W
dings to guardrail. Some would argue that it’s a bit like losing your discretion of judge and jury to determine the appropriate award? Some would argue that it’s a bit like losing your steering while careening down a highway—you could find yourself going guardrail to guardrail.

In fact, the Copyright Act has such a statute. Section 504(c) provides for statutory damages from $750 to $150,000, with the exact figure left largely to the discretion of the fact-finder. This article will address ongoing debate related to that scheme, followed by a brief discussion of existing methodology for assessing statutory damages.

Winning the Battle, Losing the War
In 1990, telecommunications entrepreneur Elvin Feltner acquired three television stations in the southeastern United States, and in an effort to cut costs, attempted to renegotiate license fees for several television programs, including Who's the Boss and TJ Hooker. After talks broke down, Columbia Pictures Television terminated Feltner’s licenses, but the stations continued to air the programs anyway—prompting Columbia to file suit for copyright infringement. Following a bench trial on damages, the California district court awarded $20,000 per work infringed, for a total award of $8.8 million (based upon 440 works). At the time, it was the largest statutory damages award in the history of copyright litigation. It would soon be eclipsed.

On appeal, Feltner claimed that his Seventh Amendment right to trial by jury was violated when the Court refused to submit the statutory damages issue to a jury. At that time, there was a split of authority, with the Second, Fifth, and Eleventh circuits holding that there was no such constitutional right, and the Fourth and Eighth circuits holding that there was. The Ninth Circuit agreed with the former group, after which the Supreme Court granted certiorari to settle the matter. The Supreme Court ultimately held that where a plaintiff elects statutory damages, the defendant has a right to a jury trial on those issues, including a right to a jury determination of the amount of statutory damages. During oral argument, Justice Stephens cautioned that a jury might return an even larger verdict than the $8.8 million rendered by the district court. He was correct. On remand, the jury returned a verdict of $31.68 million—once again, the largest statutory damages verdict ever.

Gathering Clouds
In the months leading up to the Feltner decision and thereafter, the idea of turning statutory damage awards over to a jury prompted widespread concern among scholars and copyright advocacy groups alike. An amicus brief filed in Feltner on behalf of an association of copyright lawyers suggested that juries were ill-equipped to exercise the discretion necessary to determine appropriate statutory damages. The preeminent authority on copyright law was even more pessimistic:

[It is doubtful that juries can be meaningfully instructed to compare the facts at bar against those of prior cases in order to slot an appropriate award into the scheme of precedent. Instead, they can simply compute an amount.]

Whatever concerns may have existed regarding jury verdicts, evidence was mounting that judges were also capable of assessing controversial awards. A long-held tenet of copyright law was (and is) that an award of statutory damages should bear some relationship to actual damages suffered. Notwithstanding, in September 2000, a New York district judge awarded $25,000 per work infringed against a company that derived no demonstrable profits, with the understanding that it could result in a total award of $118 million. The judgment was all the more confounding given that the plaintiffs failed to offer any evidence of harm, while the defendant presented evidence that its service actually increased plaintiffs’ revenues.

Over the ensuing years, controversial awards continued to accrue. Perhaps most troublesome were several cases suggesting that there wasn’t any required nexus between actual damages and statutory damages. Although it had long been recognized that statutory damages were awardable even where the plaintiff failed to present any proof of actual damages, where such proof was available, courts routinely calibrated their awards accordingly—for instance, by “doubling” or “quadrupling” actual damages based upon the blameworthiness of the defendant. That principle appeared to be eroding.

The Breaking Point?
If events over the first few weeks of 2010 are any indication, the breaking point may finally have been reached. As background, in 2003, the Recording Industry Association of America (RIAA), a trade association comprised of record companies, initiated a campaign against consumers who were using so-called peer-to-peer networks to share their music—targeting some 261 defendants. By 2008, more than 30,000 such cases had been filed by the RIAA.

The RIAA lawsuits were of a decidedly different flavor than the typical infringement case. To begin with, the plaintiffs were comprised of huge corporations, while the defendants were typically consumers (many of them college students) without any apparent profit motive. Actual damages were usually (perhaps always) uncertain. Defendants routinely argued that damages should be limited to the price they would have paid for the songs if they had
In contrast, two other recent “file-sharing” cases involved downloading and sharing 30 songs by Joel Tenenbaum for downloading and sharing 30 songs. Given these unique circumstances and the inherent lack of parameters set forth in the Act for awarding statutory damages, it was only a matter of time before the RIAA campaign would turn into a spectacle.

