompanying text.
    \item \textsuperscript{74} In re Seagate Tech. LLC, 497 F.3d 1360, 1374 (Fed. Cir. 2007).
\end{itemize}
infringement did not rise to the level of recklessness.”

Thus, a substantial question about invalidity or infringement is likely sufficient not only to avoid a preliminary injunction, but also a charge of willfulness based on post-filing conduct.

The increased persuasiveness of the closeness of the case was demonstrated shortly after Seagate. After a finding of willful infringement in the Northern District of California based on the old Underwater Devices standard, the court awarded enhanced damages.77 Considering the new Seagate standard in a JMOL motion by the Defendant, the court vacated its earlier assessment of enhanced damages in light of the new Seagate standard.78 The court reasoned that “[c]onsidering the totality of the circumstances in light of Seagate, which significantly raised the bar for a finding of willfulness, the Court now declines to award any enhancement in this case.”79 The court noted that “one of the primary Read factors weighing against a substantial enhancement was the closeness of the case.”80 Thus, the District Court found that “[u]nder the Seagate standard, the issue of willfulness becomes even closer” and that “had the Seagate standard been used in this case, Plaintiff might well have lost on willfulness.”81 Without an opinion, the Federal Circuit affirmed the District Court’s decision to vacate its earlier finding of enhanced damages.82

Later on, the Federal Circuit directly suggested that a close case of infringement will indicate an objectively low likelihood that the infringer’s actions constituted infringement, thus defeating the threshold objective prong of Seagate.83 In a case where liability depended on the interpretation of the word “rigid,” the Federal Circuit reasoned that “[b]ecause “rigid” was susceptible to a reasonable construction under which [Defendant’s] products did not infringe, there was not an objectively high likelihood that [Defendant’s] actions constituted infringement.”84 Based on this “sufficiently close question” with respect to claim construction, the Federal Circuit affirmed the District Court’s finding of no willfulness under the

75 Id.
76 Id.
77 Informatica Corp. v. Bus. Objects Data Integration, Inc., 527 F. Supp. 2d 1076, 1083 (N.D. Cal. 2007)
78 Id.
79 Id.
80 Id.
81 Id.
83 See infra notes 84–94 and accompanying text.
84 Cohesive Techs., Inc. v. Waters Corp., 543 F.3d 1351, 1374 (Fed. Cir. 2008).
objective prong of Seagate.\textsuperscript{85} The Federal Circuit has applied this same reasoning again more recently, stating that “[i]f the accused infringer’s position is susceptible to a reasonable conclusion of no infringement, the first prong of Seagate cannot be met.”\textsuperscript{86}

The weight that the Federal Circuit gives to the closeness of the case has been heeded by district courts. In a case where different conclusions on infringement were reached on appeal, the Western District of Wisconsin refused to consider evidence of willful infringement, reasoning that “[t]here can be no ‘objectively high likelihood’ when a question of infringement or invalidity involves reasonable differences of opinion or close questions, as the [Federal Circuit] has made clear in recent cases.”\textsuperscript{87} The Eastern District of Texas awarded a JMOL of no willful infringement based on the fact that the issue of infringement was “hotly contested, close, and required an intensive factual inquiry.”\textsuperscript{88} In this case, the court considered the Defendants’ claim construction arguments, which, if adopted, would have precluded a finding of infringement as a matter of law because there was not an objectively high likelihood that the Defendants’ actions constituted infringement of a valid patent.\textsuperscript{89}

The Northern District of Illinois, in considering the closeness of the case in a willful infringement claim, reasoned that “a showing of objective reasonableness (which negates the existence of recklessness) does not require that the would-be infringer know conclusively, i.e.-with one hundred percent certainty, that his actions are legitimate. Instead, the infringer need only show there was a reasonable basis for him to believe his actions were legitimate.”\textsuperscript{90} District courts will also consider closeness of the case when exercising their discretion to set the amount of enhanced damages.\textsuperscript{91} In doing this, district courts may uphold findings of willful infringement but refuse to enhance damages based on closeness of the case.\textsuperscript{92}

\textsuperscript{85} Id.
\textsuperscript{86} Uniloc USA, Inc. v. Microsoft Corp., 632 F.3d 1292, 1310 (Fed. Cir. 2011).
\textsuperscript{89} Id. at *8.
\textsuperscript{92} Hako-Med USA, 2009 WL 3064800, at *6–10 (refusing to enhance damages continued . . .
As put by the Federal Circuit, “both legitimate defenses to infringement claims and credible invalidity arguments demonstrate the lack of an objectively high likelihood that a party took actions constituting infringement of a valid patent.” Overall, district courts, with the approval of the Federal Circuit, rely heavily on the closeness of the case in assessing the objective prong of Seagate. This is an important consideration for the small entity considering the existence of related patents in their field of work. More simply, the significant weight given to the closeness of the case demonstrates that the Federal Circuit’s intent in Seagate to raise the standard for willful damages is being given effect. Thus, it is clear that in many cases the threat of enhanced damages has diminished. Furthermore, since willful infringement is unlikely in close cases where the likelihood of infringement is difficult to predict, the small entity can more easily monitor the threat of enhanced damages.

The significant weight given to the closeness of the case also demonstrates how Seagate has changed the relevant time period for assessing willful damages. While the standard of Underwater Devices was concerned primarily with the state of the infringer’s mind at the time of infringement, assessing the closeness of the case is done after the fact with the benefit of hindsight. This emphasizes the value of early notice of a problematic patent.

3. Cost effective measures to avoid infringement, including opinions from non-specialized attorneys and non-attorney technical employees, will contribute toward a finding of no objective recklessness.

Under the affirmative duty doctrine of Underwater Devices, an infringer’s duty to “exercise due care to determine whether or not he [was] infringing” included “the duty to seek and obtain competent legal advice from counsel before the initiation of any possible
infringing activity.”\textsuperscript{96} The standard for “competent legal advice from counsel” was essentially a formal opinion from patent counsel.\textsuperscript{97} In \textit{Seagate}, the Federal Circuit unequivocally eliminated the affirmative duty of due care. As a result, the \textit{Seagate} court held that “no affirmative obligation to obtain opinion of counsel” exists.\textsuperscript{98} The courts seem to be giving effect to the abandonment of the affirmative duty of due care and negligence-like standard of \textit{Underwater Devices}. However, it is equally clear that a favorable opinion of counsel can be considered “as to whether the infringer knew or should have known that its actions would cause another to directly infringe.”\textsuperscript{99}

After \textit{Seagate}, courts have given favorable weight to efforts by accused infringers to avoid patent infringement through informal measures. In a case involving terrain warning systems and displays, the District of Delaware considered the accused infringers efforts to avoid infringement under the \textit{Seagate} standard.\textsuperscript{100} Before going to market with its product, the defendant conducted a patent review, which included technical and legal analysis of numerous patents including the plaintiff’s patent.\textsuperscript{101} The patent review, involving outside patent counsel, did not identify any infringement.\textsuperscript{102} Nonetheless, the District of Delaware held that “performing a patent review before entering the market with a new device evidences that [Defendant’s] conduct was not reckless.”\textsuperscript{103} While the court also mentioned that a pre-litigation patent review, which included the patentee’s patent “may be more relevant to the second prong of the \textit{Seagate} test” the court reasoned that conducting the review precluded a finding of recklessness and thus the second prong was irrelevant.\textsuperscript{104} The court further stated, “knowledge of a patent does not mean willfulness.”\textsuperscript{105}

Similar rationales were used by the Southern District of California in granting summary judgment of no willful infringement based on an investigation by the accused infringer’s technical personnel into the

\begin{itemize}
  \item \textsuperscript{96} Id. at 1390.
  \item \textsuperscript{97} Id. (holding that an opinion from an in-house counsel, who did not take the steps normally considered to be necessary and proper in preparing an opinion, did not satisfy the accused infringer’s affirmative duty).
  \item \textsuperscript{98} In re \textit{Seagate} Tech. LLC, 497 F.3d 1360, 1371 (Fed. Cir. 2007).
  \item \textsuperscript{99} \textit{Broadcom} Corp. v. Qualcomm Inc., 543 F.3d 683, 699 (Fed. Cir. 2008).
  \item \textsuperscript{100} \textit{Honeywell} Intl Inc. v. Universal Avionics Sys. Corp., 585 F. Supp. 2d 636, 641 (D. Del. 2008).
  \item \textsuperscript{101} Id. at 639.
  \item \textsuperscript{102} Id.
  \item \textsuperscript{103} Id. at 644.
  \item \textsuperscript{104} Id. at 643–44.
  \item \textsuperscript{105} Id. at 644.
\end{itemize}
patent at issue, which did not include an opinion of counsel. The accused infringer, upon receiving notice that it was thought to be infringing, concluded that it was not infringing based on the opinion of its technical staff. The patentee argued that the infringer’s technical investigation into the patent at issue was inadequate. The court, however, held that the review conducted by individuals familiar with the technology at issue was sufficient to defeat a finding of an objectively high likelihood of infringement.

In another case, the Southern District of California, considering whether the defendant’s lack of an opinion of counsel could be considered by the jury, held that the lack of an opinion alone was not sufficient to satisfy the subjective prong of the *Seagate* analysis. Thus, the District Court held that since the affirmative duty to investigate was abolished in *Seagate*, the opinion of two engineers that there was “nothing new” in the patent at issue was enough to defeat a claim of willful infringement under *Seagate*.

Overall, cases since *Seagate*, like those discussed in this subsection, indicate a much lower standard for relying on an opinion of counsel to defeat the plaintiff’s burden of proving an objectively high likelihood that the infringer’s actions constituted infringement. While informal opinions of technical staff have proved effective in defending against willful infringement, they can also be a double-edged sword as evidence that the infringer had notice of the patent. Some courts, and more importantly juries, may be reluctant to move beyond the negligence-like affirmative duty doctrine. For example, the Eastern District of Texas refused to grant JMOL of no willfulness in a case where engineers conducted analysis of the allegedly infringing products and decided they did not infringe. The court reasoned that the “jury was free to disbelieve the occurrence, accuracy, and reasonableness of this investigation.” Similarly, in a case where the infringer offered evidence that its vice-president and engineer believed in good faith that they avoided the patent at issue, the court

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107 *Id.*
108 *Id.*
109 *Id.*
111 *Id.*
112 See supra notes 91–102 and accompanying text.
114 *Id.*
noted its lack of training in patent law in denying a JMOL of no willful infringement.\textsuperscript{115}

The effectiveness of a non-expert opinion should be considered in light of other factors indicating an objectively low likelihood that the infringer’s actions constituted infringement. Relying on a non-expert opinion alone to prevent willful infringement can be a risky strategy, especially where the case for infringement is not a close one. Furthermore, once willful infringement is found, the failure to obtain an opinion of counsel and reliance on less qualified opinions may be considered negatively by a court in exercising its discretion to enhance damages.\textsuperscript{116}

As discussed in the previous two subsections, assessing the risk of enhanced damages has been simplified under \textit{Seagate} since fewer circumstances will support a finding of willful infringement. Essentially, monitoring the potential threat of enhanced damages requires looking out for non-close calls of literal infringement. In many cases, this is an inquiry that requires knowledge of the technology at issue and a basic understanding of patent law.

