



PRESS RELEASE

MASTERFILE WINS \$46,816.91 IN INTERNET COPYRIGHT INFRINGEMENT SUIT

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In July 2007, the District Court of New York ruled in favor of Masterfile in its suit against J.V. Trading, a dealer in Asian food products whose promotional website displayed eight of Masterfile's copyrighted photographs - from 2002 to 2005, all without license. The court granted the full extent of damages requested, including statutory damages, attorney's fees, and other costs incurred in prosecuting this action, for a total of \$ 46,816.91. This result is an example of following an infringement claim, initially discovered through PicScout's image recognition technology, all the way through to the end. The defendant refused to respond throughout the process, and placed the usual blame on the web designer, taking the tactic of "if we remove the images and don't answer, you will give up and go away". The next step is to collect the award, but even if full recovery was not achieved, the decision is an important example of how to pursue a copyright infringement claim where the defendant refuses to answer and defaults.

Register Your Copyright - Masterfile had previously registered copyrights in all eight of the photographs J.V. Trading infringed. While copyrights do come into existence as soon as the work is fixed in tangible form, registering a work confers several advantages, especially in a lawsuit. First, an infringer will have a difficult time challenging that you actually own the copyright. Second, registering a work before infringement will avail you to statutory damages and attorney's fees if you are the



prevailing party.

Use Image Tracking Technology - Masterfile retained PicScout's image tracking service which uses proprietary technology to track where, when, and who is using the client's images, taking evidentiary screen captures, and reporting this information to the client. Manually tracking down infringement is not only time consuming, but usually unfruitful given how large the internet universe is.

Notify the Infringer by Sending a Cease and Desist Letter - Masterfile sent three notices to J.V. Trading notifying them of their infringement. Notification is an important step, as it can either make the infringer stop infringing, or if the infringer doesn't respond (which is often the case), it serves as evidence that the infringer was put on notice, and any continuing infringement was willful. If a court finds willful infringement, the court can increase the amount of damages to deter future acts of infringement and allow the plaintiff to recover its attorney's fees.

Offer a Retroactive License Agreement - Before finally bringing a lawsuit, Masterfile offered to enter into a retroactive license agreement with J.V. Trading for the three years that J.V. Trading infringed. Although J.V. Trading did not respond, the courts used this offer as guidance in assessing whether the damage award requested by Masterfile was reasonable.

Bring a Copyright Infringement Claim in Federal Court - To show that it was serious about the infringement, Masterfile filed an action in federal court and served the defendant with a copyright infringement complaint. When the defendant failed to answer, after waiting the appropriate time period, Masterfile sought a default judgment. Because the defendant defaulted, the court accepted the facts in the complaint, that Masterfile had a valid copyright infringement claim and that the defendant was liable for copyright infringement. The court requested that an inquest be conducted to support the damage aspect of the infringement claim. Masterfile's attorneys submitted to the court declarations from employees to prove damages and a memo of law in support of

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the damages. A court will not automatically award a plaintiff the amount of money requested without having the party establish that the request is reasonable and appropriate. The defendant did not oppose any of Masterfile's submissions. The court accepted Masterfile's factual and legal basis for its claim.

Choose the Appropriate Remedy - While the court ruled that J.V. Trading infringed, the court still had to examine whether the damages and other fees that Masterfile requested were reasonable. The best strategy is not to be greedy, but rather to stay reasonable, and always base the requested amounts in law and fact. Courts will find the demands credible and will not feel required to come up with another alternative (and less favorable) rationale for awarding damages. The following are the types of remedies available for copyright infringement:

1. **Actual Damages** - These include the plaintiff's (the party bringing the suit) lost sales, lost opportunities to license, and diminution of the value of the copyright as a result of the infringement. Naturally, lost sales include the license fee that would have been paid to Masterfile had the images been properly licensed. Lost opportunities are more difficult to show as they have to be proven as specifically attributable to the infringement.
2. **Defendant's Profits** - It is known as "disgorgement," which is the awarding of damages based on infringer's profits which are attributable to the use of the infringing content. Again, these damages are difficult to prove when an image is not sold but used within a company's website design making it hard to attribute any increase in sales to the selection of images chosen by the designer.
3. **Injunctions, temporary or permanent** - A party may ask the court to prevent or restrain the infringer from engaging in infringing conduct in the future. While this may seem like a perfectly reasonable request, courts generally prefer to deal in terms of money rather than "physical" types of restraint. Therefore, they will only grant injunctions in extraordinary cases when the plaintiff demonstrates actual success on

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the merits and irreparable harm if the injunction is not granted. Here, because J.V. Trading removed the infringing content from its website, the court declined to grant an injunction.

4. Statutory Damages - These damages, granted by the copyright statute, range from \$750 to \$30,000 per work infringed and are only available if the work is registered, hence the benefit of registering works. Statutory damages are highly advantageous because they give the courts broad discretion in arriving at the damage figure. In other words, the plaintiff need not prove specifically that its losses or the infringer's profits are attributable to the infringement. In awarding statutory damages, courts consider such factors as the expenses saved and profits reaped by the infringer, the value of the copyright, the deterrent effect of the award on other potential infringers, the innocence or willfulness of the infringer's conduct, the infringer's cooperation in providing records from which to assess the value of the infringing materials, and the potential of the award for discouraging the infringer. Masterfile elected statutory damages and requested \$5,600 for each of the eight photographs infringed, representing five times the actual licensing fee, had J.V. Trading licensed the images for the applicable three-year period. The court found this figure to be reasonable. The value of a license given the defendant's use would have been approximately \$1000 per photograph for three years.

The multiple licensing fee was calculated to take into account the willfulness of the infringement, and to deter J.V. Trading and the public from engaging in infringing conduct. This concept of multiplying the licensing fee also had a basis in case law, as this court had previously awarded double the fee the infringer would have paid for a proper license.

5. Attorney's Fees and Legal Costs - Courts rarely grant attorney's fees, but Section 505 of the Copyright Act allows the court discretion to provide attorney's fees to the "prevailing party", which in this case was Masterfile as it succeeded in its copyright infringement claim. To determine what attorney's fees are reasonable, the court considers such factors as the time and labor required, the novelty and difficulty of the questi

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ons, the level of skill required, the preclusion of employment by the attorney due to acceptance of the case, the attorney's customary hourly rate, the experience of the attorneys, and a few other factors. The court found the fees and other costs charged by the attorneys handling this case to be reasonable. In the spirit of full disclosure, Zehra Abdi of my firm handled a majority of the legal work involved in this action.

This case can be used as an example by others seeking to recover from infringers who refuse to respond to reasonable requests for retroactive fees based on the unauthorized use of images in website designs. It shows that courts are willing to at least multiply the fee one would charge a good customer who sought to license the images before use. The recovery of attorney's fees is a helpful deterrent in negotiating with infringers. The longer the infringer refuses to cooperate and require the copyright owner to incur attorneys' fees, the more the copyright holder may request from the court. Finally, it shows that determination pays-off in the end and that filing a claim can lead to results. Of course, one must analyze the merits of each case. The unauthorized use of one image may not be worth pursuing but where multiple images are infringed by one party, bringing a lawsuit may be well worth it.

Nancy Wolff is a partner at the entertainment law firm of Cowan, DeBaets, Abrahams & Sheppard located in New York City. Practicing primarily in intellectual property and digital media law, clients include trade associations Picture Archive Council of America (PACA) and PLUS, Inc., and many stock photo libraries, individual photographers, authors, illustrators, designers, publishers and digital media companies. She recently authored "The Professional Photographer's Legal Handbook" published by Allworth Press/PACA.

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commercial clients worldwide via the Internet. Masterfile has its global headquarters in Toronto, European headquarters in Düsseldorf, sales offices in New York, Chicago, London, Milan and Paris, and independent agents in 30 other countries spread across six continents."

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