

STATUTORY DAMAGES IN COPYRIGHT LAW: A REMEDY IN
NEED OF REFORM

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INTRODUCTION

The United States is an outlier in the global copyright community in giving plaintiffs in copyright cases the ability to elect, at any time before final judgment, to receive an award of statutory damages, which can be granted in any amount between \$750 and \$150,000 per infringed work.¹ U.S. copyright law provides scant guidance about where in that range awards should be made, other than to say that the award should be in an amount the court “considers just,”² and that the upper end of the spectrum—from \$30,000 to \$150,000 per infringed work—is reserved for “willful” infringers.³ Although Congress intended this designation to apply only in “exceptional cases,”⁴ courts have interpreted willfulness so broadly that those who merely should have known their conduct was infringing are often treated as willful infringers.⁵

One might have expected courts to develop a jurisprudence to guide them in accomplishing the largely compensatory goal that has historically underlain the U.S. statutory damage remedy⁶ or to formulate meaningful criteria for awarding enhanced damages in willful infringement cases. Unfortunately, this has not yet happened. Awards of statutory damages are frequently arbitrary, inconsistent, unprincipled, and sometimes grossly excessive.⁷

1. 17 U.S.C. § 504(c) (2006). Statutory damages can, however, be reduced if the defendant can prove he was an “innocent” infringer. *Id.* In practice, however, this virtually never happens. See *infra* Parts I.B, II.B. To qualify for an award of statutory damages, a copyright owner must have registered his or her work with the U.S. Copyright Office within three months of publication. 17 U.S.C. § 412 (2006); see also 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 14.04[D] (2008). A separate article shows that few other countries have statutory damages regimes for copyright law, and the U.S. is unique in its approach to statutory damages. See Tara Wheatland, Copyright Statutory Damages: A Rarity in the International Arena (Apr. 6, 2009) (unpublished manuscript, on file with authors).

2. 17 U.S.C. § 504(c) (2006).

3. *Id.*

4. See S. REP. NO. 94-473, at 144-45 (1975) (stating that enhanced damages should be available in “exceptional cases”); H.R. REP. NO. 94-1476, at 162 (1975) (same).

5. See, e.g., *Island Software & Computer Serv., Inc. v. Microsoft Corp.*, 413 F.3d 257, 264 (2d Cir. 2005) (noting that constructive knowledge suffices to show willfulness).

6. Part I.A discusses the historical role of statutory damages in compensating copyright owners for infringement when damages are difficult to prove.

7. Part II.C presents numerous examples of arbitrary, inconsistent, and excessive statutory damage awards.

Consider a few examples. In *UMG Recordings, Inc. v. MP3.com, Inc.*, a trial court held that the defendant had willfully infringed copyrights by developing a database of music “ripped” from CDs the firm had purchased, after which the judge announced his intent to award statutory damages of \$25,000 per infringed CD.⁸ Approximately 4,700 CDs were at issue in the case, for a potential total award of over \$118 million—despite the absence of *any* evidence of actual harm to the plaintiffs or profits to the defendant.⁹ In another case, Elvin Feltner was initially held liable as a willful infringer for his station’s unauthorized broadcast of television programs for which a court awarded the copyright owner statutory damages of \$20,000 per work, for a total award of \$8.8 million.¹⁰ On appeal, Feltner argued that he had a right to a jury trial on the issue of statutory damages, and the Supreme Court agreed with him.¹¹ On remand, Feltner got his jury trial, but the jury handed down an even larger statutory damage award of \$72,000 per work for exactly the same acts of infringement, resulting in a total award of over \$31 million.¹² In a recent peer-to-peer (p2p) filesharing case, *Capitol Records v. Thomas-Rasset*, a jury awarded \$80,000 per infringed song against an individual file-sharer, for a total award

8. No. 00 Civ. 472 (JSR), 2000 WL 1262568, at *1, *6 (S.D.N.Y. Sept. 6, 2000).

9. We are not alone in our judgment that the award in the *MP3.com* case was grossly excessive. *See, e.g.*, NIMMER & NIMMER, *supra* note 1, at § 14.04[E][1] at 14-96 (“Absent any nexus between damage to plaintiff and benefit to defendant at any magnitude even roughly comparable to that awarded, the result is to introduce randomness or worse into the litigation calculus.”); WILLIAM F. PATRY, 6 PATRY ON COPYRIGHT § 22:181, at 22-434 (2009) [hereinafter PATRY, PATRY ON COPYRIGHT] (stating that award in *MP3.com* was “hardly necessary as a deterrent for a defendant who had not made a penny in profits off its use, and where plaintiff had conceded that it could not prove any actual damages” and inconsistent with the Supreme Court’s due process jurisprudence on punitive awards). *MP3.com* eventually reached a settlement agreement with UMG, and the court entered judgment in the amount of \$53.4 million. *See* Amy Harmon, *Deal Settles Suit Against MP3.com*, N.Y. TIMES, Nov. 15, 2000, at C1; *see also infra* notes 95-98 and accompanying text for further discussion of the award in the *MP3.com* case.

10. *Columbia Pictures Television, Inc. v. Krypton Broad. of Birmingham, Inc.*, 106 F.3d 284, 288 (9th Cir. 1997), *rev’d sub nom.* *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998).

11. *Feltner*, 523 U.S. at 342-45.

12. *Columbia Pictures Television, Inc. v. Krypton Broad., Inc.*, 259 F.3d 1186, 1189 (9th Cir. 2001). Patry has also criticized the ultimate statutory damage award against *Feltner*. PATRY, PATRY ON COPYRIGHT, *supra* note 9, § 22:190, at 22-451 to 22-452.

of over \$1.92 million,¹³ despite the trial judge's recognition that actual damages were approximately \$50.¹⁴

In the modern world in which the average person in her day-to-day life interacts with many copyrighted works in a way that may implicate copyright law, the dangers posed by the lack of meaningful constraints on statutory damage awards are acute.¹⁵ Even a defendant who presents a plausible fair use defense at trial may find itself subject to large statutory damage awards.¹⁶ Statutory damage awards are particularly likely to be grossly excessive when compared with actual damages in class action suits, or secondary liability cases such as those against technology developers, where the number of works potentially infringed is likely to be large.¹⁷ In such cases, the potential chilling effect on individuals and technology providers alike is significant.¹⁸

13. Nate Anderson, *Thomas Verdict: Willful Infringement, \$1.92 Million Penalty*, ARSTECHNICA, June 18, 2009, <http://arstechnica.com/tech-policy/news/2009/06/jammie-thomas-retrial-verdict.ars>.

14. 579 F. Supp. 2d 1210, 1213, 1227 (D. Minn. 2008) ("Thomas allegedly infringed on the copyrights of 24 songs—the equivalent of approximately three CDs, costing less than \$54."). The trial judge vacated an earlier judgment resulting in a statutory damage award of \$220,000, in part out of concern that Congress may not have intended this sort of result. *Id.* at 1227; see also J. Cam Barker, Note, *Grossly Excessive Penalties in the Battle Against Illegal File-Sharing: The Troubling Effects of Aggregating Minimum Statutory Damages for Copyright Infringement*, 83 TEX. L. REV. 525, 525-26 (2004). Some jurors in the first *Thomas* trial reportedly wanted to award \$750 per infringed song, while others argued for \$150,000 per song; they seemingly compromised on \$9,250 per song. Posting of David Kravets to Threat Level, <http://www.wired.com/threatlevel/2007/10/riaa-juror-we-w/> (Oct. 9, 2007, 11:17 EST). Although the \$220,000 initial award represented a very high multiple over actual damages, the second *Thomas* trial resulted in an even higher award of \$80,000 per infringed song. See Anderson, *supra* note 13. Even more recently, a jury returned a verdict against another file-sharer at \$22,500 per infringed song, for a total award of \$675,000. See Ben Sheffner, *Oy Tenenbaum! RIAA Wins \$675,000, or \$22,500 Per Song*, ARSTECHNICA, July 31, 2009, <http://arstechnica.com/tech-policy/news/2009/07/o-tenenbaum-riaa-wins-675000-or-22500-per-song.ars>.

15. See, e.g., John Tehranian, *Infringement Nation: Copyright Reform and the Law/Norm Gap*, 2007 UTAH L. REV. 537, 543-48 (2007) (giving examples of ordinary acts of an ordinary person in an ordinary day that might, under some interpretations of copyright law, be deemed infringing and result in daily liability exposure of \$12.45 million per day or \$4.54 billion annually, even without engaging in any p2p filesharing).

16. See, e.g., *L.A. Times v. Free Republic*, No. 98-7840 MMM AJWX, 2000 WL 1863566 (C.D. Cal. Nov. 16, 2000) (holding defendant liable for \$1 million statutory damage award).

17. See, e.g., Stephanie Berg, *Remedying the Statutory Damages Remedy for Secondary Copyright Infringement Liability: Balancing Copyright and Innovation in the Digital Age*, 56 J. COPYRIGHT SOC'Y U.S.A. 265, 268 (2009).

18. *Id.* at 316-24.

Part I reviews the historical purposes of statutory damages for copyright infringement and demonstrates that Congress intended for statutory damages to be mainly compensatory in nature. Abjuring the prior law's "per sheet penalty" remedy for infringement that had melded together penal, deterrent, and compensatory functions,¹⁹ Congress in the Copyright Act of 1909 separated these functions by creating a new criminal provision to punish infringements that were both willful and for profit, and by developing a nonpenal statutory damage regime to provide compensation when damages were difficult to prove and a range within which awards could be made to deter infringement.²⁰ In 1976, Congress made anew the unfortunate mistake of melding together compensatory and penal functions in the tripartite structure it established for

19. Although some courts, commentators, and litigators refer to these early per sheet penalties as "statutory damages" and describe them as direct predecessors to the current statutory damage provision, we think they are distinguishable. *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 349-51 (1998); United States of America's Memorandum in Defense of the Constitutionality of the Statutory Damages Provision of the Copyright Act, 17 U.S.C. § 504(c), at 3; *Thomas*, 579 F. Supp. 2d 1210 (No. 06-CV-1497); Berg, *supra* note 17, at 274-76. While U.S. copyright law has provided a statutorily-set monetary remedy since 1790, the per sheet remedy first established in 1790 (and modeled on a similar provision in the Statute of Anne, 1710) had a fundamentally different character than the statutory damage regimes of the twentieth century. Under the Statute of Anne, the per sheet penalty was available to anyone who brought a lawsuit under the copyright law, not just the owner of the copyright in the infringed work. Under the 1790 Act, the per sheet remedy was explicitly penal in nature, although it could be awarded in a civil case. This penalty was fixed in one set amount without any regard to the actual damage incurred or the justice of that award as applied in a particular case. Additionally, a successful plaintiff received half of the per sheet penalty award; the other half went into the U.S. Treasury. Copyright Act of May 31, 1790, ch. 15, § 2, 1 Stat. 124 (1790) (repealed 1802). And finally, when the per sheet penalty carried over to subsequent enactments of the copyright laws, it carried a two-year statute of limitations that did not apply to awards of actual damages or disgorgement of the defendant's profits. See Copyright Act of 1870, ch. 230, § 100, 16 Stat. 198, 214 (penalty for engravings), § 104, 16 Stat. 198, 215; *Patterson v. J.S. Ogilvie Pub. Co.*, 119 F. 451, 453 (C.C.S.D.N.Y. 1902); cf. Tomás Gómez-Arostegui, *What History Teaches Us About Copyright Injunctions and the Inadequate-Remedy-at-Law Requirement*, 81 SO. CAL. L. REV. 1197, 1267-77 (2008) (discussing penalties and damages in English common law courts before 1800). Because of the quasi-criminal nature of the per sheet penalty, courts tended to construe the provision quite strictly. See, e.g., *Rogers v. Jewett*, 20 F. Cas. 1114, 1115 (C.C.D. Mass. 1858) (refusing to award a per sheet penalty because the defendant had copied part of the plaintiff's book, not the whole of it, saying that any other construction of the statute "would hardly consist [sic] with that principle that requires penal laws to be construed strictly").

20. See Copyright Act of 1909, § 25, 35 Stat. 1075, 1081-82 (damage recovery provision), § 28 (criminal provision), 35 Stat. 1075, 1082 (current version at 17 U.S.C. § 504(c) (2006)); see also Part I.A (further explaining this change).

statutory damage awards under the Copyright Act of 1976: very modest damages for the exceptional cases of innocent infringement, a rather broad range of damages for ordinary infringement, and enhanced levels of damages for the exceptional cases of willful infringement. This tripartite structure has not been respected in the case law. The application of statutory damages has too often strayed from the largely compensatory impulse underlying statutory damages for the first two categories, and has focused too heavily on deterrence and punishment by holding many ordinary infringements to be willful, which has resulted in many awards that are punitive in effect and often in intent.

Part II explains the implications of the Supreme Court's jurisprudence dealing with due process limits on punitive damage awards for statutory damage awards in copyright cases.²¹ This Part gives numerous examples of cases in which copyright statutory damage awards are consistent with principles of due process; yet, there are also many cases in which such awards are inconsistent with the tripartite structure of the statutory damage regime and/or with due process principles.

Part III shows that it is possible, working within the current legal framework, to develop guidelines to ensure that statutory damage awards are properly tailored to achieving the remedy's goals. Drawing upon cases in which statutory damage awards have been consistent with the tripartite structure of § 504(c) and the Supreme Court's due process jurisprudence, Part III articulates principles upon which a sound jurisprudence for copyright statutory damage awards could be built. This Part also considers whether legislative reform of U.S. statutory damage rules might be desirable.

21. See, e.g., *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408 (2003); *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559 (1996). We are not the only commentators to raise due process concerns about statutory damages in copyright cases. See, e.g., Blaine Evanson, *Due Process in Statutory Damages*, 3 GEO. J.L. & PUB. POL'Y 601, 628-37 (2005) (arguing that the due process case law applies to statutory damage awards and giving copyright statutory damage examples); Barker, *supra* note 14, at 542-54 (expressing due process concerns about statutory damage awards in p2p filesharing cases).

I. THE EVOLUTION OF STATUTORY DAMAGES IN U.S. COPYRIGHT LAW

Statutory damages in U.S. copyright law have historically been intended to ensure that copyright owners could obtain at least some measure of compensation when it was difficult to prove how much damage they had suffered as a result of the defendants' infringements.²² Although Congress made some effort to cabin statutory damage awards to avoid excessiveness in the Copyright Act of 1976, the presence of the enhanced damage provision available for willful infringements has led to an increasing number of awards that are not only punitive in effect, but punitive in intent. This trend is inconsistent with sound copyright policy and with Congress's intent in adopting this provision.

A. Statutory Damages Under the 1909 Act

Some historical context is useful to understand the purposes of the statutory damage regime established in the 1909 Act.²³ During

22. The legislative history of the 1909 Act contains numerous expressions of concern about the difficulties of proving actual damages or defendant's profits as a rationale for the adoption of a statutory damage provision. *See, e.g.*, STENOGRAPHIC REPORT OF THE PROCEEDINGS AT THE THIRD SESSION OF THE CONFERENCE ON COPYRIGHT (Mar. 13-16, 1906), reprinted in 3 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT pt. E, at 227-35 (E. Fulton Brylawski & Abe Goldman eds., 1976); *see also* Berg, *supra* note 17, at 279 ("These discussions [in the 1909 Act legislative history] show that statutory damages were meant to be compensatory to ensure that copyright owners would receive some award in the absence of proof of actual damages but not punitive in nature."). There are a number of factors that may contribute to difficulties of proof in copyright cases. The plaintiff may not be operating in the market in which the defendant is exploiting her work; the defendant may not have kept good records about its sales; it may be too expensive to prove damages with particularity in relation to the amount that could be recovered. *See generally* H. COMM. ON THE JUDICIARY, 87TH CONG., REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 102-03 (Comm. Print 1961), reprinted in 3 OMNIBUS COPYRIGHT REVISION LEGISLATIVE HISTORY (George S. Grossman ed., 1976) [hereinafter REPORT OF THE REGISTER OF COPYRIGHTS].

