

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
Case No. 97-3924 CIV-LENARD
Magistrate Judge Simonton

JERRY GREENBERG, individually
and IDAZ GREENBERG, individually,

Plaintiffs,

v.

NATIONAL GEOGRAPHIC SOCIETY, a
District of Columbia corporation, NATIONAL
GEOGRAPHIC ENTERPRISES, INC., a
corporation, and MINDSCAPE, INC., a
California corporation,

Defendants.

**Defendants' Supplemental
Memorandum Of Law On The Issue Of
The Appropriate Burden Of Proof**

Defendants, NATIONAL GEOGRAPHIC SOCIETY (the "Society") and NATIONAL GEOGRAPHIC ENTERPRISES, INC. (collectively the "Geographic Defendants"), and MINDSCAPE, INC. ("Mindscape"), file their supplemental memorandum of law on the applicable burden of proof pursuant to this Court's *Ore Tenus* ruling at the hearing on June 11, 2003 (the "Hearing"), and in support thereof state:

I. Introduction

At the outset it is important to reiterate that, as emphasized by Defendants at the Hearing, it is wholly irrelevant whether the "preponderance of the evidence" or the greater "clear and convincing evidence" standard is applied, as Plaintiff Jerry Greenberg ("Greenberg") failed to introduce sufficient evidence at trial demonstrating that Defendants willfully infringed his copyrighted material to meet either burden of proof. As such, the Geographic Defendants and Mindscape are entitled to judgment as a matter of law in their favor or, alternatively, the grant of a new trial irrespective of which burden of

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proof was charged to the jury. In response to the Court's inquiry, however, the settled case law in the Eleventh Circuit provides that it is plain error to instruct the jury on the wrong burden of proof.¹ Defendants have conducted a diligent search of the case law on the issue of what standard of proof is required for a plaintiff attempting to show that a defendant acted willfully in the copyright context, but were unable to find a single case that analyzed the issue, although, as set forth below, there are cases applying each. Defendants respectfully submit that the proper standard should be "clear and convincing evidence" to establish willfulness and apologize to the Court for not raising the issue at trial.

II. Memorandum of Law

It bears repeating that, for all of the reasons raised by Defendants, Greenberg has not met his burden of proof, regardless of whether he was required to prove willfulness by a "preponderance" or "clear and convincing" evidence. To hold otherwise would elevate every copyright claim to one allowing for enhanced damages and would permit a blight on a defendant's reputation, when willfulness is intended for only the most egregious of circumstances. This is particularly true where, as here, Defendants obtained competent legal opinions, which the undisputed evidence showed were reasonably relied upon by them in deciding how to proceed. To allow a willfulness verdict to remain under the facts as evidenced at trial would be manifestly unjust and would create significant instability in the market place; after all, if a business cannot rely upon the advice of competent lawyers engaged to render legal advice on highly complex and wholly uncharted legal issues, then its management and operations would be unnecessarily paralyzed.

¹ At the hearing this Court was appropriately concerned with what, if any, objection was made by Defendants in connection with the burden of proof instruction at trial. Defendants' proposed jury instructions submitted prior to trial were silent on this point, while Greenberg's identified the burden of proof on willfulness as a preponderance of the evidence. Towards the end of the trial, unaware that the burden of proof was actually "clear and convincing evidence", Defendants accepted the burden of proof proffered by Greenberg and agreed that such instruction should be tendered to the jury.

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The above notwithstanding, the case law cited below stands for the proposition that the failure to properly instruct a jury on the correct burden of proof is plain error. There is a dearth of case law addressing the issue of what the appropriate burden of proof is to show willfulness in a copyright case. Indeed, Defendants did not object to the "preponderance" instruction at trial because they were unaware of the unsettled nature of the issue and incorrectly assumed that Greenberg's proffer of the burden was the state of the law. In further briefing the post-trial issues for the Court, however, Defendants are now convinced that the appropriate standard should be "clear and convincing evidence". Assuming this Court agrees, the instruction given to the jury at trial would be plain error necessitating a new trial if Defendants' motion for judgment as a matter of law is not granted.