The reasons set forth in this section support adoption of an active patent monitoring strategy by small entities. Even those with only a basic understanding of patent rights can give an assessment of where there is a non-close case of literal infringement. Doing this contributes toward a finding of an objectively low likelihood that the infringer’s actions constituted infringement. Thus, it is prudent business practice for small entities to actively monitor patents in their field of invention. Upon discovering such a non-close case of literal infringement, the small entity can proceed with relative confidence that their actions will not give rise to a finding of willful infringement if they merely have a reasonable argument for non-infringement or invalidity. Additionally, since non-willful infringement remains a strict liability tort, early notice of a problematic patent is valuable to the small entity.

\section*{C. Reacting to Problematic Patents}

In carrying out an active strategy for monitoring patents, the small entity may have to confront what to do when a problematic patent is discovered. Although a challenge, this situation is preferable to the


\textsuperscript{116} I-Flow Corp. v. Apex Med. Techs, Inc., No. 07CV1200 DMS (NLS), 2010 WL 114005, at *2 (S.D. Cal. Jan. 6, 2010) (“[F]ailure to obtain an opinion until after this case was filed speaks to the adequacy of their investigation, which apparently consisted of Defendants’ employees reviewing the patent and determining that the Solace pump would not infringe.”).
less desirable result of actual notice from a patentee that the small entity is infringing. In both these scenarios, an understanding of the willful infringement standard of *Seagate* is critical.

1. *Design around efforts can help avoid infringement and serve as a defense to willful infringement.*

   While there are a number of options for addressing a problematic patent, the first consideration should be the possibility of “designing around” it. That is, developing an alternative design to achieve the same end result in a similar way as the patented invention through a design that does not infringe the claims of the patent. If possible and practicable, designing around a patent to avoid infringement can be the best and most cost-effective solution to avoiding infringement. Additionally, an entire product or business can be based on “designing around” a valid patent to provide an alternative or improved version of a competitor’s patented technology. This practice is not prohibited by the patent system, but rather is encouraged. As recognized by the Federal Circuit:

   
   [o]ne of the benefits of a patent system is the so-called “negative incentive” to “design around” a competitor’s products, even when they are patented, thus bringing a steady flow of innovations to the marketplace. It should not be discouraged by punitive damage awards except in cases where conduct is so obnoxious as clearly to call for them.\(^{117}\)

Additionally, “[d]esigning or inventing around patents to make new inventions is encouraged.”\(^{118}\)

Before *Seagate*, evidence of designing around was also evidence of actual notice and triggered a high duty of affirmative care to avoid infringement. Thus, evidence that an infringer was consciously using another’s patent to aid in its design process was highly probative in the assessment of willful infringement. Inventors consciously designing around a patent faced a high risk of willful infringement if they did not obtain competent counsel to issue a good faith reliable opinion that the result of their design around did not infringe. After *Seagate*, design-around efforts still entail risk of liability for actual infringement. However, with the abandonment of the affirmative duty doctrine, designing around another’s patent can be done with a significantly diminished threat of liability for willful infringement. In fact, cases

\(^{117}\) State Indus., Inc. v. A.O. Smith Corp., 751 F.2d 1226, 1236 (Fed. Cir. 1985).

since *Seagate* indicate that good faith efforts to design around, even without the aid of counsel, will indicate an objectively low likelihood that the accused infringer’s conduct constituted infringement of a valid patent. Thus, the small entity should not be discouraged by the threat of willful infringement from “designing around,” as long as the efforts to design around are done in good faith.

District courts considering willful infringement after *Seagate* have treated evidence of designing around as indicating an objectively low likelihood that the infringer’s actions constituted infringement. The Middle District of Pennsylvania considered the fact that the accused infringer read the patentee’s patent in an effort to design around in its efforts to develop an improved version of the patentee’s invention. The court stated, “[g]iven the attempt to design around the [Plaintiff’s] patent, the court finds that [the Defendant] did not act with ‘an objectively high likelihood that its actions constituted an infringement of a valid patent.’” Similarly, the Southern District of New York held that evidence of efforts by the accused infringer to design around the patent at issue, without obtaining assistance from counsel, was a valid defense to willful infringement. Even for large corporations, good faith efforts to design around problematic patents without formal opinions of counsel have successfully precluded findings of willfulness. In the District of Delaware, LG defended against a claim of willfulness by Whirlpool through evidence of internal efforts to design around the patent at issue. The court, in denying Whirlpool’s JMOL with respect to willfulness, reasoned that LG “made concerted efforts to purposefully avoid infringing Whirlpool’s [patent] and believed it had succeeded.”

The Federal Circuit has approved of the persuasiveness of efforts to design around in rejecting claims of willful infringement. In a case where an oil rig manufacturer was accused of infringement and later modified its design to avoid infringement before delivery, the Federal Circuit upheld the District Court’s finding of no willfulness. The Federal Circuit reasoned that the efforts to modify the rig in order to avoid infringement supported the finding that its actions were not

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119 See supra notes 92–109 and accompanying text.
123 Id. at *10.
124 Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc., 617 F.3d 1296, 1313 (Fed. Cir. 2010).
objectively reckless. The Federal Circuit has even found that “[p]rompt redesign efforts and complete removal of infringing products in a span of a few months” after being sued suggested that the infringer was not objectively reckless.

When there is evidence of designing around, the patentee will often try to characterize the accused infringer’s efforts to design around as intentional copying. Before Seagate, intentional copying was extremely probative of willful infringement. Thus, if the accused infringer copied patented technology without regard to the patentee’s rights, a finding of willful infringement was likely. In a case after Seagate, where an infringer was accused of intentional copying, the Federal Circuit rejected the patentee’s argument that “knowingly copying a competitor’s patented invention is objectively risky behavior of the highest order.” The Federal Circuit reasoned that knowingly copying only bears on the infringer’s state of mind, and thus is not relevant under the objective threshold inquiry of Seagate. This demonstrates the dramatic shift away from a standard designed to punish culpable intent to a standard focused on objective recklessness.

Overall, it seems that evidence of both designing around and deliberate copying has diminished in significance for determining willfulness. Upon discovering a problematic patent, evidence of efforts to “design around” will indicate an objectively low likelihood that the infringer’s actions constituted infringement. Also, district courts, in exercising their discretion after a finding of willful infringement, will consider efforts to design around in deciding the amount by which to increase damages. When possible, the small entity should consider, and thoroughly document, efforts to design around a problematic patent.

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125 Id.
127 See, e.g., Voda v. Cordis Corp., 536 F.3d 1311, 1328 (Fed. Cir. 2008) (finding no willful infringement based on design around efforts where Patentee argued that application of the Underwater Devices standard instead of the Seagate standard was harmless based on a claim of intentional copying).
130 Id.
2. A formal opinion of counsel remains an effective defense to willful infringement.

Although the affirmative duty to obtain an opinion of counsel has clearly been eliminated, a favorable opinion of counsel remains a strong defense to willful infringement under Seagate. Although expensive, in some circumstances the value of obtaining such an opinion will outweigh the risks of proceeding without it. The Federal Circuit has directly recognized that “a competent opinion of counsel concluding that [Defendant] did not infringe the [patent] or that it was invalid would provide a sufficient basis for [Defendant] to proceed without engaging in objectively reckless behavior with respect to the [patent].”\(^{132}\) Thus, the “safe harbor” of a favorable opinion from competent counsel remains after Seagate. Even after Seagate, however, some courts recognized that the failure to obtain an opinion of counsel can be considered in the totality of the circumstances in assessing willful infringement.\(^ {133}\) This treatment is likely to change based on recently passed legislation that prohibits the use of an accused infringer’s failure to obtain advice of counsel to prove infringement was willful.\(^ {134}\)

The small entity must exercise careful business judgment when deciding what circumstances warrant obtaining a formal opinion of counsel. As discussed throughout this comment, the small entity can make a preliminary assessment of the degree of “objectively risky” behavior it is engaged in. Based on this assessment, the small entity should decide when the level of liability risk warrants obtaining a formal opinion.

\(^{132}\) Finisar Corp. v. DirecTV Group, Inc., 523 F.3d 1323, 1339 (Fed. Cir. 2008).

\(^{133}\) Spectralytics, Inc. v. Cordis Corp., 649 F.3d 1336 (Fed. Cir. 2011) ("Precedent has also clarified that the failure to obtain an opinion of counsel or otherwise investigate the patent situation can be considered, in the totality of the circumstances."); Parker-Hannifin Corp. v. Wix Filtration Corp., 1:07 CV 1374, 2011 WL 976559 (N.D. Ohio Mar. 17, 2011) (holding that the jury could consider the defendant’s failure to consider the defendant’s failure to produce an opinion of counsel).

\(^{134}\) Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 17, § 298, 125 Stat. 284 (2011), available at http://judiciary.house.gov/issues/PatentReform%20PDFS/112hr1249eh.pdf ("The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.").
3. SeaGate’s more rigorous standard for proving willful infringement improves an accused infringer’s bargaining position in a licensing or settlement negotiation.

In most cases, small entities will not have the necessary financial resources to defend against claims of infringement. Patent litigation is expensive. Partly for this reason, very few patent infringement cases make it to trial. Instead, most patents are used simply for obtaining licensing fees or intimidating competitors.

In some cases, the cost of obtaining a license or agreement under which the patentee will not enforce its patent rights will outweigh the risk of liability or costs of defending against patent infringement. The shift away from protecting patentees’ rights under Seagate removes some of the leverage held by a patentee in licensing negotiations. If a small entity has a reasonable basis to conclude that its actions are not objectively risky, it should not be intimidated by the threat of a claim of willful infringement. Since in many cases the threat of willful infringement has diminished, the patentee also has less incentive to sue and more incentive to reach an agreement.

III. Conclusion

The risk of patent infringement is an important consideration for the small entity. Since actual infringement remains a strict liability tort, it is impossible to avoid the risk of infringement liability altogether. The risk of willful infringement, however, can be more effectively avoided through efforts reasonable for the small entity under the objective recklessness standard of Seagate.

Overall, the threat of willful infringement has diminished after Seagate. Any disincentive to investigate under the Underwater Devices standard has been eliminated and the benefit of an active monitoring strategy far outweighs any possible drawbacks of actual notice. The Seagate standard also makes an assessment of the risk of willful infringement easier since non-close cases of infringement are unlikely to support a finding of objective recklessness. Furthermore, “objective recklessness” can be avoided through proactive, but cost-effective measures. Exercising business judgment, the small entity should decide what risk abatement techniques are necessary to avoid a


finding of objective recklessness. While a reasonable argument for non-infringement or invalidity is a strong defense to willful infringement, some cases will still warrant the expense of a formal patent opinion, which remains an effective defense to willful infringement after Seagate.

No business can formulate an effective strategy for managing intellectual property without an understanding of the standard of willful infringement. It is an especially important consideration for the small entity, which must carefully allocate resources in every aspect of business. While others debate the prudence of the Seagate decision, there is no doubt that it has brought a shift away from protecting patentee’s rights. This, along with the peculiarities of the objective recklessness standard, should be factored into the cost-risk analysis of a small entity’s intellectual property strategy.
NOTE: STATUTORY DAMAGE AWARDS AND THE “INDEPENDENT ECONOMIC VALUE” TEST: DID BRYANT v. MEDIA RIGHT PRODUCTIONS, INC. HIGHLIGHT THE NEED FOR NEW LEGISLATION?