23. The 1909 Act was not the first U.S. copyright statute to have a statutory damage provision distinct from the per sheet penalty discussed *supra* note 19, although it *was* the first federal law which made such a remedy available for infringement of all copyrighted works. In preconstitutional days, a number of the U.S. colonies included range-based statutory damages provisions in their copyright laws. *See* William F. Patry, *The Right to a Jury Trial in Copyright Cases*, 29 J. COPYRIGHT SOC'Y U.S.A. 139, 150 (1981) [hereinafter

the late eighteenth and throughout the nineteenth centuries, U.S. law allowed copyright owners to be awarded a statutorily set penalty of 50¢, later increased to \$1, per infringing sheet found in the defendant's possession.²⁴ For several decades, the per sheet penalty was the only monetary remedy that could be obtained from common law courts, although later amendments generally enabled copyright owners to recover actual damages in common law courts,²⁵ or if the suit was brought in equity, an accounting of the defendant's profits along with injunctive relief.²⁶

The legislative history of the Copyright Act of 1909 is replete with expressions of dissatisfaction with the per sheet remedy.²⁷ This dissatisfaction was due in part to the penal character of this remedy which caused courts to construe it narrowly,²⁸ and in part

Patry, *Right to a Jury Trial*]. In 1856, Congress amended the copyright law to allow copyright owners to recover not less than \$100 for the first, nor less than \$50 for subsequent, unauthorized public performances of dramatic compositions. Act of Aug. 18, 1856, ch. 169, 11 Stat. 138 (1856). Further adoptions of specific statutory damage provisions followed in 1870 and 1895, but it was not until the 1909 Act that a comprehensive revision and replacement of the per sheet penalty was accomplished. See Berg, *supra* note 17, at 276-77.

24. See Berg, *supra* note 17, at 275-76 (relating this history). U.S. lawmakers borrowed the concept of the per sheet penalty for infringement from the British Statute of Anne of 1710. *Id.* at 273-74, n. 27. The Statute of Anne, in turn, borrowed this concept from the Stationers Company's regulations of its member firms. See Walter L. Pforzheimer, *Copyright Reform and the Duffy Bill*, 47 YALE L.J. 433, 436-37 (1938). See *supra* note 19 for a discussion about why we do not consider the per sheet penalty to be analogous to the statutory damage provisions in the 1909 or 1976 Acts.

25. *But see* Globe Newspaper Co. v. Walker, 210 U.S. 356, 367 (1908) (holding that recovery for infringement of a map was limited to a per sheet penalty award forfeiture of plates, and the right to proceed by injunction).

26. For a concise review of the damage provisions of U.S. copyright law prior to 1976, see WILLIAM S. STRAUSS, COPYRIGHT OFFICE STUDY NO. 22: THE DAMAGE PROVISIONS OF THE COPYRIGHT LAW (1956), reprinted in 2 OMNIBUS COPYRIGHT REVISION LEGISLATIVE HISTORY, at ix-13 (George S. Grossman ed., 2001). The law/equity distinction and its implications for the award of monetary relief in copyright cases before the 1909 Act are explained in Patry, *Right to a Jury Trial*, *supra* note 23, at 174; see also Gómez-Arostegui, *supra* note 19, at 1233, discussing similar topics with respect to pre-1800 English common law.

27. See, e.g., STENOGRAPHIC REPORT OF THE PROCEEDINGS OF THE SECOND SESSION OF THE CONFERENCE ON COPYRIGHT (Nov. 1-4, 1905), reprinted in 2 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT pt. D, at 243 (E. Fulton Brylawski & Abe Goldman eds., 1976) ("[I]n some cases, although you can prove that an offender has had 100,000 copies of a work and has disposed of every copy, ... you have no recovery for those copies disposed of yesterday.").

28. Because of the quasi-criminal nature of the per sheet penalty, courts had, for instance, construed what constituted "a sheet" and copies "in possession of the defendant" narrowly. See, e.g., Bolles v. Outing, 175 U.S. 262 (1899) (only copies in the actual possession of the defendant counted); Backus v. Gould, 48 U.S. 798 (1849) (narrowly construing "in

to the rigidity of rules about which remedies for infringement were available at law or in equity.²⁹

Perhaps the most important remedial reform introduced in the 1909 Act was the new law's authorization for one civil lawsuit to be brought in which actual damages and the defendant's profits (or the "in lieu" damages to be discussed shortly) could be awarded, as well as forfeiture of infringing copies and an injunction against future infringements.

A second important reform was the elimination of the per sheet penalty, whose previously penal functions were now served by a criminal provision for willful infringements for profit,³⁰ and whose compensatory and deterrent functions were taken on by the availability of monetary relief for actual damages (for example, lost license fees) and defendant's profits attributable to infringement.³¹

A third important reform was the creation of a new generalized regime of statutory damages, available "in lieu" of actual damages and profits, which could overcome the severe difficulties of proof of damages and profits about which participants in the legislative history had so vigorously complained.³²

Section 101(b) directed the courts to make such awards in an amount that was "just," but it also set a range within which statutory damage awards should be made: no less than \$250 and up to \$5,000 per infringement.³³ To aid judges in determining the

possession"); *Falk v. Heffron*, 56 F. 299 (C.C.E.D.N.Y. 1893) (limiting penalty award to "sheets" from which many copies had been printed); *Taft v. Stephens Lithographing & Engraving Co.*, 38 F. 28 (C.C.E.D. Mo. 1889) (narrowly construing "sheet").

29. STENOGRAPHIC REPORT OF THE PROCEEDINGS OF THE SECOND SESSION OF THE CONFERENCE ON COPYRIGHT, *supra* note 27, at 243-44, 257 (complaining about the need to bring multiple suits to get effective relief in copyright cases). Moreover, sometimes recovery at law was limited to the per sheet penalty. *See, e.g., Globe Newspaper Co.*, 210 U.S. at 367.

30. Copyright Act of 1909, § 28, 35 Stat. 1075, 1082 (1909) (current version at 17 U.S.C. § 504(c) (2006)).

31. *Id.* § 25, 35 Stat. at 1081-82.

32. 17 U.S.C. § 101(b) (1976) (superseded).

33. The \$5,000 cap could, however, be lifted if the defendant continued to infringe after receiving actual notice that the copyright owner regarded its acts as infringing. *Id.*; *see also* NIMMER & NIMMER, *supra* note 1, § 14.04[F][2], at 14-121 to 14-124. What constituted a single "infringement" for purposes of § 101(b) was the subject of significant debate. STRAUSS, *supra* note 26, at 7. It was partly this difficulty and the potential for excessive awards on a "per infringement" basis that caused Congress to shift to a "per work" model of awarding statutory damages under the 1976 Act. *See infra* Part I.B.

appropriate amount of compensatory statutory damages within this range, § 101(b) suggested specific amounts for common types of infringements (for example, \$10 for every infringing copy of a painting, statue, or sculpture; \$1 per infringing copy of other works; \$50 for every infringing performance of a lecture, sermon, or address; \$10 for every infringing performance of a musical composition, and so on).³⁴ Newspapers and motion picture studios persuaded Congress to cap their potential liability for unwitting infringements.³⁵ Section 101(b) also explicitly stated that statutory damages “shall not be regarded as a penalty.”³⁶

Cases interpreting this new provision articulated its purpose as granting fair compensation to copyright owners when “the rules of law render difficult or impossible proof of damages or discovery of profits.”³⁷ In keeping with this purpose, some courts refused to order defendants to pay statutory damages when actual damages or profits could be proven.³⁸ Indeed, the Supreme Court held that the 1909 Act’s statutory damage provision was inapplicable when damages and profits were proven.³⁹ If a successful plaintiff had

34. 17 U.S.C. § 101(b) (1976) (superseded). These “yardsticks,” as they were often called, were intended merely as a guide and were not mandatory on the courts. *See* NIMMER & NIMMER, *supra* note 1, § 14.04[F][3].

35. Unwitting infringements of photographs in newspapers could give rise to statutory damages between \$50 and \$200; statutory damage awards for infringement of undramatized or nondramatic works in motion pictures were capped at \$100. 17 U.S.C. § 101(b) (1976) (superseded).

36. *Id.* This language was mainly intended to distinguish the 1909 Act’s statutory damage rule from the per sheet penalty, and in particular, to ensure that the strict rules of construction that attended penalties at common law would not be used in the new regime. *See* LEON H. AMDUR, COPYRIGHT LAW AND PRACTICE § 29, at 1157-58 (1936); R.R. BOWKER, COPYRIGHT, ITS HISTORY AND ITS LAW 265-66, 271-72 (1912); ARTHUR W. WEIL, AMERICAN COPYRIGHT LAW § 1267, at 477 (1917). But the legislative history of the 1909 Act also shows there was considerable concern expressed about the potential risk that statutory damage awards could be excessive and punitive. *See, e.g.,* Berg, *supra* note 17, at 278-87.

37. *See, e.g.,* Douglas v. Cunningham, 294 U.S. 207, 209 (1935); *see also* NIMMER & NIMMER, *supra* note 1, § 14.04[F][1][A]. Under prior law, strict rules requiring precise proof of damages and profits had sometimes resulted in undercompensating copyright owners and insufficient deterrence of infringement. *See, e.g.,* Douglas, 294 U.S. at 209.

38. *See, e.g.,* Zeigelheim v. Flohr, 119 F. Supp. 324, 329 (E.D.N.Y. 1954) (awarding the plaintiff \$1,700 in actual damages and profits rather than statutory damages, which would have amounted to \$4,100).

39. Sheldon v. Metro-Goldwyn Pictures Corp., 309 U.S. 390, 399-401 (1940); *see also* Universal Pictures Co. v. Harold Lloyd Corp., 162 F.2d 354, 378 (9th Cir. 1947) (rejecting defendant’s argument that statutory damages should be awarded because actual damages

suffered only nominal or no damage, the minimum of \$250 might be awarded, but no more, in keeping with the policy that statutory damages should not be a penalty.⁴⁰ Courts sometimes also refused to impose any statutory damages when the evidence showed no harm to the copyright owner and no profits to the infringer.⁴¹ In keeping with the no-penalty rule, appellate courts sometimes reduced large statutory damage awards to the minimum in close, although ultimately unsuccessful, fair use cases.⁴² Occasionally, appellate courts reduced statutory damage awards that were excessive in relation to approximate damages or profits.⁴³

We base our conclusion that statutory damages under the 1909 Act were mainly compensatory in purpose on several factors. First, the structure of § 101(b) identifies actual damages and defendant's profits as the primary remedies for infringement, and statutory damages as an "in lieu" remedy. Second, the legislative history of the 1909 Act, as well as the case law interpreting it, view the primary impetus for adopting statutory damages as providing some relief when damages and/or profits are difficult to prove. Third, in addition to providing a range within which statutory damage awards should be made and setting a cap to prevent excessive awards, § 101(b) proffered guidelines for what Congress considered to be reasonable damages for various types of works. Fourth, the case law interpreting the 1909 Act's statutory damage provision

were too conjectural). However, courts sometimes awarded statutory damages under the 1909 Act without requiring plaintiffs to try to prove actual damages or profits. *See* STRAUSS, *supra* note 26, at 8-9. And in some cases, courts awarded statutory damages when defendant's profits were proven but there was uncertainty as to the plaintiff's lost profits. *See, e.g., F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 234 (1952).

40. *See, e.g., Russell & Stoll Co. v. Oceanic Elec. Supply Co.*, 80 F.2d 864, 865 (2d Cir. 1936).

41. *See, e.g., Wash. Pub. Co. v. Pearson*, 140 F.2d 465, 466 (D.C. Cir. 1942). Courts also tended to award minimum statutory damages when there was no deliberate intent to infringe. *See* STRAUSS, *supra* note 26, at 12-13 (citing and discussing cases).

42. *See, e.g., MCA, Inc. v. Wilson*, 677 F.2d 180, 182 (2d Cir. 1981) (holding that the live performance of a raunchy version of a popular song infringed copyright).

43. *See, e.g., Turner & Dahnken v. Crowley*, 252 F. 749, 754 (9th Cir. 1918) (reducing \$7,000 statutory damage award to \$560, which the court estimated was the defendant's profit from infringement). In cases such as *Turner*, when application of the minimum per-copy statutory damage for a work of that kind would produce "exorbitant statutory damages in comparison with actual damages and would, in fact, amount to a penalty, the courts, as permitted by section 101(b), exercise their discretion in arriving at an equitable result." STRAUSS, *supra* note 26, at 11.

generally focused on its compensatory function and respected the “no penalty” direction. This is not to say that statutory damage awards under the 1909 Act lacked deterrent purposes and functions. By setting a floor of \$250 and giving courts discretion to award up to \$5,000, Congress surely intended to deter infringement, but the compensatory impulse was most evident in the law as applied.

B. Statutory Damages Under the 1976 Act

In the early 1950s, Congress commenced considering a substantial revision of U.S. copyright law.⁴⁴ The Register of Copyrights identified the 1909 Act’s statutory damage provision as among the provisions in need of significant reform.⁴⁵

Section 504(c), which codified the new statutory damage provision of the 1976 Act, is similar in some important respects to its cousin in the 1909 Act. Under both laws, statutory damages are available only “in lieu” of awards of actual damages and the defendant’s profits; a successful plaintiff could, in other words, get statutory damages *or* actual damages and defendant’s profits but not all three.⁴⁶ Both laws also set a range of minimum and maximum amounts for such awards, as well as directing courts to choose a statutory damage award within the range that would be “just.”⁴⁷ Congress made several changes in the new statutory damage regime that were intended to curb the potential for excessively large awards and strengthen the compensatory purposes of such awards;

44. Congress began this process by authorizing and providing funding for the Copyright Office to commission a set of studies about various aspects of U.S. copyright law, including one on damages. See STRAUSS, *supra* note 26, at 8-9.

45. See REPORT OF THE REGISTER OF COPYRIGHTS, *supra* note 22, at 103-06. The Report recommended that a revised statutory damage regime not adopt a schedule of specific amounts of statutory damages for particular kinds of works akin to that in § 101(b), that the high end of the statutory damage range be increased, and that provision be made for lesser awards against innocent infringers. *Id.* The Patry treatise gives a synopsis of the stages through which the revision of the statutory damages rules passed before the 1976 Act was adopted. PATRY, PATRY ON COPYRIGHT, *supra* note 9, §§ 22:154 to 22:162, 22:386 to 22:402.

46. Courts have occasionally made mistakes and granted all three types of awards. See, e.g., *Roy Exp. Co. v. CBS, Inc.*, 503 F. Supp. 1137 (S.D.N.Y. 1980), *aff’d*, 672 F.2d 1095 (2d Cir. 1982) (awarding \$5,000 in statutory damages as well as \$7,280 in actual damages for broadcaster’s use of clips in connection with news story about Charlie Chaplin).

47. 17 U.S.C. § 504(c)(2) (2006).

yet, it also created a new higher range for statutory damages that could be awarded against willful infringers, which unfortunately opened up opportunities for excessive awards far beyond congressional intent.⁴⁸

1. Respects in Which Congress Limited Statutory Damage

In at least five respects, the statutory damage provision of the 1976 Act reflects congressional efforts to cabin or narrow possible excesses in the awarding of statutory damages. First, § 504(c) allows courts to award statutory damages below the ordinary minimum in cases of innocent infringement—that is, when the defendant reasonably believed that his acts were noninfringing.⁴⁹ Second, § 504(c) allows courts to remit statutory damages entirely for nonprofit educational users or public broadcasters who had reason to believe their uses were noninfringing.⁵⁰ Third, the 1976 Act limits the availability of statutory damage awards to those who register their claims of copyright within three months of publication.⁵¹ This requirement caused statutory damages to take on a new purpose in U.S. copyright law, namely to induce prompt registration.⁵² No matter how difficult it may be to prove actual damages

48. *Id.*

49. *Id.* The 1909 Act had authorized lower minimum awards for innocent infringement in some specific contexts, but lacked a general lower bound for innocent infringers. The Register's Report in 1961 recommended a general provision that would have given courts discretion to lower statutory damage awards against innocent infringers. REPORT OF THE REGISTER OF COPYRIGHTS, *supra* note 22, at 104. The 1976 Act allowed the \$250 minimum statutory damage award to be reduced to \$100 for innocent infringement. Subsequent amendments increased the ordinary infringement minimum to \$750 and the innocent infringement minimum to \$200. To qualify for this lower award, a defendant must prove that "he was not aware and had no reason to believe that his acts constituted an infringement of copyright." NIMMER & NIMMER, *supra* note 1, § 14.04[B][2]. As Part II.B shows, this innocent infringement provision of the 1976 Act is virtually never used.