In June 2009, a Minneapolis jury returned a verdict of $1.92 million against mother-of-four Jammie Thomas-Rasset for downloading and illegally sharing 24 songs on the Kazaa peer-to-peer network. The following month, a Boston jury returned a $675,000 verdict against college student Joel Tenenbaum for downloading and sharing 30 songs. In contrast, two other recent “file-sharing” cases resulted in verdicts of $22,500 (for 30 works) and $40,500 (for 54 works). It is difficult to reconcile these widely divergent awards on the facts inasmuch as they all involved roughly the same conduct and number of infringements. Critics of the Feltner decision will note that the larger verdicts were awarded by juries, while the smaller verdicts were awarded by judges.

As set forth above, in the wake of Feltner, a copyright litigant has the right to elect to have statutory damages determined by a jury. The sole exception appears to be when a plaintiff elects minimum statutory damages (i.e., $750 per work infringed). In such cases, the constitutional right to a jury determination apparently no longer applies. Notwithstanding, the parties can “waive” their right to jury trial, and statutory damages are often assessed during bench trials, even in this post-Feltner age. Thus, the “fact-finder” for purposes of determining statutory damages may be judge or jury, depending on the circumstances.

The “Factors”

The Act provides little guidance as to how statutory damages ought to be fixed, leaving the issue largely to the discretion of the fact-finder. Several judicial opinions have asserted that this discretion is constrained only by the minimums and maximums set forth in the Act. Notwithstanding, fact-finders have generally looked to one or more of the following factors to inform their decisions: (1) the expenses saved and the profits reaped, (2) the revenues lost by the plaintiff, (3) the value of the copyright, (4) the deterrent effect on others besides the defendant, (5) whether the defendant’s conduct was innocent or willful, (6) whether a defendant has cooperated in providing particular records from which to assess the value of the infringing material produced, and (7) the potential for discouraging the defendant.

Professor Nimmer has questioned whether the above factors “continue to apply” post-Feltner—now that statutory damages have been entrusted to juries. Notwithstanding, references to these factors continue to appear in pattern jury calculations.

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instructions, courts have upheld jury awards where such factors have been considered by the jury, and one court has referenced these factors in connection with its decision to order remittitur of a jury’s verdict. As such, they appear to have continued vitality—even in jury trials.

**The First Three Factors**

The first three factors on the “list” are (1) the expenses saved and profits reaped by the defendant, (2) the revenues lost by the plaintiff, and (3) the value of the copyright. Although these factors appear at the top of the list, they are often absent from the fact-finder’s analysis. Occasionally, this is because such evidence is scarce or speculative. Nevertheless, the absence of such evidence is not fatal to a claim for statutory damages. Indeed, the difficulty of proving-up actual damages has been acknowledged as a proper justification for statutory damages.

Where evidence of the first three factors is present, a court’s determination of the quantum of such damages is similar to an analysis under § 504(b) of the Act (for non-statutory damages). For instance, where the plaintiff might otherwise have licensed the work to the defendant and the rate is demonstrable, the “lost license fee” may serve to establish both the expenses saved by the defendant and the revenues lost by the plaintiff. Alternatively, where there are no established royalty or licensing rates, the fact-finder may look to other evidence—such as the “fair market value” of the labor involved to create the work in question—in order to establish the “value of the copyright.” Finally, the fact-finder may consider whether there has been a diminution in the fair market value of the plaintiff’s copyrighted work as a result of the infringer’s conduct.

Where the court has made a finding of “actual damages,” the next issue is the impact this ought to have on the ultimate award. As set forth above, some courts have traditionally held that a statutory damage award should bear some relationship to actual damages. According to the preeminent copyright authority, a failure to establish some rational nexus between the two can “introduce randomness or worse into the litigation calculus.” Other courts have soundly rejected any such nexus. If the latter view were correct, however, it is difficult to understand why an analysis of actual damages is even relevant.

When determining defendant’s profits, the court may deduct expenses and costs related to same in order to arrive at the proper basis for determining statutory damages. Where such evidence is lacking, the fact-finder may rely on gross profits. Generally, the fact-finder does not take “apportionment” of profits into consideration.

