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Copyright Infringement--Measure of Damages Where Infringer's Profit Shown (Woolworth Co. v. Contemporary Arts, Inc., 73 Sup. Ct. 222 (1952))

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seem, therefore, that the arbitration proceeding has achieved recognition, at least in the eyes of the learned dissenting justices, as an "actual trial." [32] Such a conclusion is entirely sound, and accords with both the nature of the arbitration proceeding and with the rules of construction for the interpretation of insurance policies.

COPYRIGHT INFRINGEMENT — MEASURE OF DAMAGES WHERE INFRINGER'S PROFIT SHOWN.—Plaintiff sued under a subdivision of the damage section of the Copyright Act [1] for his actual loss and the infringer's profits, or, in the alternative, statutory damages. The appellate court [2] found that the copyright owner had *suffered* damage due to the infringement, but could not *prove* his actual injury; and that the infringing party, Woolworth Company, had realized a profit of $899.16. Based upon this evidence, the court awarded the maximum statutory damages pursuant to the "in lieu" provision of the Act. The infringer appealed, asserting that the proof of actual profits precluded the court from resorting to the statutory award. The Supreme Court *held* that since the owner could not prove its actual damage, statutory damages could be awarded even though actual profits were proven. *Woolworth Co. v. Contemporary Arts, Inc.*, 73 Sup. Ct. 222 (1952).

The damage section of the Copyright Act was enacted to serve a dual purpose: to provide an effective remedy for a copyright owner who could not prove the actual amount of his damage [3] and to com-

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[32] It is interesting, however, to note that the dissenters nevertheless concurred with their brothers on the bench in maintaining that arbitration was *not* a suit within the meaning of the policy, though it *would* be an "actual trial" if judgment were entered on the award.

[1] Any person infringing a copyright in any work protected under the copyright laws shall be liable:

(b) "To pay to the copyright proprietor such damages as the copyright proprietor may have suffered due to the infringement, as well as all the profits which the infringer shall have made from such infringement . . . or in lieu of actual damages and profits, such damages as to the court shall appear to be just [damages for certain cases are specified] and such damages shall in no other case exceed the sum of $5,000 nor be less than the sum of $250, and shall not be regarded as a penalty." 35 STAT. 1081 (1909), as amended, 17 U. S. C. § 101 (Supp. 1952). None of the amendments to the original Act of 1909 have been material to the problems discussed in the article. All cases cited under this Act have been decided under the same provisions of the statute.

[2] 193 F. 2d 162 (1st Cir. 1951), *cert. granted*, 343 U. S. 963 (1952).

[3] Unless he proved specific damages, an injured copyright owner could recover only nominal damages at common law. *See* Douglas v. Cunningham, 294 U. S. 207, 209 (1935).

bine the available common-law remedies into one statutory action.[4] The efficacy of this section, however, has been seriously impeded by the conflicting interpretations given to it in the lower federal courts. Only in cases where there are no profits earned by the infringer, and the owner[5] has *suffered* damage but is unable to *prove* the amount of such damage, do the courts concur in the propriety of granting statutory damages pursuant to the "in lieu" clause.[6]

Very often the owner has suffered no damage from the infringement,[7] and the infringer has not realized a profit. May the court, in the absence of both factors, award statutory damages pursuant to the "in lieu" clause? Some tribunals indulge in the fiction that an infringement per se causes damages, and this presumed injury being unascertainable, statutory damages may be awarded.[8] Other jurisdictions maintain that the owner must suffer actual damage,[9] for if he does not, an award of statutory damages would be penal in nature.

Similarly, where the amount of profit earned by the infringer is shown, but the owner is unable to prove the amount of damages he has suffered, the cases show a diversity of opinion. Many courts take the position that the "in lieu" provision is inoperative when *either* damages or profits have been specifically ascertained.[10] Conversely, this "alternative theory" has been rejected, and the argument advanced that in the absence of proving *both* actual damages and

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[4] Damages were recoverable in an action at law; profits were recoverable, on the theory of unjust enrichment, as relief incidental to an injunction in equity. *See* Sammons v. Colonial Press, Inc., 126 F. 2d 341, 345 (1st Cir. 1942); see Note, 22 NOTRE DAME LAW. 313 (1947).