50. 17 U.S.C. § 504(c)(2) (2006). We found no evidence that this provision has ever been utilized in a litigated case.

51. *Id.* § 412 (requiring registration within three months of publication to qualify for awards of statutory damages and attorney fees). This requirement does not apply, however, to lawsuits aimed at enforcing the moral rights provisions of 17 U.S.C. § 106A. There is also a special provision as to works unpublished prior to the infringement. *Id.* § 412.

52. *See, e.g.,* Blanch v. Koons, 329 F. Supp. 2d 568, 570 n.1 (S.D.N.Y. 2004) ("If punitive damages [were] available to a plaintiff who did not timely register [his] work, the statutory purpose of encouraging copyright registration [would be] frustrated.").

or a defendant's profits attributable to infringement, and no matter how egregious the acts of infringement, late-registering copyright owners under the 1976 Act qualify for only these remedies. Fourth, § 504(c) provides that infringement of a compilation of independently copyrighted works (for example, an edited book consisting of chapters written by many authors) should be treated as a single copyrighted work for purposes of statutory damages.⁵³

The most significant respect in which Congress sought to narrow statutory damage awards in the 1976 Act was in its adoption of a rule that such awards should be made “per infringed work,”⁵⁴ instead of the “per infringement” rule that had been in place under the 1909 Act.⁵⁵ The legislative history of the 1976 Act reveals that Congress was persuaded that the “per infringement” standard had sometimes resulted in excessive awards.⁵⁶ The change to a “per infringed work” standard was intended to lessen this risk.

Unfortunately, these changes to the statutory damage regime of U.S. copyright law have had somewhat different effects than Congress expected. For example, more than thirty years after the effective date of the 1976 Act, it is apparent that the innocent infringer provisions may be useful in deterring *lawsuits* against innocent infringers. However, this part of the statutory damage

53. 17 U.S.C. § 504(c) (2006). The recording industry recently tried to persuade Congress to revise the statutory damage provision to repeal this restriction on statutory damage awards, but the effort was ultimately unsuccessful. See Nate Anderson, *Rep. Berman Pulls Controversial “Compilations” Rule from PRO-IP Act*, ARSTECHNICA, Mar. 6, 2008, <http://arstechnica.com/tech-policy/news/2008/03/rep-berman-pulls-controversial-compilations-rule-from-pro-ip-act.ars>.

54. 17 U.S.C. § 504(c)(1) (2006). Under the “per work” rule, even when there are multiple copyright owners and multiple defendants engaged in multiple infringements of multiple exclusive rights, there can only be one statutory damage award. Joint tortfeasors will be jointly and severally liable for that one award. See S. REP. 94-473, at 144 (1975).

55. 17 U.S.C. § 101(b) (superseded); see, e.g., NIMMER & NIMMER, *supra* note 1, § 14.04[E][2][a] (discussing “per infringement” statutory damage cases).

56. See STRAUSS, *supra* note 26, at 11-12. The problem was particularly acute in the case of “mass communication,” for example, radio and later television. *Id.* at 12. In the case of networked radio stations, “a performance by each station constituted a separate infringement. Such decisions have sometimes awarded what may be considered disproportionately high damages.” *Id.* (citing *Select Theaters Corp. v. Ronzoni Macaroni Co.*, 59 U.S.P.Q. 288 (S.D.N.Y. 1943)); see also REPORT OF THE REGISTER OF COPYRIGHTS, *supra* note 22, at 104-05 (discussing the desirability of a “per work” standard to curb the potential for exorbitant awards).

framework has virtually no significance in litigation, not even in the fair use context.⁵⁷

The prompt registration requirement for statutory damages has not become a meaningful inducement to registration for all authors who value copyright protection, but rather a substantial boon to major copyright industry players—the commercial exploiters of copyrighted works whose rights largely derive from the Act’s work for hire rules or assignments from authors.⁵⁸ Because individual authors and small firms do not typically register their copyrights within three months of publication, they rarely qualify for statutory damages or attorney’s fee awards. The prospect of enhanced damages if their copyright is infringed—an eventuality that authors dearly hope will never occur, but which may happen at some point in the distant future—is too remote to induce prompt registrations. Well-financed commercial exploiters of copyrighted works, on the other hand, benefit from the statutory damage scheme, which they are sometimes able to use with considerable success to strike terror into the heart of anyone with the temerity to make unauthorized uses of their copyrights.⁵⁹ Copyright-savvy firms can infringe copyrights of individual authors of unregistered or late-registered works with relatively little risk, given that the costs of litigation are likely to be greater than any damage award the unregistered authors might ultimately be awarded for infringement. “Little guy” authors thus, in theory, have the same strong legal rights as major

57. See *infra* Part II.B for a discussion of the rarity of innocent infringement cases. In none of the close fair use cases in which statutory damages were awarded under the 1976 Act did any court, or jury, award the lower amounts that § 504(c) permits, although courts sometimes awarded the ordinary infringement minimum when they believed the defendant thought he was making a fair use. See, e.g., *Warner Bros. v. RDR Books*, 575 F. Supp. 2d 513, 554 (S.D.N.Y. 2008). For an excellent account of the history of concerns about imposing liability for unwitting infringement, and an argument that our current copyright regime does far too little to address such concerns, see R. Anthony Reese, *Innocent Infringement in U.S. Copyright Law: A History*, 30 COLUM. J.L. & ARTS 133 (2006).

58. See, e.g., Christopher Sprigman, *Reform(aliz)ing Copyright*, 57 STAN. L. REV. 485, 495-96 (2004) (citing evidence of low registration rates). For a detailed exposition of the way in which the registration requirement for statutory damages privileges the interests of sophisticated rights holders at the expense of smaller, less sophisticated creators, see John Tehranian, *The Emperor Has No Copyright: Registration, Cultural Hierarchy and the Myth of American Copyright Militancy* 8-18 (Aug. 4, 2009) (unpublished manuscript, on file with authors).

59. See *infra* Part II.C-D.

copyright industry players, but they effectively do not have the means to obtain relief when their rights are infringed.⁶⁰

The switch to a “per infringed work” rule may also have had less of a limiting effect than Congress expected. It does, of course, limit the statutory damage exposure of some firms (for example, the seller of millions of counterfeit Barbie dolls or the television network that broadcasts a single infringing program via many stations). The “per work” rule has, however, had far less of a limiting impact than its proponents may have anticipated for five primary reasons: (1) the range within which awards can be made is much wider under the 1976 Act than under the 1909 Act;⁶¹ (2) Congress has twice further raised statutory damage minima and maxima;⁶² (3) there is virtually no guidance about how to make just awards within that wide range; (4) courts have stretched the concept of “willful” infringement so that virtually all ordinary infringers are at risk of excessive statutory damage awards; and (5) Congress did not anticipate many circumstances in which a per work rule would lead to excessive liability, as it has in recent p2p filesharing cases,⁶³ or excessive risk of liability, as in class actions, secondary liability, and/or new technology cases such as *Sony Corp. of America v. Universal City Studios, Inc.*⁶⁴

60. See, e.g., LIBRARY OF CONGRESS, ACCORD: ADVISORY COMMITTEE ON COPYRIGHT REGISTRATION AND DEPOSIT, REPORT OF THE CO-CHAIRS ROBERT WEDGEWORTH & BARBARA RINGER 17-19 (1993) (discussing hardships for authors and small firms because of § 412 and the prompt registration requirement for awards of statutory damages and attorney fees; also recognizing that a repeal of § 412 would bring about “a flood of infringement claims”).

61. The ratio of high to low awards under the 1909 Act was 20:1, with a \$250 minimum and a \$5,000 maximum. The ratio of high to low statutory damage awards under the 1976 Act is now 40:1 for ordinary infringement, with a minimum of \$750 and a maximum of \$30,000. The ratio is 200:1 taking into account the \$150,000 maximum, or 750:1, with the \$200 minimum for innocent infringers.

62. Congress doubled the statutory minima and maxima in 1989: from \$250 to \$500 as a minimum, from \$10,000 to \$20,000 for the maximum for ordinary infringement, and from \$50,000 to \$100,000 for the maximum for willful infringements. It raised them by a further 50 percent in 1999. See Digital Theft Deterrence and Copyright Damages Improvement Act of 1999, Pub. L. No. 106-160, 113 Stat. 1774 (1999); Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853 (1988). At least one commentator has noted that these changes have roughly tracked inflation. See Barker, *supra* note 14, at 533 & n.53.

63. See *supra* notes 13-14 and accompanying text.

64. 464 U.S. 417 (1984) (rejecting Universal's claim that Sony was liable for contributory infringement because of infringing uses of its Betamax video taping device); see, e.g., Jessica Litman, *The Sony Paradox*, 55 CASE W. RES. L. REV. 917, 930 (2005) (discussing the

One additional significant change in the U.S. statutory damage regime since 1976 that has contributed to the potential for excessive statutory damage awards occurred without any action by Congress. Although § 504(c) can be interpreted as deeming statutory damage awards to be equitable in nature,⁶⁵ the Supreme Court ruled in *Feltner v. Columbia Pictures Television, Inc.* that litigants have a Seventh Amendment right to a jury trial as to statutory damages.⁶⁶ It is still quite common for judges to render statutory damage awards, but after *Feltner*, juries now also play a significant role in awarding statutory damages. As *Capital Records v. Thomas-Rasset* aptly illustrates,⁶⁷ *Feltner* has exacerbated the potential for excessive and arbitrary awards when skillful lawyers are able to persuade juries to become outraged about infringing conduct. Actual damages in the *Thomas-Rasset* case were about \$50.⁶⁸ The jury had no choice, given the implausibility of an innocent infringement defense, but to award Capitol Records at least \$750 per infringed work (which would have totaled \$18,000). But the 320:1 ratio of actual damages from infringement to the minimum statutory damage award did not suffice for the *Thomas-Rasset* jury who instead awarded Capitol Records \$1.92 million for her infringement.⁶⁹

potentially massive statutory damage award that might have been levied against Sony as one reason why the Court was reluctant to affirm the Ninth Circuit's ruling that Sony was a contributory infringer). Congress's concerns about the "per-infringement" rule during the 1976 Act revision centered around the potential for high liability for technologies developed since the last copyright revision—radio and television: "While the awarding of statutory damages in cases of multiple infringement has not created any difficulties if the infringement is by copying in printed publications, there is a problem in cases of infringing performances of musical or dramatic works in network broadcasts." STRAUSS, *supra* note 26, at 11. Congress did not anticipate the future prevalence of technologies that could result in similarly unfairly aggregated awards under the new "per work" rule.

65. Section 504(c) refers to "the court" as the determiner of statutory damages and the standard for determining the proper amount as that which is "just." 17 U.S.C. § 504(c) (2006). The overwhelming majority of statutory damage awards prior to *Feltner* had been rendered by judges, and some courts had concluded that statutory damages were equitable in nature. *See, e.g.,* *Sid & Marty Krofft Television v. McDonald's Corp.*, 562 F.2d 1157, 1177 (9th Cir. 1977). *But see* Patry, *Right to a Jury Trial*, *supra* note 23, at 194 (arguing that copyright statutory damages are not equitable in nature).

66. 523 U.S. 340, 355 (1998).

67. *See supra* notes 13-14 and accompanying text.

68. *See supra* note 14 and accompanying text.

69. *See supra* note 14 and accompanying text. This award was roughly ten times the

2. *Respects in Which Congress Broadened Statutory Damages*

Although Congress narrowed statutory damages in the respects discussed above, it also broadened the statutory damage provision in several ways that benefit successful plaintiffs. First, Congress increased the statutory damage award maximum.⁷⁰ Second, the 1976 Act gave plaintiffs the right to elect statutory damages at any time during the litigation, up until the entry of final judgment.⁷¹ Third, the statute no longer gave examples of appropriate amounts of statutory damages for common types of infringements as to specific types of works.⁷² Fourth, § 504(c) omitted the part of

statutory damage award rendered in the first *Thomas* trial, which the judge thought was excessive:

While the Court does not discount Plaintiffs' claim that, cumulatively, illegal downloading has far-reaching effects on their businesses, the damages awarded in this case are wholly disproportionate to the damages suffered by Plaintiffs. Thomas allegedly infringed on the copyrights of 24 songs—the equivalent of approximately three CDs, costing less than \$54, and yet the total damages awarded is \$222,000—more than *five hundred* times the cost of buying 24 separate CDs and more than *four thousand* times the cost of three CDs. While the Copyright Act was intended to permit statutory damages that are larger than the simple cost of the infringed works in order to make infringing a far less attractive alternative than legitimately purchasing the songs, surely damages that are more than one hundred times the cost of the works would serve as a sufficient deterrent.

Capital Records v. Thomas, 579 F. Supp. 2d 1210, 1227 (D. Minn. 2008). The consistency of the statutory damage award in the *Thomas* case with due process principles is considered *infra* in Part II.

70. Initially, the 1976 Act doubled the general maximum statutory damage to \$10,000. Pub. L. No. 94-553, § 504(c), 90 Stat. 2585 (1976) (codified as amended at U.S.C. § 504(c) (2006)). Subsequent amendments to § 504(c) have increased it to \$30,000 per infringed work. See *infra* note 76 and accompanying text.

71. 17 U.S.C. § 504(c)(1) (2006). This change takes the decision about whether a statutory damage is appropriate away from the judge; it also allows plaintiffs to surprise defendants late in the litigation. A defendant who thinks its exposure is limited to a lost license fee and any profits attributable to infringement, because that is all the complaint requested as relief, may be unpleasantly surprised by a last minute switch to statutory damages when the judge seems to be warming to the plaintiff's case. The Nimmer treatise reports that the *Feltner* decision probably precludes an election of statutory damages after a jury award with which the copyright owner is dissatisfied. NIMMER & NIMMER, *supra* note 1, § 14.04[A] at 14-66, 14-67.

72. One might speculate that this omission was due to the larger range of works and types of infringements that were in contemplation in 1976 as compared with 1909. Oddly enough, however, it appears that leaving the examples of specific damages per type of infringement out of the statute was considered desirable as a way of avoiding excessive awards. See REPORT OF THE REGISTER OF COPYRIGHTS, *supra* note 22, at 104. Over time,

§ 101(b) that provided that statutory damages are not intended as a penalty.

These two latter omissions become more pregnant when considered in light of the fifth and most significant pro-plaintiff broadening of the 1976 Act's statutory damage provision: the addition of a much higher maximum for statutory damage awards against a newly created category of "willful infringers."⁷³ For ordinary infringements, the 1976 Act allowed awards between \$250 and \$10,000 per infringed work, but it authorized awards of up to \$50,000 per infringed work for willful infringements.⁷⁴ The legislative history reflects an expectation that these enhanced damages would be awarded only in "exceptional cases,"⁷⁵ a category which we think Congress intended to encompass cases involving counterfeiters, repeat infringers, and the like.

Subsequent amendments have increased the range for what are presumably ordinary acts of infringement from \$250 to \$750 as the minimum and from \$10,000 to \$30,000 per infringed work as the maximum.⁷⁶ The minimum-to-maximum range under the 1909 Act yielded a 20:1 ratio.⁷⁷ The current range for ordinary infringement doubles that for a 40:1 ratio between the smallest and largest authorized awards.⁷⁸ Now that the willful infringement maximum

however, the effect of this omission has been to unmoor statutory damages from its largely compensatory roots and purposes.

73. 17 U.S.C. § 504(c)(2) (2006). Oddly enough, this change was in part motivated by a desire to limit excessive awards. Under the 1909 Act, there was no cap on statutory damage awards that could be made against infringers who continued their wrongful acts after receiving notice of their alleged infringement. Section 504(c), by contrast, had a cap on awards for willful infringement, and as compared with the 1909 Act, it protected those who reasonably thought their acts were noninfringing despite getting notice that the copyright owner thought otherwise from excessive awards. REPORT OF THE REGISTER OF COPYRIGHTS, *supra* note 22, at 105.

