

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

Fair Isaac Corporation,

Case No. 16-cv-1054 (WMW/DTS)

Plaintiff,

ORDER

v.

Federal Insurance Company and ACE
American Insurance Company,

Defendants.

This matter is before the Court on Plaintiff Fair Isaac Corporation's (Fair Isaac) appeal of the October 9, 2019 Order of United States Magistrate Judge David T. Schultz, which granted Defendants' motion to strike Fair Isaac's jury demand on the disgorgement of Federal Insurance Company's profits attributable to infringement under the Copyright Act. (Dkt. 662.) For the reasons addressed below, the Court affirms the magistrate judge's October 9, 2019 Order.

BACKGROUND

Fair Isaac commenced this copyright-infringement action in April 2016 and demanded a jury trial. Fair Isaac alleges that Defendants Federal Insurance Company and its sister company, ACE American Insurance Company (collectively, Federal), breached a software license agreement and infringed Fair Isaac's copyright. Fair Isaac seeks damages for breach of contract and copyright infringement, as well as disgorgement of Federal's profits attributable to the alleged infringement. Federal moved to strike Fair Isaac's jury demand as to its claim for disgorgement of Federal's profits. The magistrate judge granted

Federal's motion, concluding that Fair Isaac does not enjoy, under the Seventh Amendment to the United States Constitution, a right to a jury determination on its claim for disgorgement of Federal's profits because disgorgement of profits is an equitable remedy.¹ Fair Isaac appeals that decision, arguing that disgorgement is a legal remedy here because its purpose is to punish and deter.

ANALYSIS

I. The Copyright Act

The legal or beneficial owner of an exclusive right under a copyright, subject to registration requirements, may institute an action for any infringement of that right. 17 U.S.C. § 501(b). Infringement remedies include injunctions, *id.* § 502, impoundment and disposition of infringing articles, *id.* § 503, damages and profits, *id.* § 504, as well as costs and attorney's fees, *id.* § 505. A copyright infringer is liable for either the copyright owner's actual damages and any additional profits of the infringer as provided in Section 504(b), or statutory damages as provided by Section 504(c). *Id.* § 504(a).

¹ The parties dispute the proper standard of review. Federal argues that the standard of review is "clear error" because a motion to strike a jury demand is a pretrial, nondispositive matter. Fed. R. Civ. P. 72(a). For nondispositive matters, the ruling will be set aside only if it is clearly erroneous or contrary to law. *Id.*; LR 72.2(a)(3); *Coons v. BNSF Ry. Co.*, 268 F. Supp. 3d 983, 991 (D. Minn. 2017). If, on the other hand, the motion to strike a jury demand is a dispositive matter and a Report and Recommendation was therefore required, the decision is reviewed *de novo*. Fed. R. Civ. P. 72(b)(3); LR 72.2(b)(3). The alternatives are inconsequential here because the question presented is purely a legal question. See *Martin Ankeny Corp. v. CTB Midwest, Inc.*, No. 4:14-cv-00516-SMR-HCA, 2016 WL 7426584, at *3 (S.D. Iowa Mar. 18, 2016) (concluding that a district court necessarily reviews a magistrate judge's ruling on a "pure question of law" *de novo*, regardless of whether the motion was dispositive or nondispositive (internal quotation marks omitted)). The Court therefore declines to resolve the issue of whether a Report and Recommendation was required in lieu of an order.

Section 504(b) provides:

The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages. In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.

Alternatively, the copyright owner may, at any time before final judgment is rendered, elect to recover statutory damages instead of actual damages and profits. *Id.* § 504(c).

Here, Fair Isaac seeks either all damages under 17 U.S.C. § 504 comprising its actual damages and any profits derived by Federal, *or* statutory damages. In addition, Fair Isaac seeks injunctive relief and reasonable costs and attorney's fees. *Id.* §§ 502, 505.

II. Right to a Jury Determination

“The right of trial by jury as declared by the Seventh Amendment to the [United States] Constitution—or as provided by a federal statute—is preserved to the parties inviolate.” Fed. R. Civ. P. 38(a). The Court addresses, in turn, the relevant statutory and constitutional rights to a trial by jury.

A. Statutory Right to a Jury Determination

Although Fair Isaac no longer contends that the Copyright Act—or any other federal statute—provides the right to a jury determination on disgorgement of Federal's profits attributable to infringement, the Supreme Court of the United States requires courts to ascertain first whether a construction of the statute is fairly possible by which the

constitutional question may be avoided. *City of Monterey v. Del Monte Dunes at Monterey, Ltd.*, 526 U.S. 687, 707 (1999).

There is no statutory right to a jury trial on the award of statutory damages under Section 504(c) of the Copyright Act. *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 345 (1998). Section 504(c) refers to “the court,” but Section 504(c) neither refers to a right to a jury trial nor refers to juries at all. *Id.* at 345–46. Moreover, Section 504(c) does not include any term, such as “legal,” or any other language denoting legal relief. *Id.* at 347.

The same is true of Section 504(b). Although Section 504(b) provides for actual damages, which generally are considered legal relief, Section 504(b) also provides for profits, which generally are a form of equitable relief. *See id.* at 352. The reasoning in *City of Monterey* informs this analysis. There, the Supreme Court concluded that 18 U.S.C. § 1983 does not provide the right to a jury trial notwithstanding the statute authorizing a party to seek relief through “an action at law, suit in equity, or other proper proceeding for redress.” 526 U.S. at 707 (quoting 18 U.S.C. § 1983). It follows here that Section 504(b), which does not expressly provide a right to a jury determination on actual damages and profits, also does not implicitly provide such a right. The Congressional record also supports this conclusion. “[W]here some of the defendant’s profits result from the infringement and other profits are caused by different factors, it will be necessary for the court to make an apportionment.” H.R. 94-1476, at 161 (1976) (emphasis added); *see Feltner*, 523 U.S. at 345 (“[W]e cannot discern any congressional intent to grant . . . the right to a jury trial.” (internal quotation marks omitted)).

Accordingly, there is no statutory right to a jury determination as to the disgorgement of profits under Section 504(b) of the Copyright Act.

B. The Seventh Amendment

The Seventh Amendment to the United States Constitution provides that “[i]n Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved.” U.S. Const. amend. VII. A plaintiff is entitled to a jury trial in an action that is analogous to an action that would have been brought in the English *law* courts, but not if the action is analogous to actions tried in courts of equity or admiralty. *Tull v. United States*, 481 U.S. 412, 417 (1987).

The Seventh Amendment “preserve[s] the basic institution of jury trial in only its most fundamental elements.” *Tull*, 481 U.S. at 426 (internal quotation marks omitted). Consistent with the textual mandate to preserve the jury trial right, two principal inquiries guide a court’s interpretation of the Seventh Amendment. *City of Monterey*, 526 U.S. at 708. First, a court must compare the statutory action to 18th-century actions brought in the courts of England before the merger of the courts of law and equity. *Tull*, 481 U.S. at 417. Second, a court must examine the remedy sought and determine whether it is legal or equitable in nature. *Id.* at 417–18; *see City of Monterey*, 526 U.S. at 708 (“If the action in question belongs in the law category, we then ask whether the particular trial decision must fall to the jury in order to preserve the substance of the common-law right as it existed in 1791.” (quoting *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 376 (1996))). The Supreme Court repeatedly has asserted that the second part of this test is more important than the first. *E.g.*, *Chauffeurs, Teamsters & Helpers, Local No. 391 v. Terry*, 494 U.S.

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