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Copyright peril for apparel manufacturers

By Todd Lander

The apparel industry has been aflutter in recent months as the U.S. Supreme Court entertained argument, and has since deliberated, on the protection the Copyright Act affords the graphic designs of cheerleader uniforms. The case, *Varsity Brands v. Star Athletica*, does indeed implicate potentially far reaching effects on the turbulent union of copyright law and the fashion world, one that has unleashed an avalanche of infringement litigation and wrought havoc on manufacturers and retailers alike. If, for example, the high court refined the scope of protection for garment design, or imposed an elevated standard of originality for these designs, the impact on the industry would be immediate and profound.

But while the Supreme Court considers those questions, the 9th U.S. Circuit Court of Appeals has quietly but definitively increased the risk of doing business in California, with far reaching consequences. In *Friedman v. Live Nation Merchandise, Inc.*, 2016 DJDAR 8574 (Aug. 18, 2016), the court held that the Copyright Act entitles an infringement plaintiff may recover a separate statutory damages award for every retailer to whom an manufacturer sold infringing garments, regardless of the number of retailers involved and the resulting exaggeration of recovery to the plaintiff. In other words, if a manufacturer sold infringing goods to 100 retailers, that manufacturer would be subjected to 100 separate statutory damages awards, irrespective of whether the consequent damages bore any resemblance to the profit or benefit the defendant realized as a result of the infringement. This abandonment of the rule of reason places manufacturers at risk of vastly disproportionate damages in modest infringement cases, and threatens to deter manufacturers from doing business in this state.

In *Live Nation*, the plaintiff, a photographer named Glen Friedman, took copyrighted photos in the 1980s of the hip hop group Run DMC. The defendant, Live Nation Merchandise — a music merchandising company that designed, manufactured, and sold apparel and other featuring images of popular musicians — published and marketed a "Run-DMC Style Guide" featuring several of Friedman's images. Live Nation had, in total, sold garments bearing Friedman's copyrights to 104 different retailers. And Friedman contended that 104 separate damages awards were appropriate, each totaling up to $30,000 (the limit in cases of non-willful infringement).

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A copyright owner/plaintiff may "elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally." 17 U.S.C. Section 504(c) (1). Friedman, in arguing for 104 separate awards, relied on the 9th Circuit's 1997 decision in *Columbia Pictures Television v. Krypton Broadcasting*, 106 F.3d 284 (9th Cir. 1997), where the court held that a defendant who owned three separate television stations, each of which infringed the plaintiff's works (and each of which was jointly and severally liable with the defendant owner), was subjected to three different statutory damages awards.

Friedman's argument had superficial appeal. As the *Live Nation* decision explained, the number of awards available under Section 504(c)(1) depends not on the number of separate infringements, but rather the: (1) number of individual works infringed; and (2) the number of separate infringers. Thus, Friedman

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Run-DMC performance at an anti-crack benefit concert at Madison Square Gardens in New York, Oct. 7, 1986.

argued, the number of separate infringers totaled 104 — because Live Nation was jointly and severally liable with every retailer to whom it sold goods — and the quantum of statutory damages should track that number.

The district court rejected Friedman's assertion, however, opting for reason in interpreting the precedential effect of *Columbia Pictures*. The court reasonably found that *Columbia Pictures* was inapposite (and distinguishable) to situations entailing large numbers of infringements, because applying it in such cases would lead to absurd results. This tempering of *Columbia Pictures* found support in decisions around the country — *Artista Records, LLC v. Lime Group LLC*, 784 F.Supp.2d 313 (S.D.N.Y. 2011), and *Bouchat v. Champion Prods., Inc.*, 327 F.Supp.2d 537 (D.Md. 2003), for example — and the Nimmer treatise. The result also made legal and commercial sense: Friedman was entitled to relief, including an award of statutory damages, but he would be denied the windfall attendant to the 104 separate awards demanded by a literal adherence to *Columbia Pictures*.

Alas, the 9th Circuit intervened, and reversed the district court, dismissing the practicality of the lower court opinion as contrary to the language of both *Columbia Pictures* and Section 504. The 9th Circuit specifically rejected the notion that Section 504 allowed for a "mass marketing" exception, and found instead that so long as the "downstream infringers" were jointly and severally liable with the distributing defendant, a separate statutory damages award was permissible for each such case of infringement. The court did acknowledge the lower court's express concern about the distorting possibilities of *Columbia Pictures*, and held, in mitigation, that Section 504 required a downstream infringer be joined as a defendant in the action in order to entitle the plaintiff to a statutory damages award concerning that defendant.

That limitation proved problematic for Friedman, the plaintiff, because he had not named the downstream infringers, and thus could not recover separate awards for each of them. But it will be cold comfort to apparel manufacturers, because copyright plaintiffs commonly name all retailers in infringement claims, regardless of the numbers. Indeed, the *Live Nation* opinion poses obvious risks to manufacturers in California, who typically indemnify their retail customers in copyright litigation. The law, as it now stands, imposes no limitation on statutory damages awards, regardless of the number of retailers involved or the volume of profit.

The commercial effects of *Live Nation* are uncertain. But when coupled with the 2012 decision in *L.A. Printex v. Aeropostale*, 676 F.3d 841 (9th Cir. 2012), the 9th Circuit has created an increasingly hostile environment for apparel manufacturers in this state. Whether, and when, these manufacturers simply opt out of California, and take their business elsewhere, is the open question. And the *Live Nation* opinion may force them to consider that option.

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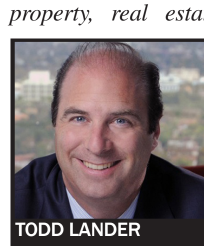

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