74. Pub. L. No. 94-553, § 504(c), 90 Stat. 2541, 2585 (1976) (codified as amended at 17 U.S.C. § 504(c) 2006)).

75. *See supra* note 4 and accompanying text.

76. *See* Digital Theft Deterrence and Copyright Damages Improvement Act of 1999, Pub. L. No. 106-160, 113 Stat. 1774 (1999); Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853 (1988). These changes have roughly tracked inflation. *See* Barker, *supra* note 14, at 533 & n.53.

77. *See* 1909 Copyright Act, ch. 320, 35 Stat. 1075 (1909).

78. 113 Stat. 1774 (codified as amended at 17 U.S.C. § 504(c)(1) (2006)). Of course, if the actual damage from ordinary infringement of that work is \$1 (or less), the ratio of actual harm to the maximum authorized statutory damage award would be up to (or more than)

is \$150,000 per infringed work, the ratio rises to 200:1,⁷⁹ or 750:1 if one considers also the innocent infringer provision.⁸⁰

Exactly where in this very broad range any particular statutory award will be rendered is anybody's guess. There are no criteria in the statute to provide guidance, and courts have yet to develop a meaningful jurisprudence to calibrate how to render "just" statutory damage awards. It is also quite worrisome that judges are generally reluctant to scrutinize or reduce excessive awards rendered by juries.⁸¹

The risk of arbitrary and excessive awards enabled by the exceptionally broad range for statutory damage awards is all the greater because Congress did not define the term "willful" in relation to statutory damage awards. While this term clearly applies to counterfeiters and repeat infringers,⁸² courts have largely ignored Congress's direction to award enhanced damages only in "exceptional cases."⁸³ Courts have interpreted willfulness expansively such that infringement may be deemed willful if the defendant should have known his conduct was infringing.⁸⁴ Judges have even found infringement to be willful as to defendants who proffered plausible, if ultimately unsuccessful, fair use defenses.⁸⁵

30,000 times the harm. § 504(c)(1).

79. 17 U.S.C. § 504(c)(2) (2006). The actual harm to maximum statutory damage award ratio may be closer to 150,000:1 for very small scale infringements (for example, a song available from iTunes for 99¢). *Id.*

80. *Id.*

81. *See, e.g.,* SESAC, Inc. v. WPNT, Inc., 327 F. Supp. 2d 531 (W.D. Pa. 2003) (denying motion for a new trial on damages).

82. *See, e.g.,* Nintendo of Am., Inc. v. Ketchum, 830 F. Supp. 1443, 1445 (M.D. Fla. 1993) (seller of counterfeit games was willful infringer); RSO Records, Inc. v. Peri, 596 F. Supp. 849, 856-57 (S.D.N.Y. 1984) (large scale counterfeiter was willful infringer); Pret-a-Printee, Ltd. v. Allton Knitting Mills, Inc., 218 U.S.P.Q. 150, 153 (S.D.N.Y. 1983) (repeat infringer was willful infringer).

83. *See* 17 U.S.C. § 504 (2006).

84. *See, e.g.,* NIMMER & NIMMER, *supra* note 1, § 14.04[B][3][a] (citing cases).

85. *See, e.g.,* Basic Books, Inc. v. Kinko's Graphics Corp., 758 F. Supp. 1522, 1543-45 (S.D.N.Y. 1991) (finding commercial photocopy service to be willful infringer for making copies of copyrighted texts for college coursepacks); *see also* Rogers v. Koons, 960 F.2d 301, 313 (2d Cir. 1992) (characterizing defendant artist as an egregious and willful infringer and suggesting that on remand the plaintiff should request an award of statutory damages, even though his fair use defense was plausible). Lax standards for willful infringement have other potentially deleterious effects, including effects on the defendant's ability to recover from his insurance company or discharge his debts in bankruptcy. *See, e.g., In re Braun*, 327 B.R. 447, 452 (Bankr. N.D. Cal. 2005); *see also* PATRY, PATRY ON COPYRIGHT, *supra* note 9, § 22:180,

For all intents and purposes, the tripartite structure Congress thought it was creating through the 1976 Act's statutory damage provision—quite modest awards against innocent infringers, including those who genuinely thought their use was fair or otherwise privileged, moderate awards against ordinary infringers, and large awards against the truly bad actors⁸⁶—has devolved into a regime in which the innocent infringer provision is essentially never used, and willful infringement is commonly found in cases when infringement should properly be deemed ordinary.

As Part II will show in greater detail, there is little consistency in the case law on copyright statutory damages. Some unquestionably willful infringers (e.g., counterfeiters) have been ordered to pay quite minimal statutory damages,⁸⁷ while some ordinary infringers, including putative fair users, have been held liable as willful infringers and sometimes subjected to maximum awards when actual damages were minimal or nonexistent.⁸⁸

Although Congress did not specifically state that it intended awards within the newly established upper range to be punitive, courts have sometimes interpreted them as so.⁸⁹ The omission of

at 22-429.

86. Pub. L. No. 94-553, § 504(c), 90 Stat. 2541, 2585 (1976) (codified as amended at 17 U.S.C. § 504(c) (2006)).

87. *See, e.g.,* Archlightz & Films Pvt. Ltd. v. Video Palace, Inc., 303 F. Supp. 2d 356, 362-63 (S.D.N.Y. 2003) (finding sale of counterfeit motion pictures was willful infringement, but statutory damage award of \$750 per infringed movie was adequate deterrence under the circumstances). In counterfeit video game cases, statutory damage awards have been far under the maximum. *See, e.g., Ketchum*, 830 F. Supp. at 1445 (awarding \$2,000 for each of twelve works infringed).

88. *See, e.g.,* Macklin v. Mueck, 373 F. Supp. 2d 1334, 1336 (S.D. Fla. 2005) (awarding \$300,000 in statutory damages on a default judgment for posting two poems on the Internet); *see also* L.A. Times, Inc. v. Free Republic, No. 98-7840 MMM AJWX, 2000 WL 1863566, at *3 (C.D. Cal. Nov. 16, 2000) (awarding \$1 million in statutory damages against plausible fair user who posted news articles on nonprofit conservative site inviting commentary on their liberal bias).

89. *See, e.g.,* On Davis v. Gap, Inc., 246 F.3d 152, 172 (2d Cir. 2001) ("The purpose of punitive damages—to punish and prevent malicious conduct—is generally achieved under the Copyright Act through the provisions of 17 U.S.C. § 504(c)(2), which allow increases to an award of statutory damages in cases of willful infringement."); Nat'l Football League v. PrimeTime 24 Joint Venture, 131 F. Supp. 2d 458, 478 n.17 (S.D.N.Y. 2001) (stating that statutory damages are "partly punitive"); U.S. Media Corp. v. Edde Entm't Corp., No. 94 Civ. 4849 (MBM) MHD, 1998 WL 401532, at *18 (S.D.N.Y. July 17, 1998) ("[A] statutory damage award is designed to serve both compensatory and punitive purposes."); RSO Antenna Television, A.E. v. Agean Video Inc., No. 95-CV-2328 ERK, 1996 WL 298252, at *8 (E.D.N.Y.

the old “no penalty” rule of the 1909 Act seems to have reinforced this trend.⁹⁰ In one case involving a plausible joint work defense, for instance, the judge concluded that the defendant playwright was a willful infringer and referred to the \$30,000 award against her as “primarily punitive in nature.”⁹¹ The legislative history of the 1999 amendments to § 504(c) is peppered with statements about the need for “stringent deterrents” and increased “penalties” for infringement.⁹²

One commentator has observed that the enhanced damages range for willful infringement “as employed, thus ha[s] a punitive character, since [it is] used to punish an infringer for [its] willfulness.”⁹³ As the Supreme Court has noted in another context, “a civil sanction that cannot be fairly be said solely to serve a remedial purpose, but rather can only be explained as also serving either retributive or deterrent purposes, is punishment.”⁹⁴ Insofar as

Apr. 23, 1996) (“To the extent that Congress intended the Copyright Act to contain provisions for punitive damages, such provisions are found in the statutory damages sections of the Act.”); *RSO Records, Inc. v. Peri*, 596 F. Supp. 849, 862 (S.D.N.Y. 1984) (stating that statutory damages are “partially punitive”); *Kamakazi Music Corp. v. Robbins Music Corp.*, 534 F. Supp. 69, 78 (S.D.N.Y. 1982) (“The public policy rationale for punitive damages of punishing and preventing malicious conduct can be properly accounted for in the provisions for increasing a maximum statutory damage award [for willful infringements].”); *Rodgers v. Quests, Inc.*, 213 U.S.P.Q. 212, 219 (N.D. Ohio 1981) (characterizing enhanced statutory damage award for willful infringement as “punitive”); see also *Evanson*, *supra* note 21, at 627 n.175 (noting that the judge had instructed the jury in one excessive award case that it could use statutory damages to punish the defendant).

90. At least one court has opined that this omission signaled that Congress intended the enhanced damage provision to provide punishment for infringement. See *Rodgers*, 213 U.S.P.Q. at 220 (“Significantly, clause (1) [of § 504(c)] omits the caveat of the prior Act that statutory damages ‘shall not be regarded as a penalty.’”).

91. *Childress v. Taylor*, 798 F. Supp. 981, 996-97 (S.D.N.Y. 1992) (finding infringement when, after initial collaboration fell apart, one dramatist developed a separate play).

92. See, e.g., H.R. REP. NO. 106-216, at 2 (1999). The main purpose of the legislation was to amend the enhanced damages part of § 504(c), but it also aimed to stiffen criminal sentencing guidelines in copyright cases. *Id.*

93. Markéta Trimble Landová, *Punitive Damages in Copyright Infringement Actions Under the U.S. Copyright Act*, 2009 EUR. INTEL. PROP. REV. 108, 109; see also *Evanson*, *supra* note 21, at 632-37 (characterizing awards in some copyright statutory damage cases as punitive); Patry, *Right to a Jury Trial*, *supra* note 23, at 194 (referring to the “penal” nature of the enhanced damage provision of § 504(c)); Barker, *supra* note 14, at 526 (noting the “punitive effect” of even the statutory damage minimum when applied to peer-to-peer filesharing).

94. *Austin v. United States*, 509 U.S. 602, 610 (1993) (quoting *United States v. Halper*, 490 U.S. 435, 448 (1989)).

statutory damage awards frequently are awarded at very large multiples over actual damages or defendant's profits, it is fair to infer that such statutory damage awards are, in fact, punitive in character.

Even when judges or juries do not explicitly say they are intent on punishing defendants, the awards they sometimes make are punitive in effect. How else can one explain the \$53.4 million award against MP3.com, which was based on the firm's "ripping" the music from CDs into a database so that MP3.com could "beam" these songs to clients who already owned the CDs in question or who were purchasing them simultaneously with the beaming?⁹⁵ MP3.com had purchased the CDs from which it ripped the music, as had its clients, so the plaintiffs had already obtained some compensation from the defendant and its intended customer base.⁹⁶ MP3.com's fair use defense was somewhat bold and aggressive but not completely implausible,⁹⁷ and it had made little or no profit on this service because MP3.com suspended the service while UMG's lawsuit was litigated.⁹⁸

The \$1 million statutory damage award in *Los Angeles Times, Inc. v. Free Republic* is similarly difficult to explain except as an infliction of punishment on a nonprofit conservative commentary site for posting some articles from the *Washington Post* and the *Los Angeles Times* in an effort to illustrate liberal bias in the media.⁹⁹ That this lawsuit was later settled for \$10,000¹⁰⁰ shows how out of proportion the statutory damage award was. Because Free Republic

95. See, e.g., Christopher Stern, *MP3.com To Pay Universal \$53 Million*, WASH. POST, Nov. 15, 2000, at E3; Michael Landau, "Statutory Damages" in *Copyright Law and the MP3.com Case*, GIGALAW, Oct. 2000, <http://chnm.gmu.edu/digitalhistory/links/cached/chapter7/link7.24b.statutorycopyrightdamages.html> (noting awards like that in the MP3.com case are meant to send a strong message, "DO NOT INFRINGE!" and to "'sting' or make it hurt").

96. *UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F. Supp. 2d 349, 350 (S.D.N.Y. 2000) (discussing the service MP3.com had designed).

97. See, e.g., LAWRENCE LESSIG, REMIX: MAKING ART AND COMMERCE THRIVE IN THE HYBRID ECONOMY 134-35 (2008) (discussing MP3.com's service). MP3.com thought it was facilitating lawful personal uses of music akin to the facilitation of personal uses held lawful in the *Sony Betamax* case. *Id.*; see also *MP3.com*, 92 F. Supp. 2d at 350-51.

98. *MP3.com*, 92 F. Supp. 2d at 352.

99. No. CV 98-7840 MMM (AJWx), 2000 WL 565200, at *1 (C.D. Cal. Apr. 4, 2000).

100. See Stipulation for Entry of Amended Final Judgment, *Los Angeles Times, Inc. v. Free Republic*, No. 98-7840 NMM (AJWx) (C.D. Cal. June 11, 2002).

raised a plausible fair use defense—and, indeed, a First Amendment defense as well¹⁰¹—one might have expected a minimal statutory damage award. Free Republic was not a profit-making entity, and the lost profits claimed by the newspapers were speculative.¹⁰²

The \$19.7 million jury award in *Lowry's Reports, Inc. v. Legg Mason* is even more difficult to understand except in punitive terms.¹⁰³ Legg Mason was a subscriber to Lowry's financial newsletters whose research staff had made copies of some newsletters for their internal use.¹⁰⁴ The jury ruled against Legg Mason's argument that this internal copying from 240 works was fair use.¹⁰⁵ After concluding that the infringement was willful, the jury imposed an award that amounted to roughly \$82,000 per infringed work.¹⁰⁶ Legg Mason's fair use defense¹⁰⁷ was not implausible.¹⁰⁸ Under the 1909 Act, Legg Mason's exposure for statutory damages would have been considerably less than this award, and the actual damages in the case were probably about \$60,000.¹⁰⁹

Awards of this sort are inconsistent with the tripartite structure for statutory damages that Congress established in 1976. In addition, as we explain in the next Part, Legg Mason was correct in asserting that due process principles of the Supreme Court's punitive damages jurisprudence do and should limit grossly excessive statutory damage awards in copyright cases.¹¹⁰

101. *Id.* at *5-21.

102. *Id.* at *13, *19-21.

103. *Lowry's Reports, Inc. v. Legg Mason, Inc.*, 302 F. Supp. 2d 455 (D. Md. 2004).

104. *Lowry's Reports, Inc. v. Legg Mason, Inc.*, 271 F. Supp. 2d 737, 742-44 (D. Md. 2003).

105. *Legg Mason*, 302 F. Supp. 2d at 458 & n.2.

106. *See id.* at 457, 458 & n.2.

107. Legg Mason's defense was essentially: "We are subscribers, we were using the copies for research purposes, and we thought this was fair use." *See id.* at 461-62.

108. Although the Second Circuit had ruled against a similar fair use defense in *American Geophysical Union v. Texaco*, that case was decided by a 2-1 majority. *See* 60 F.3d 913, 932 (2d Cir. 1994) (Jacobs, J., dissenting). Lowry's brought its case in a different circuit, and Legg Mason may have thought that courts in a different circuit would view its fair use defense more charitably.

109. Evanson, *supra* note 21, at 632 n.203.

110. *Legg Mason*, 302 F. Supp. 2d at 459-60 (discussing the due process challenge to this award).

II. STATUTORY DAMAGES AWARDS IN COPYRIGHT CASES SHOULD BE CONSISTENT WITH DUE PROCESS PRINCIPLES

Part I has shown that copyright statutory damages are sometimes punitive in both effect and intent. Section A of this Part reviews the Supreme Court's jurisprudence concerning due process limits on grossly excessive punitive damage awards. Section B demonstrates that some statutory damage awards in copyright cases comport with Congress's intent to establish a just statutory damage regime and with due process principles. Section C discusses some statutory damage awards that are inconsistent with Congress's goal of establishing a just statutory damage regime and with *BMW of North America, Inc. v. Gore*¹¹¹ and its progeny. Section D argues that the Supreme Court's due process jurisprudence does apply to statutory damage awards in copyright cases.