Tierryicah Mitchell†

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† J.D. candidate, 2012, Wake Forest University School of Law; Staff Member, Wake Forest Journal of Business and Intellectual Property Law. In loving memory of my grandmother, Mrs. Hazel Lee Bennett. Many thanks to my mother, Dana Stubblefield, for always believing in me, and my best friend, Tiffany Johnson, for her love and support.
INTRODUCTION

How should one calculate the cost of a copyright infringement of one album with ten songs, five of which were illegally downloaded? Better stated, should statutory damages be calculated on a per-song or per-album basis where a copyright infringer makes an unauthorized digital copy of a music album, then sells or distributes the individual songs from the album? The answer depends on how that court defines “work.” Some circuits would find each song constituted an individual work, placing focus on “whether each expression . . . has an independent economic value and is, in itself, viable.” A few circuits look at the way in which the work was infringed, that is, some circuits focus on whether the defendant stole the work and subsequently used it as either a compilation or an individual work. However, in an arguably circuit-splitting decision, the Second Circuit held in Bryant v. Media Right Productions, Inc. that the total number of awarded statutory damages is contingent upon whether the copyright holder issued its works together as a unit or separately. Thus, applying Media Right, the copyright holder would receive damages for only one work.

The present issue arose after songwriters Anne Bryant and Ellen Bernfeld (collectively “songwriters”) discovered that Douglas Maxwell (“Maxwell”) of Media Right Productions, Inc. (“Media Right”) had given music wholesaler, the Orchard Enterprises, Inc. (“The Orchard”), express permission to make and distribute digital copies of their record label’s songs without their authorization. The songs were taken from two music albums entitled, Songs for Dogs and the People Who Love Them (“Song for Dogs”) and Songs for Cats and the People Who Love Them (“Song for Cats”), both of which were registered with the Copyright Office as collective works. Selected songs from each album were independently registered as well. The songwriters brought suit against Media Rights and The Orchard alleging, among other things, copyright infringement.

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3 Bryant v. Media Right Prods., Inc., 603 F.3d 135, 142 (2d Cir. 2010), cert. denied, 131 S. Ct. 656 (2010).
4 See Petition for Writ of Certiorari, supra note 1, at 3 n.1. The actual copyright registrations for the albums indicate that ten of the songs from Song for Cats and four of the songs from Song for Dogs were separately copyrighted.
5 See Bryant v. Europadisk, Ltd., No. 07 Civ. 3050(WGY), 2009 WL 1059777 continued . . .
Prior to receiving a ruling in their favor, the songwriters elected to seek statutory damages instead of actual damages.\(^6\) The district court awarded the songwriters limited statutory damages, finding that the two albums each constituted a compilation under the Copyright Act, thus holding that “statutory damages must be calculated on a per-album basis rather than per-song.”\(^7\)

On appeal, the Second Circuit affirmed the judgment, expressly rejecting the “independent economic value” test with the arguable advent of its own “issuance” test.\(^8\) According to the “independent economic value” test, multiple works that possess distinct and creative value independent of the larger work should be treated as separate works for the purpose of determining statutory damages.\(^9\) The issuance test, on the other hand, focuses on whether the copyright holder “issued its works separately, or together as a unit.”\(^10\) The songwriters appealed the judgment, but the Supreme Court denied certiorari,\(^11\) missing an important opportunity to settle what surely has become an ever-present issue in today’s age of digital technology.

In the wake of the Court’s willful silence on the issue, at least two questions remain unanswered. First, which test best achieves the Copyright Act’s implicit goal of deterrence—\(^12\) the Second Circuit’s issuance test or the more common “independent economic value” test? And secondly, in a time where copyright infringement of intellectual

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\(^{\ast}1\) (S.D.N.Y. Apr. 15, 2009) (stating that in addition to copyright infringement, the songwriters brought claims for trade dress violations, breach of fiduciary duty, breach of contract, and unjust enrichment).

\(^6\) Pursuant to 17 U.S.C. § 504(c)(1) (2006) of the Copyright Act, the copyright holder may elect to recover an award of statutory damages in lieu of actual damages, at any time prior to final judgment.

\(^7\) Europadisk, 2009 WL 1059777, at *7 (citing Country Road Music, Inc. v. MP3.com, Inc., 279 F.Supp. 2d 325, 332 (S.D.N.Y. 2003)).

\(^8\) The term, issuance test, was first used in the plaintiff-petitioners’ petition for certiorari. Petition for Writ of Certiorari, supra note 1, at 9. But the defendant-respondents categorically deny the creation of such a test in their brief in opposition. Brief of Respondents in Opposition at 7, Bryant v. Media Right Prods., Inc., 603 F.3d 135 (2d Cir. 2010) (No. 10-415), 2010 WL 4278720.


\(^10\) Bryant v. Media Right Prods., Inc., 603 F.3d 135, 141 (2d Cir. 2010), cert. denied, 131 S. Ct. 656 (2010).


property is more rampant with the prevalence of the Internet, is it sound policy to leave the issue of statutory damage calculation unanswered?

This comment examines the two approaches to calculating statutory award damages under the Copyright Act of 1976. Part I begins with an overview of the Copyright Act, including the scope of said law prior to Media Right and a discussion of other decisions and rationales. Part II provides an analysis of the Second Circuit’s holding by comparing and contrasting its rationale to that of prior case law. In Part III, I will outline and evaluate the implications of the Second Circuit’s decision. Part IV will conclude this comment with an opinion on the Supreme Court’s denial of the songwriters’ petition for certiorari and the possible ramifications the Court’s decision could have on copyright law.

I. INTERPRETATIONS OF 17 U.S.C. § 504(c) OF THE COPYRIGHT ACT OF 1976

The Copyright Act of 1976 authorizes two ways in which a copyright holder may seek recovery for infringements upon its work: actual damages or statutory damages. If the holder elects statutory damages, recovery is available “for all infringements involved in the action, with respect to any one work.” More to the point, if the copyright holder elects a statutory damage award, damages could range anywhere from a minimum of $250 to a maximum of $10,000 for any one infringed work. Although the Copyright Act fails to provide a definition for what constitutes a “work,” the Act provides that “all the parts of a compilation or derivative work constitute one work,” where a compilation is defined as “a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship.”

Even still, confusion remains as to what exactly Congress meant by “work” in drafting the Act. In an attempt to give full effect to the terms of the Act, courts have looked to the legislative history in interpreting the statutory damages provision of the Act.

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14 Id.
A. Legislative history of 17 U.S.C. § 504(c) of the Copyright Act of 1976

When the Copyright Act of 1976 replaced its predecessor, the Copyright Act of 1909, its primary goals were to update the law to address the new technological advances of the time, as well as to clarify some of the more ambiguous portions of the 1909 Act. One of the effects of the updated Act was to change the way in which statutory damages were calculated. Contrary to the 1909 Act, which allowed statutory damages for each individual infringement, the 1976 Act “shifts the unit of damages inquiry from number of infringements to number of works.”

The legislative history of the Copyright Act of 1976 reads in relevant part:

2. . . . A single infringer of a single work is liable for a single amount . . . 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 . . . Subsection (c)(1) makes clear, however, that, although regarded as independent works for other purposes, “all the parts of a compilation or derivative work constitute one work” for this purpose.

B. Case law interpreting the 17 U.S.C. § 504(c) of the Copyright Act of 1976 pre-Media Right and the “independent economic value” test

The lack of direction in the Copyright Act of 1976 left many circuit courts around the nation in search of the correct manner in which to interpret what exactly constitutes a “work.” Looking for a

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18 See H.R. REP. NO. 94-1476, at 47 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 1976 WL 14045. The House Report provides in pertinent part: “Since [1909] significant changes in technology have affected the operation of copyright law. Motion pictures and sound recordings had just made their appearance in 1909, and radio and television were still in the early stages of their development. During the past half century a wide range of new techniques for capturing and communicating printed matter, visual images, and recorded sounds have come into use, and the increasing uses of information storage and retrieval devices, communications satellites, and laser technology promises even greater changes in the near future.”

19 Twin Peaks Prods. v. Publ’ns Intern., 996 F.2d 1366, 1381 (2d Cir. 1993).

20 H.R. REP. NO. 94-1476, at 162.
functional test to provide a framework for evaluating what qualifies as a “work.”\textsuperscript{21} The courts, whether inadvertently or purposely, mimicked one of the earliest decisions applying a form of the “independent economic value” test under the Copyright Act of 1909.\textsuperscript{22} In \textit{Robert Stigwood Group Ltd. v. O’Reilly}, the Second Circuit held individual copyrights are not separate works unless they can “live their own copyright life.”\textsuperscript{23}

Even with the evolution of the jurisprudence, courts have continued to hold that separate statutory damage awards are permissible for “distinct viable works with separate economic value and copyright lives of their own.”\textsuperscript{24} In 1990, the D.C. Circuit held that while Mickey Mouse (“Mickey”) and Minnie Mouse (“Minnie”) each constituted a separate “work” for the purpose of calculating statutory damages, the six different copyrighted poses of the characters were not.\textsuperscript{25} The court, in applying the “independent economic value” test, found that Mickey and Minnie were indeed distinct, viable works with separate economic value and copyright lives of their own.\textsuperscript{26} According to the court, the same could not be said for the six copyrighted poses of Mickey and Minnie. The court explained, “Mickey is still Mickey whether he is smiling or frowning, running or walking, waving his left hand or right.”\textsuperscript{27}

Similarly, in the 1993 case, \textit{Twin Peaks Productions, Inc. v. Publications International Ltd.},\textsuperscript{28} the Second Circuit decided whether eight separately written teleplays of a television program constituted eight works or a single work.\textsuperscript{29} The court, affirming the district court’s holding, concluded that the copyright holder was entitled to separate awards of statutory damages for each of the eight teleplays.\textsuperscript{30}

\begin{itemize}
  \item \textsuperscript{21} See \textit{Cases}, supra note 9.
  \item \textsuperscript{22} See \textit{Copyright Act of 1909}, Pub. L. No. 60-349, §§ 6, 25, 35 Stat. 1077, 1081–82 (1909). \textit{But see} 17 U.S.C. §§ 101, 103 (2006). Unlike its successor, which expressly provides that multiple infringements of one work by an individual infringer constitute only one statutory violation, the 1909 Act remained silent on the number of awards available for the infringement of a compilation.
  \item \textsuperscript{23} Robert Stigwood Group, Ltd. v. O’Reilly, 530 F.2d 1096, 1105 (2d Cir. 1976) (arising under the Copyright Act of 1909, the predecessor to the Act at issue, the Copyright Act of 1976).
  \item \textsuperscript{24} \textit{Walt Disney Co. v. Powell}, 897 F.2d 565, 569 (D.C. Cir. 1990).
  \item \textsuperscript{25} \textit{Id}.
  \item \textsuperscript{26} \textit{Id.} at 570.
  \item \textsuperscript{27} \textit{Id}.
  \item \textsuperscript{28} It is debatable whether the court actually adopted the “independent economic value” test. While it can be argued that in practice the test was applied, the Second Circuit never discussed the test.
  \item \textsuperscript{29} \textit{Twin Peaks Prods., Inc. v. Publ’ns Int’l Ltd.}, 996 F.2d 1366 (2d Cir. 1993).
  \item \textsuperscript{30} \textit{Id.} at 1381.
\end{itemize}
The court explained that, “the author of eight scripts for eight television episodes is not limited to one award of statutory damages just because he or she can continue the plot line from one episode to the next and hold the viewers’ interest without furnishing a resolution.”\footnote{Id.}

