Against the Grain

Volume 28 | Issue 2 Article 27

2016

Cases of Note--Copyright--Statutory Damages and other Cool Stuff

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LEGAL ISSUES

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Cases of Note — Copyright

Statutory Damages and Other Cool Contract Stuff

Column Editor: **Bruce Strauch** (The Citadel) <strauchb@citadel.edu>

TATTOO ART INCORPORATED V. TAT INTERNATIONAL LLC. UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT. 498 Fed. Appx. 341; 2012 U.S. App. LEXIS 25315.

Yes, Americans will indulge in tattoos. Indeed, it takes an edgy rebel to go without one today.

Tattoo Art is a Virginia company with copyright on hundreds of colorized "tattoo flash" designs — original designs on a poster to give tattoo parlor customers ideas.

For when you're blind drunk and getting that first tat of course.

So they wouldn't have to pay to register hundreds of individual works, **Tattoo Art** put them into 50-sheet "Books" and did one registration for each book. It then licensed the designs for, of course, tattoos, but also for those must-have cell phone covers and t-shirts.

Indeed, the very foundations of the American economy.

In December 2005, **TAT** licensed from **Tattoo Art** specified flash drawings for airbrushed tattoos. Which is to say temporary ones.

For those not drunk enough or too timid to permanently stamp themselves with a steadily blurring hackneyed design.

There were quarterly royalty statements from gross sales, a minimal payment of $6,000 and blah-blah.

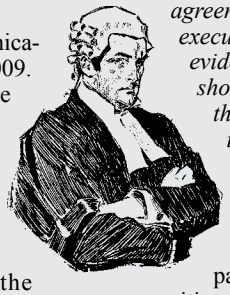
There was an initial term of three years and then an on-going year-to-year unless one party wanted to quit. If **TAT** quit, it could dispose of finished inventory. However, if **Tattoo Art** terminated **TAT** for breach, **TAT** had to end all sales.

TAT more or less admitted to all this, but claimed there was an oral modification eliminating the minimum payment and allowing **TAT** to sell off inventory even if terminated for breach. This agreement was made before the final acceptance went down.

Which is to say, **TAT** admitted it signed the contract despite its claim of alteration. **TAT** claims it understood the signed page was to be attached to a "revised" contract. Which never came. And **TAT** did nothing about it.

In fact, **TAT** made three of the four quarterly payments in 2006 for a grand total of $653. Out of the minimal $6,000.

And of course you can see what's coming. Also what a pathetic business airbrushed tattooing is.



There was no further communication between the parties until 2009. Meanwhile, **TAT** had changed the coloring of some of **Tattoo Art's** designs and displayed them on its Website. And — dum-da-dum-dum — it labeled them **TAT** "Original Collection."

This was followed by prodding from **Tattoo Art** and "the check's in the mail" excuses from **TAT**. Whereupon **Tattoo Art** terminated **TAT** for breach and told them to quit using the designs forthwith. **TAT** ignored it and went its merry way. **Tattoo Art** sued.

TAT pled affirmative defenses of fraudulent inducement, unclean hands and equitable estoppel.

Hmm. I suppose dealing in tattoo art is unclean. Ha-ha. Joke. But what kind of a lie would induce you into such a contract? Our flash art will help you finally meet girls?

Tattoo Art won summary judgment and an order of $18,105.48 for breach of contract plus $480,000 statutory damages under the ***Copyright Act*** for the altered designs.

Ka-pow!

Well, that's the end of their business. But lawyers can and will appeal if paid, so why not spend your money on that.

The Appeal

And so we find ourselves before the Fourth Circuit in Richmond.

Summary judgment is granted when there's no material dispute as to the facts so no jury is needed. A judge can rule as a matter of law. Fed. R. Civ. P. 56(a). **Tattoo Art** had the burden of showing the absence of an issue of material fact. It achieved this by showing the signed contract and evidence of **TAT** not making payments.

