THE PUBLISHER'S MONETARY LIABILITY FOR COPYRIGHT INFRINGEMENT†

THE AUTHOR-PUBLISHER RELATIONSHIP PRIOR TO 1909

In comparing the various authors with one another, I have discovered that some of the gravest and latest writers have transcribed, word for word, from former works, without making acknowledgment.—PLINY THE ELDER

Long before the introduction of the printing press to the English speaking world in 1476, there were circulated throughout the literary world handwritten manuscripts, "published and printed" by the author or his understudy. The purchaser of a handwritten book in this period bought several things. He bought the physical book with a fairly definite value; he bought the verbal contents (which might or might not have a practical value); and he bought the results of a creative process that was independent of the physical value and independent of the prestige values of book ownership.

In this period little or no attention was paid to the legal aspects of title or ownership. Monasteries and libraries exchanged volumes for study and copying was commonplace. If any thought was given to the author's rights of ownership of his work, it was replaced by the desire to encourage learning and to insure the opportunity to borrow other books in return and to use the contents thereof in a like manner. There was no statute to protect the contents of manuscripts, no legal decision on the ownership of property in a book, and no customs to provide a foundation for the common law. Furthermore, the completed manuscript remained the work of the author, even though he might lend it to a thousand persons who might pay him for the pleasure of reading it. No matter where the manuscript was to be found, it was considered the property of the author.

There were no sudden changes in the nature of literary property when the printing press was introduced by William Caxton at Westminster in 1476. For many years after printing was introduced, significance remained attached to the individual book and both publishers and printers attempted to make books resemble the older handwritten volumes, going so far as to utilize hand print-

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1 PLINY THE ELDER, Dedication, 1 NATURAL HISTORY.

For the history of copyright and author-publisher relationship prior to 1909 as it relates to Part I of this comment, see generally PUTNAM, AUTHORS AND THEIR PUBLICS IN ANCIENT TIMES (1894); JENNER, THE PUBLISHER AGAINST THE PEOPLE (1907); McKERROW, DICTIONARY OF PRINTERS AND BOOKSELLERS IN ENGLAND, SCOTLAND AND IRELAND, AND OF FOREIGN PRINTERS OF ENGLISH BOOKS, 1557-1640 (1910); JUDGE, ELIZABETHAN BOOK PIRATES (1934); RANSOM, THE FIRST COPYRIGHT STATUTE (1956).
ing and decorations. But as printing grew and presses were more readily available, the editions were circulated and each buyer of a copy of a book became the owner of that copy—to read, lend, sell, or will it as he might. It was possible for individual authors to purchase a private printing press and publish their own works. As this was unusual, there grew up new industries of printers, publishers, and booksellers. But there still remained the original manuscript, whatever the number of printed copies in circulation. It was thought in the beginning of this new period that ownership of the original manuscript carried with it the right, as of all property, of exclusion and that this right belonged to the author.

Two fundamental factors, however, soon appeared in the printing of books. A large investment was necessary for the printing and large sums were often spent even though the profits (or any return) were extremely vague. At the same time a dramatic change in the method of communication of ideas was occurring. The demand for printed books was increasing and with the demand arose the new industry, complex in its relations to the political and economic forces of the times. As each book was distinct in its own right, logical problems in ownership arose.

The general practice developed whereby the literary property of the author was transferred to the printer or bookseller who in turn sought protection from the sovereign for exclusive rights to certain books. This privilege was granted, not to authors to encourage them to write, but to printers to induce them to print suitable works already in manuscript form. The practice was the result of the sentiment against writing for money as well as the greater demand for classics rather than the work of living authors. The earliest royal grants were particularly helpful to booksellers and printers who faced the problems of competition, piracy, and general shifts in public tastes.

Invasion of the author’s composition and the printer’s copy was prevalent by 1557. In London of that year, the Stationers’ Company was formed to provide a means of regulating the press. While the main purpose of the Company was to provide a remedy against the spread of heresy and sedition, the Company had the broad powers to search out, seize, and destroy books printed in contravention of monopoly or against sound Catholic policy.

London continued to be the center of the English book trade and there was

2 "Which books, accordynge to hys request, I have endeivorde me to accomplyshe and to reduce it into our englyshe, to my great costs and charge, as in the translatinge as in the enpryntynge of the same, hopying and not doubting but that hys good grace shall rewarde me in suche wise that I shall have cause to pray for his good and prosperous welfare." THE RIGHT PLEASANT AND GOODLIE HISTORY OF THE FOUR SONNES OF AYMON xliiv, xlv (Caxton ed. Richardson 1884).

3 "Therefore I have practysed and lerned at my grete charge and dispense to ordeyne this said book in prynte after the manner and forme as ye may here see and is not wretton with penne and ynke as others books ben, to thende that every man may have them attones for all the bookes . . . were begone in oon day and also fynysh’d in oon day." 2 THE RECUYELL OF THE HISTORIES OF TRYO 701 (Caxton ed. Sommer 1894).
little printing outside the city. The limitation on the number of master printers was the primary regulation in the printing and publishing trades. Handwritten manuscripts still circulated for some private interests, but for all practical purposes the handwritten copy and the handwritten book disappeared to be replaced by the printed copy. During the Elizabethan Era books were demanded in large numbers. It would seem to follow that the increase in sales would have resulted in greater financial rewards for the writer, but such was not the case. After the author turned his manuscript over to the publisher, any additional income was the result of the generosity of the publisher and not of contractual provisions or obligations.

