I. Introduction

The laws governing copyrights, contained in title 17 of the United States Code and other related statutes, code sections, and case law, provide protections for “original works of authorship.” 17 U.S.C. §§ 101 et. seq. The laws also provide the basis for maintaining claims against an entity or person for infringement of those rights. Protecting copyrightable works can be costly and time consuming. Conversely, failing to protect such works can be even more costly for the copyright holder. However, before rushing to the courthouse to file a lawsuit for copyright infringement, a copyright holder must first analyze his or her objectives in protecting these works and weigh the associated benefits and risks.

The benefits and risks of attempting to pursue an entity or person for infringing on copyright-protected works are not limited only to monetary considerations, but encompass a wide range of potential effects. A copyright holder’s strategies and actions in pursuing and enforcing his or her copyrights

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will also have an impact on the potential benefits and risks of initiating a copyright suit. Additionally, the potential benefits and risks of filing, and eventually going to trial on a copyright infringement lawsuit may affect not only the litigants, but also third parties.

It is good practice for the attorney approached with a potential copyright matter to raise and discuss these issues and considerations with the client before pursuing the matter, in order to ensure the client’s objectives with respect to his or her potential copyright claims are met. Discussion of the tone, level of aggression, tactics, and strategies in pursuing the matter is also important because they will undoubtedly have an enormous impact on the resolution of the matter. Only after analyzing the situation in its totality should a copyright holder embark on the endeavor of pursuing the enforcement of his or her rights.

Counsel for persons or entities facing a claim for copyright infringement should also raise and discuss these issues with the client. Discussing the issues addressed in this chapter will provide a game plan for the client to resolve the matter in the most cost effective way. As a defendant, a paramount consideration in facing a lawsuit is the defense costs and the potential judgment that may result, but these are not the only considerations. Like a plaintiff in an infringement lawsuit, a defendant’s decision to attempt to resolve the matter and the actual outcome may have further-reaching implications than merely a monetary judgment against the defendant.

This chapter addresses and focuses on a copyright holder’s objectives, as well as the benefits and risks involved in bringing a copyright infringement lawsuit. To the extent applicable, it also provides the defendant’s perspective on the issues. Although there are no guarantees, the game plan an attorney devises with his or her client will aid in a successful resolution if it addresses the client’s objectives and discusses the benefits and risks before attempting to enforce or defend any rights under the Copyright Act.

II. Objectives

A copyright holder can have a myriad of objectives and reasons for protecting his or her works. Determining and understanding a copyright holder’s objectives in pursuing enforcement of those rights is pivotal to a successful resolution. Objectives can vary widely from client to client, but a number of objectives are shared by various copyright holders.

A. Stopping the Infringement

Typically, one of a copyright holder’s primary objectives in protecting his or her copyright is to stop the infringing activity. Reasons for wanting and
II. Objectives

needing to stop the infringing activity are numerous. With every infringement, the potential for irreversible direct and indirect damage to a copyright holder’s rights increases. As such, stopping the infringing activity is one of the paramount objectives in enforcing the copyright. This can be accomplished in a number of ways. One way to attempt to stop an ongoing infringement is to send the infringing party a cease and desist letter. The effectiveness of the cease and desist letter will depend on, among other things, the recipient’s fear of potential litigation and willingness to give up any claim of right in the copyright. It will also depend on whether the infringing activity is willful or innocent. Although there is no way to determine the effectiveness of the cease and desist letter on the infringing activity until after it is sent to the infringing party, the letter is the most cost-effective first approach.

In deciding to send the cease and desist letter, one item the attorney needs to discuss is the possibility that sending the letter may create declaratory judgment jurisdiction for the infringing party. Specifically, the letter could be used as an evidence to satisfy the “actual controversy” requirement of the Declaratory Judgment Act. See 28 U.S.C.A. § 2201(a). This would give the infringing party a right to file a declaratory judgment action against the client in a venue of its choice. This scenario should be addressed to ensure that the client is okay with the possibilities of losing his or her right to choose the venue for the lawsuit and being relegated to a counter-claimant versus the true plaintiff in the lawsuit.

