

Recent Developments In Copyright Infringement Statutory Damages And Attorney's Fees Case Law 1998

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I. Introduction

Section 504 of the Copyright Act provides that, in general, an infringer of copyright is liable for either: (1) the copyright owner's actual damages and any additional profits of the infringer; or (2) statutory damages. 17 U.S.C. §504(a). This paper will focus on recent case law developments related to recovery of statutory damages and attorney's fees in copyright infringement actions.

II. Statutory Damages

Section 504(c) provides that a copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages of not less than \$500.00 or more than \$20,000.00 as the court considers just. Where the copyright owner sustains the burden of proving that infringement was committed wilfully, the court, in its discretion, may increase the award of statutory damages to a sum of not more than \$100,000.00. On the other hand, in a case where the infringer sustains the burden of proving that the infringement was innocent, the court in its discretion may reduce the award of statutory damages to a sum of not less than \$200.00.

A. Who Decides the Amount of Statutory Damages?

In *Feltner v. Columbia Pictures Television, Inc.*, 118 S. Ct. 1279 (1998), the Supreme Court held that the Seventh Amendment provides a right to a jury trial on all issues pertinent to an award of statutory damages under the Copyright Act, including the amount of statutory damages itself. *Id.* at 1288. The Court reasoned that the Seventh Amendment applies to both common-law causes of action and to statutory actions more analogous to cases tried in 18th-century courts of law than to suits customarily tried in courts of equity or admiralty. To determine the proper analogue, the Court examined both the nature of the statutory action and the remedy sought. The Court noted that there are close 18th-century analogues to § 504(c) statutory damages actions. Before the adoption of the Seventh Amendment, the common-law and statutes in England and this country granted copyright owners causes of action for infringement. More importantly, copyright suits for monetary damages were tried in courts of law, and thus before juries. The Court relied upon a lack of evidence that the first federal copyright law, the Copyright Act of 1790, changed this practice. Further, damages actions under the Copyright Act of 1831 were consistently tried before juries. The Court was unpersuaded by the respondent's contention that, despite the undisputed historical evidence, statutory damages are equitable in nature. *Feltner*, 118 S. Ct. 1279, 1284-87.

B. When Can Statutory Damages Be Claimed?

In *Cook v. Jane Lyons Advertising, Inc.*, 47 U.S.P.Q.2d 1147 (D.D.C. 1998), the defendant moved to strike from the complaint the plaintiff's request for statutory damages. The motion was based upon § 412 of the Copyright Act, which provides, in relevant part, that: "no award of statutory damages . . . shall be made for . . . any infringement of copyright commenced after first publication of the work and before the effective date of its registration, unless such registration is made within three months after first publication of the work." In *Cook*, the effective date of the registration fell outside of the three month grace period provided by § 412. Nevertheless, in opposing the defendant's motion to strike the request for statutory damages from his complaint, the plaintiff argued that separate acts of infringement occurred after the registration date, and that statutory damages were available and would be appropriate for the allegedly separate post-registration infringements.

The issue, therefore, became whether the plaintiff had adequately pled a separate claim for an award of statutory damages for the separate and discreet infringements that he claimed occurred after the effective date of the registration. The court relied upon case law holding that infringing acts occurring after registration are not separate, new acts of infringement subject to an award of statutory damages, but are to

be regarded as merely a continuation of the infringement that began before registration. The court, therefore, concluded that § 412 barred the plaintiff from recovering statutory damages. *Id.* at 1150. The court did not address the degree of difference between the nature of the pre-registration acts of infringement and the nature of the post-registration acts of infringement that might have resulted in a different outcome. *Cook* points out the importance of registering copyrighted works no later than three months after publication of the copyrighted work.

Also at issue in *Cook* were attorney's fees available under § 505 of the Copyright Act. Defendant's motion to strike the plaintiff's request for attorney's fees was also granted based on § 412, which bars recovery of both statutory damages and attorney's fees, if the copyrighted work at issue was not registered before the expiration of three months following publication.

C. In What Amount Can Statutory Damages Be Collected?

A review of *Playboy Enterprises, Inc. v. San Filippo*, 46 U.S.P.Q.2d 1350 (S.D. Cal. 1998), points out factors that are likely to be considered by a court in determining willfulness, and, in turn, the potential for enhanced statutory damages and perhaps attorney's fees, such as continued infringement despite repeated cease and desist requests. This case also sets forth factors likely to be considered by a court in determining the number of infringements for purposes of awarding statutory damages, such as whether each separate copyrighted work has independent economic value and can live a copyright life of its own.