[5] The "owner" referred to throughout this article is the copyright owner; the "infringer," a party who may be sued for infringement under the Act.

[6] Westermann Co. v. Dispatch Printing Co., 249 U. S. 100 (1919); Buck v. Milam, 32 F. 2d 622 (E. D. Idaho 1929); Sauer v. Detroit Times Co., 247 Fed. 687 (E. D. Mich. 1917); *see* Douglas v. Cunningham, *supra* note 3, at 209.

[7] The measure of damage is the additional profit which the owner would have made had not the infringing article been competing in the market. But if the owner is not exploiting his copyright, he has not been deprived of any potential sales, and therefore has suffered no actual damage. *See* Sammons v. Colonial Press, Inc., *supra* note 4, at 344.

[8] See Toksvig v. Bruce Pub. Co., 181 F. 2d 664 (1st Cir. 1950); Eliot v. Geare-Marston, Inc., 30 F. Supp. 301 (E. D. Pa. 1939); 8 FORD. L. REV. 264, 265 (1939).

[9] Hendricks Co. v. Thomas Pub. Co., 242 Fed. 37 (2d Cir. 1917); Rudolf Lesch Fine Arts, Inc. v. Metal, 51 F. Supp. 69 (S. D. N. Y. 1943); Woodman v. Lydiard-Peterson Co., 192 Fed. 67 (C. C. D. Minn. 1912); *see* Washingtonian Pub. Co. v. Pearson, 140 F. 2d 465, 466 (D. C. Cir. 1944); Norm Co. v. Brown Co., 26 F. Supp. 707, 710 (W. D. Okla. 1939); see 13 So. CALIF. L. REV. 505, 507 (1940).

[10] Davilla v. Brunswick-Balke Collender Co., 94 F. 2d 567 (2d Cir. 1938); *see* Sheldon v. Metro-Goldwyn Pictures Corp., 309 U. S. 390, 399 (1940); Sammons v. Colonial Press, Inc., 126 F. 2d 341, 350 (1st Cir. 1942); see Caplan, *The Measure of Recovery in Actions for the Infringement of Copyright*, 37 MICH. L. REV. 564 (1939).

profits the court may award statutory damages.[11] The courts, however, do concede that if the owner suffered no actual damage, but specific profits have been proven, statutory damages should not be awarded.[12] The theory in this situation seems to be that since the owner is recovering *something,* the "per se damage" fiction will be disregarded.

The opportunity to resolve these inconsistencies was presented to the Supreme Court in the instant case. The direct holding was that if the owner suffered injury which he cannot prove, statutory damages may be awarded even though actual profits are proven. Thus the "alternative theory" appears to have been overruled. It must be borne in mind that the "in lieu" provision of the Act was adopted to obviate the necessity of proving the exact amount of over-all damage, but did not purport to negate the production of evidence that some actual damage was caused by the infringement.[13] Where the owner suffered actual damage, therefore, the proof of profits alone should not vitiate the statutory relief and remit him to his common-law remedy. Such an interpretation is repugnant to the policy of the statute, and its repudiation was sound.

The Court also suggested that the "damage per se" fiction was in harmony with the policy of the statute,[14] though it left unquestioned the *propriety* of granting statutory damages when no actual damages had been suffered and the infringer's profits were proven. The Act declares that the statutory award is "in lieu of *actual* damages"; not in lieu of *nominal* damages.[15] Nominal damages were awarded at common law either (a) where a legal wrong was shown but no actual damage suffered, or (b) where damage was suffered but could not be proven.[16] But from the very wording of the Act, and the body of judicial opinion construing it,[17] the statute applies only to the latter situation. It follows, therefore, that the "damage per se" fiction should be rejected, and that the question left un-

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[11] Johns & Johns Printing Co. v. Paull-Pioneer Music Corp., 102 F. 2d 282 (8th Cir. 1939).