The development of the Stationers' Company brought a new phase to the rights in books. The Company kept registers in which all new publications and reprints had to be entered, such entries made exclusively in the name of a member of the Company. By registration the bookseller in whose name the entry was made became the owner of the book and was thought to have the sole printing right. The author could not have the book entered in his own name unless he were a bookseller and a member of the Company. The author's copy was the manuscript and the only way he could use it was to sell it outright, as John Milton sold "Paradise Lost" to Symonds in 1667 for fifteen pounds.4

Thus in the latter half of the sixteenth century, England came to recognize a new kind of property right in books. The Stationers' Register and the development of entry as a legal basis for property claims had generalized the idea of ownership in literature, while the court of the Stationers' Company and the Star Chamber gave a quasi-legal status to literary property and provided for its judicial administration.

In the period following the abolition of the Star Chamber, the power of the Stationers' Company began to decrease. The monopoly enjoyed by the Company and the restraint on publishing of books that resulted came under heavy attack. In 1655 Cromwell ordered new controls on printing, thus reducing the power of the Stationers even more. The new control commission set up by Cromwell, however, did not long survive the political changes and controversies of the times.

In the latter half of the seventeenth century, conceptions of literary property became more distinct. The Printing Act of 1662 and the new Stationers' By-Laws of 1678 confirmed the basic concepts of copyright. The Act of 1662 confirmed the Stationers' Company copyright by entrance in the Register so that the name, title, and vignette in books were once again specifically protected. On August 11, 1681, the Stationers passed on ordinance prohibiting the use of copyright material without permission and setting up a penalty for noncompliance:

4 Binnell, Copyright in Books 24 (1899).
Where any entry or entries, is, or are, or hereafter shall be duly made of any book or copy in the said Register Book of this Company by, or for, any member or members of this Company, that is such case, if any other member or members of this Company shall then after, without license or consent of such member or members... or his assignee or assigns, print or cause to be printed, import or cause to be imported from beyond the seas or elsewhere, any such copy or copies... that then such member or members so offending shall forfeit... twelve pence for every such copy or copies book or books.5

In spite of this ordinance, both the Stationers and the independent printers objected that the existing regulation was not sufficient and that restrictions on members of the Company alone did not regulate the trade as to independent non-member printers and publisher. In numerous petitions they requested a renewal of parliamentary press regulation. Attempts to establish a new press regulation act in 1698 failed and for the next twelve years no practical regulation of the trade was in effect. Petitions were presented to Parliament in 1703, 1704, and 1706 complaining of the inefficiency of placing the infringer (who often was a pauper) in jail, from which vantage point the pirates were often able to continue their piracy. On December 12, 1709, sixteen booksellers united to present a new argument:

It has been the constant usage for the writers of books to sell their copies to booksellers, or printers, to the end they might hold those copies as their property and enjoy the profit of making, and vending, impressions of them; yet divers persons have of late invaded the properties of others, by reprinting several books, without the consent, and to the great injury, of the proprietors, even to their utter ruin, and the discouragement of all writers in any useful part of learning.6

It was the interest of the booksellers and not that of the authors which was made paramount by this argument. Edward Wortley, Spencer Compton, and Craven Peyton were appointed to prepare a bill to secure to the booksellers the property of books bought and obtained by them. On January 11, 1710, Wortley presented to the House a "Bill for the Encouragement of Learning, and for securing the Property of Copies of Books to the rightful Owners thereof."7

This bill, which was actually the first copyright statute, went into effect on April 10, 1710, as "Anno Actavo Annae Regiae." The bill provided for both forfeiture of the pirated volumes and a fine for each infringing copy:

[S]uch offender or offenders shall forfeit such book or books and all and every sheet or sheets being a part of such book or books to the proprietor thereof who shall forthwith damask and make waste paper of them; and

5 1 Transcript of the Registers of the Company of Stationers of London 4 (Arber ed. 1875).
6 H. C. Jour. xvi 240a.
7 H. C. Jour. xvi 260a, 261a.
further that every such offender or offenders shall forfeit one penny for
every sheet which shall be found in his, her, or their custody, either printed
or printing, published or exposed to sale contrary to the true intent and
meaning of this Act. 8

Thus printers, importers, and booksellers were all made subject to the new
law, although there was an exemption for booksellers from prosecution for
innocent purchase of illegally printed books. The forfeiture to the proprietor
was a penalty originated more than a century earlier by the Company of Sta-

tioners. The act further recognized the Register of the Company of Stationers
as the official register and opened such registration to the public at large.

Although the Act of Anne had several weaknesses (among them the fact
that the penalties were not thought to be heavy enough to be worth the ex-
pense of trial, in part because the Crown was to receive one-half of the total
amount, and the fact that there was a time limit on the duration of the copy-
right), it introduced two new concepts in the copyright field—an acceptance of
the author as the source of the property rights in the literature, and an in-
crease in his rewards. No longer was it necessary for the author to look to the
generosity of the printer or bookseller for income. When the Act of Anne es-
established rights in the author similar to those he had enjoyed prior to the
introduction of the printing press, the once exclusive rights of the printers and
booksellers were diminished accordingly.