A. The Supreme Court's Due Process Jurisprudence Limits Punitive Damage Awards

BMW of North America, Inc. v. Gore is the foundational ruling of the U.S. Supreme Court's modern due process jurisprudence on punitive damages.¹¹² Gore sued BMW for fraud, claiming that the firm's failure to disclose that his "new" car had, in fact, been repainted was deceitful and materially harmed him.¹¹³ In addition to obtaining a jury award of \$4,000 in actual damages,¹¹⁴ Gore sought and obtained a \$4 million punitive damage award by arguing that BMW should be punished for hiding the repairs made to "new" cars from roughly a thousand other customers.¹¹⁵ Although the Alabama Supreme Court upheld the liability ruling, it reduced the punitive award to \$2 million.¹¹⁶ The U.S. Supreme Court reviewed this

111. 517 U.S. 559 (1999).

112. *Id.*

113. *Id.* at 563-64.

114. *Id.* at 565.

115. *Id.* at 564-65.

116. *Id.* at 566-67. The Alabama court lowered the punitive award because the award was based in part on harm to consumers beyond Alabama borders. *Id.* at 567. The U.S. Supreme Court pointed out that BMW's failure to disclose repairs such as repainting did not violate

award and ruled that “grossly excessive” punitive damage awards, such as the \$2 million award against BMW, violate the Due Process clause of the U.S. Constitution.¹¹⁷

Gore set forth three criteria, often referred to as “the *Gore* guideposts,”¹¹⁸ for determining whether a punitive damage award is consistent with due process: (1) the degree of reprehensibility of the defendant’s actions, (2) the disparity between the harm to the plaintiff and the punitive award, and (3) the similarity or difference between the punitive award and civil penalties authorized or imposed in comparable situations.¹¹⁹

Gore characterized the reprehensibility criterion as “[p]erhaps the most important indicium” for determining whether a punitive award is reasonable or excessive.¹²⁰ The Court recognized that “some wrongs are more blameworthy than others,”¹²¹ and proffered several factors for judging relative reprehensibility, including whether: the harm caused was physical as opposed to economic; the tortious conduct evinced an “indifference to or reckless disregard for the health and safety of others”; the target of the conduct had financial vulnerability; the harm “was part of a pattern rather than an isolated incident”; and the harm was the result of intentional malice, trickery, or deceit, or mere accident.¹²²

Because the harm in *Gore* was economic and because the firm had not made deliberately false statements and could reasonably have thought it did not need to mention minor repairs, the Court placed BMW at the less reprehensible end of this spectrum.¹²³ The Court observed “[t]hat conduct is sufficiently reprehensible to give rise to tort liability, and even a modest award of exemplary

the laws of many states. *Id.* at 569-71.

117. *Id.* at 562-63 (quoting *TXO Prod. Corp. v. Alliance Res. Corp.*, 509 U.S. 443, 454 (1993)).

118. *Id.* at 574. The Court characterized these criteria as “guideposts,” and commentators have followed suit. *See, e.g.*, Evanson, *supra* note 21, at 605-13.

119. *Gore*, 517 U.S. at 574-75.

120. *Id.* at 575.

121. *Id.*

122. *Id.* at 576, 608. The Court also noted that “a recidivist may be punished more severely than a first offender.” *Id.* at 577.

123. *Id.* at 580.

damages does not establish the high degree of culpability that warrants a substantial punitive damages award.”¹²⁴

The reasonableness of a punitive award depends not only on the relative reprehensibility of the defendant’s conduct but also on the proportionality between the compensatory and punitive awards. Judging the reasonableness of punitive awards in relation to compensatory awards has “a long pedigree.”¹²⁵ Pre-republic English laws allowed punitive awards between two and four times actual damages, and the Court opined that the relevant maximum ratio was generally 10:1.¹²⁶ Somewhat higher ratio awards might be justified when actual damages arising from highly egregious conduct were quite small, and lower ratios should be considered when conduct was less reprehensible or the compensatory award more substantial.¹²⁷ Although constitutional due process assessments of punitive awards could not, of course, be reduced to “a simple mathematical formula,” the Court considered the 500:1 ratio in *Gore* to be “breathtaking” and unwarranted, especially given the low level of BMW’s reprehensibility.¹²⁸

One consideration underlying the third guidepost—comparable civil sanctions for the same or similar conduct—is that “[e]lementary notions of fairness enshrined in our constitutional jurisprudence dictate that a person receive fair notice not only of the conduct that will subject him to punishment, but also of the severity of the penalty that a State may impose.”¹²⁹ The Court observed that Alabama had set the maximum civil penalty for comparable wrongs at \$2,000.¹³⁰ A reasonable BMW executive might have believed that the firm’s exposure to civil liability in Alabama was in that range, not a thousand times larger. The Court also considered whether a more modest award would adequately deter this defendant.¹³¹ The

124. *Id.*

125. *Id.*

126. *Id.* at 580-81.

127. *Id.* at 582.

128. *Id.* at 582-83.

129. *Id.* at 574.

130. *Id.* at 584.

131. *Id.* “In the absence of a history of noncompliance with known statutory requirements, there is no basis for assuming that a more modest sanction would not have been sufficient to motivate full compliance.” *Id.* at 584-85.

Court could not accept the conclusion that “BMW’s conduct was sufficiently egregious to justify a punitive sanction that is tantamount to a severe criminal penalty.”¹³² Justice Breyer’s concurrence pointed to the “substantial risk” of arbitrary outcomes because juries are insufficiently constrained by due process principles.¹³³

The Court reaffirmed and extended *Gore* in *Cooper Industries, Inc. v. Leatherman Tool Group, Inc.*¹³⁴ In *Cooper Industries*, the Court ruled that judges should apply a de novo standard of review in determining whether a punitive damage award is consistent with constitutional due process principles.¹³⁵ Leatherman sued Cooper for trademark infringement and unfair competition because Cooper copied the configuration and features of Leatherman’s multi-purpose tool and advertised the tool with a photograph of a slightly modified Leatherman tool.¹³⁶ The jury awarded \$50,000 in compensatory damages and \$4.5 million in punitive damages.¹³⁷ Both the trial and appellate courts ruled that the punitive damage award was not “grossly excessive” under *Gore*,¹³⁸ although the appellate court vacated the injunction against Cooper’s manufacture of a

132. *Id.* at 585. As Evanson has noted, “[s]ince punitive damages act in a quasi-criminal manner, ‘straddling’ civil and criminal penalties, they run the risk of imposing what amount to criminal penalties without the increased safeguards that criminal law offers.” Evanson, *supra* note 21, at 603-04 (citation omitted).

133. *Gore*, 517 U.S. at 595-96 (Breyer, J., concurring).

To the extent that neither clear legal principles nor fairly obvious historical or community-based standards (defining, say, especially egregious behavior) significantly constrain punitive damage awards, is there not a substantial risk of outcomes so arbitrary that they become difficult to square with the Constitution’s assurance, to every citizen, of the law’s protection?

Id. at 596.

134. 532 U.S. 424 (2001). *Cooper Industries* is a significant case for our analysis, not only because of its holding on de novo review of jury awards for gross excessiveness, but also because it involved claims of infringement of an intellectual property right and wrongful copying by the defendant as well as an excessive award by a jury.

135. *Id.* at 443. The Court opined that “the level of punitive damages is not really a ‘fact’ ‘tried’ by the jury.” *Id.* at 437 (quoting *Gasperini v. Ctr. for the Humanities, Inc.*, 518 U.S. 415, 459 (1996) (Scalia, J., dissenting)). The Court rejected an argument derived from Mitchell Polinsky and Steven Shavell that “punitive damages should equal the harm multiplied by ... the ratio of the injurer’s chance of escaping liability to his chance of being held liable.” *Id.* at 439 (citing Mitchell Polinsky & Steven Shavell, *Punitive Damages: An Economic Analysis*, 111 HARV. L. REV. 869, 890-91 (1998)).

136. *Cooper Indus.*, 532 U.S. at 427-28.

137. *Id.* at 426.

138. *Id.* at 429-30.

similar tool on the ground that the tool's configuration was too functional to be protectable as a trademark.¹³⁹

An important consideration in *Cooper Industries* was the institutional competence of juries versus judges in applying the *Gore* guideposts.¹⁴⁰ Juries and trial judges may have greater institutional competence than appellate courts in judging the reprehensibility of the defendant's conduct, but trial and appellate courts have equal competence—and greater competence than juries—in assessing the reasonableness of the proportionality of punishment to harm. Appellate courts, however, are the most competent judges of the comparable sanction guidepost.¹⁴¹ Although saying it did not intend to prejudge how the *Gore* guideposts should be applied in *Cooper Industries*, the Court remanded for de novo review while hinting that Cooper's conduct was not very reprehensible, the harm to punitive damage ratio was very high, the jury might have based the punitive award on unrealistic assumptions, and the fine for unfair trade practices in Oregon could not have exceeded \$25,000.¹⁴²

Still other decisions have struck down as “grossly excessive” high punitive damage awards that plaintiffs sought to justify because the wrongs done to them were part of a pattern of bad acts. In *State Farm Mutual Auto Insurance Co. v. Campbell*, for example, the Court reversed a \$145 million punitive damage award against State Farm as unconstitutionally excessive,¹⁴³ despite the Court's acceptance of the jury's finding of liability for State Farm's wrongful failure to settle a tort lawsuit, and the \$1 million compensatory award.¹⁴⁴ The Campbells' lawyer argued that the high punitive damage award was justified because State Farm had adopted a nationwide policy of limiting payouts to insurance customers in

139. *Id.* The courts below thought the punitive award “was proportional and fair, given the nature of the conduct, the evidence of intentional passing off, and the size of an award necessary to create deterrence to an entity of Cooper's size.” *Id.* at 430 (quoting *Leatherman Tool Group, Inc. v. Cooper Indus., Inc.*, 205 F.3d 1351 (9th Cir. 1999)).

140. *See id.* at 440.

141. *Id.*

142. *Id.* at 442-43.

143. 538 U.S. 408, 429 (2003).

144. *Id.* at 419-20. The jury actually awarded the Campbells \$2.6 million in compensatory damages, but the trial court reduced the compensatory award to \$1 million. *Id.* at 415.

order to meet internal fiscal goals, and the Campbells were one of many claimants harmed by this policy.

The Utah Supreme Court upheld the punitive award for several reasons. First, it regarded State Farm's policy as quite reprehensible.¹⁴⁵ Second, State Farm had enjoyed "massive wealth" in part because of this policy.¹⁴⁶ Third, the Campbells had offered testimony that the clandestine nature of the policy suggested that State Farm would rarely be caught and punished for its bad acts, and thus that severe punishment was warranted when the company *did* get caught.¹⁴⁷ And finally, State Farm could have been fined \$10,000 per fraud and forced to disgorge its profits if the state had sued it for these wrongs, making the sanction relatively comparable to other civil awards.¹⁴⁸

The U.S. Supreme Court disagreed with the Utah court on every point. Although the Court noted that State Farm's policy "merits no praise,"¹⁴⁹ the Campbells had offered "scant evidence" that State Farm had injured others in the same way it had injured them.¹⁵⁰ Much of the evidence presented at trial consisted of tangential and inflammatory testimony about State Farm's nationwide operations and claim adjustment policies.¹⁵¹ The Court noted that "[t]he reprehensibility guidepost does not permit courts to expand the scope of the case so that a defendant may be punished for any malfeasance."¹⁵² Utah did not have a legitimate interest in punishing State Farm for harms suffered beyond its borders, for harms unrelated to those experienced by the Campbells, or for harms that were lawful, even if unsavory, in jurisdictions in which they occurred.¹⁵³ "Due process does not permit courts, in the calculation of punitive damages, to adjudicate the merits of other parties' hypothetical claims against a defendant under the guise of the reprehensibility

145. *Campbell v. State Farm Auto. Ins. Co.*, 65 P.3d 1134, 1153 (Utah 2001).

146. *Id.*

147. *Id.*

148. *Id.* at 1154-55.

149. *State Farm*, 538 U.S. at 419.

150. *Id.* at 423.

151. *Id.* at 420, 423-24.

152. *Id.* at 424.

153. *Id.* at 422-24.

analysis.”¹⁵⁴ The Court recognized that there was a risk of “multiple punitive damage awards for the same conduct” if it upheld the punitive award in *State Farm*.¹⁵⁵

As for the reasonableness of the punitive award in relation to actual harm, the Court opined that “sanctions of double, treble, or quadruple [actual] damages [will generally be adequate] to deter and punish,” and “few awards exceeding a single-digit ratio ... will satisfy due process.”¹⁵⁶ Accordingly, a 145:1 ratio should be presumed “grossly excessive.”¹⁵⁷ This presumption was not overcome in *State Farm* in part because the compensatory award was already substantial and fully compensated the Campbells for the suffering they had experienced.¹⁵⁸ The Utah court’s concern about difficulty of detecting harms resulting from State Farm’s policy as a rationale for the large punitive award was off-base because it “had little to do with the actual harm sustained by the Campbells.”¹⁵⁹ State Farm’s wealth also should have been given little weight, as heavy reliance on this factor creates the risk of arbitrary and biased jury awards.¹⁶⁰ The Court was also skeptical of the Utah court’s comparable sanction analysis.¹⁶¹ The punitive award being “neither reasonable nor proportionate to the wrong committed,” the Court ruled that “it was an irrational and arbitrary deprivation of [State Farm’s] property.”¹⁶²

154. *Id.* at 423.

155. *Id.*

156. *Id.* at 425.

157. *Id.* at 426.

158. *Id.*

159. *Id.* at 427.

160. *Id.* at 427-28.

161. *Id.* at 428.

162. *Id.* at 429. Further reinforcing *State Farm*’s reluctance to allow plaintiffs to obtain very high ratio punitive awards from defendants whose actions have injured others is *Philip Morris USA v. Williams*, in which the Court ruled that a punitive award based in part on a desire to punish the defendant for harming persons not before the Court (in this case, other smokers) is an unconstitutional deprivation of property without due process of law. 549 U.S. 346, 349 (2007). The Court thought it was fine for juries to consider risks that the defendant’s conduct posed to others as part of the reprehensibility assessment, but juries should not go the next step and punish this defendant for the harm caused to others. *Id.* at 1063-64. “[T]o permit punishment for injuring a nonparty victim would add a nearly standardless dimension to the punitive damages equation.” *Id.* at 1063. Not only would defendants be denied the opportunity to defend themselves against these other claims, but there would be a risk of “arbitrary punishments’ ... that reflect not ‘an application of law, but a

The relevance of the Supreme Court's due process jurisprudence for statutory damage awards in copyright cases has been recognized by a number of courts and commentators,¹⁶³ although, as Part III.D will show, there is not unanimity on its applicability.¹⁶⁴

decisionmaker's caprice." *Id.* at 1062 (quoting *State Farm*, 538 U.S. at 416, 418).

A possible corollary principle to *Philip Morris* is that a punitive award should be calibrated only to deter the defendant before the court from engaging in similar wrongful acts—the punitive award may speak for itself as a deterrent to others, but punitive damages awarded expressly to deter others violate the Supreme Court's due process jurisprudence. See Thomas C. Colby, *Clearing the Smoke from Philip Morris v. Williams: The Past, Present, and Future of Punitive Damages*, 118 YALE L.J. 392, 463 (2008) ("[P]ublic deterrence is an unavoidable (albeit perfectly desirable) result of punitive damages as punishment for private wrongs, but it is not and cannot be the driving force behind them."); Audio Recording: Thomas Colby, Statutory Damages and the Tenenbaum Litigation, Intellectual Property Colloquium at 45:55-47:47 (Feb. 2009), <http://www.ipcolloquium.com/Programs/5.html>. Note that the force of *Philip Morris* as a precedent has been lessened somewhat by the Court's unwillingness to hear the tobacco company's appeal of the Oregon court's refusal to lower the punitive award on remand. *Philip Morris USA Inc. v. Williams*, 129 S. Ct. 1436 (2009) (mem.). In *UMG v. MP3.com*, the court veered into this dangerous territory of "general deterrence," and despite noting that such an issue "must always be approached with caution," the court handed down a multimillion dollar statutory damage award aimed expressly at deterring "[other] companies operating in the area of the Internet." No. 00 Civ. 472 (JSR), 2000 WL 1262568, at *6 (S.D.N.Y. Sept. 6, 2000). Yet, the Supreme Court continues to take due process review of high punitive damage awards very seriously. See, e.g., *Exxon Shipping Co. v. Baker*, 128 S. Ct. 2605, 2632-34 (2008) (striking down as grossly excessive a punitive award for conduct resulting in the Exxon Valdez oil spill because it exceeded the norm in maritime cases).

