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## **Profits Attributable to Copyright Infringement**

By: Jim Astrachan

A prevailing copyright plaintiff has the right to obtain its damages and the defendant's profits "that are attributable to the infringement." Instead of damages and profits the plaintiff may be entitled to elect to recover statutory damages of up to \$150,000 for each work infringed and attorneys' fees.

The problem is, that many infringements of copyrighted works occur prior to the date on which the copyright owner has registered the work with the Registrar of Copyrights and as a result the infringed owner is precluded from electing statutory damages and must instead seek to recover its damages and the defendant's profits. This is due to the requirement, with narrow exceptions, that registration predate infringement.

This inability to claim statutory damages is often why the decision to bring a copyright infringement action is difficult. Many prospective plaintiffs, by necessity, will balance the cost of the suit with the likely monetary recovery, and if they expect that the recovery will be minimal, reluctantly they will pass.

The Copyright Act requires only that the plaintiff prove the defendant's receipts. The burden then shifts to the defendant to prove deductible expenses to arrive at profits. Any analysis of whether to sue must focus not only on the profits of the defendant but also on what portion of those profits are recoverable. Great care must be exercised because not all of the defendants' profits are at play; only "the profits attributable to the infringement."

Over the years this quoted language has given litigants fits and resulted in cases at polar opposites. For example, what of a case where an architect claims a developer copied an office building she designed? Her damages would be the fees she would have charged, but she may believe the big payoff is an award of the developer's profits. What if the building is located in a densely populated area and it was built on the only parcel of land within five miles available for such use? What if the developer has a sterling reputation for taking care of its tenants? Certainly the developer will earn a

profit from rental and a likely appreciation in the value of the building, but are those profits "attributable to the infringement" or are they attributable to other factors?

The purpose of the award of a defendant's profits is to prevent the defendant from benefiting from a wrongful act; the award is not intended to punish the defendant by awarding profits not attributable to the infringement. Once profits are established the defendant has the additional burden of establishing an absence of a causal link between its infringement of plaintiff's copyrighted work and all of those profits sought by plaintiff.

A defendant can meet this burden by showing that, as in the case of the real estate developer, its customers would have purchased the product even if it had not infringed. What influenced the tenant's decision to rent? Building design, location or the developer's reputation? Or, a defendant can try to establish that the existence and amount of its profits are not the natural and probable consequence of the infringement. Instead, some portion of the profits result from other factors which add intrinsic value or have independent promotional value.

A defendant must be very careful for it can simultaneously win and lose. In a case brought against the MGM Grand hotel by the owner of *Kismet* the court declined to award the plaintiff all of the profits earned from the 10 act review of which *Kismet* content was only 12 percent of the review's running time. But, the court also awarded the plaintiff 2 percent of the hotel's \$395 Million indirect profits rationalizing that the review brought customers to the hotel and while there those customers gambled, slept, drank and ate and those profits were attributable to the review.

At the opposite pole was the case of the former and now deceased Beatle George Harrison, who was sued for copyright infringement on the grounds that his hit song, *My Sweet Lord*, infringed the early 60's hit, *He's So Fine*. The plaintiff wanted to recover all of the profits earned by Harrison from sale of his greatest hits album that contained *My Sweet Lord*. The court said "No", attributing much of the success of the album not to inclusion of the infringing song, but to such intrinsic factors as Harrison's name, the quality of his lyrics and the inclusion of other, well-known Harrison hits. The court declined to award even the percentage of profits based on the percentage of the album represented by the infringing song although a lesser sum was awarded. This result should also occur where a novice playwright's work is infringed by a movie studio that hires two Oscar winners to play leading roles and spends a fortune on promotion.

Once upon a time, the judicial belief was that a plaintiff should recover all of an infringer's profits, or at least should do so where it was difficult to separate infringing and non-infringing elements. Under the most recent revision to the Copyright Act on this subject, a defendant is allowed to prove, and exclude from awardable profits, "the elements of profit attributable to factors other than the copyrighted work." This need not be done with mathematical exactness.

Illustrating this is a case of an infringement of a photograph of President Clinton. The defendant added to the photograph the element of a space alien shaking hands with the President. The court allocated 50 percent of the defendant's profits to this added element attributable to defendant's efforts and refused to award all of the defendant's profits.

A prospective copyright plaintiff who is precluded from recovering statutory damages and attorneys' fees needs to know this.

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