TAT said a material fact was raised by its claim of an oral modification to the contract. The court said nope. Nothing in the record, documents, depositions, affidavits, whatever, showed a contrary agreement.

This is kind of a round-about way of stating the Parol Evidence rule that claims of oral agreements prior to or simultaneous with the executed written one are not admissible in evidence. If the contract says "cow," why should we let a silver-tongued liar testify they really meant "horse." The writing is in front of us and is quite clear.

The court also noted a merger clause which said the written "Agreement constitutes the entire agreement and understanding between the parties" and any changes had to be in writing "signed by both parties."

The court also noted that the initial term was three years. The Statute of Frauds requires a written contract for any agreement that can't be performed in one year. Which they had. But the oral agreement was … well … oral and thus contrary to the Statute.

Copyright Infringement

And **TAT** was indeed an infringer. The license agreement permitted them to create stencils and promote them. There was no permission to modify or alter. Plus, when they ceased to make quarterly payments they were in breach and were to stop all sales.

For damages, **Tattoo Art** was entitled to actual damages or statutory damages under 17 U.S.C. § 504(c)(1) which can be fairly hideous — from $750 to $30,000 per infringement "as the court considers just." If the infringement was willful, which this was, the damages can jump to $150,000 per.

For some odd reason, the district court couldn't find willfulness. And this despite **TAT** labeling its infringement "Original Collection."

But how many infringements? **Tattoo Art** wanted each recolored image to be a separate violation. But the district court found the "Books" to be compilations which for damage purposes consitute but one work. ***Xoom, Inc. v. Imageline, Inc.,*** 323 F.3d 279, 285 (4th Cir. 2003); ***Reed Elsevier, Inc. v. Muchnick,*** 559 U.S. 154, 130 S. Ct. 1237 (2010).

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the content are these protected by copyright?

ANSWER: Works published by the U.S. government are not protected by copyright according to section 105 of the ***Copyright Act***. So, the only material that can be protected in a work that incorporates works of the federal government is any new material added such as a preface, editorial comments, explanations, etc.

The notice section of the ***Act*** provides that a copyright owner may place a notice of copyright on works, and that notice includes the name of the copyright owner, the date of publication and the symbol ©, the word "copyright" or the abbreviation "copr." Section 401(d) states that the good faith defense is not available to a defendant in a copyright infringement suit if the work in question contained the notice of copyright. Section 403 says that the good faith defense is available to alleged infringers if the work in question consists predominately of one or more works of the U.S. government unless the notice of copyright does not contain a statement, either affirmatively or negatively, identifies those portions embodying any work protected by copyright. In other words, the work would need to specify that the preface, editorial comments, etc., are protected by copyright or that no copyright is claimed in the portion comprised of a government publication. One seldom sees this done, however.

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Then the court did agree the infringement fell closer to the willful end than the innocent end of $750 to $30,000 and set the damages at $20,000 x 24 infringements.

On appeal, **TAT** argued that the $480,000 was grossly disproportionate to any actual damages suffered by **Tattoo Art**.

*Which while true, is interesting given that **TAT** was pretty clearly willfull and should have been up in the $150,000-each range.*

The 4th Circuit held that **TAT** was arguing that the Congressional authorization under the ***Copyright Act*** was "constitutionally excessive" and found this an "unavailing argument."

Booklover — Not Nobel But Noteworthy

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Disclaimer: *This **Booklover** column is not about a Nobel Laureate.*

Exploring Nobel literature is an ongoing bucket list process that periodically takes a turn down other literary roads. Four books have recently caught the attention of this booklover: **Bruce Chadwick's** *I Am Murdered: George Wythe, Thomas Jefferson, and the Killing That Shocked a Nation*; **Jessica Wapner's** *The Philadelphia Chromosome: A Mutant Gene and the Quest to Cure Cancer at the Genetic Level*, and the two books by **Ta-Nehisi Coates**: *The Beautiful Struggle* and *Between the World and Me*. History, scientific research, and race relations — welcome to my world.