A. The Failure To Properly Instruct The Jury On The Standard of Proof Is Plain Error.

It is axiomatic that instructing a jury on the wrong standard of proof is prejudicial error requiring reversal unless such error was harmless. *Cavalier Carpets, Inc. v. Caylor*, 746 F.2d 749, 758 (11th Cir. 1984). Under the circumstances here, particularly in light of a jury verdict that is not supported by the record, the jury's application of the wrong standard of proof has clearly harmed Defendants. This grave injustice warrants reversal if this Court determines that the standard that should have been applied by the jury was clear and convincing evidence. *Gardner v. Wilkinson*, 643 F.2d 1135, 1137 (5th Cir. 1981) (reversing and remanding for a new trial since "we cannot be sure that the jury applied the correct standard, and we cannot say that the application of the wrong standard would be harmless error.")²

In the Eleventh Circuit, a trial court may be reversed for giving an erroneous standard of proof instruction even if the standard of proof changed after the trial ended, *Cavalier Carpets v. Caylor* at 758; *Mandel v. Max-France, Inc.*, 704 F.2d 1205, 1206-1207 (11th Cir. 1983), and the prejudiced party did not object during trial. *Id.* In this sense, courts treat errors in standards of proof much differently than

² The *Gardner* case is binding on the Eleventh Circuit pursuant to *Bonner v. City of Prichard, Alabama*, 661 F.2d 1206 (11th Cir. 1981).

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errors in the underlying substantive law of a case. The court in *Somer v. Johnson*, 704 F.2d 1473, 1475 (11th Cir. 1983), is particularly helpful in that one of the issues confronted by the Eleventh Circuit was whether it was plain error where the law is unsettled as to what burden of proof should be applied.³ In holding that it was plain error, the *Somer* court conducted a two part inquiry. It first determined whether the instruction accurately stated the standard of proof. If the standard was erroneous, the court then considered whether the error was harmless. Specifically, the Eleventh Circuit reasoned:

No clear statement of the duty of care imposed on physicians in Florida emerges from the relevant case and statutory authority. Thus, the resolution of the threshold issues requires a careful examination of several developments in the state's law governing medical malpractice...

The court engaged in a lengthy analysis in effort to resolve the issue of what the appropriate standard of care was and, after reaching its conclusion, concluded that the trial court committed reversible error in giving the standard of care instruction because there was "substantial and ineradicable doubt" that the jury was properly guided in its deliberations. *Somer*, 704 F.2d at 1478. The same is true here.

It is apparent that under Eleventh Circuit case law that if this Court gave the wrong instruction, it could not have been harmless in light of the verdict, as the failure to instruct at the higher standard failed to properly advise the jury of the significant burden and quantum of evidence necessary for Greenberg to establish willfulness and meet his burden of proof. Thus, rather than requiring Greenberg to introduce evidence of such a caliber and intensity to satisfy the higher standard of "clear and convincing", the jury was given the impression that, essentially, the barriers for entry of a willfulness verdict were such that any evidence of infringing conduct would suffice. There is no greater example of this prejudice than the verdict itself when compared to the evidence—or lack thereof—introduced by Greenberg here. Thus, the only open question is the appropriate standard of proof Greenberg was required to meet. As

³ In *Somer*, the plaintiff argued that the trial court gave the wrong instruction to the jury on the legal standard of care applicable to health care providers under Florida law. *Somer*, 704 F.2d at 1475.

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discussed below, Defendants believe that standard is clear and convincing evidence. That being the case, Defendants are entitled to a new trial.⁴

B. The Standard of Proof On The Issue Of Willfulness Is Clear and Convincing Evidence.

There do not appear to be any reported cases in which a court analyzes the burden of proof necessary to establish a willfulness finding in a copyright infringement case. District court decisions have applied a clear and convincing standard, *Dean v. Burrows*, 732 F.Supp. 816, 825 (E.D. Tenn. 1989), others a preponderance standard, *The Walt Disney Company, Inc. v. A & S Discount*, 1990 WL 156387, at *4 (N.D. Ill. 1990). Surprisingly, Defendants have not been able to find a single appellate decision addressing, much less resolving, the issue. The silence of the courts on this question is especially intriguing because, as set forth below, in trademark and patent law the issue was settled long ago. It appears that copyright law has not yet caught up with its relatives in Intellectual Property area.

In *UMG Recordings, Inc. v. MP3.com, Inc.*, 2000 WL 1262568, at *4 (S.D.N.Y. 2000), the defendant clearly raised the issue, but, unfortunately, the district court does not provide any insight into why it rejected the "clear and convincing" standard, but it apparently did. *Cf. Dean v. Burrows*, 732 F.Supp. 816, 825 (E.D. Tenn. 1989)(applying "clear and convincing evidence in the willfulness context).

⁴ Defendants contend that this Court does not need to confront these issues as there was no evidence introduced on the issue of willfulness—and certainly not sufficient evidence to meet even the lower standard of proof of a preponderance of the evidence. In light of the complete absence of credible evidence on the issue of willfulness, Defendants respectfully submit that they are entitled to judgment as a matter of law.