The plaintiff in *Playboy v. San Filippo* requested the following damages award: non-willful infringement of 5,776 images at \$20,000.00 per image, for \$115,520,000.00; willful infringement of 1,699 images at \$100,000.00 per image, for \$169,900,000.00; or a grand total of \$285,420,000.00. In support of the plaintiff's request for the \$100,000.00 maximum penalty, the plaintiff referred to defendant's admission that he believed that the files at issue contained images with a copyright owned by the plaintiff. The plaintiff also relied on the defendant's deposition testimony that he knew that copying the plaintiff's images from his hard drive onto CD-ROMs for sale to clients amounted to copyright infringement. Furthermore, the defendant admitted that he sold access to all nine of these files from his website. The court, therefore, found that defendant's retention, display, and sale of these files in light of his admissions amounted to willfulness.

The plaintiff also argued that maximum damages of \$20,000.00 per image should be awarded with respect to the other 5,776 images at issue. In support of this argument, plaintiff cited the following: the defendant conducted his website as a for-profit business venture; the defendant sold access to several of the images; the defendant's gross income from the sale of these images during the last four months of operation amounted to \$35,000.00; and the defendant persisted in his copyright infringement in spite of repeated cease & desist letters from the plaintiff that put him on notice of the risks of his business.

At oral argument, the defendant did not contest either that he made unauthorized copies of 7,475 of plaintiff's images or that he offered thousands of these images for sale on his website. Defendant argued, however, that he did not consider each of these images to amount to a separate copyright violation for purposes of the statutory damage calculation under 17 U.S.C. § 504(c)(1). Defendant argued that, in awarding damages, the court should consider that the images defendant copied were images taken from compilations and, therefore, each image should not be counted separately. Defendant contended that because particular groups of images were collectively included in a particular issue of plaintiff's copyrighted magazine, the defendant should be liable for only a single violation of that particular magazine issue's copyright, not for separate violations of each image included in that magazine issue.

The court disagreed with the defendant's approach. The court quoted *Gamma Audio & Video, Inc. v. Ean-Chea*, 11 F.3d 1106, 1115-17 (1st Cir. 1993), for the proposition that "separate copyrights are not distinct works unless they can 'live their own copyright life.'" *Playboy*, 46 U.S.P.Q.2d 1350, 1355. The *Playboy* court found that each of the images at issue has an "independent economic value" and is viable on its own. The court also found that the images are subject to re-use and re-distribution in accordance with various licensing agreements. Furthermore, each image represents a singular and copyrightable effort concerning a particular model, photographer, and location. As such, the court found that an award of

\$500.00 on each of the 7,475 incidents of infringement was sufficient to adequately compensate the plaintiff and deter any future infringement by the defendant. Accordingly, the court ordered the defendants to pay the plaintiff \$3,737,500.00.

D. Who Can Statutory Damages Be Collected From?

Playboy Enterprises, Inc. v. Webbworld, Inc., 991 F. Supp. 543 (N.D. Tex. 1997), dealt with vicarious liability imposed upon the principals of a closely held corporation found to have infringed several of plaintiff's copyrights. Defendant Webbworld, Inc. was a Texas corporation that operated "Netpics," a so-called adult-oriented site on the Internet's World Wide Web from about May 1996 until February 1997. Webbworld ceased operating upon seizure of their equipment during a raid by the Fort Worth police on charges of child pornography. Everyday, Webbworld obtained between 5,000 and 10,000 new images from various newsgroups devoted to sexually explicit material. Webbworld would normally store and display about 40,000 to 70,000 images at any given time. The court found five copyright registrations willfully infringed by the many images Webbworld copied from a newsgroup after a temporary restraining order was entered against Webbworld in the same litigation ordering them not to copy such images.

Playboy claimed that each of the individual defendants should be held vicariously liable for Webbworld's infringement. The court explained that to show vicarious liability, a plaintiff must prove that a defendant (1) has a direct financial interest in the infringing activity, and (2) has the right and ability to supervise the activity which causes the infringement. As with direct copyright infringement, intent or knowledge of the infringement is not an element of a claim for vicarious liability. Innocence, therefore, is no defense.