**Deterrent Effect and Discouraging the Defendant from Further Infringement**

In addition to compensating the copyright owner for losses incurred, statutory damages are intended to deter future infringement. According to the U.S. Supreme Court, a damages scheme limited to an award of actual damages would not sufficiently serve the purposes of the Act:

[A] rule of liability which merely takes away the profits from an infringement would offer little discouragement to the infringers. It would fall short of an effective sanction for enforcement of the copyright policy. The statutory rule, formulated after long experience, not merely compels restitution of profit and reparation for injury but also is designed to discourage wrongful conduct.

As another court put it, infringers should not be allowed to “sneer in the face of copyright owners and copyright laws.” Accordingly, case law reflects many instances in which courts have set awards at several times the amount of actual damages as “punishment” for a willful infringement, and in order to deter future infringement.

**Whether Defendant’s Conduct Was Innocent or Willful**

Where the defendant’s conduct is “willful,” this factor generally weighs in favor of a larger award. In such cases, the court may, in its discretion, increase the award of statutory damages to $150,000 per work infringed. “Willfulness” is not defined in the Copyright Act, nor in its legislative history. In practice, courts have required plaintiffs to prove willfulness by showing either that the defendant actually knew it was infringing the plaintiff’s copyrights, or recklessly disregarded that possibility.

Courts have found that willfulness may be inferred where the defendant has failed to appear and defend an action for infringement. In addition, where the alleged acts of infringement occurred after the defendant was put on notice by plaintiff, this can constitute persuasive evidence of willfulness. As one court put it, “one who undertakes a course of infringing conduct may [not] . . . hide its head in the sand like an ostrich.” Conversely, a reasonable and good faith belief by the defendant that his conduct was lawful may insulate him from enhanced statutory damages, even if the belief was erroneous. As set forth above, in cases where the defendant had a good faith belief that his conduct was lawful, the court, in its discretion, may reduce the award to not less than $200. Notwithstanding, the fact-finder is not obligated to reduce the award to $200 per work infringed where such a showing is made. As with willful infringements, the actual award is left to the fact-finder’s discretion.

**Plaintiff’s Conduct**

Some courts have held that the fact-finder may consider the plaintiff’s conduct during litigation when assessing an award of damages. Thus, in one case, the court reduced the award of statutory damages due to the vexatious, oppressive, and unreasonable manner in which the copyright owner prosecuted its infringement action, and in another the court reduced an award when plaintiff’s agent delayed eight months in answering inquiries as to whether certain material was actually copyrighted.

**How Many “Works”?**

Under the Act, statutory damages are awarded per work infringed. In other words, the relevant unit is not the number of infringements, but rather the number of copyrighted works that have been infringed by the defendant. The rule seems simple enough, but several issues have vexed the courts. One such issue relates to so-called compilations, which are collections of independently copyrightable works. In many cases, a copyright owner will register his independently copyrightable works as a compilation—sometimes in

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order to save the cost of independently registering each work. This can have a significant effect on the amount of damages affordable in the event of infringement, since the prevailing view is that all parts of a compilation constitute a single work for purposes of awarding statutory damages.75

Notwithstanding the foregoing limitation, the practitioner should be aware that the opposite is not true. In other words, where the infringer has used separate works to create a compilation, the copyright owner is still entitled to statutory damages for each work infringed, regardless of the fact that the infringer used them in a single “compilation.”76

Where to from Here?
As set forth above, debate over the appropriate assessment of statutory damages has elevated to the point that at least one court is now “improving” Congress to amend the Act.77 Other courts are taking matters into their own hands. In January 2010, a court remitted damages in what may be the first decision of its kind.78 Meanwhile, constitutional challenges to the current statutory damages scheme are pending in at least two district courts.79 Whether these clarion calls will prompt statutory revision or a change in established jurisprudence remains to be seen. Until then, the factors set forth in the last half of this article are essentially the only guidance we have.