In that same year, the First Circuit, in \textit{Gamma Audio \& Video, Inc. v. Ean-Che}, looked at whether four television episodes in a series sold together as a unit each constituted a separate work.\footnote{Gamma Audio \& Video, Inc. v. Ean-Che, 11 F.3d 1106 (1st Cir. 1993).} At the district court level, the court held that the four episodes together constituted one “work” for two principle reasons: first, only complete sets of the television series were used, and second, each of the four episodes were registered on a single registration form.\footnote{Id. at 1117.} On appeal, the First Circuit reversed the trial court and held that the four episodes each constituted a separate “work” for the purposes of determining statutory damages in spite of the single registration and method of issuance. The court, noting that each episode was separately produced and that customers could rent and view the episodes individually or collectively, reasoned that “[a] distributor’s decision to sell or rent complete sets of a series to video stores in no way indicates that each episode in the series is unable to stand alone.”\footnote{See id. In regards to the district court treating the single registration form as one of the dispositive factors weighing in favor of finding only one work, the First Circuit stated, “there is simply no authority for drawing such an inference.” The court then distinguished the act of registration from the calculation of statutory damage awards. “[T]he copyrights in multiple works may be registered on a single form, and thus considered one work for the purposes of registration, . . . while still qualifying as separate ‘works’ for purposes of awarding statutory damages.”}

In much the same way, the Ninth Circuit, in the 1997 case, \textit{Columbia Pictures Television v. Krypton Broadcasting of Birmingham, Inc.}\footnote{Columbia Pictures Television v. Krypton Broad. of Birmingham, 106 F.3d 284, 295 (9th Cir. 1997).} held that where different episodes were broadcast over an extended span of time, viewers could watch as few or as many episodes as they wanted, and the episodes could be replayed and broadcast in different orders. The episodes each constituted a separate work as each episode had an independent economic value.\footnote{Id.} A year prior to \textit{Columbia Pictures}, the Eleventh Circuit rendered the same holding on a similar set of facts in \textit{MCA Television Ltd. v. Feltner}.\footnote{MCA Television Ltd. v. Feltner, 89 F.3d 766, 769 (11th Cir. 1996).} The Eleventh Circuit held that each episode in a series broadcast is a separate work, continued . . .
C. Case Law Interpreting § 504(c) pre-Media Right as Rejecting the “Independent Economic Value” Test

Not all case law pre-Media Right supported the “independent economic value” test. In fact, of the cases that rejected the test, a few even did so within the context of musical recordings. 39 Much of the case law originated in the Southern District Court of New York (“Southern District Court”). For example, in 2000, the Southern District Court in *UMG Recordings, Inc. v. Mp3.com, Inc.*, expressly rejected the test when considering whether to assess statutory damages for an album on a per-album or per-song basis. 40 In *UMG Recordings*, the Defendant internet company made entire albums available for online streaming as individual songs after it had ‘ripped’ those albums from Plaintiff recording label. 41 The court, in response to the argument that each song on each infringed-upon CD should be awarded separate damages because each song had an independent economic value, concluded:

None of this is relevant in the face of the unequivocal statutory language . . . [I]t is hard to see the appropriateness of an “independent economic value” test to statutory damages—as opposed to actual damages, for which every copyright holder remains free to sue on a “per-song” other than “per-CD basis.” If such a test were applied, the result would be to make a total mockery of Congress’ express mandate that all parts of a compilation must be treated as a single “work” for the purposes of computing statutory damages, since as the House Report expressly recognizes, the copyrighted parts of a compilation will often constitute “independent works for other purposes.” 42

Three years later, the Southern District Court defended its prior

41 *Id.* at 224–25.
rulings\textsuperscript{43} that statutory damages should not be calculated on a per-song basis, but rather on a per-album basis, in \textit{Country Road Music, Inc. v. Mp3.com, Inc.}\textsuperscript{44} As it had done previously, the court cited to the House Report pertaining to Section 504(c)(1) and explained that the Congressional intent clearly indicated that even if a work is considered independent for other purposes, “all the parts of a compilation or derivative work constitute one work for the purposes of determining an award of statutory damages.”\textsuperscript{45} Thus, each CD that has been infringed upon—in spite of the fact that it may have multiple copyrighted songs—constitutes one work for the purpose of calculating statutory damages. In 2006, the District of New Jersey court in \textit{Arista Records, Inc. v. Flea World, Inc.}\textsuperscript{46} adopted the reasoning of the Southern District Court’s UMG and \textit{Country Road} holdings that the appropriate measure of statutory damage awards for musical recordings is per-album rather than per-song.\textsuperscript{47}

\textbf{II. Bryant v. Media Right Productions, Inc.}

In \textit{Media Right}, the Second Circuit held that the text of the Copyright Act of 1976 clearly specifies that \textit{all} parts of a compilation are entitled to only one award of statutory damages, where “a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship.”\textsuperscript{48} The court first determined that an album falls squarely within the Act’s purview of what constitutes a compilation, where an album is defined as “a collection of preexisting materials—songs—that are selected and arranged by the author in a way that results in an original work of authorship—the album.”\textsuperscript{49} In so doing, the court explained that the term “compilation” encompassed collected works, that is—works in “which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective work.”\textsuperscript{50} Thus, the court concluded that the statute’s plain language unambiguously provides that album infringement results in a single statutory damage award, regardless of whether each song

\textsuperscript{43} \textit{TeeVee Toons}, 134 F. Supp. 2d at 546; see id.
\textsuperscript{44} \textit{See Country Road}, 279 F. Supp. 2d at 332.
\textsuperscript{45} \textit{See id.} (citing H.R. REP. NO. 94-1476, at 162).
\textsuperscript{46} \textit{Arista Records, Inc. v. Flea World, Inc.}, No. 03-2670(JBS), 2006 WL 842883 (D.N.J. Mar. 31, 2006).
\textsuperscript{47} \textit{Id.} at *22.
\textsuperscript{48} Bryant v. Media Right Prods., 603 F.3d 135, 141 (2d Cir. 2010) (citing 17 U.S.C § 101 (2006)).
\textsuperscript{49} \textit{Id.} at 140–41.
\textsuperscript{50} \textit{Id.} at 140 (citing 17 U.S.C § 101 (2006)).
receives a separate copyright.

**A. Method of Issuance**

In explaining its rationale, the Second Circuit drew a sharp distinction between its holding in *Media Right* and its holding in *Twin Peaks*. In *Twin Peaks*, the court held that the copyright holder was entitled to one award of statutory damages for each of the eight teleplays because the copyright holder chose to issue the works separately, as independent television episodes.\(^{51}\)

The *Media Right* court first noted that in both cases, its primary focus was placed on “whether the . . . copyright holder [had] issued its works separately, or together as a unit.”\(^{52}\) In *Twin Peaks*, the copyright holder chose to issue each of the eight episodes sequentially, at different times.\(^{53}\) In *Media Right*, the infringer took it upon himself to issue the songs separately, not the actual copyright holder—who issued the works as album compilations.\(^{54}\) Thus, in looking at the method in which the copyright holder chose to issue its work, the court explained that in *Media Right*, the plain reading of the statute would restrict the statutory award to one for each album.\(^{55}\)

**B. Rejection of the “independent economic value” test**

In granting the songwriter-copyright holders limited statutory damages, the court expressly declined to use the “independent economic value” test. The court refused to recognize as dispositive the number of individual infringements from the individual songs, stating that a music album is a compilation and the statute clearly provides that a compilation (including its requisite parts) must be treated as a single work for the purposes of a statutory damages calculation. Further, after examining the text of the statute, the court found that the statute provided “no exception for a part of a compilation that has ‘independent economic value.’”\(^{56}\)

Acknowledging and subsequently refusing to take exception for the relative ease of copyright infringement in the digital age, the court stated:

> We cannot disregard the statutory language simply because the digital music age has made it easier for

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\(^{51}\) *Twin Peaks Prods. v. Publ’ns Int’l Ltd.*, 996 F.2d 1366, 1381 (2d Cir. 2010).

\(^{52}\) *Media Right*, 603 F.3d at 141.

\(^{53}\) *Twin Peaks*, 996 F.2d at 1381.

\(^{54}\) *Media Right*, 603 F.3d at 141.

\(^{55}\) Id.

\(^{56}\) Id. at 142.
infringers to make parts of an album available separately. This interpretation of the statute is consistent with Congressional intent expressed in the Conference Report that accompanied the 1976 Act, which states that the one-award restriction applies even if the parts of the compilation are regarded as independent works for other purposes.\textsuperscript{57}

Thus, the court, in declining to use the “independent economic value” test, opted instead to adhere to a plain reading of the statute, holding that infringement of an album should result in only a single damage award where that album constituted a compilation within the meaning of the statute.\textsuperscript{58}

C. Petition for Certiorari

The petitioners-songwriters (“songwriters”) filed a writ for certiorari alleging that the Second Circuit created a circuit split in refusing to follow the rulings of the four circuits\textsuperscript{59} that endorsed the “independent economic value” test.\textsuperscript{60} According to the songwriters, the conflict is “especially critical” concerning musical recordings because of the all-encompassing nature of the Internet and the ease with which a potential infringer can distribute and sell individual songs.\textsuperscript{61}

The songwriters argued that the appropriate rule should be that “where a copyright infringer chooses to make individual songs available for sale or distribution on the Internet separately from the album, the statutory damages should be calculated on a per-song rather than per-album basis.”\textsuperscript{62} Citing the “independent economic value” test, the songwriters explained that songs are distinct and separate creative works that have an economic value independent from the album.\textsuperscript{63} Therefore, the songwriters argued that the songs should be treated as a separate work for the purposes of assessing statutory damage awards.

The songwriters argued that the Supreme Court should grant the

\textsuperscript{58} Id.
\textsuperscript{59} Petition for Writ of Certiorari, supra note 1, at 6. The petitioner-songwriters alleged that the Second Circuit failed to follow the authorities from the First, Ninth, Eleventh, and D.C. Circuits.
\textsuperscript{60} Id.
\textsuperscript{61} Id. at 7.
\textsuperscript{62} Id.
\textsuperscript{63} Id.
petition because (1) a circuit split had been created, (2) the Second Circuit’s result contravened the Copyright Act, and (3) the issue was timely and important.\footnote{Id. at iii.}

1. Creation of a Circuit Split

According to the songwriters, in affirming the lower court’s holding that statutory damages under the Copyright Act are assessed on a per-album versus a per-song basis, the Second Circuit failed to follow the decisions of at least four other circuits that have held to the contrary.\footnote{Id. at 6 (failing to follow authorities from the First, Ninth, Eleventh, and D.C. Circuits).} Prior to Media Right, other circuits calculated statutory damage awards separately “where the constituent parts of a larger work [were] themselves distinct and ‘viable’ works with ‘independent economic value.’”\footnote{Id. at 7–8 (citing 17 U.S.C. § 504(c)(1) (2006)).}

Noting that the Copyright Act expressly authorizes a single statutory award “for all infringements involved in the action, with respect to any one work,”\footnote{Id. at 8 (“The test set forth in Walt Disney is a functional one, with the focus on whether each expression . . . has an independent economic value and is, in itself, viable.” (quoting Gamma Audio & Video, Inc. v. Ean-Chea, 11 F.3d 1106, 1116–17 (1st Cir. 1993))).} but remains silent on what constitutes a “work,” the songwriters cited and adopted the “functional”\footnote{See id. The D.C. Circuit appears to have been one of the pioneers of the “independent economic value” test. The songwriters cite first to Walt Disney in establishing the “independent economic value” test, then list and briefly explain the holdings of the other three circuits that adopted the test.} working definition as implemented by other circuits\footnote{Id. at 9.} in the form of the “independent economic value” test. That is, a separate award of statutory damages is available where a distinct and viable work has a separate economic value and a copyright of its own.\footnote{Id. at 8 (citing Walt Disney Co. v. Powell, 897 F.2d 565, 570 (D.C. Cir. 1990))).} The songwriters contend that the Second Circuit, although “acknowledging” the test, declined to follow it, choosing instead to follow an alternative method of assessing statutory award damages. This method, which the songwriters dubbed as a “form of issuance” test,\footnote{Id. at 9.} “focused on whether the plaintiff—the copyright holder—issued its work separately, or together as a unit.”\footnote{Id.} In application, this test limits the
copyright holder’s award because it measures statutory awards on the basis of a per-album rather than per-song basis if the copyright holders issued their works as a compilation.\textsuperscript{73}