163. See, e.g., *Bridgeport Music, Inc. v. Justin Combs Publ'g*, 507 F.3d 470, 486-90 (6th Cir. 2007) (striking down high ratio punitive damage award in common law copyright case as inconsistent with *Gore*, et al.), *remanded to Westbound Records, Inc. v. Justin Combs Publ'g, Inc.*, No. 3:05-0155, 2009 WL 943516, at *2-3 (N.D. Tenn. Apr. 3, 2009) (finding defendant's conduct reprehensible enough to justify a 2:1 ratio); *Video Views, Inc. v. Studio 21, Ltd.*, 925 F.2d 1010, 1017 (7th Cir. 1991) ("[C]oncerns of due process and the opportunity for meaningful, if limited, appellate review contemplate that the district court would provide some explanation of the factual findings that underlie this exercise of discretion to award greater than minimum statutory damages."); *Atl. Recording Corp. v. Brennan*, 534 F. Supp. 2d 278, 282 (D. Conn. 2008) (denying motion for default judgment in p2p case because defendant might have viable defense as to unconstitutionality of statutory damage award); *UMG Recordings, Inc. v. Lindor*, No. CV-05-1095 (DGT), 2006 WL 3335048, at *5 (E.D.N.Y. 2006) (granting motion for leave to amend answer to plead unconstitutionality of statutory damage award in p2p filesharing case because due process defense is not frivolous); *In re Napster, Inc.*, No. C MDL-00-1369 MHP, 2005 WL 1287611, at *10 (N.D. Cal. June 1, 2005) (giving credence to due process concerns about grossly excessive statutory damage awards in copyright cases); see also PATRY, PATRY ON COPYRIGHT, *supra* note 9, § 22:181, at 22-433 to 22-435, § 22:208, at 22-473 to 22-476; Barker, *supra* note 14, at 542-48; Berg, *supra* note 17, at 308; Evanson, *supra* note 21, at 635-37.

164. See *Zomba Enters. Inc. v. Panorama Records, Inc.*, 491 F.3d 574, 586-88 (6th Cir. 2007) (rejecting due process challenge to copyright statutory damage award); *Lowry's Reports, Inc. v. Legg Mason, Inc.*, 302 F. Supp. 2d 455, 459-60 (D. Md. 2004) (same).

Applying the *Gore* guideposts to copyright statutory damages is relatively straightforward. Although the harm in copyright cases will always be economic, the relative reprehensibility of copyright infringers depends on a number of factors, such as: the extent to which infringers are intentional bad actors (for example, counterfeiters) who were commercially exploiting the plaintiff's works or were merely careless about whether they might be infringing; whether a reasonable person in the defendant's shoes could have believed that her actions were lawful; whether a noninfringement defense was plausible; whether the case involved a novel issue of law; the relatively large or small scale of the infringement; whether the infringement was part of a pattern of similar misconduct or an isolated event; whether the defendant was a recidivist or first offender; and whether the defendant impeded efforts to determine liability or damages.¹⁶⁵

Application of the reasonable ratio guidepost is also relatively straightforward. Statutory damages are, of course, not inherently punitive and usually serve compensatory and modestly deterrent functions when awarded against innocent or ordinary infringers. Statutory damage awards only become punitive when they are imposed on willful infringers and represent high multiples over actual damages or the defendant's profits.¹⁶⁶ As in *Gore*, the reasonableness of the ratio should depend both on the relative reprehensibility of the defendant's conduct as well as on the relative size of the compensatory award.¹⁶⁷ Multiples over actual damages should be lower when compensatory awards are very large but may be higher when the compensatory award is smaller.¹⁶⁸ When a statutory damage award is in or above the six- or seven-figure range, it likely has a punitive component. It is common for courts to consider what actual damages the plaintiff suffered or what profits were attributable to infringement in setting statutory damage awards, and therefore it is generally easy to discern the

165. Most of these factors parallel those considered in *Gore*. See *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559, 576-80 (1996).

166. See *supra* Part I; see also NIMMER & NIMMER, *supra* note 1, § 14.04[E][1][a], at 14-93-96 (endorsing the view that statutory damages ought to have some correlation with actual damages).

167. *Gore*, 517 U.S. at 580-83.

168. See *id.* at 582.

compensatory to punitive ratio. Even in cases in which courts do not mention damages or profits, it is generally possible to approximate the relative magnitude of damages or profits and thus to discern approximately what part of a statutory damage award is compensatory and what part is punitive. Any statutory damage award that is well over the 10:1 ratio articulated as a general outer limit by *Gore* and *State Farm* should be scrutinized with some care.

The comparable civil sanction guidepost is somewhat trickier to apply, as there are no separate civil fines, as such, for copyright infringement. One hardly can compare the statutory damage regime to itself.¹⁶⁹ We think that the principal goal of this guidepost is to provide courts with a way of assessing how careful the legislature was in calibrating the specific sanction in question in relation to the specific conduct it was trying to prevent; how much deference should be given to the legislative judgment depends on the level of care it actually exercised.¹⁷⁰ In Part II.D, we will explain why we think the statutory damage regime in U.S. copyright law lacks the careful calibration that would justify substantial deference to the legislature.¹⁷¹

169. See, e.g., Barker, *supra* note 14, at 544 (concluding that the third guidepost provides no useful insights in copyright cases). Evanson suggests that courts could assess the third guidepost in copyright statutory damage cases by comparing the award made in a particular case with statutory damage awards in other copyright cases. Evanson, *supra* note 21, at 632-35.

170. Evanson argues that the extent of careful legislative calibration (or lack thereof) is the key consideration in assessing the third guidepost. Evanson, *supra* note 21, at 629-37. *Gore* makes clear that courts should give some deference to legislatively set sanctions, but also that such sanctions are subject to due process review. *Gore*, 517 U.S. at 572, 584. We think it is pertinent to the comparable sanctions analysis that Congress made some effort to construct a statutory damage regime so that awards would not be excessive. See *supra* Part I.B.

171. The comparable sanction analysis in the copyright context also might focus usefully on the level of award that a late registering copyright owner could have gotten for the same infringement (for example, actual damages suffered by the plaintiff and any profits the defendant made that are attributable to the infringement). See 17 U.S.C. § 504(b) (2006). It is worth noting that other intellectual property regimes significantly limit punitive awards by authorizing no more than a doubling or at most a tripling of damage awards for willful infringements. U.S. trade secrecy law, for instance, allows a doubling of damage awards for “willful and malicious” trade secrecy violations. See U.S.T.A. § 3(b) (1985), available at <http://nsi.org/Library/Espionage/usta.htm>. U.S. patent and trademark laws allow courts to award up to three times actual damages when infringements are willful, see 15 U.S.C. § 1117(a) (2006), although trademark counterfeiters may face stiffer damages under 15 U.S.C. § 1117(c); 35 U.S.C. § 284 (2006). It also is pertinent to the comparable sanctions analysis

B. Some Copyright Statutory Damage Awards Are Consistent with Congress's Intent and Due Process Principles

Statutory damages are sometimes awarded in a manner that is consistent with the tripartite structure of § 504(c) and with due process principles. Some awards have been quite moderate in close cases, others approximate actual damages, and still others are enhanced by modest amounts (for example, two or three times actual damages) in somewhat egregious cases, and more (for example, eight to ten times actual damages) in more egregious infringement cases.

When courts perceive that defendants believed in good faith that their uses of copyrighted materials were fair or otherwise noninfringing, they sometimes award only minimum statutory damages. For example, in *Infinity Broadcasting Corp. v. Kirkwood*, the defendant transmitted broadcast radio over telephone lines to enable customers to monitor the ads for which they had paid.¹⁷² Although the court ultimately rejected Kirkwood's fair use defense, it awarded only minimum statutory damages because the fair use claim was plausible and there appeared to be no real damage to the plaintiff.¹⁷³

Although one might have expected at least some putative fair users to be treated as innocent infringers, we found no fair use case in which the court regarded the putative fair user as an innocent infringer. Indeed, we were only able to find two cases in which a court ever awarded statutory damages in an amount lower than the

that statutory damages are a rarity in national copyright laws. Most developed nations do not allow courts or juries to award pre-established damages within a range or even enhanced damages for willful infringement. Those nations that do have statutory damage provisions provide more guidance than U.S. law does about factors to consider in making awards within a statutory range. See Wheatland, *supra* note 1.

172. *Infinity Broad. Corp. v. Kirkwood*, 63 F. Supp. 2d 420, 421 (S.D.N.Y. 1999).

173. *Id.* at 427-28; see also *MCA, Inc. v. Wilson*, 677 F.2d 180, 187 (2d Cir. 1981) (lowering \$32,500 statutory damage award for bawdy song to \$250 in a close fair use case); *Warner Bros. Entm't v. RDR Books, Inc.*, 575 F. Supp. 2d 513, 545, 553-54 (S.D.N.Y. 2008) (awarding minimum statutory damages against defendants who had good faith beliefs that they had only made fair use of the plaintiffs' works); *Religious Tech. Ctr. v. Lerma*, No. 95-1107-A, 1996 WL 633131, at *15 (E.D. Va. Oct. 4, 1996) (awarding minimum statutory damages for infringement of Scientology texts posted on the Internet where fair use defense was plausible).

ordinary infringement minimum.¹⁷⁴ In one of these cases, *Warner Bros., Inc. v. Dae Rim Trading, Inc.*, the court imposed \$100 in statutory damages against the Korean owners of a small shop that was selling toys that, unbeknownst to them, infringed copyrights in fanciful characters from a popular movie.¹⁷⁵ The low award in *Dae Rim* was probably also due to the court's outrage at the "unfair, vexatious, and oppressive manner" in which Warner's lawyers had litigated the case, which had been unnecessarily prolonged to rack up large attorney's fees and statutory damages.¹⁷⁶

Courts have also sometimes awarded minimum statutory damages when the infringement caused only minimal, if any, harm to the plaintiff and yielded little, if any, profits to the defendant. In *Quinto v. Legal Times of Washington, Inc.*, for instance, the court ordered a minimum statutory damage award against a newspaper that reproduced without permission an article written by a Harvard law student who initially had published it in a school newspaper.¹⁷⁷ The court considered the fair market value of the article and the costs the paper saved by using the student's article rather than rewriting the story and concluded that the \$250 award adequately compensated the plaintiff and deterred the defendant.¹⁷⁸ And in

174. Courts have been very stringent about the burden of proof that defendants bear when they claim "innocent" infringement. They must show not only that they had a good faith belief that their conduct was noninfringing but also that they had a reasonable basis for this belief. See *NIMMER & NIMMER*, *supra* note 1, § 14.04[B][2][a]. But even this may not lead to a reduction to \$200 in statutory damages, as the reduction is discretionary with the court. *Id.* For a thorough historical analysis of innocent infringement in copyright law, see, for example, Reese, *supra* note 57, at 183-84 (expressing concern that current law may be deterring many uses of copyrighted works that would ultimately be determined to be lawful because it is so harsh on innocent infringers).

175. 677 F. Supp. 740, 769-70 (S.D.N.Y. 1988). The second such case was *D.C. Comics, Inc. v. Mini Gift Shop*, 912 F.2d 29, 35-36 (2d Cir. 1990), where the court upheld a \$200 award as to a defendant that lacked business sophistication and notice that the infringed works were copyrighted.

176. *Dae Rim*, 677 F. Supp. at 745 ("Warner has been pressing this litigation for over three years for the purpose of collecting disproportionately large statutory damages and attorney's fees."); see also *Reader's Digest Ass'n v. Conservative Digest, Inc.*, 642 F. Supp. 144, 146-47 (D.D.C. 1986) (expressing concern about the aggressiveness of the plaintiff's lawyer and the plaintiff's baseless claims).

177. 511 F. Supp. 579 (D.D.C. 1981); see also *Bly v. Banbury Books, Inc.*, 638 F. Supp. 983, 988 (E.D. Pa. 1986) (awarding \$250 minimum for unauthorized use of software when plaintiff's damages were nominal); *Reader's Digest*, 642 F. Supp. at 147 (awarding minimum statutory damages when harm to plaintiff was minimal).

178. *Quinto*, 511 F. Supp. at 582.

Doehrer v. Caldwell, a political cartoonist received a minimum award against a politician whose campaign reproduced a cartoon in its campaign literature.¹⁷⁹ The court rejected the plaintiff's argument for maximum statutory damages because Caldwell had used the cartoon in fund-raising pamphlets, and the only harm in the case was to plaintiff's reputation "by [an] unwanted association with a candidate he did not support."¹⁸⁰ The court pointed out that "[a] mechanical application of the statutory damage provision of the Copyright Act leads to absurd results," adding that "its deterrent provisions should not be converted into a windfall where, as a practical matter, the plaintiff has suffered only nominal damages."¹⁸¹

In other ordinary infringement cases, courts have awarded statutory damages in amounts that approximated actual damages and/or defendants' profits. In *Twin Peaks Productions, Inc. v. Publications International, Ltd.*, for instance, the publisher of books that summarized plots of a popular television series was found to have willfully infringed; yet the plaintiff was awarded statutory damages roughly equivalent to the actual damages it alleged it had suffered.¹⁸² Courts have also deferred to an advance agreement between the parties about an appropriate statutory damage award in the event that the court did not find the defendant's legal argument compelling.¹⁸³

Other statutory damage awards have involved relatively modest multiples over actual damages in cases finding willful infringement. In *Fallaci v. New Gazette Literary Corp.*, for example, the defendant was held to be a willful infringer for its unauthorized translation of a prominent writer's interview with the Polish prime minister into the Russian language, but the court decided that an award of twice

179. 207 U.S.P.Q. 391, 393 (N.D. Ill. 1980).

180. *Id.*

181. *Id.*

182. 996 F.2d 1366 (2d Cir. 1993) (affirming a \$120,000 statutory damage award where plaintiff alleged \$125,000 in actual damages); *see also* *New Line Cinema Corp. v. Russ Berrie & Co.*, 161 F. Supp. 2d 293, 303 (S.D.N.Y. 2001) ("New Line's statutory damages should be commensurate with the actual damages incurred.").

183. *Encyc. Britannica Educ. Corp. v. Crooks*, 558 F. Supp. 1247 (W.D.N.Y. 1983) (awarding agreed upon statutory damages for unauthorized recordings of educational television programs).

the author's normal translation fee was adequate as statutory damages.¹⁸⁴

In more egregious willful infringement cases, somewhat higher multiples over actual damages and profits have been awarded, and some of these are consistent with due process principles. In *Lauratex Textile Corp. v. Allton Knitting Mills*, for instance, the court awarded statutory damages that were roughly eight times the actual damages that the plaintiff had suffered from the defendant's infringement, in part because the defendant was a repeat infringer.¹⁸⁵ The \$40,000 award was thought necessary to deter further infringements. The court did not, however, award the enhanced maximum possible statutory damage for this willful infringement.¹⁸⁶

Even highly willful and egregious infringers do not always suffer the maximum statutory penalty for their sins. In *United States Media Corp. v. Edde Entertainment Corp.*, the main defendant was a large-scale bootlegger of pornographic films.¹⁸⁷ Edde's firm made a practice of searching the Copyright Office registration records before bootlegging particular films, apparently calculating that fellow pornographers who did not qualify for statutory damages and

184. 568 F. Supp. 1172, 1173-74 (S.D.N.Y. 1983). Fallaci argued for maximum statutory damages because of harm to her reputation arising from flaws in the translation and its appearance in a nonprestigious forum. *Id.* at 1174. The court did not mention whether this concern played any role in the statutory damage award. Other examples of modest multiples over actual damages include *Hi-Tech Video Products, Inc. v. Capital Cities/ABC, Inc.*, 804 F. Supp. 950 (W.D. Mich. 1992), where the court awarded three times the ordinary license fee for infringement of portions of Good Morning America program, and *U.S. Songs, Inc. v. Downside Lenox, Inc.*, 771 F. Supp. 1220 (N.D. Ga. 1991), where the court awarded approximately three times the license fee to which the plaintiff was entitled. Courts sometimes also segment statutory damage awards so they conform to time periods of relative greater and lesser culpability. *See, e.g.*, *Nat'l Football League v. PrimeTime 24 Joint Venture*, 131 F. Supp. 2d 458 (S.D.N.Y. 2001) (awarding lower statutory damages in an initial period because defendant might have reasonably believed its acts were noninfringing, but higher awards for continuing acts of infringement after lower court ruling against its defense).