This was the state of the copyright law in England as the American colonies
began the difficult process of developing their laws following the hiatus in
1776. In 1783 the Continental Congress of the United States recommended
that the several states secure to the authors or publishers of new books the
copyright of such works. 9 Twelve of the states followed the recommendation
of the Congress and passed copyright laws. 10 As might be expected, these
statutes differed widely in their approaches to the problem of penalties for
infringement of the copyright. The statutes included such damage provisions
as liability to pay "just damages" or "double the value of all the copies," or
in some instances provided for maximum and minimum damages. Maryland
and South Carolina retained the fixed sum payment for each infringing sheet
and North Carolina and South Carolina retained the provision that one-half
of the penalty was to go to the state. Thus, in our first copyright laws there
were actual damages, statutory damages, forfeitures, and penalties. 11

On May 31, 1790, Congress utilized the power given it under Article I,
Section 8 of the Constitution and passed the first federal copyright statute.

8 Ibid.

9 Copyright Office, Copyright Laws of the United States of America, 1783-1956
(1956).

10 Delaware was the single exception.

11 Strauss, The Damage Provisions of the United States Copyright Law, in General Revi-

sion of the Copyright Law, Study No. 2 (1957).
The statute relied heavily on the Act of Anne for its provisions. Section 2 of the Statute provided:

That if any other person or persons . . . shall print, reprint, publish, or import, or cause to be printed, reprinted, published, or imported . . . any copy or copies of such map, chart, book or books without the consent of the author or proprietor thereof, first had and obtained in writing . . . or knowing the same to be so printed, reprinted, or imported, shall publish, sell, or expose to sale . . . any copy of such map, chart, book or books, without such consent first had and obtained in writing as aforesaid, then such offender . . . shall also forfeit and pay the sum of fifty cents for every sheet . . ..

Under Section 6 of the Act an infringer was further liable to suffer and pay to the author all damages occasioned by such injury. The practice of dividing the assessed payment between the author or proprietor and the Government was also continued. Persons who printed, published, or imported copies without consent were liable without regard to their innocence, but those who published or sold copies were liable only if they were aware that the copies were printed or imported without consent. The statute was ambiguous in its reference to "publish" in both contexts.

Major revisions of the copyright law occurred at approximately forty year intervals in 1831, 1870, and 1909. The Act of 1831 provided in section 9 that an infringer was liable for all damages, to be recovered by a special action on the case founded on that act. Also in 1831, section 12 was added to provide that in all recoveries under the act full costs should be allowed.

Sections 99 and 100 of the 1870 Act removed the ambiguity in the earlier statutes of the dual use of the word "publish" by deleting that word from the description of acts, which if innocent, did not constitute infringement. Thus the publisher was made fully liable for all infringing acts, whether innocent, negligent, or wilful. Subsequent amendments prior to 1909 continued the requirements of knowledge on the part of the vendor. While there was a statutory provision for the recovery of profits in patent cases there was none for the infringement of copyright. However, in 1892 the Supreme Court held that the measure of damages was the total profits made by the publication of the infringing work. In that case both the unauthorized publisher and printer of a copyright book were held liable and required to account for the profits of the unlawful publication. Finally, in all copyright acts before 1909, a part of the

13 Latman & Tager, Liability of Innocent Infringers, in General Revision of the Copyright Law, Study No. 8 (1959).
17 Belford v. Scrigner, 144 U.S. 488 (1892).
forfeiture accrued to the United States, therefore making these provisions partly remedial and partly penal.

II. MONETARY LIABILITY SINCE 1909

A general revision of the copyright law was accomplished by the Copyright Act of 1909. This act provided the first possibility for the recovery of profits as such and at the same time eliminated the penal aspects from damage awards. The present copyright statute\(^\text{18}\) remains basically the same as the 1909 revision. Section 101(b) provides for the payment of: "[S]uch damages as the copyright proprietor may have suffered, 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 just. . . ." Other provisions of section 101(b) applicable here provide for a minimum of $250 and a maximum of $5,000 in damages, except where the infringement was after notice of the copyright. The statutory guide for infringing publications is found in subsection "Second" of section 101(b) and provides for an assessment of one dollar for each infringing copy made or sold by or found in the possession of the infringer or his agents or employees. The courts have held that the one dollar specified in the statute is not a fixed sum, but rather is a guide for the court, and that the award should have a relation to the damages instead of being utilized as a penalty. In 1918 a court held an award of one dollar per copy improper where it appeared that the copyright proprietor would not have made a profit of more than eight cents per copy.\(^\text{19}\)

At common law, the infringer either disgorged the profits or compensated the plaintiff (complainant) for damages caused by the infringement. The present statute provides for damages to compensate for any loss occasioned by the infringement, and explicitly states that the act was enacted for the protection of property rights and not for the purpose of providing a means whereby a penalty could be collected in the nature of damages.\(^\text{20}\)

The profits collected in infringement cases consist of the gains of the defendant obtained by the unfair use of the plaintiff's property and the amount the plaintiff lost on sales he would have made, had the infringement not occurred. The latter type of profits are sometimes included in the damage calculation, but most courts treat them as a part of the profits.

Under section 101(b) the plaintiff is required only to prove sales while the defendant is required to prove every element of the cost which he claims. This proof is extremely difficult and is made even more so by the fact that the courts differ on the particular items that are deductible as costs. The accountant's definition of costs as the outlays and/or obligations incurred in the production of a good is the generally followed definition.