[12] Washingtonian Pub. Co. v. Pearson, *supra* note 9; Malsed v. Marshall Field & Co., 96 F. Supp. 372 (W. D. Wash. 1951).

[13] *See* Rudolf Lesch Fine Arts, Inc. v. Metal, *supra* note 9, at 71; Woodman v. Lydiard-Peterson Co., *supra* note 9, at 71.

[14] Woolworth Co. v. Contemporary Arts, Inc., 73 Sup. Ct. 222 (1952). "Even for uninjurious and unprofitable invasions of copyright the court may, if it deems it just, impose a liability within statutory limits to sanction and vindicate the statutory policy." *Id.* at 225.

[15] *See* Hendricks Co. v. Thomas Pub. Co., 242 Fed. 37, 42 (2d Cir. 1917); Rudolf Lesch Fine Arts, Inc. v. Metal, 51 F. Supp. 69, 71 (S. D. N. Y. 1943).

[16] See Western Union Tel. Co. v. Guard, 283 Ky. 187, 139 S. W. 2d 722 (1940); De Salme v. Union Elec. Light & Power Co., 232 Mo. App. 245, 102 S. W. 2d 779 (1937); 25 C. J. S. 466 *et seq.* (1941).

[17] See notes 3 and 9 *supra.*

answered by the Court has been, in the opinion of the writer, correctly decided by the lower tribunals.[18]

In the most significant passage of the opinion, the Court stated that where both damages and profits are *proven,* the court, in its discretion, may disregard such proof and award statutory damages.[19] But when the copyright owner can prove both his damages and the infringer's profits, the underlying basis for the "in lieu" clause is eliminated. To allow a court in such cases to summarily dismiss the true amount of damage and substitute a discretionary amount, far exceeds the scope of the statute. If, therefore, the direct holding is followed, and the dicta disregarded, the instant case will have greatly furthered the clarification of this troublesome statute.

CORPORATIONS — CUMULATIVE VOTING PROVISION VOIDS REMOVAL BY-LAW.—Pursuant to a by-law providing for such action, a corporate director was removed without cause, and an election was held to fill the vacancy. Petitioner, owner of forty per cent of the voting stock of the corporation, brought an action pursuant to Section 25 of the General Corporation Law [1] to set aside the election on the ground that it violated her rights under a cumulative voting provision adopted subsequent to the enactment of the by-law. *Held:* the adoption of a cumulative voting provision invalidated the by-law insofar as it provided for the removal of a director without cause. *Matter of Rogers Imports, Inc.,* 202 Misc. 761, 116 N. Y. S. 2d 106 (Sup. Ct. 1952).

The purpose of cumulative voting is to afford minority interests the opportunity to secure representation on the board of directors; [2] and it appears that express statutory authorization is a necessary prerequisite to its use.[3] In gauging the effect of a cumulative voting

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[18] See note 12 *supra.*

[19] *See* Woolworth Co. v. Contemporary Arts, Inc., *supra* note 14, at 226. "We think that the statute empowers the trial court in its sound discretion to determine whether on all the facts a recovery upon *proven* profits and damages or one estimated within the statutory limits is more just." *Ibid.* (emphasis added).

[1] "Upon the application of any member aggrieved by an election . . . the supreme court . . . shall forthwith hear the proofs and allegations of the parties, and confirm the election or order a new election, as justice may require."

[2] *See* Matter of Jamaica Consumers' Ice Co., 190 App. Div. 739, 741, 180 N. Y. Supp. 384, 386 (1st Dep't), *aff'd,* 229 N. Y. 516, 129 N. E. 897 (1920); see BALLANTINE, CORPORATIONS 402 (Rev. ed. 1946); PRASHKER, CASES AND MATERIALS ON CORPORATIONS 481-90 (2d ed. 1949).

[3] *See* Matter of Brophy, 13 N. J. Misc. 462, 179 Atl. 128, 129 (Sup. Ct. 1935). *But see* Quilliam v. Hebbronville Utilities, Inc., 241 S. W. 2d 225