As an aside, it is interesting to note that Mr. Davis represented to this Court at the Hearing that he cross-examined Mr. Fahey and that Mr. Fahey testified that the Society could not have blocked out Greenberg's photographs as it would have "upset the magazine" and because it would have had to remove four complete articles. Hearing Transcript, p.63. The import of Mr. Davis' comment was that the jury was entitled to weigh this testimony in reaching a verdict. There would, however, first have to be such testimony. It was Mr. Torres who cross-examined Mr. Fahey, not Mr. Davis, but beyond that, Mr. Fahey was not asked about this subject and did not testify regarding the same, period. The only testimony on this point was by Mr. Adamson, who certainly did not testify in the manner suggested. *Cf. Tr.5.57-8.*

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The district court ultimately determined that it was irrelevant because the plaintiff met its burden under both the preponderance and the higher clear and convincing standard. The court in *MP3* fails to cite any authority for either proposition and, thus, there is little guidance to be obtained on the burden of proof issue from a review of this case. Having said that, Defendants believe it is telling that the district court chose to analyze the evidence under the clear and convincing standard and its decision to do so arguably evidences a concern that a higher court may ultimately determine that, in fact, the standard should be "clear and convincing" evidence. For the reasons below, Defendants believe that clear and convincing evidence is the better rule and is totally consistent with how willful conduct has been treated in other closely related areas of the law, like trademark, trade dress and patent.

Human endeavor is fraught with error. Because of this innate notion, courts are required to instruct fact finders as to "the degree of confidence our society thinks [they] should have in the correctness of factual conclusions for a particular type of adjudication," *Addington v. Texas*, 441 U.S. 418, 423 (1979), through the standard of proof necessary to establish a claim. By shifting the risk of error between the litigants, standards of proof reflect the relative importance that society attaches to the ultimate decision to be reached; these differences have both symbolic meaning in the minds of jury and practical consequences in their application to litigants. *Id. at 425-426*. By example, in the context of civil litigation, the clear and convincing standard is typically used in cases involving "allegations of fraud or some other quasi-criminal wrongdoing," *id. at 424*, such as willfulness. In such cases, the gravity associated with the risk that a defendant's reputation will be erroneously tarnished justifies increasing the plaintiff's burden of proof. *Id.*

State and federal statutes, regulations, and jurisprudence often require enhanced proof in order to justify enhanced damages or other extraordinary actions. Numerous states, for example, require clear and convincing evidence of oppression, fraud, malice, or a similar category of bad intent in order to

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award punitive damages.⁵ Many such statutes describe bad intent in terms nearly identical to the case law describing willfulness in copyright infringement. The requisite intent in copyright law can be met by showing either that a defendant was or should have been aware that its activities were infringing, or that the defendant acted in "reckless disregard with a high probability that the conduct will result in infringement".⁶ Alabama, for the purpose of punitive damages, requires finding oppression, fraud, wantonness, or malice; it defines malice as the "intentional doing of a wrongful act," and wantonness as conduct "carried on with a reckless disregard of the rights" of others. Ala. Code § 6-11-20(b) (2003). California defines malice as conduct that is intended to cause injury to the defendant or which is carried on "with a willful and conscious disregard of the rights" of others. Cal. Civ. Code § 3294(c) (2003). The Utah Code requires the defendant's actions to have been "willful and malicious or intentionally fraudulent," or manifesting "a knowing and reckless indifference toward, and a disregard of, the rights of others." Utah Code § 78-18-1(1)(a) (2002). These similarities are notable in that they require finding

⁵ See, e.g., Ala. Code § 6-11-20(a) (2003) (allowing for punitive damages in tort actions only where it is proven by clear and convincing evidence that the defendant consciously or deliberately engaged in oppression, fraud, wantonness, or malice with regard to the plaintiff); Cal. Civ. Code § 3294(a) (2003) (allowing for exemplary damages where the plaintiff has proven by clear and convincing evidence that the defendant is guilty of oppression, fraud, or malice); Colo. Rev. Stat § 13-21-102.5(3)(a) (2003) (prohibiting awards of noneconomic damages in excess of two hundred and fifty thousand dollars unless the court finds justification by clear and convincing evidence); Ga. Stat. § 51-12-5.1 (2003) (allowing for punitive damages when it is proven by clear and convincing evidence that the defendant's actions showed willful misconduct, malice, fraud, wantonness, oppression, or that entire want of care which would raise the presumption of conscious indifference to consequences); Ind. Code § 34-51-3-2 (2002) (allowing punitive damages in civil actions only where a person has established by clear and convincing evidence all of the facts relied upon); Kan. Stat. Ann. § 60-3702(c) (2002) (allowing exemplary damages only where the plaintiff proves, by clear and convincing evidence, that the defendant acted with willful conduct, wanton conduct, fraud, or malice towards the plaintiff); S.C. Code Ann. § 15-33-135 (2002) (allowing for punitive damages only in those civil actions where the plaintiff has proved such damages by clear and convincing evidence); Tex. Civ. Prac. & Rem. § 41.003(b) (2001) (allowing exemplary damages only if the claimant proves by clear and convincing evidence that harm was caused by fraud or malice); Utah Code § 78-18-1(1)(a) (2002) (allowing for punitive damages only if it is established by clear and convincing evidence that the acts or omissions of the tortfeasor are the result of willful and malicious or intentionally fraudulent conduct, or conduct that manifests a knowing and reckless indifference toward, and a disregard of, the rights of others).