With some added language, a cease and desist letter can also achieve the ancillary effect of freezing the infringer’s document destruction policy. Courts have held that communications, such as a cease and desist letter, are sufficient to put the infringer on notice of potential litigation. See, e.g., Computer Assoc. Int’l v. American Fundware, 133 F.R.D. 166 (D. Colo. 1990). Halting an infringer’s document destruction policy is important if the copyright holder anticipates further pursuing litigation against the infringer. Failing to stop an infringer’s compliance with its document destruction policy may result in evidence being destroyed forever, with no recourse. Freezing the infringer’s document destruction policy will prevent any spoliation of evidence. This is crucial in today’s electronic age, where a vast majority of a company’s or individual’s documents are stored only in electronic format, and where retention periods for those documents are short.

The contents of a cease and desist letter depend on the type of business the infringer conducts and the potential ways the infringer may store relevant electronic documents. At a minimum, the letter should specifically describe the infringing activity of which the client is aware, as well as a broad description of any infringing activities related to work at issue, and demand that the infringing party cease these infringing actions. To make sure all evidence of any infringement is protected and preserved, it should demand
that any automatic document destruction policy for electronic or hard copies related to the described infringing actions be halted until litigation has been completed. It should also demand that everyone with access to potentially relevant documents be put on notice that all of these documents be retained and not destroyed to ensure the infringer and any agents of the infringing party be precluded from claiming ignorance of the potential litigation.

If a cease and desist letter is unsuccessful in stopping the infringement, a copyright holder’s next option is to file an action seeking a temporary restraining order and injunctive relief. Section 502 of the Copyright Act provides that “any court having jurisdiction of a civil action arising under this title may grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright.” 17 U.S.C. § 502. Copyright infringement can be stopped rather quickly by court order if the copyright holder is successful in obtaining a temporary restraining order. Such court-ordered halt on infringing activity can then be extended through the completion of the underlying lawsuit through a successful injunctive relief hearing. Pursuing a temporary restraining order, temporary injunction, and lawsuit for copyright infringement are much more time-consuming and costly than simply sending a cease and desist letter. As such, a copyright holder must make certain that further pursuit is consistent with his or her objectives. To conduct this analysis, it is important that the copyright holder be aware of the procedures, including the estimated time and cost, for obtaining a temporary restraining order and/or injunction. The procedures for preparing and sending a cease and desist letter, as well as the procedures for filing a temporary restraining order and action for injunctive relief, are discussed in detail in subsequent sections.

B. Recovering Damages

Another objective in suing for infringing activity is to recover any damages incurred as a result of the infringement. Under the Copyright Act of 1976, a party can seek actual damages or statutory damages, depending on the circumstances. Specifically, 17 U.S.C. § 504(a) provides that an infringer is liable for either “(1) the copyright owner’s actual damages and any additional profits of the infringer . . . or (2) statutory damages.” However, the recovery of statutory damages and attorneys’ fees are potentially limited or waived completely by and through 17 U.S.C § 412 that provides:

In any action under this title, other than an action brought for a violation of the rights of the author under section 106A(a), an action for infringement of the copyright of a work that has been preregistered under section 408(f) before the commencement of the infringement and that has an effective date of registration not later than the
earlier of 3 months after the first publication of the work or 1 month after the copyright owner has learned of the infringement, or an action instituted under section 411(c), no award of statutory damages or of attorney’s fees, as provided by sections 504 and 505, shall be made for—

1. any infringement of copyright in an unpublished work commenced before the effective date of its registration; or
2. any infringement of copyright commenced after first publication of the work and before the effective date of its registration, unless such registration is made within three months after the first publication of the work.

Accordingly, it is important to determine if the copyright holder has already waived or is about to waive his or her right to recover any of these statutory damages or attorneys’ fees under this Section 412. Whether a copyright holder is seeking to recover damages and/or attorneys’ fees from the infringer through litigation or not, these rights need to be maintained, if possible, to provide the copyright holder with as much leverage as possible in any negotiations on resolving an infringement issue.

