

CRUZ & RUZ, PLLC

INTELLECTUAL PROPERTY LAW NEWSLETTER

BY AMAURY CRUZ, ESQ., RICK RUZ, ESQ. AND HENRY RODRIGUEZ, ESQ.

RICK RUZ, ESQ., NOW A NAME PARTNER

Amaury Cruz & Associates is now Cruz & Ruz following the ascension of Rick Ruz as a name partner in January 2011. Mr. Ruz will continue to represent clients in the areas of intellectual property litigation and ex-parte and inter-partes proceedings before the United States Patent and Trademark Office and the Trademark Trial and Appeal Board. He will also provide services in the area of Chapter 7 bankruptcy. Mr. Ruz is heading a new office in Kendall. The main office will remain in South Beach.



BENEFITS OF FEDERAL COPYRIGHT REGISTRATION

1. Evidence of ownership of the copyright.
2. Required for filing a federal lawsuit.
3. Prima facie evidence of validity of the copyright if application is filed before or within five years of publication.
4. Statutory damages and award of attorney's fees available if application filed within three months of publication or before infringement.
5. Basis for recording registration with U.S. Customs.

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First Sale Doctrine

The First-Sale Doctrine is a limitation on copyright codified in the Copyright Act of 1976, 17 U.S.C. § 109. It allows the purchaser to sell a lawfully made copy of the copyrighted work without permission from the copyright owner.

When the Supreme Court granted *certiorari* to decide the issues presented in the widely-followed *Omega S.A. v. Costco Wholesale Corp.* case, intellectual property commentators and retailers alike anxiously anticipated that the Court's decision would finally answer the question of whether the First-Sale Doctrine applied to copyrighted goods made and purchased abroad. The case is significant because Omega cleverly added a layer of protection to its watches by claiming a copyright on a design stamped on the cases of its watches. This makes it harder to import the watches as grey market goods irrespective of trademark law principles. However, on December 13, 2010, the high court anticlimactically affirmed, without an opinion, the ruling of the Ninth Circuit Court of Appeals: the First-Sale Doctrine did not protect Costco from allegations of copyright infringement brought by Swiss watchmaker Omega for the unauthorized sale of authentic Omega watches specifically earmarked by Omega for sale outside the United States. The effect is that the Ninth Circuit's decision remains undisturbed but is binding only in that Circuit. It remains to be seen whether cases currently pending in other circuits will adopt the same rationale.

Because of the Ninth Circuit's decision and the Supreme Court's failure to resolve the issue, it would behoove a company to make the following inquiries prior to purchasing copyrighted foreign-made grey market goods. First, are the goods it intends to purchase protected by any copyrighted material similar to the "globe" design Omega places on their watches? Second, if the answer is yes, has the manufacturer previously authorized any sale of the actual subject goods in the United States? In other words, have these actual goods been earmarked by the manufacturer for sale in the U.S.? If they have, the First Sale Doctrine would prevent the manufacturer from controlling the distribution of those goods. However, if the foreign-made goods were previously authorized only for sale in a foreign country and they contain any copyrighted material, a company should not purchase these goods or risk a lawsuit for copyright infringement. On the other hand, if the copyright-protected grey market goods were made in the U.S., the First Sale Doctrine would apply even if the goods were only authorized for sale abroad and the purchasing company or another distributor is re-importing them into the U.S.

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COSTS OF TRADEMARK LITIGATION

Understandably, potential litigation clients often ask "how much will it cost." In reality, costs of litigation can vary significantly and are always difficult to predict. Neither party can know how the other side is going to behave, and the other side's behavior, not to mention the court's interim rulings during motion practice, affects the cost of litigation as much as one's own strategy. The American Intellectual Property Law Association, however, periodically gathers figures on the costs of intellectual property litigation. According to its 2007 Economic Survey, in small trademark cases (meaning less than \$1 million at issue) the mean costs were \$184,000 through the discovery period and \$327,000 for taking the case all the way to trial.

The AIPLA has found that small firms are more cost-efficient than other firms in handling trademark litigation. With small firms, the mean costs of trademark litigation through the discovery period was between \$131,000 to \$200,000. Medium-size firms billed from \$210,000 to \$250,000, and large firms from \$340,000 to \$500,000. The total costs through trial ranged from \$239,000 to \$338,000 for small firms, \$340,000 to \$500,000 for medium firms, and \$443,000 to \$600,000 for large firms.

At **Cruz & Ruz** our trademark litigation costs are substantially lower than even the low range for small firms, and we can offer flat fee retainers.

Copyrights in Collective Works

In order to obtain copyright protection, authors of certain original, creative works face a strategic choice: to register each work individually or to collect a set of works into one copyright registration. The advantage of applying for copyright as a collection is that, depending on the number of works included, the author can save a considerable sum in filing fees. For example, poets might create hundreds of poems and photographers are likely to create thousands of photographs. Each poem or photograph is a protectable work, but obtaining a registration for each work costs \$35 in (electronic) filing fees alone.

Thus, the Copyright Office permits authors of works to file a single copyright application that covers a collective work, such as an anthology of poems or album of photographs. The individual works encompassed by this collective copyright are regarded as independent works for most purposes under the Copyright Act. However, copyright owners need to be aware that, in case of infringement, these collective works might be treated as one work under the Copyright Act for the calculation of statutory damages under section 504(c)(1) of the Act. A statutory award ranges from \$750 to \$30,000 for each work infringed (up to \$150,000 in cases of willful infringement or down to \$200 in cases of "innocent infringement" or zero in the case of fair use). A collective copyright whose various works have been infringed numerous times might be categorized as a single work in the calculation of statutory damages.

For instance, in *Stokes Seeds Ltd. v. Geo. W. Park Seed Co.*, 783 F. Supp. 104 (W.D.N.Y. 1991), the court held that infringements of multiple photographs of plant seedlings in a collection entitled the plaintiff to only one statutory award. This conclusion arose due to the nature of the copyrighted collection. The photographs were viewed as a compilation because they were published and sold as a single work titled "Park's Success with Seeds." On the other hand, if an author publishes, sells and individually notices its copyright to each work that comprises the collection, then the author can expect to be awarded statutory damages for each work infringed. *Brown v. McCormick*, 23 F.Supp. 2d 594 (D. Md. 1998) (the infringement of each of the 15 quilt designs in the collective copyright entitled the plaintiff to 15 statutory awards as the designs had been treated as individual works by the parties).

CRUZ & RUZ, PLLC prides itself on providing each client with meticulous, ethical, and dedicated legal representation. The firm promptly returns calls and provides clients with regular updates as well as the consideration and individual attention they deserve. Should you have any questions regarding this newsletter or any other legal matter, please feel free to give us a call at the telephone number below for a free telephonic consultation.