\(^\text{19}\) Turner & Dahnken v. Crowley, 252 Fed. 749 (9th Cir. 1918).

In Sammons v. Colonial Press the court said that the permissible deduction is the proper proportion of overhead expenses which assisted in the production of the copyright infringement, at least where the infringement is not conscious and deliberate. The court allowed the labor cost, the material cost, a proportionate share of the total plant overhead, and the uncollectable accounts receivable that were related to the infringement as costs deductible from the total profits. Other courts have allowed such items as reasonable salaries, bookkeeping expenses, income taxes paid on the profits of innocent infringement (but not taxes paid on the profits of wilful infringement), the cost of raw materials, and the advertising expenses connected with the infringing production.

The defendant must prove every item of the cost and this is subtracted from the dollar value of the sales to yield the profits awarded to the plaintiff. The copyright owner can recover all the profits of the defendant, even though he might not have made as much himself on the sales. In a 1957 case against Simon & Schuster the court held that an award of the statutory maximum of $5,000 was proper even though the infringing copy was not profitable. The court said such a remedy was permissive because of the drop in sales of the plaintiff's publication.

Actual damages are the injuries the plaintiff suffers from other than loss of profits and include such items as loss of reputation and saleability. The damages are usually proven by the established rules of evidence. The parties may also use expert testimony. The judge actually has a wide area of discretion in estimating the amount of the actual damages. His appraisal may include the impairment of the copyright owner's good will, the loss in marketability of the copyright publication, the cost of a change in the plans of the plaintiff resulting from the infringement, and the impairment of confidence in the plaintiff due to the acts of the defendant.

Another problem in the interpretation of section 101(b) is whether the liability is for damages and profits or for damages or profits. Although the statu-

21 126 F.2d 341 (1st Cir. 1942).
26 Sheldon v. Metro-Goldwyn Pictures Corp., 106 F.2d 45 (2d Cir. 1939).
tory language ("damages . . . as well as . . . profits") seems clear on its face, the courts have interpreted it in both ways. In *Sheldon v. Metro-Goldwyn Pictures Corp.*, Chief Justice Hughes took the either-or approach. Speaking for a unanimous court, he stated:

Prior to the Copyright Act of 1909, there had been no statutory provision for the recovery of profits, but that recovery had been allowed in equity both in copyright and patent cases as appropriate equitable relief incident to a decree for an injunction. . . . That relief had been given in accordance with the principles governing equity jurisdiction, not to inflict punishment, but to prevent an unjust enrichment by allowing injured complainants to claim 'that which, ex cego et bono, is theirs, and nothing beyond this.'

Just twelve years later the Supreme Court again had occasion to rule on the interpretation of the same clause. In the *Woolworth* case Mr. Justice Jackson stated that the proper application of the rule was to allow both profits and actual damages. He stated that "a rule of liability which merely takes away the profits from an infringement would offer little discouragement to infringers." The lower courts have divided on this question, some using the either-or interpretation and others allowing both damages and profits.

Part of the difficulty in this seemingly simple interpretation arises from a House Report which stated that section 101(b) was similar to section 4921 of the Patent Statute, and should be interpreted in the same manner. Under section 4921 of the Patent Act, the complainant has a choice of recovering either the profits or the damages. In spite of the fact that section 101(b) is clear and contains no either-or provision such as is found in the patent statute, it seems obvious that some courts have followed the House Report and required a choice while other courts have followed the language of the statute and allowed the complainant to recover both profits and damages.

One of the necessary subjects in the future revision of the Copyright Code is the clarification of this point. If the House Report is correct in its interpretation of the statutory language, then a change in the statutory provision should be made to reflect this line of reasoning. If, on the other hand, the statute is correct as it stands, this fact should also be made known so that the conflicts in court opinions may be resolved.

The computation of both profits and actual damages is often very difficult. The possibility of injunctive relief and an opportunity for additional damages

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33 309 U.S. 390 (1940).
34 Id. at 399.
36 Id. at 233.
38 H. R. No. 1222, 60th Cong., 2d Sess. (1909)
in the form of the defendant's profits make the court of equity the prevailing forum for infringement actions. In a 1957 infringement case\(^{39}\) the court said there is no distinction between a claim for actual damages resulting from the infringement and claims for just damages as provided in the "in lieu of" clause of section 101(b). The court ruled that an award of the minimum statutory damages under the "in lieu of" clause is not an infliction of a penalty inherently beyond the power of an equity court to enforce. The remedy of statutory damages is often used when the court thinks this procedure will produce a more equitable result. In a 1958 case\(^{40}\) the court said that the discretion it exercised under section 101(b) enabled it to grant a lesser statutory amount than the copyright infringer's actual profits.

"In lieu of actual damages and profits" presents the courts with another complex problem. Does the statute give the court discretion to award statutory damages where actual damages and profits are shown? Is an award of statutory damages permissible where there is no actual damage? As might be expected, the courts also reach differing results when interpreting this phrase.