Individual defendant Ellis had full control of the day-to-day operations of the "Netpics" site throughout the relevant time period. He created and controlled operation of the ScanNews software that was the heart of the Webbworld enterprise. Ellis also chose the newsgroups that would serve as sources of material for the Netpics web site. In return, Ellis collected 50% of Webbworld's net profits. The court determined these to be enough facts to hold Ellis vicariously liable for the infringements at issue.

Individual defendant Ives, until late January 1997, owned 100% of the outstanding Webbworld shares of stock and was Webbworld's president and director. He handled most of the legal and financial aspects of the business. He kept his full-time position with the United States Postal Service and devoted only about 20 hours per week to Webbworld. Ives testified that he could "make suggestions" but could not control Ellis. The court found that Ives' reluctance to exercise his authority was not determinative on the issue of his vicarious liability. Ives' ownership of 100% of the business and his position, as Ellis' employer, invested him with supervisory authority over all Webbworld operations, including the infringing activities. Even though he declined to exercise such authority, his right and ability to exercise it was sufficient for vicarious liability to attach.

The analysis with regard to the remaining individual defendant, Gurkin reached a different result. Gurkin, who formerly worked for the United States Postal Service, owned a security agency and contributed start-up capital to Webbworld. He had derived significant financial benefit from the business in the form of 25% of the net income. Gurkin worked as Webbworld's customer service representative, spending approximately three to five hours per day fielding and responding to subscribers' e-mail. Although the parties stipulated that Gurkin, along with Ellis and Ives, "had the right, authority, and ability to control the operations of the Netpics website," the court found that Gurkin did not have authority or supervision over the actual infringing activities. He was not a Webbworld shareholder until the very end of the company's existence. Gurkin testified that he had no access to the ScanNews software. Moreover, *Playboy* did not connect him to any decision making ability regarding which newsgroups the site used as sources of material. Accordingly, Gurkin was not vicariously liable for any of the infringements.

With respect to the amount of statutory damages, the court noted that, within the range defined by the statutory maximum and minimum, court's have virtually unfettered discretion in setting the damage award. (citing *Broadcast Music, Inc. v. Star Amusements, Inc.*, 44 F.3d 485, 487-89 (7th Cir. 1995) (holding that the standard of review for an award of statutory damages is even more deferential than an

abuse of discretion standard)). Among the numerous factors considered by courts in setting statutory damage amounts are the expenses saved and profits reaped by the infringer; the deterrent effect of the award on a defendant and on third parties; and the infringer's state of mind in committing the infringement.

Webbworld's net income during its nine month existence was between \$400,000.00 and \$450,000.00. Even after becoming aware of obvious infringements, Webbworld continued to operate overall at approximately the same pace, and with an increase in clientele, while declining to develop software or an effective manual monitoring plan to eliminate copying of Playboy images. According to the court, a simple reduction in the number of newsgroups covered would have facilitated lawful operation. Under those circumstances, continuing to operate virtually unrestrained showed, at best, reckless disregard of Playboy's legal rights.

The court rejected Playboy's attempt to attribute great negative significance to the fact that the defendant's made a relatively large amount of money for a relatively small investment of capital and time. On the contrary, the court found no reason to deter capitalism in the technological or any other arena. The court, however, stated that copyright infringement must not be allowed to serve as the cornerstone of a profitable business. The court awarded to Playboy \$1,000.00 for each of the 29 copyrights at issue at trial. For the five infringements found to be willful the court awarded an additional \$20,000.00 per infringement. Along with \$310,000.00 awarded at summary judgment for copyright infringement of 62 images at \$5,000.00 per image, the total amount of statutory damages awarded was \$439,000.00.

Playboy v. Webbworld underscores the importance of the ability to exercise control over the infringing activities for purposes of establishing vicarious liability. In addition, a court would likely consider significant a defendant's failure to implement simple, inexpensive measures that could be taken to eliminate, or significantly reduce, the infringing activity.