A copyright holder might be able to collect damages without resorting to file a lawsuit. Like stopping the infringement, recovering money for the unlawful use of a copyright protected work may simply require sending the infringing party a cease and desist letter containing a request for payment for the prior use. It is possible the infringing party was unaware of their infringement and is willing to negotiate a reasonable settlement for the past uses. This could also result in an agreement for payment, including license, for the future use of the copyrighted work, if the use is agreeable to the copyright holder. Another scenario is that it is possible the infringing party may be using the copyrighted work, hoping not to get caught, but is willing to settle any potential claims for the past unlawful use to avoid litigation. As such, the objective of recovering damages may be achieved through a cease and desist letter. Although it is important to advise the client that, to the extent the copyright holder has not registered the copyright, the holder needs to do so within the above-mentioned time frames if possible to ensure entitlement to the most amount of potential damages.

There is yet another possibility that the infringing party will contend that it is entitled to the use of the copyright protected work and refuse to pay for past uses. At that point, the copyright holder will be forced to file a lawsuit against the infringing party in order to recover damages. If forced to file a lawsuit, and if successful, a copyright holder may be awarded attorneys’ fees and costs incurred in pursuing the litigation. 17 U.S.C. § 505. The ability to receive
an award of attorneys’ fees and costs may make the objective of recovering damages more feasible and more attractive to the copyright holder.

Another consideration in pursuing monetary damages is collectability. Whether a judgment is collectable will have a significant impact on whether the cause of action is worthwhile. A judgment can be uncollectable for a number of reasons. The copyright holder cannot collect against an infringer that does not have any assets or income, or is bankrupt. The possibility that the infringer is destitute is increased by any success the copyright holder has in stopping the infringing activity, especially if it is the infringer’s only source of income. Similarly, there are infringers who have sophisticated means for avoiding collections of any judgment against them. Unfortunately the legal system is often too slow to catch up to the sophisticated judgment debtor’s actions of hiding and moving assets. Accordingly, the copyright holder should conduct a serious investigation into the financials of the infringer before commencing litigation, where the main or sole goal is to recover monetary damages.

C. Notice

Another objective for pursuing a copyright infringement case is to put the infringer, as well as other third parties, on notice of the copyright holder’s claim to the copyright in the protected property, the actions the copyright holder believes are infringing, and the copyright holder’s willingness and intent to pursue persons and corporations that infringe on his or her copyrights. Putting the infringer on notice may also prevent the infringer from continued infringement or participation in other infringing activity, by increasing the potential costs and his or her awareness of those costs. Filing an infringement lawsuit will have a similar effect as the cease and desist letter. It will put the infringer on notice of the alleged infringement and will also undoubtedly send a message to the infringer and other potential infringers that the copyright holder is serious about protecting the copyrighted works.

D. Establishing Ownership

Another objective for pursuing a copyright infringement action is to establish who owns the rights to protect the work at issue and the scope of those rights. Establishing ownership in the rights to protect the work allows the client to use the copyright protected work in the future, allows monetization of that work in the form of licensing and/or future assignments, and allows the holder to more easily seek statutory damages and attorneys’ fees in future litigation. Establishing ownership in the rights to protect the work will provide the client with the knowledge that the courts have determined
he or she has the right to do so for the protected work. For some clients, this knowledge is sometimes more important than any damage award.

In a similar vein, establishing that the infringer does not have ownership or rights in enforcing the protection of the copyrighted work can be equally important. A client, who believes he or she has rights to protect a work, may want to pursue a lawsuit through to judgment in order to invalidate any unlawful registrations or other claims of ownership or protected rights by the infringing party. This objective, like establishing ownership or rights in the protected work, will stop the infringer from benefiting from the copyright and allow the client the future right to be the sole beneficiary of the work at issue.

**E. Personal Objectives**

In addition to monetary objectives to stopping copyright infringing activity, there are also personal objectives. These personal objectives span a wide range of reasons, from the understandable to the incomprehensible. Some copyright holders want vindication or retribution for the infringing activity or to punish the infringer, even if it does not result in the recovery of large sums of damages. Others want to simply be able to tell their side of the story and receive acknowledgment or recognition by the infringer or community of his or her ownership and/or creation of the copyrighted work. Whatever the copyright holder's reasons, these personal objectives must be weighed in making the decision to file an infringement suit.