In 1940 the Supreme Court said that there could be no "in lieu of" damages under the statute where the actual damages were shown.\(^{41}\) This decision was followed by the Ninth Circuit in 1947\(^{42}\) when the court said that statutory damages from infringement were proper only in the absence of actual damages and profits. In 1951 in *Malsed v. Marshall Field & Co.* the court stated what it thought the rule to be:

> [I]n order that the "in lieu" provision be resorted to, there must be difficulty or impossibility of computing both damages and profits. Or, differently put, if profits are ascertainable, the minimum provided in the "in lieu" provision need not be resorted to. . . . Theoretically, in a proper case, both damages and profits are recoverable. But when the plaintiff has suffered no damages, and the profits are ascertainable, to resort to the "in lieu" clause . . . would amount to the imposition of a penalty. And the "in lieu" provision has been declared . . . not to be such, but rather, the equitable substitute for cases which present difficulty or impossibility of proof as to damages and profits.\(^{43}\)

This same reasoning had been used by the court in the *Washingtonian* case\(^{44}\) in 1944 when it would not authorize an award of statutory damages where no injury was done to the copyright owner by the infringement and all profits had been proven. The court said that the fact that the printer made no profit, but


\(^{42}\) Universal Pictures Co. v. Harold Lloyd Corp., 162 F.2d 354 (9th Cir. 1947).


\(^{44}\) Washingtonian Publishing Co. v. Pearson, 140 F.2d 465 (D.C. Cir. 1944).
took a loss, did not justify statutory damages in lieu of the profits he did not make and damages the copyright owner did not suffer. The court said further that the purpose of the recovery of profits is to prevent unjust enrichment, and the fact that both the profits and the damages are nil is not equal to the difficulty in proving them.

Where the defendant introduced evidence as to damages and profits, the court stated in 1928\(^{45}\) that the award should be made on such a basis, even though the plaintiff elected the award of "in lieu" damages. But in 1950 the Seventh Circuit allowed "in lieu of" damages even though the actual damages might have been provable.\(^{46}\) The court said that where the actual damages may be difficult to ascertain or where the copyright proprietor has made no proof of actual damages, statutory damages are allowable at the discretion of the trial judge.

In the aforementioned *Woolworth* case the Supreme Court considered this question. In this case the plaintiff could not (or at least did not) prove actual damages, but the defendant was able to prove his actual profits. The court allowed the statutory damages without mentioning the conflicting authority, stating further:

It is plain that the court's choice between a computed measure of damage and that imputed by the statute cannot be controlled by the infringer's admission of his profits which might be greatly exceeded by the damage inflicted. . . . In this case the profits realized were established by uncontradicted evidence, but the court was within the bounds of its discretion in concluding that the amount of damages suffered was not computable from the testimony. Lack of adequate proof on either element would warrant resort to the statute in the discretion of the court, subject always to the statutory limitations.

... We think that the statute empowers the trial court in its sound exercise of judicial 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.\(^{47}\)

Mr. Justice Black and Mr. Justice Frankfurter dissented, stating that the court should remember that the purpose of section 101(b) is not to inflict punishment but to award to the injured copyright owner that which is in all fairness his and "nothing beyond this." It would seem that the dissent has the better argument if the statutory language ("damages . . . shall not be regarded as a penalty") is to have any real meaning.

Since the *Woolworth* case, three district courts have spoken on the question of actual versus statutory damages. In 1953 the District Court of New Jersey


\(^{46}\) Toksvig v. Bruce Publishing Co., 181 F.2d 664 (7th Cir. 1950).

allowed statutory damages under section 101(b) where no proof of actual damages was presented at the trial. Also in 1953 the District Court for the Eastern District of Michigan said that the plaintiff could recover either the actual damages or the profits of the defendant, which ever were the greater, but where neither is shown the court has discretion to award "in lieu of" damages within the statutory limits. In 1954 the District Court for the Eastern District of New York said that the plaintiff was entitled only to the loss of profits and sales and not to statutory damages even where the former amounts had been determined.

Where the evidence as to actual damages and/or profits is either non-existent or difficult to ascertain, there seems to be no doubt that an award of statutory damages is the proper remedy. Thus in Greenfield v. Tanzer in 1960, the court said that evidence as to the cost of preparation and as to the losses due to the infringement was too vague and conjectural with the result that the court could not with any reasonable accuracy find the actual damages suffered by the plaintiff. In lieu thereof, the court awarded the statutory damages of one dollar for each infringing copy under section 101(b).

The defendant in the De Acosta case argued that the imposition of liability, if only for damages, runs counter to the policy and purposes of the Copyright Act. The defendant first stated that such a rule works an unreasonable burden on the freedom of the press. Then it was argued that there are sound and compelling reasons of social policy against the rule of liability because such a rule subjects the innocent publishing of matters of knowledge, information, and opinion to uncertain, disproportionate, and undesirable risks and hazards. An innocent publisher who purchases literary material, the argument continued, should not be burdened with such an appreciable risk and uncertainty. Unfortunately, the Supreme Court denied certiorari and did not answer the questions posed by the argument of the defendant.

