

## [IP Law Daily, COPYRIGHT—D. Del.: \\$1.6 million infringement award upheld despite being excessive, \(Aug. 18, 2015\)](#)

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By Jody Coultas, J.D.

A jury properly found that Stemtech Health Sciences, Inc. vicariously and contributory infringed Andrew Paul Leonard's copyrights, according to the federal district court in Wilmington, Delaware. The verdict and damage award were not so unsupported by the evidence as to warrant a new trial ([Leonard v. Stemtech Health Sciences, Inc.](#), August 13, 2015, Stark, L.).

A jury found Stemtech liable for direct, vicarious, and contributory copyright infringement with respect to two of Leonard's copyrighted images and awarded Leonard \$1.6 million. Stemtech moved for a new trial on the vicarious copyright infringement claim, unless, in the alternative, Leonard agreed to remittitur of the judgment from \$1.6 million to \$1,804.

**Vicarious infringement.** To prevail on a claim for vicarious infringement, the plaintiff must prove: (1) direct infringement by a third party, (2) defendant's right and ability to supervise the infringing conduct by a third party, and (3) defendant's obvious and direct financial benefit from the third party's direct infringement.

The court found Leonard presented sufficient evidence for a reasonable jury to conclude that Stemtech's distributors directly infringed Leonard's copyrights. Stemtech even told the jury that it some amount of infringement occurred.

There was sufficient evidence that Stemtech had the right and ability to stop the infringing activities of its distributors, according to the court. Stemtech likened its relationship with its distributors to that between Google and operators of third-party websites. However, Stemtech's compliance officer and vice president testified that Stemtech had multiple means to influence the distributors to limit or stop their infringing use of the images, including requiring them to stay within Stemtech policies and withholding money and access to essential back office tools to infringers. Stemtech benefitted from use of Leonard's images in its marketing materials by recruiting new distributors.

**Contributory infringement.** Contributory infringement requires (1) direct infringement by a third party; (2) knowledge that the third party was directly infringing; and (3) material contribution.

The jury's finding of contributory infringement was not against the weight of the evidence, according to the court. As noted above, there was ample evidence of direct infringement by Stemtech's distributors. Leonard provided Stemtech notice of such infringing activity by its distributors. Stemtech also stopped certain infringing activities of its distributors after learning of the infringement. The jury also heard evidence from which it could have found that Stemtech wanted to use Leonard's images in its marketing materials, used those images in the marketing materials it distributed to its distributors, and it required its distributors to use these marketing materials in order to drive larger sales and obtain further revenues.

**Damages.** To warrant a new trial on the grounds of excessive damages, the Court must find that the jury's award (1) is grossly excessive, shocking, or monstrous; (2) is clearly not supported by the evidence; (3) results in a plain injustice; (4) is based on speculation or guesswork; or (5) is the product of passion or prejudice.

Stemtech was unable to show that the jury's damages award was so unreasonable as to require a new trial, according to the court. \$1.6 million was far more than the aggregate value Leonard received from all of his previous licenses of the images at issue. Although the award was excessive, that was not an adequate basis for granting a new trial. None of the evidence meant the jury's verdict was unreasonable. Stemtech did not present

any damages expert, giving the jury no competing testimony to assess as it determined an appropriate figure for actual damages.

**Misconduct.** Stemtech alleged Leonard, his attorney, and his expert witness all committed various acts of misconduct at trial. Specifically, Stemtech objected to Leonard and his lawyer referring to the financial disparity between the parties on multiple occasions, which would have fairly obvious to the jury and Stemtech did not prevent the jury from learning this information. Leonard's counsel suggested that Stemtech viewed its misuse of the copyrighted images as analogous to a parking violation, allegedly in an effort to encourage the jury to apply an improper damages standard. Counsel made an analogy between Stemtech's damages theory and a person who fails to put money in a parking meter and then responds to the resulting parking ticket by offering to pay the meter amount rather than a larger fine. There was nothing objectionable about this. Even if counsel's comment was improper, the comment did not influence the verdict. Stemtech objected to other actions by Leonard and his attorney, but failed to make any persuasive showing that any of them unfairly influenced the verdict.

**Evidentiary errors.** The court found that Stemtech's objections to certain evidentiary rulings did not provide a meritorious basis for ordering a new trial. Evidentiary rulings may support a new trial only if it is highly probable that the error affected the outcome of the case. All of the evidence of which Stemtech now complains was admitted either over Stemtech's objection or in the absence of any such objection.

**Attorney fees.** The court denied Stemtech's request for attorney fees and costs. Stemtech sought to attorney fees incurred in defending itself in a second, related case brought by Leonard against Stemtech. There was no question that Stemtech was the prevailing party in that second case. In evaluating whether to grant attorney fees, courts look at four factors: (1) frivolousness, (2) motivation, (3) objective unreasonableness, and (4) the need in particular circumstances to advance considerations of compensation and deterrence. However, the court found that the second case was not objectively unreasonable. Stemtech's characterization of the second case as being motivated by bad faith, with a purpose of harassment, and being objectively unreasonable, was contradicted by the objective facts that the court denied Stemtech's motion to dismiss and motion for sanctions.

The court granted Leonard half of the fees and costs sought. Leonard sought to recover the fees and costs associated with taking the deposition of Stemtech's IT Director, which Leonard argued was necessitated by Stemtech's denial of requests for admission. The court found that an award of 50% of the requested fees was fair to both sides as it avoided the unfair outcome of awarding Leonard all of his fees and costs when they were not all or even mostly necessitated as a result of Stemtech's improper conduct. The ruling also avoided the unfair outcome of allowing Stemtech to escape unscathed despite its improper denials of the requests.

The case is [No. 08-67-LPS](#) (Consolidated)

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Companies: Stemtech Health Sciences, Inc.

Cases: Copyright DelawareNews