The songwriters argue that the Second Circuit’s implementation of this alternative test creates a circuit split with the First Circuit’s decision in Gamma, which rejected the notion that one copyright holder was entitled to only one statutory damage award for the infringement of four episodes out of a television series because the copyright holder issued the series as a single product.\textsuperscript{74} The songwriters, aligning themselves with the First Circuit, argue that the songwriters decision to “distribute their songs as part of an album in no way indicates that each song is unable to stand alone.”\textsuperscript{75}

2. “Issuance Test” Contravenes the Copyright Act

The songwriters also argued that the Second Circuit’s rationale in adopting its “issuance test” falls outside the scope of the congressional intent of the Copyright Act. More specifically, the songwriters argue that Congress never intended the authorization of only one statutory award for: “(1) infringement of a compilation, plus (2) a separate and discrete infringement of one or more of the works included in the compilation”\textsuperscript{76} where a compilation is defined as an “original selection, coordination, or arrangement of materials.”\textsuperscript{77}

While the songwriters conceded that the “single act of copying an entire album would support only one award of statutory damages,” they also asserted that separate and distinct infringements of that album should result in an additional award for each individual infringement.\textsuperscript{78} Holding to the contrary would only lead to “absurd and unfair results.”\textsuperscript{79} In support of its argument, the songwriters cited the following hypothetical\textsuperscript{80} that the First Circuit provided in Gamma: “If the distributor of the Rocky series of motion pictures required video

\textsuperscript{73} Id.
\textsuperscript{74} Id. (citing Gamma Audio & Video, Inc. v. Ean-Chea, 11 F.3d 1106, 1117 (1st Cir. 1993)).
\textsuperscript{75} Id. at 10.
\textsuperscript{76} Id. at 11.
\textsuperscript{77} See id. at 11 n.2 (citing 17 U.S.C. § 101 (2006)).
\textsuperscript{78} Id. at 11.
\textsuperscript{79} Id. at 12.
\textsuperscript{80} See Brief for Respondents in Opposition, supra note 8, at 15. In response to the songwriters’ Rocky hypothetical, the respondents, discounting it as “not compelling and distinguishable,” explained that the “case at bar involves musical albums produced as compilations – not separate movie series subsequently boxed together.”
stores to purchase all five of the movies, or alternatively, packaged the movies as a boxed set for resale, the five movies would not suddenly become one ‘work’ for the purpose of damages.” Stated another way, copyright holders should not be limited to a single statutory award simply because they choose to issue their work as part of a larger compilation of works.

3. **Timely and Important Issue**

Lastly, the songwriters sought to press the importance of the method of assessing statutory damage awards upon the court in highlighting the relative ease in which one can acquire music in the digital age. In the midst of this new environment, the songwriters argued that copyright law must be clear and consistent, particularly the provisions governing the calculation of statutory damage awards. “Statutory damages are available in order to effectuate two purposes underlying the remedial purpose of the Copyright Act: to provide adequate compensation to the copyright holder and deter infringement.”

The songwriters argued that the Second Circuit’s opinion detracts from the Act’s deterrent value because an infringer who illegally copies a single album will not be held additionally liable for then distributing the individual songs on that album.

**D. Respondents in Opposition**

The production company-respondents (“Media Right”) rejected the songwriters’ arguments made in brief stating that the Second Circuit’s holding concerning the assessment of statutory damage awards was properly determined and did not necessarily diverge from decisions of the other U.S. Courts of Appeals. More specifically, Media Right argued that the use of the “independent economic value” test in the context of music albums contravenes the explicit language of the Copyright Act.

In so arguing, Media Right rejected the songwriters’ assertion that

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81 Petition for Writ of Certiorari, *supra* note 4, at 12 (citing Gamma Audio & Video, Inc. v. Ean-Che, 11 F.3d 1106, 1117 n.9 (1st Cir. 1993)).
82 *Id.* at 13.
83 *Id.* at 14. The evolution of digital technology has led to the decline of consumers purchasing music from an actual record store and the rise of digitally downloaded music from the Internet, both legally and illegally.
84 *Id.* (citing Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc., 886 F.2d 1545, 1554 (9th Cir. 1989)).
85 *Id.*
86 Brief for Respondents in Opposition, *supra* note 8, at 1.
the Second Circuit created and applied a “form of issuance” test. Rather, Media Right contended that the Second Circuit interpreted the statutory language of the Copyright Act with the aid of the legislative history to hold that Congress was clear in providing for one statutory damage award measured on a per-album basis for music albums.\(^{87}\) Because none of the other Circuits’ cases deal with musical recordings, Media Right argues those cases are both inapplicable and distinguishable from Bryant.\(^{88}\) Media Right pointed out that courts handling cases involving musical recordings found similarly to the Second Circuit.\(^{89}\)

While Media Right conceded that the evolution of digital technology had made digital music more available on the Internet, Media Right—in agreement with the Second Circuit—declined to find this to be a compelling enough reason to ignore the Act’s plain language and unambiguous congressional intent.\(^{90}\) Rather, Media Right, citing language from the Southern District Court of New York, concluded: “When Congress speaks, the courts must listen: so our constitution mandates. When, as here, Congress’ statement is clear, to disregard that message would be nothing less than an unconstitutional arrogation of power by the judiciary. The Court declines plaintiffs’ invitation to tread the treacherous path.”\(^{91}\)

The Supreme Court denied the songwriters’ petition for certiorari.\(^{92}\) In so doing, the Court implicitly accepted the Second Circuit’s interpretation of the Copyright Act, which found that statutory award damages should be calculated on a per-album rather than per-song basis because an album falls within the Act’s definition of a “compilation.”

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\(^{87}\) Id. at 7.

\(^{88}\) Id. at 8. The Walt Disney case arising from the Federal Circuit concerned the depiction of two cartoon characters. *Gamma, Columbia Pictures, and MCA Television* in the First, Ninth, and Eleventh circuits, respectively, concerned episodes that were a part of a television series.


\(^{90}\) Brief for Respondents in Opposition, *supra* note 8, at 16.

\(^{91}\) Id. at 16–17 (citing UMG Recordings, 109 F. Supp.2d at 225) (emphasis added)

III. Evaluation

In the immediate wake of Court’s certiorari denial, the practical and legal ramifications of the Court’s silence concerning the assessment of statutory damage awards are unclear. The possible implications of the Court’s denial are two-fold. While the Second Circuit’s interpretation of the assessment of statutory damages concerning music albums was a correct reading of the Copyright Act’s plain language, in practice such an interpretation can, and probably will, have the following negative policy implications: (1) forum shopping; and (2) minimizing the Act’s deterrence goal, thereby promoting bad policy. In realizing the harmful implications of the continued application of an outdated provision, hopefully Congress will recognize the need for updated legislation.

A. Negative Policy Implications

The Supreme Court’s denial of certiorari was a missed opportunity to settle the conflict in the Copyright Act’s provision pertaining to the calculation of statutory award damages. According to the language of the Act, statutory damage awards are available for all damage infringements involved in the action, with respect to any one work where all parts of a compilation constitute one work.93 The Act further provides that a compilation is “a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship.”94

The general consensus among other circuits that have decided this issue is that “because . . . songs are distinct creative works with economic value independent of the album, they should be treated as separate ‘works’ for the purpose of assessing statutory damages.”95

Therefore, because the Act provides that a court has the discretion of awarding damages of not less than $750 or more than $30,000 for all infringements with respect to one work,96 a statutory award multiplied by the individual number of songs infringed could be almost ten times greater than an award that only takes into account the number of albums infringed. The natural consequence of such a huge disparity in the law is an almost open invitation to litigants to forum shop for the “best” jurisdiction in which to file their lawsuits, thus

95 Petition for Writ of Certiorari, supra note 1, at 7.
96 See 17 U.S.C. § 504(c)(1).
decreasing the likelihood of litigants engaging in settlement discussions prior to trial.

While this incongruence does not necessarily encourage copyright infringement, it does not help further the remedial Copyright Act’s goal of deterrence. The Constitution provides Congress with the express authority to enact laws “[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.” 97 In furtherance of this Constitutional provision, Congress enacted the Copyright Act with a statutory damages provision to both compensate copyright owners and deter further infringement.98

According to the Second Circuit, statutory damages for a music album are limited to a single award, regardless of whether the infringer sells and distributes digital copies of each individual song independent from the album.99 The effect of such a holding is clear. If and when a prospective infringer comes to the realization that he or she would be held liable for only one statutory award, he or she may be likely to use a “cost-benefit analysis and determine whether infringing will be profitable even if they are caught.”100 Therefore, if a business stood to make a $1 million profit on an album that contained ten infringed songs with a cost of $300,000 in statutory damages where each infringed song was valued at the statutory maximum of $30,000, it would likely assess that the benefit of copyright infringement far outweighed the cost of statutory damages.101

The problem of this “cost-benefit analysis” is exacerbated when one takes into consideration the relative ease with which an infringer can sell, copy, and distribute individual digital downloads of songs in the digital age with the evolution of technology. In Bryant, Media Right was able to sell the songwriters’ albums as well as their individual songs online through its digital partners, which included Amazon.com and iTunes.102

97 U.S. CONST. art. I, § 8, cl. 8.
99 See Bryant v. Media Right Productions, 603 F.3d 135, 140 (2d Cir. 2010).
101 See generally id.
102 See Petition for Writ of Certiorari, supra note 1, at 4.
B. Need for Updated Legislation

After looking at both the Second Circuit’s method and the other circuits’ use of the “independent economic value” test in the context of both the evolving times and the Copyright Act, it becomes apparent that while the “independent economic value” test is a better measure for damages in the digital age, the Copyright Act—as written—does not provide for such a test in the context for music albums. A music album, which is a “collection of preexisting materials—songs—selected and arranged by the author in a way that results in an original work of authorship—the album,” fits neatly within the purview of statutorily defined “compilation.”103 The express language of the Act provides that all parts of a compilation are properly treated as one work with no mention of an exception that would parse out separate damage awards based on “independent economic value.” As the Second Circuit properly determined, “[b]ased on a plain reading of the statute, therefore, infringement of an album should result in only one statutory damage award. The fact that each song may have received a separate copyright is irrelevant to this analysis.”104

Considering the present text of the Copyright Act, the Second Circuit correctly held that since a music album constitutes a compilation, it must be treated as one work for the purposes of calculating statutory damages. This is not to say that this is the most logical assessment of statutory damages. Rather, as the songwriters pointed out, since digital music has been made available on the Internet, an increasing number of individuals acquire their music by illegally downloading digital copies of songs from the Internet.105 Following the Second Circuit’s reasoning, no additional statutory damages would be awarded if the infringer illegally copied an entire album, and subsequently distributed the individual songs from the album on the Internet. Under the “independent economic value” test, the infringers would be held liable for each individual song that has a separate economic value and a copyright life of its own, and statutory damages would be measured on a per-song rather than per-album basis.106

Arguably, the “independent economic value” test indeed provides a viable remedy to the increasing trend of illegally downloading and distributing music on the Internet. While logical and praiseworthy, the language of the Copyright Act does not support such a test in the

103 Media Rights, 603 F.3d at 140–41; see also 17 U.S.C. § 504(c)(1) (2006).
104 Media Rights, 603 F.3d at 141.
105 See Petition for Writ of Certiorari, supra note 1, at 13.
106 See id. at 8.
context of music albums. The solution begins and ends with Congressional action. The courts are using an Act last amended in 1976 to address a more advanced and pervasive technology that was not in existence at the time the Act was passed. Just as when Congress updated the 1909 Act to adequately address the “wide range of new techniques for capturing and communicating printed matter, visual images, and recorded sounds,” Congress now needs to update key provisions within the Copyright Act to reflect the digital age’s effect on copyright infringement in order to preserve the deterrence goals of the remedial Act and provide adequate compensation to copyright holders.