It is well established that an unintentional or innocent infringement of copyright material is actionable quite as much as deliberate piracy. In 1910 in Stern v. Jerome H. Remick & Co., Judge Learned Hand said that knowledge of the copyright is available in the copyright office, so that the defendant is held to act at his peril when he fails to inquire. However, this result is not logical when one considers that registration is not necessary for a valid copyright, even though it is required prior to a suit for infringement. This is further

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52 De Acosta v. Brown, 146 F.2d 408 (2d Cir. 1944), cert. denied, 325 U.S. 862 (1945).
53 Brief for Defendant, pp. 4-9.
shown by the 1954 decision in Ziegelheim v. Flohr56 where the publisher failed to apply for a copyright registration certificate until nine years and two months after the publication of the allegedly infringing book. The court said that this did not constitute abandonment of the copyright and further, that it did not bar, by laches, a suit for damages. In spite of a delay of almost ten years, the court allowed the plaintiff to collect both profits and damages.

While an intent to infringe appears immaterial to liability under the act, it may have a substantial effect in dealing with the quantum of damages. Several courts have held that where there was no intent on the part of the infringing party to copy, the minimum statutory damages will be all that can be recovered. The court stated this rule in Phillips v. Constitution Publishing Co.57 when it said that infringement in ignorance and without dishonest intent is no defense, but is considered in determining the amount of damages. The statutory minimum of $250 was allowed. In a 1939 case,58 the court said that they should be reluctant to force collection of damages for a copyright infringement purely as a penalty when it was clear that the infringement was without intent.

Other courts have placed different limitations on the extent of damages to be paid by an innocent infringer. In 1916 a New York federal court said that owners of a copyright who delayed bringing a suit could not recover profits occurring after they learned of the infringement by an innocent.59 And in 1953, in Gordon v. Weir60 the court said that an innocent infringer should not be required to respond in damages unless he made a profit. In De Acosta v. Brown,61 a case involving the liability of an innocently infringing publisher whose publication infringed a common law right of literary property, the issue dividing the majority and Judge Learned Hand was the liability of the innocent infringer for damages. Judge Hand thought that, while an injunction and the recovery of profits was appropriate, an award of damages was not.

Two 1960 decisions from the District Court for the Eastern District of New York reflect similar thinking in dicta. In Perkins Marine Corp. v. Long Island Marine Supply Corp., the court allowed injunctive relief against an innocent infringer stating: "[A] copier from a copier is in no better position than one who copies directly from the author. . . . If, however, the action were one for damages, the result might be different."62 In Massapequa Publishing Co. v. Observer, Inc.,63 the court indicated that in a publishing of infringing material,
lack of intent is no defense against an injunction, although it may bar an award of damages.

Several attempts have been made to limit the liability of the innocent infringer to minimum amounts in the statutory enactments. The two damages amendments to the 1909 revision of the copyright code both imposed new maximum damage limits for specific cases of innocent infringement. A change in section 101(b) provides that: "[I]n the case of the infringement of an undramatized or nondramatic work by means of motion pictures, where the infringer shall show that he was not aware that he was infringing, and that such infringement could not have been reasonably foreseen, such damages shall not exceed the sum of $100." The amendments considered not only the innocently infringing motion picture, but also the innocent infringement by broadcasting. A change was enacted in section 1(c) so that the present section reads: "The damages for infringement by broadcast of any work referred to in this subsection shall not exceed the sum of $100 where the infringing broadcaster shows that he was not aware he was infringing and such infringement could not have been reasonably foreseen."

At least part of the rationale behind these amendments was the protection of mass media from excessive damages resulting from the unknowing infringement of copyright works. Several bills have been introduced since 1909 to limit the liability of the innocent secondary infringer. These bills would have included both printers and publishers in the limited liability class. The Vestal bills would have limited the remedies to an injunction against future printing.64 The Duffy65 and Sirovich66 bills also would have limited the liability for innocent infringement where the infringing party could not have been expected to reasonably have known of the copyright. However, all of these attempted changes in the publisher's monetary liability failed to pass Congress.

In England, where there is no statutory requirement for registration of copyright, the plaintiff's remedy in an innocent infringement is limited to an injunction or interdict in respect of the infringement.67 It is not enough, however, for the defendant to just allege that he was not aware of the copyright in the work. In addition he must prove that he was not only not aware of it but also that he had no reasonable grounds for suspecting that a copyright existed in the work. Thus the proof is similar to that required under the changes to sections 1(c) and 101(b) as noted above. Similarly, Canadian law permits proof that the defendant did not know, or have reason to believe, that the copyright existed. Since the Canadian Code requires registration, its provision68 is more closely parallel to the problem in this country.

67 2 Geo. 5, c. 46, § 8 (1911).
68 CAN. REV. STAT. c. 32, § 22 (1937).
The modern publisher, however, is placed in a precarious position by the absence of limitations on liability for innocent infringement by publication of copyright material. Since this is surely as much a mass media as broadcasting and motion pictures, the publishing industry should be entitled to the same protections enjoyed by other mass media innocent infringers. This is no small problem, for the industry concerned is the seventh largest contributor to the national income of the United States. With the number of copyright registrations approaching ten million, it becomes more and more difficult for the publisher to ascertain the originality of works submitted to him for publication.

A problematical case arises where the act charged as being an infringement is intentional. For example, the quotation of a portion of a copyright book is permissible, but there is a limit beyond which such copying is infringement. A review may quote at length, but the dividing line between legitimate quotation and infringement is incapable of precise definition because it is determined by the discretion of a judge or the verdict of a jury. The critic or reviewer must determine how much (if any) he is entitled to quote without raising the possibility of a jail sentence and/or heavy pecuniary fines. Perhaps in view of section 3, there is no liberty to quote at all, for the copyright secures the "component parts" as well as the whole.