185. 519 F. Supp. 730, 733 (S.D.N.Y. 1981). Recall that *Gore* pointed out that "a recidivist may be punished more severely than a first offender." *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559, 577 (1996).

186. *Lauratex*, 519 F. Supp. at 732-33.

187. No. 94 Civ. 4849 (MBM) MHD, 1998 WL 401532 (S.D.N.Y. July 17, 1998); *see also* *Pret-A-Printee, Ltd. v. Allton Knitting Mills, Inc.*, 218 U.S.P.Q. (BNA) 150, 153-54 (S.D.N.Y. 1982) (awarding \$30,000 against repeat infringer, but not \$50,000 maximum).

attorney's fees would not find it worthwhile to sue him.¹⁸⁸ Edde even put copyright notices and FBI warnings on the packaging for his bootleg goods.¹⁸⁹ But as it turned out, at least one of the films Edde bootlegged did qualify for a statutory damage award. The judge carefully calculated the actual damages and profits as to Edde and the retailers who sold his goods and decided to award \$50,000 in statutory damages as to Edde for that film, along with \$112,760 in damages and profits for infringement of the other four films.¹⁹⁰ This statutory damage award was roughly twice the actual profits as to the registered film and half of the maximum possible award.¹⁹¹

Even more reprehensible than Edde were the sound recording counterfeiters in *RSO Records, Inc. v. Peri*, against whom the court awarded the then-maximum of \$50,000 in statutory damages for each of the twenty-seven sound recordings infringed, for a total award of \$1.45 million.¹⁹² Peri, the lead defendant, had already pleaded guilty to two counts of criminal copyright infringement by the time the civil trial occurred.¹⁹³ The scale of the defendants' counterfeiting operations was vast: roughly 90 percent of the 1.8 million records they manufactured and sold were counterfeit goods.¹⁹⁴ Peri ran the counterfeit operation for years and generated considerable profits from the enterprise, although neither Peri nor his fellow defendants provided enough documentation about the infringing records at issue to calculate the firm's profits precisely.¹⁹⁵ Based on the incomplete information at hand, the court could only identify \$42,239 in damages and profits, but this probably vastly understated the actual damages and profits attributable to this infringement.¹⁹⁶ Even though the ratio of proven damages to the statutory award is much higher than *Gore* and its progeny suggest

188. *U.S. Media*, 1998 WL 401532, at *18-19.

189. *Id.*

190. *Id.* at *1, *9-11, *19-21.

191. *Id.* at *17-21; *see also* *Viacom Int'l, Inc. v. Fanzine Int'l, Inc.*, 98 Civ. 7448 (RCC), 2001 WL 930248 (S.D.N.Y. Aug. 14, 2001) (awarding \$500,000 statutory damage award for willful infringement of cartoon characters against recidivist infringer because this was necessary to deter it as well as other potential infringers).

192. 596 F. Supp. 849, 861, 863-65 (S.D.N.Y. 1984).

193. *Id.* at 854.

194. *Id.* at 859.

195. *Id.* at 858-62.

196. *Id.* at 861.

is the upper limit, *Peri* may be the sort of case in which, because of the reprehensibility of the defendants' conduct and their efforts to thwart a precise accounting of profits, a higher ratio statutory damage award was consistent with due process principles.

Also consistent with congressional intent and with the Supreme Court's due process jurisprudence are cases that take into account the deterrent effect of attorney's fee awards as a reason to limit the extent of a statutory damage award. In *Arclightz & Films Pvt. Ltd. v. Video Palace, Inc.*, for example, the court awarded a filmmaker more than \$20,000 in attorney's fees but only the minimum of \$750 in statutory damages for a video store's making of DVD and VHS format copies of Arclightz's movie and selling or renting them to customers.¹⁹⁷ Although persuaded that the infringement was willful, the court regarded the defendant's admission of liability and willingness to settle the case as mitigating factors; Video Palace was, moreover, a small business such that the minimum statutory damage award would give the plaintiff more than the defendant's profits, and the attorney's fee award would deter further infringement.¹⁹⁸

Occasionally courts make an effort to be consistent with statutory damage awards in similar cases.¹⁹⁹ For example, in *Sega Enterprises Ltd. v. MAPHIA*, an online bulletin board service was operating a site which encouraged its paying customers to upload and download commercially valuable video games including those made by Sega.²⁰⁰ The court held that MAPHIA was a willful infringer because it not only encouraged this uploading and downloading, but was being paid for this service and sold copiers for

197. 303 F. Supp. 2d 356 (S.D.N.Y. 2003).

198. *Id.* at 363.

199. Courts generally have made some effort to award statutory damages in a roughly consistent manner in cases involving unlicensed public performances of music in taverns or similar venues. *See, e.g.*, *Blendingwell Music, Inc. v. Moor-Law, Inc.*, 612 F. Supp. 474 (D. Del. 1985) (awarding \$500 per infringing performance at saloon); *Milene Music, Inc. v. Gotauco*, 551 F. Supp. 1288, 1296-97 (D.R.I. 1982) (awarding \$625 per infringing performance of music in a tavern); *George Simon, Inc. v. Spatz*, 492 F. Supp. 836 (W.D. Wis. 1980) (awarding \$500 per infringing performance of music in a tavern); *see also* *Broadcast Music, Inc. v. Lyndon Lanes, Inc.*, 227 U.S.P.Q. (BNA) 731, 733 (W.D. Ky. 1985) (awarding statutory damages of \$250 per work for unlicensed public performance of music on a jukebox in a bowling alley).

200. 948 F. Supp. 923 (N.D. Cal. 1996).

these games.²⁰¹ Noting that the Ninth Circuit had upheld an award of \$5,000 per infringed work in a similar case, the court in *MAPHIA* decided that a similar award was justified in the case before it.²⁰²

C. Some Copyright Statutory Damage Awards Are Inconsistent with Congressional Intent and Due Process Principles

The *Thomas*,²⁰³ *MP3.com*,²⁰⁴ and *Free Republic*²⁰⁵ cases discussed earlier are examples of cases in which copyright statutory damage awards have been grossly excessive and inconsistent with the Supreme Court's due process jurisprudence.²⁰⁶ In all three cases, reprehensibility was low because evidence of willfulness was weak, none of the defendants were the kind of egregious or repeat infringer for which the enhanced statutory damage awards were intended,²⁰⁷ and the ratio of punitive to actual damages was exceptionally high.²⁰⁸ We believe that they are also inconsistent with the tripartite structure that Congress established for statutory damages in 1976. This section gives numerous other examples of cases in which statutory damage awards have been punitive and difficult to square with Congress's intent in establishing a just statutory damage regime and with due process principles.

201. *Id.* at 936.

202. *Id.* at 940 (citing *Nintendo of Am., Inc. v. Dragon Pac. Int'l*, 40 F.3d 1007, 1010 (9th Cir. 1994)); *see also* *Sega Enters. Ltd. v. Sabella*, No. C 93-04260 CW, 1996 WL 780560 (N.D. Cal. Dec. 18, 1996) (making same award on same facts). The award in *MAPHIA* was only \$10,000 for infringement of two of Sega's games, rather than the \$200,000 that the statute would have permitted for willful infringement in this case. *MAPHIA*, 948 F. Supp. at 940; *see also* *Nintendo of Am., Inc. v. Ketchum*, 830 F. Supp. 1443, 1445 (M.D. Fla. 1993) (awarding statutory damages of \$2,000 per infringed work for selling counterfeit videogames).

203. *Capitol Records, Inc. v. Thomas*, 579 F. Supp. 2d 1210 (D. Minn. 2008).

204. *UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F. Supp. 2d 349 (S.D.N.Y. 2000).

205. *L.A. Times, Inc. v. Free Republic*, No. 98-7840 MMM AJWX, 2000 WL 1863566 (C.D. Cal. Nov. 16, 2000).

206. *See supra* Part I.B.2.

207. As we pointed out in Part I.B, Congress expected enhanced statutory damages to be used only in "exceptional cases," by which we think it meant egregious infringement cases, such as those involving counterfeiting or recidivist infringements. Those who should perhaps have known they were infringing or even knew they were engaged in risky behavior should be treated as ordinary infringers.

208. *See supra* notes 125-28 and accompanying text.

One unfortunate practice utilized in several recent cases has been to jump straight to the statutory maximum, even when the infringement caused little or no actual harm to the plaintiff and brought the defendant little or no profit. In *Macklin v. Mueck*, for example, the plaintiff sued two individuals who operated poetry websites for infringing copyrights in two of Macklin's poems by posting them online.²⁰⁹ After the defendants defaulted by not answering the complaint, Macklin moved for an award of maximum statutory damages based on his bare allegation that the infringements were willful.²¹⁰ Seeming to recognize the unlikelihood that the defendants had profited from the infringements and the likelihood that actual damages were almost certainly modest, the magistrate recommended an award of the ordinary infringement minimum of \$750 per poem to compensate the plaintiff and deter the defendants.²¹¹ Yet, the trial judge accepted Macklin's allegation that the infringement was willful and awarded \$300,000, the maximum possible award.²¹² This award was plainly punitive, far in excess of what was needed to compensate the plaintiff and deter further infringement.²¹³

209. *Macklin v. Mueck*, No. 00-14092-CIV-MOORE/LYNCH, 2004 U.S. Dist. LEXIS 28416 (S.D. Fla. Dec. 29, 2004). Interestingly, at the time of the infringements and throughout the litigation, Macklin was incarcerated in a Florida correctional institution, having been convicted on numerous counts of armed robbery and sentenced to serve multiple life sentences. *Id.* at *1; see also *Macklin v. Singletary*, 24 F.3d 1307, 1308-09 (11th Cir. 1994).

210. *Macklin v. Mueck*, No. 00-14092-CIV MOORE, 2005 U.S. Dist. LEXIS 18026, at *3 (S.D. Fla. Jan. 28, 2005).

211. *Macklin*, 2004 U.S. Dist. LEXIS 28416, at *5-6; see also *Axact (Pvt), Ltd. v. Student Network Res., Inc.*, No. 07-5491 (FLW), 2008 WL 4754907 (D.N.J. Oct. 22, 2008) (awarding \$300,000, the maximum statutory damages, on a default judgment against the off-shore operator of a website containing academic research papers that both parties were selling to their customers); *Design Tex Group, Inc. v. U.S. Vinyl Mfg. Corp.*, 04 Civ. 5002 (JSR), 2005 WL 2063819 (S.D.N.Y. Aug. 24, 2005) (awarding \$150,000 for infringement when actual damages were \$3,389); *Perfect 10, Inc. v. Talisman Commc'ns, Inc.*, No. CV99-10450 RAP MCX, 2000 WL 364813 (C.D. Cal. Mar. 27, 2000) (awarding \$300,000 as maximum statutory damages on default judgment for unlicensed posting of sexualized photographs on the defendant's website). One court has opined that it is appropriate to award statutory damages in default judgment cases insofar as proof of damages or profits is within the defendant's control. See *Microsoft Corp. v. McGee*, 490 F. Supp. 2d 874, 882 (N.D. Ohio 2007). Of course, this cannot be done when plaintiffs have not promptly registered with the Copyright Office.

212. *Macklin*, 2005 U.S. Dist. LEXIS 18026, at *3 (awarding the maximum against the websites); *Macklin v. Mueck*, No. 00-14092-CIV MOORE, 2005 U.S. Dist. LEXIS 18027 (S.D. Fla. Mar. 10, 2005) (awarding the maximum against the two individual defendants).

213. One danger of statutory damage awards in default judgment cases is that the plaintiff

Even defendants with plausible noninfringement defenses have been confronted with maximum statutory damage awards. In *Greaver v. National Ass'n of Corporate Directors*, for example, the plaintiff was an independent contractor whom NACD had hired to develop materials for and conduct seminars on issues of interest to chief financial officers.²¹⁴ After NACD informed Greaver that his services were no longer required, it hired another person to develop comparable seminar materials and instructed him not to reuse Greaver's materials.²¹⁵ The second consultant's materials were, however, found to be substantially similar to Greaver's.²¹⁶ The court ruled that NACD's infringement was willful and awarded Greaver \$100,000 in statutory damages, the maximum possible at that time,²¹⁷ making no effort to explain why this high award was justified.

Even more questionable was the maximum statutory damage award in *Lipton v. Nature Co.*²¹⁸ Lipton, an etymologist and author of a book entitled *An Exaltation of Larks*, sued Nature Co. and its supplier, Wein, for copyright infringement for making and selling scarves and other items on which were printed seventy-two terms of venery (for example, a pod of whales, a gaggle of geese) that Lipton claimed infringed a section of *Larks*.²¹⁹ Wein at first claimed to have found these terms in a public domain source, but when Lipton sued for infringement, Wein contested the copyrightability of the compilation.²²⁰ The trial judge granted summary judgment to

may not actually be eligible for a statutory damage award. It seems unlikely, for instance, that Macklin, a prisoner, would have filed a copyright registration in a timely manner, but, without a live defendant to raise the ineligibility defense, it may be easy for courts to overlook the eligibility issue. Another danger is awarding enhanced damages for willful infringement in default judgment cases based only on the pleadings, as in *Macklin*. A better rule would treat defaults as admitting liability for general damages and require proof of willfulness beyond that pleaded in the complaint.

214. No. 94-2127 (WBB), 1997 WL 34605245 (D.D.C. Nov. 19, 1997).

215. *Id.* at *2.

216. *Id.*

217. *Id.* at *7. The court did not attempt to explain why the maximum award was appropriate or to estimate actual damages or the defendant's profits attributable to infringement.

218. 71 F.3d 464 (2d Cir. 1995).

219. *Id.* at 467.

220. Wein also contested the court's jurisdiction over him. *Lipton v. Nature Co.*, 781 F. Supp. 1032, 1034-36 (S.D.N.Y. 1992).

Lipton, holding that Wein's infringement was willful and awarding Lipton maximum possible statutory damages.²²¹ The Second Circuit concluded that the venery terms were sufficiently original to qualify for copyright protection but reversed the finding of willfulness, saying the defendant's state of mind was a question of fact that should be tried before a jury.²²² But the trial judge was evidently ready to throw the book at Wein notwithstanding the low reprehensibility of the defendant's conduct—the compilation was only just barely copyrightable, and Wein could reasonably have thought the terms were in the public domain. The ratio of punitive to actual damages in this case was almost certainly well in excess of the 10:1 guideline,²²³ and the actual damage award would likely have been much smaller if statutory damages had not been available as a remedy.²²⁴ In “thin” copyright cases, such as *Lipton*, statutory damages ought to approximate actual damages or, at most, be based on small multiples over estimated actual damages.²²⁵

Another unfortunate practice evident in the case law occurs when courts start with the statutory maximum and work backwards from there, insofar as the defendant is not at the most reprehensible end of the spectrum. In *Childress v. Taylor*,²²⁶ for example, Childress sued Taylor for infringement after Taylor rewrote a play on which they had previously collaborated.²²⁷ Taylor argued that the earlier play was a joint work and that the later play was a lawful derivative of it; Childress disputed the joint work argument and claimed

221. *Lipton*, 71 F.3d at 472.