IV. CONCLUSION

The jurisprudence concerning the calculation of statutory award damages has, until recently, assessed damages using the “independent economic value” test. The Second Circuit’s rejection of that test in the context of music albums in Bryant v. Media Right Productions, Inc, coupled with the Supreme Court’s denial of the songwriters’ petition for certiorari raises several significant issues regarding the future of the Copyright Act and its method of assessing statutory damages in the digital age.

This comment recognizes the illogical nature of assessing statutory damage awards for music albums on a per-album basis when technology in the digital age has made it easier and more convenient to illegally download and distribute individual songs on the Internet. Such a method ultimately contravenes the Act’s goal of deterrence and could lead to forum shopping. However, complete abdication of the actual language of the Copyright Act in favor of applying the “independent economic value” test would likely result in bad policy and would be an overstretch of judicial authority. The only option lies, not with the judiciary, but rather with Congress. Only Congress can update the legislation to better and more accurately reflect the evolution of technology since the 1976 amendment of the Copyright Act. Until such a time, the law in the area of statutory damage awards will remain unsettled.

From using reusable grocery bags to buying local produce, the American population is becoming increasingly focused on the environmental impacts of food production. With this increased focus comes a more intense scrutiny about the sources of our foods and, more specifically, the increased control of farmers by corporations—not through direct ownership, but through genetically modified (“GM”) seeds.

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Numerous corporations have genetically altered genes in seeds to create plants that are resistant to specific herbicides and insects. In 2003, GM crops represented “73% of the cotton, 81% of the soybeans, and 40% of the corn” in the United States. Furthermore, a recent study revealed that 45% of the samples collected of roadside canola in North Dakota contained GM traits. The companies taking part in the genetic modification of crops obtain ordinary utility patents for the creation of these seeds, including the methods to create the seed and the end result. A plant patent is then obtained when a distinct and new variety of plant is invented or discovered and asexually reproduced. In order to obtain a plant patent, asexual reproduction of the new variety of plant must be used. While it is extraordinary that technology has equipped mankind with the ability to create such seeds, certain obstacles arise when attempting to patent creations within biotechnology as opposed to patents for other non-living inventions or processes.

While some farmers choose to buy seeds from corporations that have obtained such plant patents, others choose not to. However, those who choose not to purchase patented seeds risk becoming innocent infringers of patent law. Seeds are produced by plants and may travel by the wind, birds, animals, sharing of farming equipment, or other means, and could potentially end up on the land of someone who did not pay to use the patented seeds. Furthermore, pollen from patented seeds can travel to a neighboring farmer’s land and innocently fertilize a farmer’s non-patented crops. These innocent farmers are then left with plants that outwardly are no different than the seeds they did pay for, and consequently become innocent infringers of patent law. These farms may be unable to cover the legal costs of defending their patent violation and risk going out of

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6 See *id*.
7 THE CTR. FOR FOOD SAFETY, supra note 4, at 38.
8 *Id.* at 15.
9 *Id.* at 39.
business or being forced to file bankruptcy. This is due, in part, to the lack of any innocent infringement provisions within patent law. This comment proposes the creation of such a provision for patented plants that does not serve as a total defense, but rather limits the financial liability farmers face for truly innocent infringement of a patent.

II. THE EVOLUTION OF PATENTING SEEDS

Despite the present dominance of patented seeds in areas such as the soybean industry, farmers once had a great deal of control over the use and utilization of seeds that they purchased. Most importantly, farmers were able to save seeds with specific traits to replant for the next harvest and eventually develop a very unique crop with characteristics that individual farmer desired. Furthermore, seeds were initially not viewed as a product, but rather were viewed as a public commons and considered part of the public sector. Understanding the uniqueness of plant patents first requires a basic knowledge about the historical methods farmers used to select seeds and how current patent laws stand in stark contrast to the traditions of the past.

A. Historical Farming Practices

Generations of farmers have been saving seeds and selectively replanting seeds in order to develop a robust and bountiful crop. The practice of seed saving was not only commonplace, but was even encouraged by the United States Department of Agriculture (“USDA”), which freely developed and distributed seeds. Although the United States has grown away from this farming practice with crops such as soybeans and alfalfa sprouts, seed saving is still used and relied on by over eighty percent of farmers in developing

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13 Oczek, supra note 13, at 647.
14 Id. at 631.
Due in part to the widespread practice of seed saving, seeds were viewed in the agricultural community as common property. Because practices such as seed saving and seed sharing were maintained within the bounds of the agricultural community, these practices were ignored by private investment and, as a result, the seed industry was very small. Seeds were shared among farmers and countries both through importing seeds and distribution programs led by the USDA.

B. Plant Patents vs. Utility Patents

Intellectual property rights for inventions are protected in the United States through governmental issuance of patents. In order to gain patent protection, the invention must be novel, useful, and not obvious. Though each of these requirements are very important to receiving a patent, an in-depth discussion of the particulars of each requirement is not necessary to understand the problem of innocent infringement of a patented plant. An understanding of plant patents is aided by a discussion of the ways in which intellectual property rights in plants may be protected. The first way patentable material is protected in plants is through gaining a utility patent applied to plants. In this method of protection, the utility patent protection “can apply to the method used to engineer a plant, the genetic sequences that are inserted, and the plant that results.” Unlike plant patents, utility patents may be used to patent a sexually reproducing plant organism. Another type of patent exists that applies solely to plants. A plant patent for a plant or variety of plant, as opposed to a utility patent, is granted to protect the intellectual property rights of a creator who has invented or discovered and asexually reproduced a distinct and new variety of plant. These current approaches to patenting plants developed after a rather rapid evolution in both statutory law and case law over a period of roughly seventy years.

20 Id. at 264–66.
22 *Transgenic Crops*, supra note 5.
23 Id.
C. The Birth of Plant Patents

Although the patenting of plants and seeds is very common in modern times, it was not until 1930 that plants and seeds were considered patentable material.25 Intellectual property rights are founded in the United States Constitution under Article I, Section 8.26 Traditionally, plants and seeds were unable to satisfy the requirement of a written description for patents because they are a product of nature.27 The Plant Patent Act of 1930 (“PPA”) began to pave the way for plant and seed patents by providing intellectual property rights for privately developed plant varieties for asexually reproducing plants.28

Although the PPA established the beginning steps toward plant and seed patents, the asexual reproduction limitation put very narrow restrictions on the granting of plant patents.29 These restrictions were indicative of Congress’ intent to reject the notion that sexually reproducing plants should be subject to patent protection.30 Congress reiterated its commitment to limiting plant patents to asexually reproducing plants through the defeat of a proposed amendment in 1968 that would have included sexually reproducing plants.31 Despite the clear resistance in Congress to expanding the PPA, pressure from private industry eventually resulted in the widening of the PPA to include both asexual and sexually reproduced plants.32

By enacting the Plant Variety Protection Act (“PVPA”) in 1970, Congress provided a new protection for patented plants by allowing for sexual reproduction in patented plants, including seed germination.33 The PVPA established a twenty-year term of protection for most crops and granted the owner exclusive rights to

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26 U.S. CONST. art I, § 8.
27 Anne E. Crocker, Will Plants Finally Grow Into Full Patent Protection on an International Level?, 8 Drake J. Agric. L. 251, 257–58 (2003). The written description requirement states that the patent application “shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.” 35 U.S.C. § 112 (2006).
29 Aoki, supra note 19, at 280.
30 THE CTR. FOR FOOD SAFETY, supra note 4, at 12.
31 Id.
32 Aoki, supra note 19, at 284.
33 See Crocker, supra note 27, at 259–60.
multiply and market seeds of that particular variety of plant.\textsuperscript{34} Though the private seed industry began to grow as plant and seed patent rights began to increase, the PVPA still contained an exemption for seed saving by farmers who purchased patented seed varieties; however, this exemption applied only to plant patents and not utility patents.\textsuperscript{35} This exemption meant that farmers who bought patented seeds could save, replant and resell the patented seed without restriction.\textsuperscript{36} Even with farmers retaining the right to save their seeds, by 1998, ten companies controlled thirty percent of the seed trade worldwide.\textsuperscript{37} As the ability of companies to patent living organisms increased, so did the litigation to protect these rights, which ultimately ended with plant patent holders having a great deal of power in the creation and enforcement of their patents.

D. Upholding and Expanding Plant Patents

The landmark case of \textit{Diamond v. Chakrabarty} in 1980 established the first patent on life.\textsuperscript{38} In a 5-4 decision, the Supreme Court ruled that living organisms (in this case, a bacterium) could be patented.\textsuperscript{39} The Court reached its decision by reading the PPA very broadly.\textsuperscript{40} The Court articulated the question of patentability as hinging on whether an organism was a product of nature or of human invention.\textsuperscript{41} When addressing issues of congressional intent, the Court reasoned that Congress intended patentable materials to “include anything under the sun that is made by man.”\textsuperscript{42} Although this case dealt with living organisms and did not specifically address the issue of patenting plants, this broad interpretation of the PPA resulted in further expansion on the issue of what materials were patentable.

The property protections of plants were further expanded in 1985 in \textit{Ex parte Hibberd}.\textsuperscript{43} Building upon the ruling in \textit{Diamond v. Chakrabarty}, the United States Patent and Trademark Office (“PTO”) held that sexually reproducing plants were patentable through utility patents.\textsuperscript{44} After the ruling in this case, the PTO began approving

\begin{itemize}
\item \textsuperscript{34} 7 U.S.C. § 2483 (2006).
\item \textsuperscript{35} See \textit{Ewens, supra} note 18, at 293.
\item \textsuperscript{36} \textit{Aoki, supra} note 19, at 284.
\item \textsuperscript{37} \textit{Ewens, supra} note 18, at 289–90.
\item \textsuperscript{38} \textit{Diamond v. Chakrabarty}, 447 U.S. 303, 321 (1980) (Brennan, J., dissenting); \textit{Aoki, supra} note 19, at 287.
\item \textsuperscript{39} \textit{Chakrabarty}, 447 U.S. at 321 (Brennan, J., dissenting).
\item \textsuperscript{40} \textit{Id.} at 310–14 (majority opinion).
\item \textsuperscript{41} \textit{Id.} at 313.
\item \textsuperscript{42} \textit{Id.} at 309 (quoting H.R. REP. NO. 1923, at 6 (1952)).
\item \textsuperscript{43} \textit{Ex parte Hibberd}, 227 U.S.P.Q. 443 (T.T.A.B. 1985).
\item \textsuperscript{44} \textit{Id.} at 445.
\end{itemize}
applications for sexually reproducing plants, despite the fact that Congress was clear in its intent to limit plant patent protection to asexually reproducing plants. By allowing utility patents for sexually reproducing plants, the PTO was providing utility patent holders the ability to exclude others from using patented plant varieties for research and agricultural purposes.