All objectives must be balanced by the consideration of the costs and risks associated with pursuing a copyright infringement claim. In some instances, the infringed-upon copyright is the only one the copyright holder has to generate income. In those cases, the objective of maintaining the only source of potential income overrides any associated risks or potential costs, because without it the company will fail or the person will have to find another source of income. Accordingly, the copyright holder has no other choice other than to pursue his or her copyright infringement claim. In other situations, the copyrighted work at issue might not be a matter that requires the copyright holder to enter into “bet the business” litigation. If faced with this situation, the copyright holder, together with his or her attorney, should ensure that he or she understands all of the costs and attorneys’ fees associated with filing a lawsuit, moving for a temporary restraining order, any injunctive relief sought, discovery between the parties, pre-trial and dispositive motions, preparation for trial, trial, appeals, as well as the other potential risks mentioned in greater detail below. Only then should the copyright holder make the determination whether pursuing the matter is worth the costs and risks.
III. Risks

Just as there are many possible objectives a copyright holder might have in enforcing his or her copyright protections, there are equally as many risks. All of these risks must be considered before pursuing a copyright infringement lawsuit. The weight of these risks on the decision to bring a lawsuit will vary depending on the copyright holder’s objectives.

A. Loss of Rights

One risk in bringing a copyright infringement action is the possibility that the copyright holder loses the lawsuit. In a lawsuit where the fact finder rules against the copyright holder on grounds that his or her interest is not protectable, the main effect is the potential loss of rights in the copyright. Losing a copyright lawsuit on these grounds will result in the preclusion of claiming any rights in the copyrighted work. This will prevent any future monetization of the copyrighted work in question. If the copyrighted work in question is a company’s only intellectual property, it could mean that the company would be forced to go out of business. As such, a copyright holder must weigh this potential risk before pursuing a lawsuit for copyright infringement.

B. Potential Award of Attorneys’ Fees If Defendant Prevails

On top of the risk of potentially losing the rights in the copyrighted work if there is an adverse judgment, a party could also be required to pay the attorneys’ fees and costs of the defendant if the defendant prevails. See 17 U.S.C. § 505; Fogerty v. Fantasy, Inc., 510 U.S. 517 (1994). Depending on the intensity and duration of the copyright lawsuits, the amount of attorneys’ fees and costs incurred in defending a copyright infringement action can be substantial. If losing rights in the copyright was not damaging enough, having to reimburse the defendant for the attorneys’ fees it incurred in defending the lawsuit can be financially devastating to the plaintiff. Accordingly, before filing an infringement action, substantial consideration must be given to this potential risk. If this risk is too great, resolution prior to filing any lawsuit may be the best option, or at least the first option to consider.

C. Financial Considerations—Other Costs

In a similar vein, another risk of pursuing litigation against a copyright infringer is that the attorneys’ fees and costs associated with pursuit of the lawsuit could outweigh the benefits. Even when a party prevails, the attorneys’ fees and costs may eclipse the benefits. In conducting this analysis,
the copyright holder will have to examine the costs of retaining experts on
the issue of substantial similarity. He or she will also have to determine
if he or she is entitled to statutory damages or just actual damages. If the
copyright holder discovers he or she is entitled to recover only actual dam-
ages, the copyright holder will have to also determine what those dam-
ages are and if they are calculable and provable. Additionally, he or she
will need to determine the costs associated with proving these damages,
which includes the cost of retaining potentially multiple experts. If the
copyright holder is entitled to statutory damages, he or she will also need
to determine what these damages would be and the likelihood of recovery.
The copyright holder will also have to determine if there is proof of willful
infringement that merits increased statutory damages. Once the projected
amount of potential damages is calculated, the copyright holder can then
assess the costs to decide whether the costs outweigh the benefits.