⁶ *Hearst Corp. v. Stark*, 639 F. Supp. 970, 979 (N.D.Cal. 1986).

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a specific state of mind before allowing enhanced damages and allowing a verdict that would irreparably impugn a defendant's reputation.⁷ They each also require a showing by clear and convincing evidence.

Likewise, in a libel or slander action, a plaintiff must prove "actual malice" by clear and convincing evidence. *Accord Harte-Hanks Comm. v. Connaughton*, 491 U.S. 657, 686 (1989)(defamation); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 257 (1986)(libel/slander); *McFarlane v. Sheridan Square Press, Inc.*, 91 F.3d 1501, 1508 (D.C. Cir. 1996)(same); *Merlo v. United Way of America*, 43 F.3d 96, 103 (3d Cir. 1994)(same); *Clyburn v. News World Comm, Inc.*, 903 F.2d 29, 33 (D.C. Cir. 1990)(same). The definition of "actual malice" is virtually identical to the definition of willfulness established judicially under the Copyright Act. Specifically, "actual malice" has been defined as a publisher who either **knows** that what it is going to publish is false or it publishes the information in **reckless disregard** for the truth or falsity of the information. *New York Times co. v. Sullivan*, 376 U.S. 254, 279-80 (1964); *see also McFarlane*, 91 F.3d at 1508. Both libel and copyright have constitutional underpinnings and interests. The standard of proof for the same wrongful conduct should not be higher in the libel setting than in the copyright arena for the same level of wrongful conduct. Such a result fails to give credence to the enormity of the wrong being asserted against a defendant accused of willfully infringing a copyright.

Perhaps even more directly analogous is the standard of proof for willfulness in patent law: clear and convincing evidence. Because patent law parallels copyright law in many material respects, it provides much influence in resolving what the standard of proof is or should be in the copyright context.⁸ Both patent and copyright law are founded in constitutional grants of authority to Congress;⁹

⁷ Similarly, it must be proven by clear and convincing evidence that one acted under duress in entering into an agreement before a court will void it. *See, e.g., Nelson v. Insignia/Esg, Inc.*, 215 F. Supp. 2d 143, 152-152 (D.C. 2002). This is because of the implied imputation of bad intentions on the part of the defendant, even if such a finding does not necessarily carry increased monetary damages.

⁸ *See, e.g., Sony Corp. of America v. Universal Studios, Inc.*, 464 U.S. 417, 439 (1984) (explaining that the "closest analogy [to the copyright issue at hand] is provided by the patent law cases to which it is

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their purposes are similar; Congress enacted statutes providing for awards of damages in both areas;¹⁰ in both areas the award of damages is tiered, and the tiers explicitly depend on the infringer's state of mind. The only significant difference between the two is the absence of an unambiguous standard of proof by which a plaintiff must show willfulness in a copyright infringement case where statutory damages are elected.

Before specifically addressing the issue of why "clear and convincing" evidence is the appropriate standard when considered side by side with patent and trademark law, it is important to understand the general origins of copyright law. Under the 1909 Copyright Act [Copyright Act of March 4, 1909, 35 Stat. 1075, repealed by 1976 General Revision of Copyright Law, Pub. L. No. 94-553, 90 Stat. 2541 (1976)], the only express mention of willfulness was in the criminal context.¹¹ Thus,

appropriate to refer because of the historic kinship between patent law and copyright law."); *accord United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 157 (1948); *Wheaton v. Peters*, 33 U.S. 591, 664 (1834).

⁹ U.S. Const. art. 1 § 8, cl. 8, vests in Congress the power to "promote the progress of science and the useful arts, by securing for limited times to authors and inventors, the exclusive right to their respective writings and discoveries."

¹⁰ For copyright see 17 U.S.C § 504; for patent, 35 U.S.C. § 284.