The final significant expansion of interpretations of the PPA and PVPA occurred in 2001, in the case of J.E.M. AG Supply v. Pioneer Hi-Bred International, Inc. In this case, the Supreme Court upheld utility patents for sexually reproducing plants. Pioneer, a large seed company, was suing a smaller seed company for violating a patent protecting a hybrid corn seed. In the majority opinion, Justice Thomas stated that utility patents protect newly developed plant seeds and that neither the PPA nor the PVPA can limit the scope of a utility patent. In reaching its decision, the Court held that because Congress failed to explicitly exclude plants in the provision of the Patent Act that provides for utility patents, there was no reason why extending utility patents to plants should be viewed as contrary to congressional intent. This interpretation meant that utility patents, previously thought to exclude living organisms, now could allow for the patenting of living organisms.

Ultimately, the line of cases that expanded interpretations of the PPA and PVPA resulted in a lowering of the standards required to receive a patent. Furthermore, the broad interpretations provided to patent statutes indicate that nearly all plants or living organisms can receive either a plant patent or a utility patent—a result that creates a unique and troubling legal issue that was not previously found within patent law. Unlike traditional patentable creations, patented living organisms, specifically sexually reproducing plants, are able to independently reproduce and create more seeds that contain the same genetics as the original patented plants. Seeds travel naturally across distances through various means. If a patented seed travels from a licensee’s land to the land of a farmer without a license for the patented seed and a plant begins to grow, the unlicensed farmer has innocently violated the intellectual property rights of the patent holder. It is in this manner of infringement that a conflict arises.

45 THE CTR. FOR FOOD SAFETY, supra note 4, at 12.
46 Id.
48 Id. at 127.
49 Id. at 128.
50 Id. at 145.
51 Id.; THE CTR. FOR FOOD SAFETY, supra note 4, at 12.
52 Patent infringement occurs when an alleged infringer “without authority continued . . .
between the protection of intellectual property rights by companies who develop patented seeds and farmers who may innocently acquire patented material.

III. PROBLEMS SURROUNDING INNOCENT INFRINGEMENT

There are two primary ways in which farmers may become innocent infringers of patent law: 1) through inadvertent possession due to seed travel and 2) through cross-fertilization with patented material. For example, seeds are disbursed across land through methods such as the wind or by being picked up and later dropped or eaten by animals such as birds. Additionally, cross-pollination can occur when a non-patented breed of corn pollinates a patented breed. When farmers come to possess patented material either through cross-pollination or seed dispersal, they become infringers of the patent through no fault of their own. Although there are very few cases that address issues related to innocent infringement, a statutory provision should nevertheless be created so farmers who believe they are innocent infringers have a statutory defense in place that could limit their potential liability. As GM crops begin to consume ever-increasing portions of the agricultural industry, cases of alleged innocent infringement are likely to increase and a preemptive solution must be established.

On March 29, 2011, the Public Patent Foundation filed a lawsuit against Monsanto in the federal district court of Manhattan—Organic Seed Growers & Trade Association, et al. v. Monsanto. The lawsuit was filed on behalf of over sixty family farmers, seed businesses, and organic agricultural organizations, composed of over 270,000 members. In June 2011, additional plaintiffs were added to the suit, bringing the total number of plaintiff organizations to eighty-three. The plaintiffs, all proponents of organic farming, are suing Monsanto as a preemptive step to avoid future accusations of patent infringement.

makes, uses, offers to sell, or sells any patented invention, within the United States, or imports into the United States any patented invention during the term of the patent. 35 U.S.C. § 271 (2006).


54 See The CTR. FOR FOOD SAFETY, supra note 4, at 38.

55 See Bratspies, supra note 2, at 376.


57 Id.

58 First Amended Complaint at 4–33, Organic Seed Growers & Trade Ass’n v. Monsanto Co., (S.D.N.Y. June 1, 2011) (No. 11-cv-2163-NRB).
by Monsanto.\textsuperscript{59} This case seeks to aim at the heart of what this comment addresses—whether Monsanto has the right to sue farmers for patent infringement if Monsanto’s seed should land on an innocent farmer’s property.\textsuperscript{60} While the court has not yet heard the case, this is the first lawsuit aimed at this precise issue within patent law in the United States.

A. Innocent Infringement In Action: Monsanto Canada v. Schmeiser

One of the most heavily cited cases regarding innocent infringement of plant patents took place not in the United States, but in Canada. Although the case took place in Canada, the applicable patent protection laws are similar enough to those of the United States for this case to remain a useful example in studying innocent infringement of patented plants. In 1998, Percy Schmeiser was sued by Monsanto Canada for allegedly growing Roundup Ready Corn without a license, thereby violating Monsanto’s patent.\textsuperscript{61} Schmeiser used traditional seed saving methods to select for the best crop and replant the seeds each year.\textsuperscript{62} In 1997, Schmeiser sprayed three acres of his land with Roundup and sixty percent of the crop survived.\textsuperscript{63} At the time, five of Schmeiser’s neighboring farmers were using the patented Roundup Ready Corn in their fields.\textsuperscript{64} Although it is disputed how the patented corn ended up on Schmeiser’s land, the next year, using seed saving methods, Schmeiser planted the patented seeds on 1,030 acres of land.\textsuperscript{65}

Following the replanting of the seeds, Monsanto investigators tested the plants along a roadway near Schmeiser’s corn and the test results revealed that Roundup Ready Corn was present in Schmeiser’s cornfields.\textsuperscript{66} The investigator notified Schmeiser of the test results and a patent infringement lawsuit was filed.\textsuperscript{67} In 2004, the Canadian Supreme Court ruled in favor of Monsanto, finding that Schmeiser “used” the patented trait, deprived Monsanto of part of their monopoly, and possessed the patented material for business interests.\textsuperscript{68}

\textsuperscript{59} \textsc{Public Patent Found.}, \textit{supra} note 56.
\textsuperscript{60} \textit{Id}.
\textsuperscript{61} Monsanto Canada, Inc. v. Schmeiser, 2004 SCC 34, [2004] 1 S.C.R. 902, 912 (Can.).
\textsuperscript{62} \textit{Id.} at 927.
\textsuperscript{63} \textit{Id.} at 928.
\textsuperscript{64} \textit{Id.} at 927.
\textsuperscript{65} \textit{Id.} at 928, 930.
\textsuperscript{66} \textit{Id.} at 928.
\textsuperscript{67} \textit{Id}.
\textsuperscript{68} \textit{Id.} at 917, 930, 937.
Although the Court found that Schmeiser was liable for patent infringement, Monsanto was unable to prove that Schmeiser profited from the infringement. Schmeiser’s case provides an excellent example of how innocent infringement issues arise in actual litigation and how an innocent infringement provision within patent law is needed.

B. The Ongoing Heated Debate

Although the plight of potentially innocent farmers in patent suits is certainly sympathetic, it is not without controversy. Most notably, the story of the David and Goliath battle between Monsanto and small farmers was portrayed in the documentary “Food, Inc.” The film features interviews with people who, at the time of filming, were engaged in a legal battle over allegations of patent infringement through seed saving. The farmer defendants claimed that they acquired the seed innocently and expressed outrage of having to face a large, wealthy corporation in court.

Farmers expressed further outrage about the aggressive and deceptive investigation tactics of patent holding corporations like Monsanto, the world’s largest seed provider. Gary Rinehart, a resident of Eagleville, Missouri, claims that Monsanto investigators threatened him in 2002. Rinehart claims the investigators told him they had proof he planted Monsanto’s GM soybeans in violation of the company’s patent and that he should settle with Monsanto or “face the consequences.” The unique aspect in this story is that Rinehart is neither a farmer nor a seed dealer—he owns a small country store in a town of roughly 350 people. In farming communities throughout rural America, Monsanto has developed a reputation for aggressively enforcing patents by relying on “a shadowy army of private investigators and agents in the American heartland to strike fear into farm country.”

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70 FOOD, INC. (Magnolia Pictures 2008).
71 Id.
72 Id.
74 Barlett & Steele, supra note 10.
75 Id.
76 Id.
77 Id.
intimidating farmers so they will settle rather than engage in a legal battle with Monsanto.

Court documents also show allegations that Monsanto’s investigators secretly videotape and photograph potential infringers, infiltrate community meetings, and gather information from informants. When questioned about the allegations of aggressive investigations, Monsanto declined to comment specifically but stated they are merely protecting their patents. Monsanto dropped their case against Rinehart after realizing that their investigator targeted the wrong man. Although the case against Rinehart was eventually dropped, the nonpartisan Center for Food Safety states that Monsanto has filed over ninety lawsuits against American farmers involving more than 147 farmers and 39 small businesses or farm companies. Monsanto has over seventy-five staff and $10 million devoted solely to investigating and prosecuting farmers suspected of patent infringement.

Accusations of threatening investigations and predatory lawsuits did not go unnoticed by Monsanto. Due to the great deal of negative attention Monsanto receives in the press, a significant portion of Monsanto’s website directly addresses issues presented by the movie “Food, Inc.” The website even goes so far as to address specific ongoing infringement lawsuits and attempts to defend their actions. Regardless of the ongoing public relations battle between defendant farmers and Monsanto, the creation of an innocent infringement provision limiting liability within patent law would help guarantee that truly innocent farmers are provided with a statutory mechanism that would reduce the financial burden of defending against an infringement allegation.

IV. THE FAILURE OF THE COMMON LAW TO PROTECT FARMERS

Under current laws, farmers may attempt to find protection for patent violation under common law property doctrines including negligence, nuisance, and trespass. Although these doctrines are available, it is difficult to successfully raise one of these defenses.

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78 Id.
79 Id.
80 Id.
81 THE CTR. FOR FOOD SAFETY, supra note 4, at 4.
82 Id.
84 Id.
85 Catechi, supra note 69, at 779.
There are inherent difficulties farmers will face, such as an inability to identify patented crops or traits resulting in an inability to determine the presence of contamination of their own crop and any damage that has been caused.\(^{86}\)

### A. Negligence Claims

One possible defense for an innocent infringer of a patented seed is a negligence counterclaim against the patent holder. Negligence is “the failure to exercise the standard of care that a reasonably prudent person would have exercised in a similar situation”\(^{87}\) including “any conduct that falls below the legal standard established to protect others against unreasonable risk of harm.”\(^{88}\) In order to make a successful negligence claim, a farmer must prove duty, proximate cause, cause-in-fact, and damages.\(^{89}\) In a case of innocent infringement of a plant patent, each one of these elements will be difficult to prove and will likely make for a hard-fought and costly legal battle that the farmer will most likely lose.\(^{90}\) Farmers will be faced with obstacles such as showing the patent holder had a duty to prevent contamination of non-patented crops, identifying the source of the contamination, and proving that the contamination caused harm or damage to the farmer’s crops.\(^{91}\)

### B. Public and Private Nuisance Claims

Another common law claim a farmer could raise is a nuisance action. In order to prove a nuisance claim, a farmer would have to prove that disbursed seeds or cross-pollination resulted in an “invasion of [an] interest in the private use and enjoyment of [his] land,” that the invasion was “intentional and unreasonable,” and that “significant harm” was caused.\(^{92}\)

One example of a successful nuisance claim in action is *In re StarLink Corn Products*. This case dealt with a situation where patented corn was developed that was toxic to certain pests that were common to corn.\(^{93}\) The patented corn, ruled unsuitable for human

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\(^{86}\) Id.