In assessing this risk, the copyright holder will have to consider the costs
of litigation, which include deposition costs, expert costs, discovery costs, filing
fees, and other miscellaneous costs, as well as attorneys’ fees associated with
the preparation of pleadings, discovery, discovery motions, pre-trial motions and
dispositive motions, attending hearings and trial, and any post-trial motions or
appeals. Whether the copyright holder is entitled to recover from the copyright
infringer his or her attorneys’ fees incurred in pursuing the lawsuit will have
a great impact on whether the benefits and objectives of pursuing the claim
outweigh the risks. Given most lawsuits settle prior to a trial verdict, any costs
or attorneys’ fees incurred will reduce the amount of recovery through a settle-
ment. In many instances these costs can be more than the potential recovery.
If an attorney takes the case on contingency and the claim is settled, these fees
and costs would be paid out of the settlement amount. While contingency fee
arrangements might mitigate the upfront risks to the copyright holder with
respect to the attorneys’ fees and costs outweighing the benefits of pursuing a
claim, any such agreement shifts the fee burden to the attorney who, in turn,
may not be willing to take the case.

Thus, considering the collectability of any potential judgment in mak-
ing an assessment on the financial viability of a copyright infringement
claim is important. Only after an assessment of the potential costs and
possible recovery should a copyright holder decide to pursue a copyright
infringement action.

**D. Non-Direct Costs**

Direct monetary costs are not the only costs at stake in pursuing a copyright
infringement action. There are also potential and tangentially related costs
that must be considered before deciding to file suit. One potential cost is the
publicity that could be created by filing a copyright action. While the publicity of filing can be beneficial in putting others on notice that the copyright holder will pursue those who infringe on these rights, it also can have very negative consequences.

One such negative consequence is the publicity that filing a copyright infringement action could draw from third parties, who may feel they have a claim against the copyright holder who has brought suit. Third parties could realize that the person claiming to be the copyright holder might not in fact own the copyright in the work at issue. This could cause third parties to file lawsuits against the person claiming to be the copyright holder. One instance in which this situation could arise is with works in a potentially infringing compilation. The possibility of third party lawsuits is even greater if the copyright holder loses his or her lawsuit seeking to protect the copyrighted work. As such, the publicity created by both filing and potentially losing a copyright infringement action must be contemplated before filing the lawsuit.

In a similar vein, a copyright holder may lose the confidentiality of matters related to the copyright or his business. Due to the public nature of lawsuits and the documents filed with the courts, it is possible that many issues that were private may become public. The copyright holder must consider whether this potential loss of privacy or confidentiality is worth what is being sought through the lawsuit.

Another potential non-direct cost is that filing a copyright infringement lawsuit against an individual or company could forever sour the relationship with them. The copyright holder may have extensive and varied business (and even social) dealings with the alleged infringer that exceed the extrinsic and intrinsic value of the potentially infringing activity. If the infringement is minor and the relationship is important, the copyright holder should consider the alternatives to resolving the issues he or she has with the infringer.

Yet another potential cost is the copyright holder’s personal time he or she will be required to spend pursuing the case. The copyright holder will have to spend time providing his or her attorney with factual information about the claim. The copyright holder will have to spend time providing answers and documents to discovery, attending meetings, and attending trial if the case progresses to that point. This is time the copyright holder could use for other potentially profitable endeavors. As such, the cost of time spent pursuing the lawsuit should be considered.

Thinking about, considering, and weighing all of the consequences beyond those directly related to the issues addressed in any potential copyright infringement action are essential to making the right decision on whether to pursue an infringement through litigation. While all of the
potential variables and future consequences cannot be predicted with absolute accuracy, awareness of the possible negative consequences, both direct and indirect, can help the copyright holder make a decision that is well informed and in that company or person’s best interest.

IV. Other Considerations

A. Failure to Bring a Timely Claim

As there are potential costs in bringing an infringement action, there are also consequences to consider in not pursuing a copyright infringement lawsuit. According to 17 U.S.C. Section 507, “[n]o action shall be maintained under the provisions of [the Copyright Act] unless it is commenced within three years after the claim accrued.” Failing to pursue copyright infringement claims can result in forgoing any and all claims arising out of any infringing activity. However, in the event of a continuing infringement, a fairly recent United State Supreme Court ruling in Petrella v. Metro-Goldwyn-Mayer, Inc. has allowed copyright holders to maintain an infringement action to recover damages based on infringements that occurred up to three years prior to filing a lawsuit. Despite this ruling, it is typically not advisable for a copyright holder to wait to bring an infringement claim in hopes that they can fall into some exception to the statutory limitations period.