Endnotes
1. 17 U.S.C. § 504(c).
3. Liability had already been established against Feltner on Columbia’s motion for pare

5. Liability had already been established against Feltner on Columbia’s motion for pare

6. [hereinafter Nimmer].
8. See, e.g., Paltrow v. News Corp., Inc., 909 F.2d 1342, 1345 (9th Cir. 1990); see also Columbia Pictures Television, Inc. v. Krypton Broadcast of Birmingham, Inc., 259 F.3d 1186, 1194 (9th Cir. 2001); Nintendo of Am., Inc. v. Dragon Pac. Int’I, 401 F.3d 1007, 1010 (9th Cir. 1994).
11. Id. at *3; Gonzalez, 2005 WL 106592, at *1.
15. See, e.g., SESAC, Inc. v. WPIN, Inc., 327 F. Supp. 2d 531, 532 (W.D. Pa. 2003) (“To the extent that the courts in the cases cited by defendants found that the deterrent effect should be relative to the cost of the license, we disagree.”); Lowry’s Reports, Inc. v. Legg Mason, Inc., 302 F. Supp. 2d 455, 460–61 (D. Md. 2004) (finding that the district court did not err by declining to instruct the jury that statutory damages should bear a reasonable relationship to actual damages); New Form, Inc. v. Tekila Films, Inc., 2009 WL 4876791, at *1 (9th Cir. Nov. 12, 2009) (“There is no required nexus between actual and statutory damages under 17 U.S.C. § 504(d) – [defendant’s] excessive-verdict claim turns on the incorrect premise that statutory damages must be tethered to actual damages. Because there is no such requirement, the jury’s verdict cannot be deemed excessive on that basis.”).
(predicating plaintiff’s lost profits on “typical” royalties and fixing fees he might otherwise have received).

48. See Branch v. Ogilvy & Mather, Inc., 772 F. Supp. 1359, 1365 (S.D.N.Y. 1991) (determining that $27,000 was the “fair market value” of plaintiff’s labor related to infringed illustrations).

49. See Cream Records, Inc. v. Jos. Schlitz Brewing Co., 754 F.2d 826 (9th Cir. 1985) (holding that the defendant’s unauthorized use of plaintiff’s song in a commercial had diminished the plaintiff’s ability to license the work for other commercials, and thus diminished the licensing value of the work itself).

50. See supra note 12.

51. See Nimmer, supra note 5, § 14.04[E][1][a].

52. See supra note 15.


54. Id.

55. Although “apportionment” of profits to reflect factors other than the copyrighted work is allowed in the determination of profits under 17 U.S.C. § 504(b), such apportionment is not allowed when plaintiff elects statutory damages under § 504(c).

56. 17 U.S.C. § 504(c)(2); s

57. See supra note 5, § 14.04[E][1][a].


59. See Golden Torch Music Corp. v. Pier IIS Cafe, Inc., 684 F. Supp. 772, 774 (D. Conn. 1988) (awarding $9,000 in statutory damages where licensing fees would have been $1,490); Broad. Music, Inc. v. R Bar of Manhattan, Inc., 919 F. Supp. 656, 660 (S.D.N.Y. 1996) (surveying cases, and awarding $12,000 in statutory damages where licensing fees would have been $2,245); Broad. Music, Inc. v. Melody Fair Enter., Inc., 1990 WL 28,4743, at *4 (W.D.N.Y. July 31, 1990) (awarding $70,000 in statutory damages where licensing fees would have been about $1,700).


62. Schiffer Publ’g, 2005 WL 67077, at *5.


66. Video Views, 925 F.2d at 1021.


68. 17 U.S.C. § 504(c)(2).


73. 17 U.S.C. § 504(c)(1); see also H.R. Rep. No. 94-1476, 2d Sess. at 162 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5778 (“Where the suit involves infringement of more than one separate and independent work, minimum statutory damages for each work must be awarded.” (emphasis added)).


75. See UMG Recordings, Inc. v. Tenenbaum, 744 F. Supp. 2d 812, 865 (M.D. Tenn. 2006); Teevee Toons, Inc. v. MP3.com, Inc., 134 F. Supp. 2d 546, 548 (S.D.N.Y. 2001); Xoom, Inc. v. Imageline, Inc., 323 F.3d 279, 285 (4th Cir. 2003) (citing Gamma Audio & Video, Inc. v. Eau-Cha, 11 F.3d 1106, 1117 (1st Cir. 1993) (holding that where multiple works were registered together on one form, but were not identified as a “compilation,” separate awards for each work could be granted); see also Costar Group Inc. v. Loopnet, Inc., 164 F. Supp. 2d 688, 709–12 (D. Md. 2001), aff’d, 373 F.3d 544 (4th Cir. 2004) (noting that the critical factor in deciding whether one or multiple awards of statutory damages should be awarded is whether registration is of “multiple works on a single form” or of a “compilation”).

76. See WB Music Corp. v. RTV Communic’n Group, Inc., 445 F.3d 538, 539 (2d Cir. 2006).


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