It is true that the recovery against the publisher can be protected by a warranty clause in the contract with the alleged author. However, this argument can be met by the same argument used to impose liability on the publisher in the first place. If the author is unable financially to comply with the court orders (or the warranty clause) the plaintiff (or publisher) is left without remedy. It would seem that a balancing of the rights of each of these parties is required to determine who should bear the loss that is occasioned by the infringement. But there is yet another value to be considered before this weighing takes place—that is, the statement of the Copyright Act that the damages collected should not be regarded as a penalty. Thus if the publisher took all the steps that a reasonable man would take in attempting to determine the existence of a copyright on material presented to him for publication, the amount recovered should be limited to the actual profits of the infringement. This point is accentuated by the fact that the registration of the copyright is not a necessary step until the action is brought. This was stressed by Judge Learned Hand in his dissent in De Acosta v. Brown.

The $250 minimum provided by section 101(b) provides another problem for the courts in interpretation. If it is possible to divide the defendant's actions into separate suits, then each may be charged with the minimum statutory

69 Blaisdell, Size of the Copyright Industries, in General Revision of the Copyright Law, Preliminary Study B (1959).
71 146 F.2d 408, 412 (2d Cir. 1944).
damages. In 1934 the Boston Post published 384,000 copies of an article which was a clear appropriation of a story written by one Douglas. The trial court found no actual damage but allowed the statutory maximum of $5,000.\textsuperscript{72} The circuit court of appeals reassessed the damages at the minimum of $250.\textsuperscript{73} The Supreme Court allowed the $5,000 to stand and said that the discretion of the trial judge cannot be reversed on appeal except for gross inequities.\textsuperscript{74} In the course of the opinion, the court gave the reasons for a minimum damage provision:

The phraseology of the section was adopted to avoid the strictness of construction incident to a law imposing penalties, and to give the owner of a copyright some recompense for injury done him, in a case where the rules of law render difficult or impossible proof of damages or discovery of profits. . . . The ineffectiveness of the remedy [prior to 1909] encouraged wilful and deliberate infringement.\textsuperscript{75}

The first provision for minimum damages appeared in the Act of 1856 where any person giving an unauthorized performance of a dramatic work was held liable for damages to be rated and assessed at such sum not less than one hundred dollars for the first, and fifty dollars for every subsequent performance. The present minimum has been utilized by most of the courts, but again the courts differ on the application of the statute to the actual case.

The division of the infringement into various parts may be utilized to punish the infringer, although the statutory language says there is to be no penalty aspect to the damages. In \textit{L. A. Westerman Co. v. Dispatch Printing Co.},\textsuperscript{76} the Supreme Court said that where the defendant made six reprints of copyright illustrations and utilized one of these twice, there were a total of seven separate infringements for which the statutory minimum could be charged. In 1917 in \textit{S. E. Hendricks Co. v. Thomas Publishing Co.},\textsuperscript{77} the court said that where pecuniary injury is caused by the infringement, $250 is the minimum that the court can award. And in 1959 the court said that where the plaintiff proves copyright infringement, but does not submit any proof of actual damages, the award of the statutory minimum of $250 as a minimum for each cause of action is mandatory.\textsuperscript{78}

The $5,000 maximum may be avoided by actual notice as provided in section 101(b). In 1918 it was held that a court has power to award more than $5,000 where there was a finding of infringement after notice and the damages

\textsuperscript{73} 72 F.2d 536 (1st Cir. 1934).
\textsuperscript{74} 294 U.S. 207 (1935).
\textsuperscript{75} \textit{Id.} at 209.
\textsuperscript{76} 249 U.S. 100 (1919).
\textsuperscript{77} 242 Fed. 37 (2d Cir. 1917).
were in excess of the maximum.\textsuperscript{79} In \textit{Universal Pictures Co. v. Harold Lloyd Corp.},\textsuperscript{80} the court said that the statutory limit did not apply where there was notice, adding that the restriction to $5,000 applies only to statutory damages and not to actual damages. In 1949 in \textit{Whitman Publishing Co. v. Writzesel},\textsuperscript{81} the court awarded $10,850 in profits and damages without mentioning the maximum.

The statutory maximum has been exceeded only three times of record. In two cases\textsuperscript{82} the maximum of $5,000 was not discussed. In \textit{Harry Alter Co. v. A. E. Borden Co.},\textsuperscript{83} the defendant copied extensively from the catalog of the plaintiff and the court allowed a one dollar per copy award for each of the 6,000 infringing copies. For other infringements the court awarded only the $250 minimum. The question of what comprises the notice required by section 101(b) has not been answered by the courts. As the instances of recoveries exceeding the maximum are rare, the law in this field is still uncertain in its application. There is good reason to be uncertain about the extent of liability for multiple infringements, but few cases show a recovery that is in excess of $10,000.

The innocently infringing publisher is protected by the statute when he is misled by the omission of copyright notice by the copyright proprietor. Under section 21 the omission of the notice of copyright prevents the recovery of damages from an innocent infringer who has been misled by the omission, and in a suit for such infringement no permanent injunction will be issued unless the copyright proprietor reimburses the innocent infringer for his outlay. This is the only statutory exception to the non-acceptance of lack of intent as bearing on the question of the publisher's liability.