E. Other Considerations

In *Sullivan Associates, Inc. v. Dellots, Inc.*, 45 U.S.P.Q.2d 1615 (E.D. Pa. 1997), the court found that the plaintiff's claim for civil conspiracy was not preempted by the Copyright Act, even though the unlawful act at issue was copyright infringement. The conspiracy claim, by definition, included several extra elements, namely, allegations that two or more persons entered into agreement with the intent to infringe the plaintiff's copyright, that they committed an overt act in furtherance of their common purpose, and that the plaintiff suffered actual legal damage therefrom. According to the court, these extra elements changed the nature of the claim so that it was qualitatively different from the plaintiff's copyright infringement claim. As a result, even though punitive damages are not recoverable in federal copyright suits, plaintiff's claim for civil conspiracy provided the plaintiff the opportunity to recover punitive damages upon a proving that defendants acted with a bad motive or with reckless indifference to the plaintiff's interests.

Sullivan Associates shows that when more than one defendant is sued, pursuing a count for civil conspiracy to infringe the plaintiff's copyright should be considered. Upon a showing of a bad motive or reckless indifference to the plaintiff's interests, punitive damages may be recoverable.

In *Los Angeles News Service v. Reuters Television International*, 149 F.3d 987, 47 U.S.P.Q.2d 1349 (9th Cir. 1998), the court held that the plaintiff was entitled to recover damages flowing from exploitation abroad of its copyrighted videotapes of the April 1992 Los Angeles riots, even though extraterritorial infringement does not violate U.S. copyright law. The court's decision was based on the fact that the defendants' unauthorized copying of the plaintiff's copyrighted videotapes occurred in the United States. 47 U.S.P.Q.2d at 1352. The Ninth Circuit upheld the district court's award of \$60,000.00 in statutory damages for domestic infringement of videotape footage as not excessive. Despite the plaintiff only charging \$3,500.00 for restricted licenses of limited duration, there was evidence that the plaintiff would have charged \$250,000.00 for an unlimited domestic license. The Ninth Circuit also noted that the award accounted for the public benefit from such works and the need to encourage their creation. 47 U.S.P.Q.2d at 1354-57

III. Attorney's Fees in Copyright Infringement Actions

A. Willful Infringement Does Not Guarantee Attorney's Fees to the Plaintiff

In *Ronald Mayotte & Associates v. MGC Building Co.*, 47 U.S.P.Q.2d 1696 (6th Cir. 1998) (unpublished), the court described the issue on appeal as whether the district court abused its discretion when it decided not to award attorney's fees to a copyright plaintiff who successfully proved not only that the defendant infringed his copyright, but that defendant did so willfully. The court noted that the standard of review was an abuse of discretion standard and that an appellate court would not disturb a ruling under § 505 of the Copyright Act unless the record persuaded it that the trial court indulged in a "serious lapse in judgment." *Id.* at 1697 (quoting *Lotus Development Corp. v. Borland Int'l, Inc.*, 1998 W L 236314, 46 U.S.P.Q.2d 1774 (1st Cir. May 15, 1998)).

The court noted that the case differed from most other cases dealing with the discretionary award of attorney's fees. There was no question that Plaintiffs-Appellants were "prevailing parties" and no question that Plaintiffs-Appellants achieved their desired results. The jury found that both Defendants had willfully infringed Plaintiffs' copyright, awarding \$50,000,00 in damages. The award was elevated to \$60,000.00 when Plaintiffs-Appellants elected to receive statutory damages pursuant to § 504 of the Copyright Act.

The district court refused to award attorney's fees because of the behavior of the attorneys in litigating the case. The district court stated:

After considering the behavior of all of the attorneys involved in this matter, the Court declines to grant Plaintiffs' motion for attorney's fees. This case was needlessly protracted by the conduct of counsel on both sides. This is the only case in this Court's five years on the bench in which it was necessary to order senior partners to appear to discuss the conduct of discovery and the unacceptable conduct of trial counsel in litigating this matter. Given the uncivil, rancorous course of litigation in this matter, it is impossible for this Court to determine the amount of delay or protraction of proceedings that was attributable to one side or the other. Therefore, it would be inequitable to grant Plaintiffs' motion for attorney's fees.

The Sixth Circuit found that the Plaintiffs/Appellants responded frivolously and with objective unreasonableness to the other parties' repeated requests for discovery of the most basic elements of the case. The court posed several hypothetical questions to illustrate this point, as follows:

In what universe is it anything short of frivolous and objectively unreasonable to refuse to turn over the names and addresses of individuals the Plaintiff/Appellants planned to call as witnesses? Which pieces of evidence could be more important subjects of discovery in a copyright case than the works which Plaintiffs/Appellants intended to claim infringed their copyrighted works? Or the copyrighted works of Plaintiffs/Appellants that they intended to use for the calculation of damages?