B. Internet Infringement Enforcement Issues

In pursuing infringement that occurs through the Internet, there are some additional considerations to discuss with the client before filing suit. Specifically, pinning down the identity of the actual infringing party is sometimes more difficult due to the global nature of and the anonymity provided by the Internet. In the United States, the ability to obtain the infringing party’s identity has become easier under the subpoena provisions contained in Title II of the Digital Millennium Copyright Act (“DMCA”), 17 U.S.C. § 512(h). Whether the lawyer is trying to obtain the identity of the infringing party from an online service provider in the United States or elsewhere, this issue is important to discuss with the client because it will increase the cost of the pursuit of the infringing party.

Another consideration is whether the online service provider has complied with all of the safe harbor provisions under Title II of the DMCA to avoid liability for the infringement. 17 U.S.C. § 512. In addition to some general requirements for the online service provider to fall within the safe harbor provisions, the online service provider must
promptly remove or block access to the infringing material upon receiving notice from the copyright holder or his or her attorney. Accordingly, in addition to sending a cease and desist letter, as discussed above, it may be advisable to send a notice and take down letter to the hosting online service provider requiring it to either remove or block the infringing content. If the online service provider complies, it will cease at least some of the continued infringement. If the online service provider fails to comply, it will allow the copyright holder to add it as a defendant to the infringement lawsuit. Whether the online service provider does or does not remove or block the infringing content, it still may be liable to the copyright holder based on its failure to comply with the general requirements under Section 512 (i.e., by having knowledge of the infringement, by receiving a direct financial benefit from the infringement, and/or failing to implement a policy for repeat infringers). It is important to note that in determining whether to send the notice and take down letter to an online service provider, the lawyer should advise the client that he or she could be held liable under Section 512(f) for any damages resulting from the online service provider's actions taken in connection with any false claims of infringement.

V. Checklist

There are a myriad of objectives, risks, and considerations that a copyright holder has to weigh before deciding to bring an infringement cause of action. Counsel’s job is to make the copyright holder aware of all these factors and help him or her analyze them so that the copyright holder’s best interest is met. Counsel cannot guaranty a copyright holder any particular outcome, but can provide him or her with all the factors necessary to make an informed decision on whether to pursue a copyright infringement lawsuit. After meeting with the client, it is important that the lawyer memorialize his or her conversation with the client to protect the lawyer against any issues that may arise with the client.

Below is a checklist of discussion points to be addressed with the client prior to taking any legal action against an infringing party:

1. Details regarding the work and/or copyright at issue.
2. The client’s relationship, ownership, and rights in the work at issue.
3. Determination of whether the client registered the copyright with the Library of Congress and, if so, when.
4. Determination of who the actual infringing party is.
5. Details about what the client believes are the infringing activity.
6. Details on when the alleged infringing activity occurred.
7. The client’s objectives in pursuing the infringing party.
8. Details about the client’s actual damages as a result of the infringing activity.
9. The financial status of the infringing party and whether any judgment would be collectable.
10. The location of the infringing party and the difficulties in bringing claims against potentially foreign entities.
11. The possibility of filing suit against other parties that have contributed to the infringement.
12. The possibility of whether the infringing party has violated any other related laws that protect the infringed upon work.
13. Whether the client is willing to negotiate a licensing agreement and back pay for the infringing activity.
14. Whether to send a cease and desist letter to the infringing party and the consequences of sending it.
15. Whether the client believes the infringing party may destroy documents related to the infringing activity and whether a demand to retain these documents should be sent.
16. Whether the client wants to file a temporary restraining order or seek injunctive relief to stop the infringing activity and the costs associated with these actions.
17. Basic procedures, timing, and costs of filing an infringement lawsuit.
18. Potential impact of losing rights to the work if the lawsuit is not successful.
19. Potential impact of the client owing the defendant’s attorneys’ fees if the lawsuit is not successful.
20. Potential non-direct consequences or damages as a result of filing an infringement lawsuit.
21. Potential cost of losing the right to bring an infringement lawsuit if the client waits too long to file.