What makes Nobel literature words different from bestseller words, narrative words, or just the words of a well-told story that you just want to read again and again? This is an unresolved question for me and requires constant pondering — which is okay because the only way to hopefully answer it is to continue reading. Not a bad solution to the problem.

There have already been two passes through **Chadwick's** book. Each time I am intrigued. The glorious illustration of the founding fathers and the beginnings of this experiment called democracy is not what you get. You get a piece of history told in three parts and only 240 pages in such a real, gritty and densely rich way that you feel you are walking the streets of either Colonial Williamsburg or Richmond Virginia investigating a murder. Part One of the book is a description of "The Murder." Part Two details "The Investigation." Part Three transcribes "The Trial." **George Wythe** was one of this country's founding fathers. He was the first law professor, signed the Declaration of Independence and represented Virginia at the Constitutional Convention. He was held in high esteem in the early community of our nation. Thus it was a shock when **Wythe**, on his deathbed, accused his young hooligan grandnephew of poisoning him for his money. Of the many interesting details, nuances of the period and vignettes of day-to-day life in the 1800s, the one that left me really thinking was the reasoning behind the decision of the two lawyers who came to the grandnephew's defense. Politics makes for strange bedfellows. Pick up the book and find out.

From a capsule of our Nation's history to the historical timeline of a de novo scientific discovery that lead to a drug to manage chronic myelogenous leukemia (also referred to as CML) is not such a stretch. "The First Clue" has the reader "hovering" over a microscope with **David Hungerford** in 1959 when he realizes that one of the chromosomes, in a sample prepared from a patient with CML, is too short. This short chromosome that **Hungerford** observed would be known by many names, one of which is "The Philadelphia Chromosome." **Hungerford** had a passion for photography as well as science. The new camera-equipped microscope, where he spent his time staring at the black and white squiggles called chromosomes, was located at a cancer center in Philadelphia. Geography was the influence for the name of the aberrant chromosome that is formed by a translocation between chromosome 9 and 22 in patients with CML. With 38 chapters, some of which are entitled "Right Number, Wrong Place," "Where the Kinase Hangs the Keys," "Plucking the Low-Hanging Fruit," "Not Over My Dead Body Will This Compound Go into Man," "Buzz in the Chat Rooms," and "A Gleevec for Every Cancer," **Wapner** writes in a way to honor the science and appeal to the layman. It is a gift. She excels at it.

Threading the two previous books' themes to race relations might be a difficult weave, but the crafting of words to explain a perspective is one where **Coates'** genius shines. The power in his two books is so great that it leaps from the page. You want to memorize it so you can quote it, because just telling someone what the book is about doesn't do it justice. And justice is one of the things that **Coates** is looking for. His first book *The Beautiful Struggle* tells his story of growing up in Baltimore. His second book *Between the World and Me* is written to his son as a guide for what it means to be a black man growing up in America.

I leave you with a piece of **Coates'** knowledge from *The Beautiful Struggle*:

> "The Knowledge was taught from our lives' beginnings, whether we realized it or not. Street professors presided over invisible corner podiums, and the Knowledge was dispensed. Their faces were smoke and obscured by the tilt of their Kangols. They lectured from sacred texts like Basic Game, Applied Cool, Barbershop 101. Their leather-gloved hands thumbed through chapters, like 'The Subtle and Misunderstood Art of Dap.' There was the geometry of cocking a baseball cap, working theories on what jokes to laugh at and exactly how loud; and entire volumes devoted to crossover dribble. **Bill** (**Coates'** brother) inhaled the Knowledge and departed in a sheepskin cap and gown. I cut class, slept through lectures, and emerged awkward and wrong.
>
> My first day at Lemmel (middle school where **Coates** attended school), I was a monument to unknowledge. I walked to school alone, a severe violation of the natural order of things. …Everyone moved as though the same song were playing in their heads. It was a song I'd never heard. I shrugged my backpack a little tighter on my shoulder and made my way.

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