Moreover, the court was firmly convinced that considerations of deterrence called for the denial of attorney's fees as well. For these reasons, the Sixth Circuit affirmed the decision of the district court in denying plaintiff's request for attorney's fees. *Ronald Mayotte & Associates*, 47 U.S.P.Q.2d 1696, 1698.

B. Bond Including Attorney's Fees on Appeal

In *Adsani v. Miller*, 139 F.3d 67 (2d Cir. 1998), the Second Circuit upheld the district court's order requiring the copyright infringement plaintiff-appellant to post a bond, pursuant to Federal Rule of Appellate Procedure 7. That bond included the appellee's attorneys' fees on appeal. The Second Circuit's analysis involved two cases of potential interest to copyright practitioners related to recovery of attorney's fees in copyright infringement actions, namely, *Fogerty v. Fantasy*, 510 U.S. 517 (1994) and *Marek v. Chesny*, 473 U.S. 1 (1985). *Marek* was relied upon by the court to support its conclusion that the phrase

"costs on appeal" in Rule 7 was not limited by Fed. R. App. P. 39, which does not define "costs." *Id.* at 1806. Instead, the court looked to 17 U.S.C. § 505, which allows attorney's fees to be levied "as part of the costs." *Fogerty, Marek* and their progeny will be discussed below.

In *Fogerty v. Fantasy*, 510 U.S. 517 (1994), the Supreme Court held that a copyright infringement defendant can not be treated less favorably than a copyright infringement plaintiff in the context of awarding a reasonable attorney's fee to the prevailing party. *Id.* at 534. The court rejected the Respondent-Defendant's argument that the Court's decision in *Christiansburg Garment Co. v. EEOC*, 434 U.S. 412 (1978), which construed language virtually identical to the Copyright Act's attorney's fees provision, provided support for treating plaintiffs more favorably than defendants with respect to awarding attorney's fees to the prevailing party in a copyright infringement action. *Id.* at 522-24. The Court relied, in part, upon the Copyright Act having purposes more closely aligned with the Trademark and Patent Acts than the Civil Rights Act. *See id.* at 525 n.12 ("[w]e note that the federal fee-shifting statutes in the patent and trademark fields, which are more closely related [than civil rights] to that of copyright, support a party-neutral approach [to the award of attorney's fees to a prevailing party in a copyright infringement action]").

The *Fogerty Court* distinguished the goals and objectives of the Civil Rights Act and the Copyright Act. The Civil Rights Act provides incentives for the bringing of meritorious lawsuits by impecunious "private attorney general" plaintiffs who can ill afford to litigate their claims against defendants with more resources. However the Copyright Act's primary objective is to encourage the production of original literary, artistic, and musical expression for the public good. Copyright plaintiffs and defendants can run the gamut from corporate behemoths to starving artists. The Court rejected plaintiff-respondent *Fantasy's* argument that awarding attorney's fees to prevailing copyright infringement plaintiffs "as of course" would encourage litigation of meritorious infringement actions as a one-sided view of the Copyright Act's purposes. *Id.* at 523-25.

The Court also rejected Defendant-Petitioner *Fogerty's* argument that § 505 of the Copyright Act adopted the British rule, which allows for automatic recovery of attorney's fees by the prevailing party absent exceptional circumstances. *Id.* at 533-34. While there is no precise rule or formula for making fee determinations under § 505, equitable discretion should be exercised, consistently with the purposes of the Copyright Act, and should be guided by an evenhanded application of the following non-exclusive list of factors, "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case), and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* at 534 n.19 (citation omitted).

IV. Offers of Judgment and Attorney's Fees

Rule 68 of the Federal Rules of Civil Procedure deals with offers of judgment and provides in relevant part:

At any time more than 10 days before the trial begins, *a party defending against a claim* may serve upon the adverse party *an offer* to allow judgment to be taken against the defending party for the money or property or to the effect specified in the offer, *with costs then accrued*. If within 10 days after the service of the offer the adverse party serves written notice that the offer is accepted, either party may then file the offer and notice of acceptance together with proof of service thereof and thereupon the clerk shall enter judgment. An offer not accepted will be deemed withdrawn . . . If the judgment finally obtained by the offeree is not more favorable than the offer, *the offeree must pay the costs incurred after the making of the offer*.