There is yet another area in which the infringing publisher may find himself liable to the copyright owner. Section 116 states that full costs should be allowed in all actions, proceedings, and suits under Title 17, and that the court may, at its discretion, award the prevailing party a reasonable attorney's fee as a part of the costs. This statutory provision allows the judge to determine the amount of the fees that should be borne by a wilful infringer, by a negligent infringer, and by an innocent infringer, and further allows the court to assess "penalties" for vexatious suits.

Although normally counsel fees are awarded to favor successful plaintiffs, rather than to penalize reckless losing parties, the court in \textit{Colonial Book Co. v. Oxford Book Co.},\textsuperscript{84} awarded the defendant fees of $1750. The court explained

\textsuperscript{79} Turner & Dahnken v. Crowley, 252 Fed. 749 (9th Cir. 1918).
\textsuperscript{80} 162 F.2d 354 (9th Cir. 1947).
\textsuperscript{81} 83 U.S.P.Q. 535 (S.D. Ohio 1949).
\textsuperscript{84} 54 U.S.P.Q. 24 (S.D.N.Y. 1942).
the basis for the computation of the sum in this manner: "In preparation for trial, defendant's attorney rendered services in connection with demands and cross demands for Bills of Particulars; the examination of witnesses by both sides; the preparation of charts for a trial brief; consultations with his client and witnesses." The court concluded that on this basis the attorney's fees of $1750 were reasonable.

As stated above, the courts have allowed the imposition of fees for the defendant where the action is one of harassment by the plaintiff and there is no real question of law or fact involved. In Cloth v. Hyman, the court said that to charge an author or publisher with willful infringement by plagiarism is to charge him with a crime. And in Lowenfels v. Nathan, the court said: "In this cause, as is usual in plagiarism causes, obscurity is taking a long shot at success. Having failed to reach its mark, the plaintiff must be made to pay for the expense to which he has put the defendants." While it is necessary for the infringing publisher to consider the attorney's fees he may be required to pay in an infringement action, the requirement that may be imposed on the unsuccessful plaintiff under section 21 is an important safeguard to the publisher. It protects him against groundless suits, or at least provides a means of recovery of a portion of the expenses of these suits. The fees imposed on the reckless plaintiff may also be in excess of the $5,000 that is permitted for statutory damages. For example, in Lewys v. O'Neill, where the plaintiff sued for $1,250,000 in damages and $1,000,000 in profits, the court allowed the defendants to recover a total of $17,500 in fees alone. (The author, publisher, and producer recovered $7,500, $5,000 and $5,000 respectively.)

Fees may also be awarded for cases that do not get to trial or that are decided on summary judgment. In Rose v. Connelly, the court awarded $2,200 fees for trial preparation when the case was decided on motions for summary judgment. Here too the defendant prevailed as the court found that there was no similarity in the two works before it and therefore no grounds for an infringement action.

While most of the above stated cases are ones in which the defendant prevailed, counsel fees are more frequently awarded in favor of successful plaintiffs. These fees may run high (as evidenced by the $33,000 fee in the Sheldon case) and are definitely an item of monetary liability to be considered in a copyright infringement case against a publisher.

Thus it can be seen that when the publisher infringes the copyright of another he is liable for (1) the profits he made from the infringement less certain

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85 Id. at 27.
87 2 F. Supp. 73, 80–81 (S.D.N.Y. 1932).
88 49 F.2d 603 (S.D.N.Y. 1931).
89 38 F. Supp. 54 (S.D.N.Y. 1941).
deductions he can establish, (2) the damages, actual or statutory, for injuries other than loss of sales, and (3) the costs and expenses of the prevailing party, including attorney's fees at the discretion of the court. Under the existing law the innocence of the infringing publisher in no way absolves him from the guilt of the infringement, but may have an influence on the amount of damages and/or fees that are awarded.

No longer do the publishers control the market and marketability of the products of the author's mind. The author's writings are no longer sold for small sums to controlling groups such as the Stationers' Company with all control taken out of the hands of the author. Now the author may retain his rights in his works even though he allows another to publish them. The extent of his recovery has increased from forfeiture of the piratical books to profits, damages, and fees. The infringing publisher is now responsible to the individual author and not to a combine of his own interests (such as the booksellers in the Stationers' Company).

From the point of view of the publisher, several important clarifications should be considered in the next revision of the Copyright Act. These include the problem of whether statutory damages are permissible where actual damages are ascertainable, when profits are ascertainable, and when both are ascertainable. Also deserving of attention is the development of a special maximum amount of statutory damages for innocent infringement by publication. While the willful infringement of the copyright of another by a publisher is no more defensible than any other willful infringement, provisions should be introduced into the copyright law to afford more protection to the innocently infringing publisher. The problem of maximum damages for multiple infringements is another point that should be included in the revisionary study.

With the registration requirements of the copyright statute as it presently exists, the problem of ascertaining the originality of material submitted for publication is too burdensome for the publisher to be forced to bear the brunt of any infringement. The suggestion that liability insurance would provide a solution to the problem is not the answer, for this method still places the financial burden on the publisher. If the registration requirement remains as it is, it seems necessary to provide an escape for the innocent publisher who reasonably could not have foreseen the existence of a copyright. Only then can there be a truly free press capable of publishing all the writings that are presented to it, free from the underlying restraint of possible copyright violation.