¹¹ Section 104 - Willful infringement for profit

(a) Except as provided in subsection (b), any person who willfully and for profit shall infringe any copyright secured by this title, or who shall knowingly and willfully aid or abet such infringement, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by imprisonment for not exceeding one year or by a fine of not less than \$100 nor more than \$1,000, or both, in the discretion of the court: Provided, however, That nothing in this title shall be so construed as to prevent the performance of religious or secular works such as oratorios, cantatas, masses, or octavo choruses by public schools, church choirs, or vocal societies, rented, borrowed, or obtained from some public library, public school, church choir, school choir, or vocal society, provided the performance is given for charitable or educational purposes and not for profit.

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it was not until the 1976 revision of the Act that Congress codified "willfulness" into the civil statutory damages section.

The 1909 Act, then, prefigured the current damages provisions by offering the plaintiff the choice of either actual or statutory damages, and providing for a reduction in the damages recoverable where an infringement was innocent. The 1976 Copyright Act's most notable deviation regarding civil damages was the enhancement of statutory damages for willfulness.¹² The borrowing of the word "willful" from the criminal context bespeaks the "quasi-criminal wrongdoing" to which the Supreme Court alluded in *Addington* as a justification for using the clear and convincing standard. The current Act, 17 U.S.C. § 506 (2003), retained the term "willful" in the criminal context:

- (a) Criminal Infringement. - Any person who infringes a copyright willfully either -
1. for purposes of commercial advantage or private financial gain . . .
- shall be punished as provided in section 2319 of title 18.

In the criminal setting, however, that same "willful" behavior must be proven beyond a reasonable doubt. *See, e.g., United States v. Manzer*, 69 F.3d 222, 226 (8th Cir. 1995). Such a conclusion only makes sense given the gravity of the conduct being alleged and the harm to the reputation and character that can be befall a defendant accused of such intentional and egregious conduct.

(b) Any person who willfully and for profit shall infringe any copyright provided by section 1(f) of this title, or who should knowingly and willfully aid or abet such infringement, shall be fined not more than \$25,000 or imprisoned not more than one year, or both, for the first offense and shall be fined not more than \$50,000 or imprisoned not more than two years, or both for any subsequent offense.

July 30, 1947, c.391, 61 Stat. 662; Dec. 31, 1974, Pub.L. 93-573, Title I, § 102, 88 Stat. 1873.

¹² Although the statute did not expressly refer to willfulness, case law permitted the enhancement of damages under certain circumstances.

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It is with this backdrop that Defendants direct this Court to the similarly analogous burdens in the trademark, trade dress and patent arenas. The Third Circuit, when faced with a similar question regarding the appropriate quantum of proof in a trade dress case, turned to patent law for guidance, notwithstanding the fact that trademark and patent law do not bear the close kinship that patent law shares with copyright. In adopting a clear and convincing standard of proof, the court explained that:

[a]lthough in the present case we are not dealing with increased damages or actions taken by the Patent Office, product configuration trade dress cases nonetheless implicate patent-like restrictions on competition. Like the doctrine of inequitable conduct, a heightened evidentiary standard would serve to ensure that deviations from the "the [sic] federal policy . . . of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain," are not casually countenanced. And much as the burden of proof for willful infringement assures that competitors are not penalized by increased damage awards without compelling evidence, we think it similarly important to competitors—as well as the public—that competition not be hobbled by monetary damages or injunctive prohibitions absent similarly compelling evidence.¹³

See Also Libbey Glass, Inc. v. Oneida Ltd., 61 F.Supp.2d 700, 715 (N.D. Ohio 1999) ("[I]n the product configuration context, a defendant's intent weighs in favor of a finding of likelihood of confusion only if intent to confuse or deceive is demonstrated by clear and convincing evidence."); *In re Polk's Model Craft Hobbies Inc.*, 1995 WL 908275, at * 24 (Bankr.D.N.J. 1995) ("In *Versa*, in order not to unduly inhibit competition, the court held that "a defendant's intent weighs in favor of a finding of likelihood of confusion only if intent to confuse or deceive is demonstrated by clear and convincing evidence, and only where the product's labeling and marketing are also affirmatively misleading."); *Dial-A-Mattress Operating Corp. v. Mattress Madness, Inc.*, 841 F.Supp. 1339, 1352 fn.14 (E.D.N.Y. 1994) ("A registrant seeking to claim use in commerce before the date of first use claimed in the service mark application must prove such use by clear and convincing evidence."); *Dial-A-Mattress Operating Corp. v. Mattress Madness, Inc.*, 841 F.Supp. 1339, 1353 (E.D.N.Y. 1994) ("The party seeking cancellation

¹³ *Versa Products Company, Inc. v. Bifold Company (Manufacturing) Ltd.*, 50 F.3d 189, 207-208 (3rd Cir. 1995) (internal citations omitted).

