Against the Grain

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Cases of Note-Copyright

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LEGAL ISSUES

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Cases of Note — Copyright — Measure of Damages

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FRANK GAYLORD, v. UNITED STATES, UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, 678 F.3d 1339; 2012 U.S. App. LEXIS 9719.

Frank Gaylord held copyright on a cluster of statues — "The Column" — nineteen stainless steel sculptures of a platoon of soldiers. This is the centerpiece of the Korean War Veteran's Memorial in the National Mall in D.C. The **USPS** issued a stamp commemorating the Korean War armistice, and — you guessed it — it featured a photo of "The Column." 86.8 million of these stamps were sold. And the **Post Office** made no attempt to seek **Gaylord's** permission. Rather, it licensed the image from a photographer.

The stamp grossly infringed in three classes of items: (1) stamps used to send mail; (2) stamps kept by collectors; (3) images of the stamp on retail goods. **Gaylord** did not care for this and sued in the Court of Federal Claims under 28 U.S.C. § 1498(b). He won and then won again on the appeal. The case was remanded on the issue of damages, which is what this is about.

Gaylord wanted a 10% royalty on $30.2 million in revenue. He was denied this — **given $5,000**! — and again went up on appeal.

Section 1498(b) waives U.S. sovereign immunity for copyright infringement. As to damages, it says "recovery of his reasonable and entire compensation."

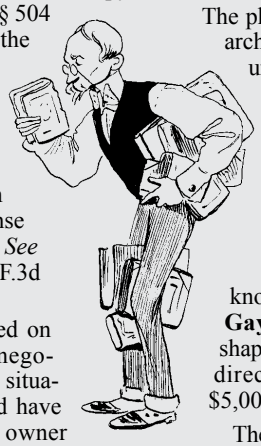
And now we get to wrestle with what that means.

Gaylord said reasonable royalties are the presumptive award under § 1498**(a)** — *patent infringement by the U.S.* — and should be presumptive under **(b)** — *copyright infringement.* He presented evidence of the royalty he typically received for letting folks put "The Column" on t-shirts and miniature statues.

The **USPS** called the 10% royalty speculative and argued $5,000 represented "the market value at the time of the taking." They had never paid more than that, and never would. So that was the market value.

Leesona Corp. v. United States, 599 F.2d 958 (1979) — a patent infringement case — limited "reasonable and entire compensation" to a reasonable royalty. *Id.* 968. Punitive damages were excluded as being more than "just compensation." *Id.* And *Leesona* held "the proper measure … is what the owner has lost, not what the taker has gained." *Id.* at 969.

Our appeals court in **Gaylord** held copyright damages under 17 U.S.C. § 504 — stealing by ordinary folk not the government — are appropriate here. As **Gaylord** cannot show "lost sales, lost opportunities to license, or diminution in the value of the copyright," the damages should be based on "the fair market value of a license covering the defendant's use." *See* ***On Davis v. The Gap, Inc.,*** 246 F.3d 152, 164 (2d Cir. 2001).



You arrive at this sum based on a hypothetical, arms-length negotiation by the two parties. "In situations where the infringer could have bargained with the copyright owner to purchase the right to use the work, actual damages are what a willing buyer would have been reasonably required to pay to a willing seller for plaintiffs' work." ***Jarvis v. K2 Inc.,*** 486 F.3d 526, 533 (9th Cir. 2007).

The trial court looked only at what the **USPS** had paid in the past, and that was in the $1,500 to $5,000 range.

Geez. Are artists that desperate to get on stamps?

At any rate this was erroneous. The **Post Office** could rely on previous cheapskate purchases and hide behind self-serving "internal policies" that supposedly prohibited them from paying more. *See* ***Rite-Hite Corp. v. Kelley Co.,*** 56 F3d 1538, 1555 (Fed. Cir. 1995).

And could potentially steal something of astronomical value for a mere $5,000.

What the infringer wants to pay is not the measure. Rather you should look at evidence from both sides to find the fair market value. **Post Office** has not paid more than $5,000 but **Gaylord** consistently licensed images of "The Column" for a 10% royalty.

The photographer believed the monument architects owned the rights to "The Column" and agreed to pay a 10% royalty to them for all sales and licensing of his photo. And incredibly, the **USPS** licensed the stamp image for use on retail goods for a royalty of 8%.

And Again It's Remanded

Of course, you so frequently don't know how these things turned out, but **Gaylord** seems to be in pretty good shape. The trial court was pretty much directed to give him a lot more than $5,000.

There was discussion of how the value might be arrived at. Were stamps used to mail letters of value because of "The Column" or primarily because they were postage? A one-time fee might more accurately capture the value here, but an arbitrary cap of $5,000 is not appropriate.

$5.4 million in stamps were kept by collectors. This is pure profit for the **Post Office** as they didn't have to handle any mail. This seems to lean toward the 10% royalty.

And then there's all the retail junk the **Post Office** sold — pins, postcards, magnets, framed art, cancellation keepsakes, and other philatelic collectibles decorated by "The Column." Again, this leans toward royalty, and the recovery is not limited by the **Post Office** profits.

Presumably because govt. management is so inefficient, the production and merchandising costs are unnaturally high. And the ***USPS*** *— like Hollywood — could just show no profit for a royalty to apply to.*

Rumors
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Moving right along, in warmer NY days, **Audrey** said she has seen **Athena Michael** (once at Wiley) and **Sharon O'Connell** (at Yankee and YBP) and they supped Moroccan in New York! **Athena** is no longer at **Wiley** but she landed on her feet! I just can't remember where! Help, someone!

Heard from the wonderful **Chuck Hamaker** the other day. You will remember that **Chuck** missed the Conference this year because he was sick! Boo hiss! Anyway, **Chuck** sounds good and is doing all sorts of new things (as always)

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