(emphasis added).

Suppose a copyright plaintiff has incurred significant attorney's fees, for instance over \$50,000 during the early stages of litigation, such as discovery, seeking a preliminary injunction, and/or being involved in an appeal of a preliminary injunction ruling. Further suppose, that the defendant serves an offer of judgment for \$5,000 that is silent as to whether it includes costs then accrued and attorney's fees. If the

plaintiff accepts the \$5,000 offer of judgment, is the plaintiff also entitled to the attorney's fees in excess of \$50,000?

Recently, courts have reached different results on the issue of whether acceptance of an offer of judgment that is silent as to costs and attorneys fees entitles the plaintiff to recover additional costs and attorney's fees in cases such as: *Webb v. James*, 172 F.R.D. 311 (N.D. Ill. 1997); *Blumel v. Mylander*, 165 F.R.D. 113 (M.D. Fla. 1996); and *Broadcast Music v. Dano's Restaurant Systems, Inc.*, 902 F. Supp. 224 (M.D. Fla. 1995). Such cases rely upon *Marek v. Chesny*, 473 U.S. 1 (1985).

In *Marek*, a civil rights plaintiff rejected an offer of judgment "for a sum, including costs now accrued and attorney's fees, of ONE HUNDRED THOUSAND (\$100,000) DOLLARS" *Id.* at 3-4. The plaintiff recovered less than \$100,000 at trial and requested costs, including post-offer-of-judgment attorney's fees. The defendant opposed the plaintiff's claim for the post-offer-of-judgment attorney's fees on the grounds that attorney's fees are part of the costs covered by Federal Rule of Civil Procedure 68.

The two issues presented, as described by the Court, were: (1) whether the offer of judgment was proper under Rule 68, and whether the term "costs" as used in Rule 68 includes attorney's fees awardable under 42 U.S.C. § 1988. *Id.* at 5. The Court stated that if an accepted offer states that it includes costs, then costs will be included; however, if the accepted offer does not specify that costs are included, the trial court will be obliged by the terms of Rule 68 to include in its judgment an additional amount which, in its discretion, it determines to be sufficient to cover "costs then accrued." *Id.* The Court explained that lump-sum offers of judgment are valid because such offers further the objective of Rule 68, namely, encouraging settlements, since many defendants would be unwilling to settle on terms that left them exposed to liability for attorney's fees in whatever amount the court might fix. *Id.* at 7.

The Court held, with respect to the second issue, that "all costs properly awardable in an action are to be considered within the scope of Rule 68 'costs.'" *Id.* At 9. The court explained that, "absent congressional expressions to the contrary, where the underlying statute defines "costs" to include attorney's fees, we are satisfied such fees are to be included as costs for purposes of Rule 68." *Id.* This statement has significance to offers of judgment in copyright infringement actions because 17 U.S.C. § 505 defines attorneys fees as part of costs.

In a forceful dissent, Justices Brennan, Marshall, and Blackmun demonstrate how the holding in *Marek* produces schizophrenic results depending upon whether a statute defines attorney's fees as part of costs or not. See *id.* at 42-50 (Appendix categorizing the 100-plus fee shifting statutes congress has enacted and demonstrating that while the Copyright Act refers to attorney's fees as "costs," see 17 U.S.C. § 505, the Trademark Act 15 U.S.C. § 1117 and the Patent Infringement Act, 35 U.S.C. § 285 do not refer to attorney's fees as "costs").

In *Broadcast Music v. Dano's Restaurant Systems, Inc.*, 902 F. Supp. 224 (M.D. Fla. 1995), an offer of judgment in the total amount of \$5,000 was unconditionally accepted by the copyright infringement plaintiff and entered. The plaintiff then sought an award of attorney's fee and costs. The Court denied the plaintiff's motion for attorney's fees and costs, finding that the final judgment included attorney's fees and costs. *Id.* at 227. The court relied primarily upon the proposition that "because the Copyright Act is intended to encourage suits to redress copyright infringement, fees are awarded to a prevailing party as a matter of course." *Id.* The *Broadcast Music* court's reliance upon encouraging suits to redress copyright infringement essentially ignores the Supreme Court's recommendation/approval of the non-exclusive list of factors to be considered in awarding fees under § 505 of the Copyright Act expressed in *Fogerty*. *Broadcast Music* reliance, however, upon statements from *Marek*, that facilitating settlements is the purpose behind FRCP 68 seems well-founded.