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bears the burden of proving the essential elements of a fraud claim by clear and convincing evidence.” and “Although defendants may succeed in canceling plaintiffs registration by proof of abandonment by a preponderance of the evidence . . . an affirmative defense alleging a break in plaintiff's chain of priority under the doctrine of abandonment must be proven by clear and convincing evidence.”).

Subsection 15 USC 1125(c)(2) in the trademark statute speaks directly of willfulness:

"In an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief as set forth in section 1116 of this title unless the person against whom the injunction is sought *willfully* intended to trade on the owner's reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of the famous mark shall also be entitled to the remedies set forth in sections 1117(a) and 1118 of this title, subject to the discretion of the court and the principles of equity."

(emphasis added). Willfulness here must also proven by clear and convincing evidence. By example, in *Cooper Industries, Inc. v. Leatherman Tool Group, Inc.*, 532 U.S. 424, 430 (2001), the United States Supreme Court held:

"After a trial conducted in October 1997, the jury returned a verdict that answered several special interrogatories. *429 With respect to the Lanham Act infringement claims, the jury found that Leatherman had trademark rights in the overall appearance of the PST and that the original ToolZall infringed those rights but that the infringement had not damaged Leatherman. It then found that the modified ToolZall did not infringe Leatherman's trademark rights in the PST. With respect to the advertising claims, it found Cooper guilty of passing off, false advertising, and unfair competition and assessed aggregate damages of \$50,000 on those claims. It then answered "Yes" to the following interrogatory: "Has Leatherman shown by clear and convincing evidence that by engaging in false advertising or passing off, Cooper acted with malice, or showed a reckless and outrageous indifference to a highly unreasonable risk of harm and has acted with a conscious indifference to Leatherman's rights?"

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Because it answered this question in the affirmative, the jury was instructed to determine the "amount of punitive damages [that] should be awarded to Leatherman." *Ibid.* The jury awarded \$4.5 million."

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See Also Tamko Roofing Products, Inc. v. Ideal Roofing Co., Ltd., 282 F.3d 23, 29 (1st Cir. 2002) ("At the end of the trial, the district court ruled that Tamko's Heritage trademarks were valid. The jury found: (i) "by a preponderance of the evidence that Ideal infringed Tamko's trademarks"; (ii) "by clear and convincing evidence that Ideal acted willfully in infringing Tamko's trademarks"; and (iii) "by a preponderance of the evidence that the roofing product[s] of Ideal and Tamko directly competed with each other.""); *Procter & Gamble Co. v. Amway Corp.*, 280 F.3d 519, 526 (5th Cir. 2002) ("The Lanham Act provides that "[t]he court in exceptional cases may award reasonable attorney's fees to the prevailing party." 15 U.S.C. § 1117(a). The prevailing party must demonstrate the exceptional nature of the case by clear and convincing evidence.").

Indeed, "clear and convincing" is the well established standard by which a plaintiff must prove willfulness in the patent context. *See Tegal Corp. v. Tokyo Electron America, Inc.*, 257 F.3d 1331, 1351 (Fed. Cir. 2001) ("At trial, willfulness must be proven by clear and convincing evidence."); *Crystal Semiconductor Corp. v. TriTech Microelectronics Intern., Inc.* 246 F.3d 1336, 1346 (Fed. Cir. 2001) ("To establish willful infringement, a plaintiff must prove by clear and convincing evidence that the defendant acted without a reasonable belief that its action avoided infringement."); *Hoffmann-La Roche Inc. v. Invamed Inc.*, 213 F.3d 1359, 1365 (Fed. Cir. 2000) ("Among the types of conduct which can form a basis for finding a case exceptional are willful infringement, inequitable conduct before the P.T.O., misconduct during litigation, vexatious or unjustified litigation, and frivolous suit. Such conduct must be supported by clear and convincing evidence.").

In a patent case factually similar to the case at hand, the Federal Circuit reasoned:

On appeal, SEC contends that this court should reverse the district court's decision on willfulness and treble damages because the district court used an improper jury instruction. At trial, the district court instructed the jury that willfulness could be proved by a preponderance of the evidence, whereas, this court requires proof by clear and convincing evidence. *See Comark Communications, Inc. v. Harris Corp.*, 156 F.3d 1182, 1190, 48 USPQ2d 1001, 1008 (Fed.Cir.1998). However, before addressing the jury instruction issue, this court must first decide whether SEC preserved its right to appeal that issue. SEC did not object to the jury