\(^{87}\) BLACK’S LAW DICTIONARY (9th ed. 2009).

\(^{88}\) Id.


\(^{90}\) Catechi, *supra* note 69, at 779 (discussing the difficulty of succeeding in a negligence cross-claim against a patent holder).

\(^{91}\) Id. at 779–80.


\(^{93}\) Starlink, 212 F. Supp. 2d at 833–34.
consumption by the Environmental Protection Agency, made its way into several products intended for human consumption.\footnote{Id. at 834–35.} This contamination was allegedly due to either cross-pollination in the fields or comingling in the distribution chain.\footnote{Id. at 841.} The contamination drastically reduced the value of the contaminated corn so the farmers filed lawsuits against Aventis, the owner of the patented corn, under common law claims alleging negligence, strict liability, nuisance, and conversion.\footnote{Id. at 833.} Ultimately, the District Court for the Northern District of Illinois rejected the farmers’ conversion claims because the corn was not destroyed, the farmers were not deprived of possession, and the farmers were unable to prove intent.\footnote{Id. at 833.} The court, however, did find that the plaintiff farmers successfully proved their private nuisance claim.\footnote{Id. at 844.} The court stated, “residue from a product drifting across property lines present[ed] a typical nuisance claim,” and “[a]ll parties who substantially contribute to the nuisance are liable.”\footnote{Id. at 847.}

Though this was a unique scenario, it shows how common law claims, though difficult, sometimes have the potential to protect farmers at a minimum level.

\section*{C. Trespass Claims}

The final common law claim a farmer could assert is trespass. In order to successfully prove a claim for trespass, the farmer must prove that the patent holder “intentionally . . . enter[ed] land in the possession of the other, or cause[d] a thing . . . to do so, or . . . fail[ed] to remove from the land a thing which he is under a duty to remove.”\footnote{R\textsc{estatement (second) of torts} § 158 (1965).} Although the transfer of pollen from patented plants may satisfy the element of causing or failing to remove a “thing” from the land of another, a potential trespass claim encounters the same obstacle found in a negligence claim—proof.\footnote{Catechi, supra note 69, at 782.} In both negligence and trespass claims, a farmer is required to prove the source of the pollen contamination and, for farmers who do not have the same level of resources as the corporate patent holders of many of these seeds, such proof may be too costly or difficult to obtain.\footnote{Id.}
D. Contracting Away Common Law Liability

Going beyond the numerous issues in successfully bringing a common law counterclaim in an infringement case, some patent holders are attempting to use contracts to eliminate their liability for natural seed travel in lawsuits based on common law, leaving farmers to sue other farmers.\(^\text{103}\) A clause in Monsanto’s 2009 Technology Stewardship Agreement shifts all liability from incidental, direct, or indirect consequences from its seeds from Monsanto to the farmer.\(^\text{104}\) The broad language of this clause extends to suits that an innocent infringement farmer may file against a fellow farmer in an attempt to recoup costs defending an infringement suit.\(^\text{105}\) Contractual provisions such as this provide even more barriers to successful common law claims than the already difficult task of meeting the elements of the claim.

In conclusion, though the common law provides potential claims that innocent farmers could assert against patent holders, each type of claim presents inherent difficulties. Furthermore, these common law doctrines allow farmers to assert a counterclaim against the patent holder or a fellow farmer to try to recoup costs, but do not provide a defense or liability limitation to the infringement of the patent.

V. Creating a New Solution

The first step in finding a solution to issues such as truly innocent infringement of plant patents is to examine already–governing patent law. Unfortunately, existing laws are insufficient to adequately protect the financial interests of farmers. Alternatively, and more effectively, a new statute may be created which draws upon both existing defenses to patent infringement and innocent infringement within copyright law. Through borrowing from the language of other statutes, a newly crafted statute could help provide a clear and straightforward resolution method for patent infringement litigation.

A. Current Damages for Patent Infringement in the United States

Under current laws, a defendant found guilty of patent infringement may face very costly expenses including both legal fees and damages assessed by the court. A defendant is guilty of infringement if he “without authority makes, uses, offers to sell, or


\(^{104}\) Id.

\(^{105}\) See id.
sells any patented invention, within the United States . . . during the term of the patent therefore, infringes the patent.” 106 Although there is a section regarding possible defenses to an infringement claim, there is no provision related to an innocent infringement of a patent. 107 The present issue is the lack of a limit on damages that an innocent infringer may face. Current patent law provides that if a court finds a defendant guilty of patent infringement, the court shall award damages not only to compensate for the infringement based on a reasonable royalty, but also to cover interest and costs fixed by the court. 108 Furthermore, the court may, in exceptional cases, award attorney’s fees for the prevailing party. 109 Plant patents create a problem unique from other patented materials in that truly innocent infringement would be much less likely—indeed, nearly impossible—for many other patented materials.

Though the statutory language, on its face, appears reasonable, these statutes in action can be extraordinarily expensive. The largest recorded judgment in Monsanto’s favor resulting from a farmer lawsuit is $3,052,800. 110 The mean sum paid by farmers in cases with recorded judgments is $412,259.54, and the recorded judgments granted to Monsanto from farmer lawsuits total $15,253,602.82. 111 In addition to these judgments, many farmers must pay additional court and attorney’s fees and, in some cases, the investigation costs Monsanto incurred while investigating them. 112

The expansion of patents to include plant life should be accompanied by an expansion of defenses in patent law to provide clear remedies for innocent infringement cases. While cases of truly innocent infringement may be few, farmers who are at no fault for violating a patent should be provided with a clear remedy that may reduce the financial burden that they bear as defendants.

B. International Approaches to Innocent Infringement

Although the United States has not taken any affirmative action to address the problem of innocent patent infringement, our peer nations have developed statutes and approaches to protect farmers who are truly innocent. In calculating damages for infringement, the “United States stands alone in awarding punitive damages . . . based on the

110 THECTR.FOOD SAFETY, supra note 4, at 5.
111 Id.
112 Id.
perceived willfulness of the defendant’s conduct.” The time has come for the United States to join its economic allies in protecting the rights of innocent infringers of patent rights.

In the United Kingdom, an “innocent infringer” statute has been created. The statute states that innocent infringement may either reduce or eliminate damages, provided the infringer can prove that “at the date of the infringement he was not aware, and had no reasonable grounds for supposing, that the patent existed.” Although the United Kingdom has an innocent infringement provision, when damages are assessed the losing party may also be forced to pay either a portion or all of the attorney’s fees.

A different approach to innocent infringement of a plant patent may be found in India through its Protection of Plant Varieties and Farmers’ Rights Act of 2001. This Act provides a provision to protect farmers who have innocently infringed a patent. Section 42 of the Act states that a patent “shall not be deemed to be infringed by a farmer who at the time of such infringement was not aware of the existence of such right.” This provision is a defense against infringement and allows for patent law in India to adequately balance the interests of intellectual property right holders and the interests of farmers. Learning from our international peers, the United States must acknowledge innocent infringement issues and create a statute to deal with these problems.

C. Infringement Exceptions Have a Place in Patent Law

In order to ensure that infringement litigation provides an adequate balance between the patent holder’s rights and the rights of innocent farmers, a statutory provision must be enacted by Congress that would limit the level of liability farmers would face in a legal battle. Such a statute should draw upon language both from existing defenses in patent law and innocent infringement statutes in copyright law.

In some patent law infringement cases, liability exemptions are

115 Id.
118 Id. at § 42(i).
appropriate and necessary. In 35 U.S.C. 271(e)(1), liability exemptions within patent law are created for very specific cases. The origins of this statute stemmed from the common law case of Whittemore v. Cutter, which established that infringement should not be punished when merely for scientific experiments in which infringement was innocent.\textsuperscript{119} Ultimately, the statutory foundation for the research exemption was created in the Drug Price Competition and Patent Term Restoration Act of 1984 and is now known as the Hatch-Waxman Act.\textsuperscript{120} The Hatch-Waxman Act has limited the situations where the research defense is available; however, the courts nevertheless have upheld the exemption and used it to limit the potential liability of an alleged infringer of a patent.\textsuperscript{121} This exemption provides an affirmative defense for infringement of a patent performing research and gathering information in preparation for federal regulatory approval for a limited term before the end of the violated patent term. This exemption most commonly applies to drug patents; however, it provides an example of a precedent within patent law for limiting infringement liability.

D. Crafting the Language for an Innocent Infringement Provision

An innocent infringement statute in patent law could be modeled on innocent infringement provisions in the Copyright Act such as 17 U.S.C. § 504(c)(2). This statute allows for a reduction in damages that goes below the statutory minimum for infringement. While there are very few successful cases of innocent copyright infringement, the wording of such provisions and the goal of mitigating damages provide an excellent paradigm of how to protect the rights of copyright or patent owners while recognizing cases of truly innocent infringers. An infringer cannot, however, claim innocent infringement in order to mitigate damages under 17 U.S.C. § 402(d) when a proper notice of copyright was placed on the work and the infringer had access to the notice. The present issue of plant patents and innocent infringers are even more difficult than copyright infringement because there is no distinguishing mark that can be placed on the seeds or plants that are patented.

\begin{footnotesize}
\textsuperscript{119} Whittemore v. Cutter, 29 F. Cas. 1120, 1121 (C.C.D. Mass. 1813) (No. 17600).
\textsuperscript{120} TOSHIKO TAKENAKA, PATENT LAW AND THEORY: A HANDBOOK OF CONTEMPORARY RESEARCH 649–50 (2008).
\textsuperscript{121} Id.
\end{footnotesize}
E. Proposed Statutory Language

Based upon the statutes discussed above, an innocent infringement statute in the Patent Act aimed at protecting farmers could read as follows:

I. Statutory Damages--

(1) In a case where the infringer of a plant patent or utility patent applied to plants, and the court finds, that such infringer was not aware and had no reason to be aware that his or her acts were an infringement of a patent, the court may not award statutory damages of an award of not more than $20,000 for the patented material that the defendant should have paid to the plaintiff for such use during the preceding period of up to 3 years.

(2) In calculating damages, the court shall consider the strength of the innocent infringement defense in the case, the number of acres where patented material was found, and any other relevant mitigating factors to ensure damages reflect the level of infringement in the case.

(3) Nothing in this paragraph limits what may be considered willful infringement under this subsection.

The language in this proposed amendment to the Patent Act will provide reasonable damage limitations and clearer resolutions in plant patent infringement cases. The time and acreage limitations will help provide more boundaries on damages and still allow for the damages to adequately reflect the level of infringement and the size of the infringing farm. Through considering both the need for a cap on the calculation of damages and the need to protect the rights of patent holders, the language in this proposed statute provides a starting point for a more equal balancing of interests in plant patent infringement lawsuits.

VI. Conclusion

The inadvertent movement of patented seeds onto the land of farmers who do not have a license to use the seeds is a problem that can no longer be ignored. Under current laws and regulations, a great deal of power and control lies with the patent holders of these seeds resulting in inequitable results for farmers who choose to abstain from using patented seeds. As patent infringement litigation moves forward, it will be essential to the livelihood of farmers to balance the interests of plant patent holders and the interests of farmers who
innocently obtain patented seeds on their land. Through the creation of an innocent infringement provision within plant patent law, innocent farmers will have access to a statutory mechanism through which their liability may be limited while still acknowledging the rights of plant patent holders.