Blumel v. Mylander, 165 F.R.D. 113 (M.D. Fla. 1996), had facts similar to those in *Broadcast Music*, except that the underlying action was a civil rights claim. The offer of judgment explicitly provided that it was for "all pending claims," and the offer of judgment was for an amount less than one-tenth the plaintiff's requested attorney's fee. The court relied upon the "all pending claims" language as clearly reflecting the offeror's intent for a final and complete settlement. The court also relied upon the disparity

between the amount of the accepted offer of judgment, \$501, and the amount of requested attorney's fees, \$5,162.50. The court reasoned that awarding plaintiff's counsel fees and costs post-settlement would result in a complete windfall to plaintiff's lawyer and subject the defendant to unforeseen liability. More importantly, such an award would ultimately discourage settlements and, thus, highly frustrate the policy behind Rule 68.

In *Rateree v. Rockett*, 668 F. Supp. 1155 (N.D. Ill. 1987), the court held that a civil rights plaintiff who accepted an offer of judgment that was silent as to whether it included "costs then accrued" was entitled to attorney's fees under Rule 68. The court quoted *Marek* for the proposition that

if the offer does not state that costs are included and an amount for costs is not specified, the court will be obliged by the terms of the Rule to include in its judgment an additional amount which in its discretion . . . it determines to be sufficient to cover the costs.

Id. at 1157. The court, therefore, stated that the plaintiff would be entitled to costs, including a reasonable attorney's fee "unless the defendants can advance some predicate for an escape from Marek's teaching." *Id.* The court rejected the defendants argument that the inclusion of "judgment in the total amount" language operated to include costs within their offer. See *id.* n.7 (relying, in part, upon the fact that plaintiff's counsel had previously received an offer of judgment from the same defense counsel in another case that included "costs then accrued and attorney's fees" language).

The *Rateree* court stated that, under Rule 54(d), plaintiffs are absolutely entitled to an allowance of costs (which under Section 1988 means fees as well) "as of course." *Id.* at 1158. Since *Rateree* was decided, F. R. Civ. P. 54(d) has been amended so that Rule 54(d)(1) provides that costs other than attorneys' fees shall be allowed as of course; whereas, Rule 54(d)(2) requires that a motion for attorneys fees, whether or not denominated as "costs," be brought within 14 days of entry of the judgment.

The *Rateree* court rejected several of the defendants' attempts to escape *Marek's* "teaching," including defendants' attempt to make pre-offer oral discussions a part of the Rule 68 offer; and to establish that there had been no meeting of the minds. See *id.* at 1158-59. See also *Webb v. James*, 172 F.R.D. 311 (N.D. Ill. 1997) (defendants' motion to vacate judgment and motion to rescind offer of judgment under circumstances similar to *Rateree* denied).

Based on the foregoing case law, Defense counsel in a copyright infringement action should explicitly set forth in any offer of judgment whether or not the offer of judgment includes costs and whether or not the offer of judgment includes attorney's fees incurred by the plaintiff. A Defendant unaware of *Marek's* "teaching" might serve an offer of judgment that is silent as to costs and attorney's fees on the plaintiff with the intention that the defendant not be responsible for the plaintiff's attorney's fees. Based on *Marek's* teaching, however, a plaintiff who accepts such an offer of judgment can easily argue that defendant must pay the plaintiff's attorney's fees under *Marek*.

Such an argument probably would not be considered determinative in a case where a balancing of the factors identified in *Fogerty* weighed heavily in favor or against an award of attorney's fees to the plaintiff. One reason for this is that the attorney's fees at issue in *Marek* were incurred *after* the plaintiff *rejected* an offer of judgment and subsequently recovered a judgment for less than the offer of judgment at trial. In the hypothetical situation described above, the attorney's fees at issue were incurred *before* *accepting* an offer of judgment. Another reason is that *Fogerty* distinguishes between the policies underlying the identically worded attorney's fees provisions of the Civil Rights Act and the Copyright Act.

Nevertheless, in light of the sweeping and unambiguous language used in *Marek* to define how "costs" are to be interpreted under Rule 68, copyright infringement defendants should always explicitly set forth in an offer of judgment in a copyright infringement action whether the offer of judgment includes costs and attorney's fees.