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instruction in a timely fashion during trial. Preservation of appeal rights is a procedural issue, for which this court looks to the law of the regional circuit--in this case the Fourth Circuit. See *Midwest Indus. Inc., v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1359, 50 USPQ2d 1672, 1675 (Fed.Cir.1999) (en banc in relevant part) ("[W]ith respect to nonpatent issues we generally apply the law of the circuit in which the district court sits."); *Advanced Display Systems, Inc., Bao Gang Wu v. Kent*, 212 F.3d 1272, 54 USPQ2d 1673, 1679 (Fed.Cir.2000) ("Because objection to a jury instruction involves a procedural matter that is not intimately related to this court's exclusive jurisdiction, we look to the regional circuit law to ascertain the requirements necessary to comply with the rule."). The Fourth Circuit allows appeal *1351 of faulty jury instructions in the absence of timely objection only in the case of plain error. See *Rice v. Community Health Ass'n*, 203 F.3d 283, 286 (4th Cir.2000). Therefore, to prevail SEC must show that "an error occurred, that the error was plain, and that the error affected his substantial rights.... Even if [the appellant] satisfies these requirements, we will exercise our discretion to correct the error only if failure to do so would result in a miscarriage of justice." *United States v. Jennings*, 160 F.3d 1006, 1008 (4th Cir.1998) (internal quotations omitted).

This court agrees with SEC that an error occurred and that the error was plain. However, because the record shows that SEC infringed the '630 patent after substantial notice, prior litigation, and an unambiguous settlement agreement that precluded further infringement, this court concludes that the jury would have reached the same conclusion under either the preponderance or the clear and convincing standard. Thus, SEC does not meet the miscarriage of justice prong of the plain error test. Therefore, this court affirms the district court's willfulness finding.

Embrex, Inc. v. Service Engineering Corp., 216 F.3d 1343, 1350-1351 (Fed. Cir. 2000)

As noted above, copyright statutes now explicitly provide for enhanced damages where a defendant acts willfully, see 17 U.S.C § 504(c)(1) and (2); in patent law the distinction was judicially created, see *E.I. du Pont de Nemours & Company v. Phillips Petroleum Company*, 849 F.2d 1430, 1439-1440 (Fed. Cir. 1988); accord *Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d 613, 628 (Fed.Cir. 1985). The 1976 revision to the Copyright Act was after the willfulness enhancement was introduced through case law in the patent context and, thus, the drafters of the revised Copyright Act had the benefit of this precedent when molding the new statutory framework.

The application of a lower standard for intentional conduct under the Copyright Act than under libel, slander, defamation, trademark, trade dress or patent law simply makes no sense from a legal or

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policy perspective. The same public policy considerations apply to the standard of proof for willfulness in copyright infringement, as in these other areas, which is why this Court should follow *Dean v. Burrows*, 732 F.Supp. 816, 825 (E.D. Tenn. 1989), by establishing "clear and convincing" evidence as the standard for willfulness under the Copyright Act. A heightened standard would reduce the chilling effect of potential lawsuits, particularly in unsettled areas of the law, and would ensure that competition is not unduly hobbled absent compelling evidence. For it is clear that the enhancement of statutory damages has a punitive characteristic, see *F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 233 (1952), and that in finding willfulness, the fact finder forever mars the reputation of the infringer as the most egregious of wrongdoers.¹⁴ Indeed, this Court need only answer the following

¹⁴ In advancing the position that a finding of willfulness requires the support of clear and convincing evidence, Defendants also rest on the Supreme Court's explicit encouragement to defendants in copyright cases to litigate a variety of meritorious defenses so as to help demarcate the boundaries of copyright law as clearly as possible. *Fogerty v. Fantasy*, 510 U.S. 517, 527 (1994). As the Court explained in *Fogerty*, "a successful defense of a copyright infringement action may further the policies of the Copyright Act every bit as much as successful prosecution of an infringement claim." *Id.* Here, Defendants acted in good faith and, almost two years before the CNG was launched, obtained two legal opinions providing that they had the right to proceed. The Society at every turn attempted to confirm its legal rights before taking any action and then acted in reliance upon that advice. It would contravene the intent and purpose of the "advice of counsel defense" and, indeed, the Copyright Act itself, if Greenberg was able to keep a willfulness verdict here having failed to meet any burden of proof associated with "willful" conduct.

The fact that Defendants continued to publish the CNG following the Eleventh Circuit decision, standing alone, as this Court posed at the hearing, is not sufficient evidence of willful infringement to meet either the preponderance burden or the clear and convincing standard. This is particularly true where, as here, there was no language in the opinion suggesting, directly or indirectly, that Defendants should stop publishing the product; indeed, the Eleventh Circuit expressly stated that this Court should find a way to keep this "entertaining and educational product" on the market by creating a licensing agreement or other such arrangement, other than the alternative of an injunction. Defendants had the right to rely upon that language in the opinion and the fact that this Court would address the licensing issue as a part of damages at the appropriate time. At the time, Defendants would be required to pay whatever licensing amounts were ordered including any amounts for past periods. Defendants' reliance is even more significant when considered in light of the fact that Greenberg never asked this Court to enjoin or otherwise cease the distribution of the product, despite the Eleventh Circuit's ruling, until the eve of this trial in December, 2002—long after the first issuance of the Eleventh circuit's initial ruling in March 2001. Defendants had the right to and did rely on Greenberg's conduct and the move he could have made, but had not, to impose an injunction against further distribution of the CNG product. Defendants need not just rely on an inference, however, this result is supported by Greenberg's

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question to resolve this unsettled area of the law: what image is conjured up by merely using the word "willful"?¹⁵ That word has ordinary meaning, which is synonymous with the most despicable and intentional of conduct in the mind of the listener. This level of egregious conduct can only be met with the higher quantum of proof: clear and convincing evidence.

testimony at trial, which was that he did not want to see the product removed from the market or anything bad to happen to the Geographic Defendants.

Taking the above in light of the fact that the unrefuted testimony of Defendants was that they relied upon the advice of their learned and competent counsel in continuing distribution of the CNG product, there can be no evidentiary dispute that Defendants did not act willfully here. But even the above was not the end of the evidence clearly demonstrating that Defendants did not act willfully. If the testimony of Defendants good faith reliance upon its counsel's opinions (along with the opinions of the Register of Copyrights and the Library Association of America) regarding the import of the United States Supreme Court opinion in *Tasini v. New York Times* that was issued just days after the Eleventh Circuit's final ruling in *Greenberg*, it is clear that Defendants were not willful infringers. This Court is required to look at the **totality of the evidence** as to the **state of mind of Defendants**, which would not support a willfulness verdict. While there may be factual circumstances where a judicial appellate opinion in an uncharted area of law finding a violation, standing alone, may evidence willful conduct, this is simply not that case. To turn a blind eye to the un rebutted evidence and focus solely on the opinion itself—which does not state that Defendants should stop publishing—would be contrary to the law requiring that Defendants' state of mind be measured. The implications would have a rippling effect on the market and would create a manifest injustice here.

¹⁵ Only a cursory review of the case law where willful conduct was established confirms that Defendants' behavior here was not that of a willful infringer. See *Palmer v. Slaughter*, 2000 WL 1010261, at *4 (D.Del. 2000) (finding willfulness where defendant "initially promised to cease his infringing activities [but] actually continued to offer the copyrighted works for sale through an anonymous e-mail address," "posted these copyrighted materials on two different web sites," and admitted in an email to the plaintiff that "posting the course materials ... was wrong."); *Odegard, Inc. v. Costikyan Classic Carpets, Inc.*, 963 F.Supp. 1328, 1341 (S.D.N.Y. 1997) (finding willfulness where defendant's egregious behavior included willingness "to act dishonestly to hide their infringement from the plaintiffs and this Court."); *Sony Music Entertainment v. Cassette Production, Inc.*, 1996 WL 673158, at *3 (D.N.J. 1996) (finding willfulness where defendant distributed professionally made counterfeits, including the reproduction of the sound recording itself, interior packaging, labels and other printed materials; had left off some of the legitimate trademarks on the CD inside the case in order to conceal his unlawful activity; had likely made hundreds of thousands of unauthorized counterfeit copies of these sound recordings; and had conducted his business in a surreptitious manner, as he had no regular business address or phone number and could only be contacted through his daughter).

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III. Conclusion

Defendants respectfully and emphatically submit that Greenberg did not even meet the lower threshold of proof on this issue and, therefore, judgment as a matter of law should be entered in their favor. If the court grants that motion, and Defendants believe that such a result is factually and legally appropriate under the circumstances, then the issue of whether the correct standard is clear and convincing evidence need not be addressed. Defendants also restate that it is with their proverbial hat in their hands that they bring this issue to the Court at this juncture and apologize for not discovering this error earlier. Defendants nonetheless believe that the "clear and convincing" standard of proof on the issue of willfulness in the copyright circumstance is the appropriate charge that should have been given to the jury for the reasons discussed above. Accordingly, Defendants respectfully submit that the failure to give that instruction was prejudicial or plain error warranting that a new trial be granted.

Respectfully submitted by,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the foregoing has been sent via facsimile and U.S. Mail this 23rd day of June, 2003 to **Norman Davis, Esq.**, Steel Hector & Davis LLP, 200 South Biscayne Boulevard, 40th Floor, Miami, Florida 33131-2398, attorneys for Plaintiffs.

By: _____


Jennifer G. Altman, Esq.