222. *Id.* at 472-73.

223. See *supra* note 126 and accompanying text.

224. *Lipton*, 71 F.3d at 470.

225. Another “thin” copyright case in which grossly excessive maximum statutory damages were awarded is *Superior Form Builders, Inc. v. Dan Chase Taxidermy Supply Co.*, 74 F.3d 488 (4th Cir. 1996). Dan Chase challenged the copyrightability of mannequins for animal forms as useful articles, *id.* at 492, which was plausible given *Carol Barnhart, Inc. v. Economy Cover Corp.*, 773 F.2d 411 (2d Cir. 1985) (ruling that human mannequins were unprotectable useful articles). After the court upheld Superior's copyright in the forms, the jury awarded \$400,000 in statutory damages for four infringements, even though the defendant's profits from the infringement were at most ten thousand dollars. *Dan Chase*, 74 F.3d at 496. The principal factor tending to heighten reprehensibility was that Dan Chase had been charged with copyright infringement in the past. *Id.* at 497.

226. 798 F. Supp. 981 (S.D.N.Y. 1992).

227. The judge rejected as speculative Childress's arguments for \$71,000 in actual damages. *Id.* at 989-92.

that the rewrite infringed her play.²²⁸ Despite the plausibility of Taylor's defense, the trial judge ruled that she was a willful infringer and ordered Taylor to pay \$30,000 in statutory damages.²²⁹ The statutory maximum of \$50,000 was, he decided, not necessary because Taylor had paid Childress to write the underlying play and had made many contributions to it.²³⁰ Because Childress had not proved any damages, the statutory award was "primarily punitive in nature."²³¹

Another erroneous conception of the enhanced statutory damage provision of copyright law seems to have caused the trial court in *Zomba Enterprises, Inc. v. Panorama Records, Inc.*, to award the plaintiff \$31,000 per infringed work for making unauthorized karaoke disks of Zomba's music.²³² Panorama argued to the Sixth Circuit that the statutory damage award should be reduced because the trial court erroneously believed that, once it found the infringement to be willful, the statutory award must be above \$30,000 per work.²³³ Although Panorama could not point to a specific statement in the record to support this claim, its theory is plausible, for there is no apparent explanation for the use of the otherwise unusual figure of \$31,000 per work as the proper measure of statutory damages in this case. The Sixth Circuit deferentially observed that "Panorama's willfulness prompted the district court to conclude that the maximum penalty for nonwillful infringement was *not sufficient* given Panorama's conduct."²³⁴ Yet, in many other cases involving willful infringers, courts have not found it necessary to

228. *Childress v. Taylor*, No. 87 Civ. 6924 (CSH), 1990 WL 196013 (S.D.N.Y. Nov. 28, 1990), *aff'd*, 945 F.2d 500 (2d Cir. 1991).

229. *Childress*, 798 F. Supp. at 997.

230. *Id.*

231. *Id.*

232. 491 F.3d 574, 580 (6th Cir. 2007).

233. *Id.* at 586. Recall that \$30,000 is the maximum that can be awarded in the middle range of the statutory damage provision (which we have described as the remedy for "ordinary infringements"). See *supra* note 78 and accompanying text. This number also is the apparent dividing line above which enhanced damages for willful infringement can be made. The lower court in *Zomba* also mistakenly believed that the \$750-\$30,000 range applied only to innocent infringement. See *Zomba*, 491 F.3d at 586 (quoting the lower court opinion).

234. *Zomba*, 491 F.3d at 586. We agree with the Sixth Circuit's assessment that "Panorama's ... fair-use defense was objectively unreasonable." *Id.* at 585. Yet, we view Panorama as far less reprehensible than willful infringers such as the defendants in the *Edde* and *Peri* cases. See *supra* notes 188-96 and accompanying text.

start at the first step of the enhancement ladder in making statutory damage awards.²³⁵ Had Zomba not promptly registered its copyrights, the actual damage and profit award would have been \$28,151.²³⁶ Panorama argued that the \$806,000 award was “grossly excessive” under *Gore* and its progeny because it was 37 times the compensatory award, but the Sixth Circuit brushed aside this argument, holding that *Gore* does not apply to statutory damage awards.²³⁷

Inconsistent statutory damage rulings in factually similar cases are, moreover, easy to find.²³⁸ In one set of cases, the same

235. See, e.g., *Arclightz & Films Pvt. Ltd. v. Video Palace, Ltd.*, 303 F. Supp. 2d 356, 363 (S.D.N.Y. 2003) (\$750 per work award against maker of counterfeit movie); *Lauratex Textile Corp. v. Allton Knitting Mills Inc.*, 519 F. Supp. 730, 733 (S.D.N.Y. 1981) (\$40,000 against repeat infringer).

236. *Zomba*, 491 F.3d at 586 n.10.

237. *Id.* at 586-87. The court relied upon a 1919 decision in *St. Louis, Iron Mountain & S. Ry. Co. v. Williams*, 251 U.S. 63 (1919) for the proposition that statutory damage awards should be judged under a more deferential standard. *Zomba*, 491 F.3d at 587-88.

238. Even on the exact same facts, inconsistent awards may occur. See, e.g., *Columbia Pictures Television v. Krypton Broad. of Birmingham, Inc.*, 106 F.3d 284 (9th Cir. 1997) (awarding \$8.8 million in statutory damages for unauthorized broadcast of television programs), *rev'd*, 523 U.S. 340 (1998), *remanded to Columbia Pictures Television, Inc. v. Krypton Broad. of Birmingham, Inc.*, 259 F.3d 1186 (9th Cir. 2001) (awarding \$31 million for same infringement). Inconsistencies have arisen in lawsuits involving unauthorized broadcasts of music. See, e.g., *SESAC, Inc. v. WPNT, Inc.*, 327 F. Supp. 2d 531 (W.D. Pa. 2003) (refusing request for a new trial on damages after jury came back with \$1,263,000 statutory damage award which was more than 200 times the lost license fee); *Rodgers v. Quests, Inc.*, 213 U.S.P.Q. (BNA) 212 (N.D. Ohio 1981) (awarding \$27,750 in statutory damages for willful infringement for unlicensed radio broadcasts of music). Awards in news clipping cases also have been inconsistent. See, e.g., *L.A. News Serv. v. Tullo*, 973 F.2d 791 (9th Cir. 1992) (awarding \$20,000 for infringement of two works); *Pac. & S. Co. v. Duncan*, 744 F.2d 1490, 1499 n.16 (11th Cir. 1984) (awarding \$35 for unauthorized news clipping). Other inconsistencies are evident in lawsuits against individual file sharers. Most of these lawsuits have settled for \$2,000-\$5,000. *Barker*, *supra* note 14, at 528 n.19. Statutory damage awards against some file sharers who have gone to trial have been set at the statutory minimum. See, e.g., *BMG Music v. Gonzalez*, 430 F.3d 888 (7th Cir. 2005) (awarding \$750 per song for a total award of \$22,500). Yet, in at least one case, the judge persuaded the RIAA to settle for \$200 per infringed work, saying that the defendant's innocent infringement defense was plausible. See *Maverick Recording Co. v. Harper*, No. 5:07-CV-026-XR (W.D. Tex. Aug. 7, 2008); see also Eric Bangeman, *RIAA Now Wants to Avoid Trial in Innocent Infringement Case*, ARSTECHNICA, Oct. 19, 2008, <http://arstechnica.com/tech-policy/news/2008/10/riaa-now-wants-to-avoid-trial-in-innocent-infringement-case.ars>. Yet, as previously noted, Jammie Thomas was punished by a statutory award of \$9,250 per infringed song for a total award of \$220,000. See *supra* notes 13-14 and accompanying text. See also *Wheatland*, *supra* note 1 (giving an example of inconsistent damage awards for comparable infringements under Japanese and U.S. law).

recording industry firm challenging comparable acts of infringement (continuing to make and sell records after a compulsory license was terminated) and obtained statutory damage awards of \$10,000 per infringed work in one case,²³⁹ \$30,000 per infringed work in another,²⁴⁰ and \$50,000 per infringed work in a third.²⁴¹ No effort was made to align the awards or explain the discrepancies.

Even more wildly inconsistent rulings can be found in cases involving the posting of infringing materials on the Internet. For making considerable portions of five Scientology texts available on the Internet, Lerma was ordered to pay the statutory damage minimum of \$2,500.²⁴² Free Republic, however, was hit with a \$1 million statutory damage award for posting an unspecified number of newspaper articles on its nonprofit website, and Mueck was punished by a \$300,000 award for posting two poems on the Internet.²⁴³ No meaningful explanation was given in the *Free Republic* or *Macklin* cases for imposing maximum awards.

Photocopying has yielded similarly inconsistent statutory damage rulings. In *Basic Books, Inc. v. Kinko's Graphics Corp.*, the court awarded the plaintiff the statutory maximum of \$50,000 per infringed work for nine works and \$20,000 per infringed work for three others because Kinko's' duplication of "coursepacks" for university students infringed copyrights in the book chapters and articles they contained.²⁴⁴ For engaging in exactly the same

239. *Peer Int'l Corp. v. Luna Records, Inc.*, 887 F. Supp. 560 (S.D.N.Y. 1995).

240. *Peer Int'l Corp. v. Max Music & Entm't, Inc.*, No. 03 Civ. 0996KMWDF, 2004 WL 1542253 (S.D.N.Y. July 9, 2004).

241. *Peer Int'l Corp. v. Pausa Records, Inc.*, 909 F.2d 1332 (9th Cir. 1990).

242. *Religious Tech. Ctr. v. Lerma*, CIV.A. No. 95-1107-A, 1996 WL 633131, at *16 (E.D. Va. Oct. 4, 1996). The statutory damage award against Veeck for posting the entirety of a building code on the Internet was also a \$500 minimum award before the ruling against him was reversed on other grounds. *Veeck v. So. Bldg. Code Cong. Int'l, Inc.*, 49 F. Supp. 2d 885 (E.D. Tex. 1999), *rev'd on other grounds*, 293 F.3d 791 (5th Cir. 2002) (ruling that the code in question was not protectable by copyright law).

243. *See supra* notes 99-100, 209-12 and accompanying text. *Talisman* similarly was punished with a maximum award for posting photos of nude women on the Internet. *Perfect 10, Inc. v. Talisman Commns., Inc.*, No. CV99-10450 RAP MCX, 2000 WL 364813 (C.D. Cal. Mar. 27, 2000).

244. 758 F. Supp. 1522, 1543-45 (S.D.N.Y. 1991). The total award in *Kinko's* was \$510,000. *Id.* One might argue that the total award was actually quite modest, given that Kinko's had launched a nationwide coursepack copying service and many infringements had occurred besides the dozen at issue in the case. *Id.* at 1526. There are at least three problems with this

practice, Michigan Document Services was subject to a statutory damage award of \$5,000 per infringed work.²⁴⁵ Yet the Sixth Circuit reversed this award as excessive because Michigan Document Services reasonably believed it was engaged in fair use.²⁴⁶

One might have expected the statutory damage award in *Legg Mason* to be considerably lower given that the firm was not directly engaged in commercial exploitation of copies, as was the case in *Kinko's* or *Michigan Document Services*; the copying was instead done by a few members of a research group from newsletters to which the firm subscribed.²⁴⁷ Yet, Legg Mason was punished with a \$19.7 million award.²⁴⁸ This award is almost forty times larger than the award in *Kinko's* and more than thirteen times the statutory damage award against Peri, a notorious infringer who had made and sold almost two million counterfeit records. There is simply no way that Legg Mason's infringement was that much more reprehensible than Kinko's or Peri's.

Like the Sixth Circuit in *Zomba*, the trial judge in *Legg Mason* dismissed the defendant's due process argument, saying that *Gore* and *State Farm* do not apply to statutory damages because it is often difficult to prove damages in copyright cases.²⁴⁹ The trial judge also characterized copyright statutory damages as "carefully crafted and reasonably constrained."²⁵⁰ The award in *Legg Mason*, in itself, calls this assertion into question.

Legg Mason is one of several copyright cases in which the aggregation of per work claims has led to grossly excessive punitive

perspective. First, the nonplaintiff owners of copyrights of other works infringed by Kinko's were not before the court, and it seems wrong for Basic Books to get a windfall statutory damage award as to works in which it does not own copyrights. Second, to the extent that the enhancement was aimed at other infringements, the court had no basis for knowing whether the other works whose copyrights were infringed had been registered promptly so that they were eligible to be considered for statutory damages. Third, the high award per work sets a precedent that may affect damage rulings in other photocopying type cases such as *Legg Mason*.

245. Princeton Univ. Press v. Mich. Document Servs., 855 F. Supp. 905, 913 (E.D. Mich. 1994) (equaling a total award of \$30,000).

246. Princeton Univ. Press v. Mich. Document Servs., 99 F.3d 1381, 1392 (6th Cir. 1996).

247. Lowry's Reports, Inc. v. Legg Mason, Inc., 271 F. Supp. 2d 737, 742-42 (D. Md. 2003).

248. Lowry's Reports, Inc. v. Legg Mason, Inc., 302 F. Supp. 2d 455, 455 (D. Md. 2004). The maximum exposure was \$36 million. *Id.* at 459 n.3.

249. *Id.* at 459-60.

250. *Id.* at 460.

damage awards. Had the jury awarded the minimum statutory damage for the firm's internal copying of Lowry's newsletters, Legg Mason would have had to pay \$180,000, a sum which would have provided significant compensation to Lowry's and almost certainly would have deterred the firm from further unlicensed copying. This award would have been three times the actual damages of roughly \$60,000.²⁵¹ The firm's reprehensibility was low in view of its plausible, even if unsuccessful, fair use claim.²⁵² The ratio of punishment to actual harm exceeded 300:1,²⁵³ or more than thirty times the 10:1 ratio that *Gore* and *State Farm* viewed as the apex of reasonable ratios and twice the 145:1 ratio that *State Farm* said was presumptively unconstitutional.²⁵⁴

Aggregation of per work infringement claims also has led to grossly excessive statutory damage awards in cases challenging new technological uses of copyrighted works. The ruling of willful infringement and the high statutory damage award in *UMG Recordings, Inc. v. MP3.com* sent a shockwave of chilling effects throughout the innovative digital technology and services community in 2000.²⁵⁵ After ruling against MP3.com's fair use defense,²⁵⁶ the main reason the judge gave for such a substantial award focused on the perceived need to deter other Internet entrepreneurs from similar lawless behavior:

[T]here is no doubt in the Court's mind that the potential for huge profits in the rapidly expanding world of the Internet is the lure that tempted an otherwise generally responsible

251. See Legg Mason's Memorandum of Law in Support of its Motion for a New Trial and Judgment as a Matter of Law at 3-9, *Lowry's Reports, Inc. v. Legg Mason, Inc.*, 271 F. Supp. 2d 737 (D. Md. 2003) (No. WDQ 01-3898) [hereinafter Legg Mason Memorandum]. Even this figure is relatively high, as it represents the cost of extra subscriptions instead of a possible license fee to make extra copies of particular articles, which one would expect would be less than the price of whole issues.

252. See *supra* note 105 and accompanying text.

253. See Legg Mason Memorandum, *supra* note 251, at 2 (estimating that the verdict gave Lowry's 86 times its actual damages as to a first phase of copying, more than 2500 times actual damages in a second phase, and 4500 times damages for a third phase; the award was also 320 times the plaintiff's average net income).

254. See *supra* notes 156-57 and accompanying text.

255. See, e.g., Berg, *supra* note 17, at 270. The Nimmer treatise is critical of the disproportionately high award in *MP3.com*. NIMMER & NIMMER, *supra* note 1, § 14.04[E][1].

256. *UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F. Supp. 2d 349 (S.D.N.Y. 2000).

company like MP3.com to break the law and *that will also tempt others to do so if too low a level is set for the statutory damages in this case*. Some of the evidence in this case strongly suggests that some companies operating in the area of the Internet may have a misconception that, because their technology is somewhat novel, they are somehow immune from the ordinary applications of laws of the United States, including copyright law. They need to understand that the law's domain knows no such limits.²⁵⁷

It is inconsistent with due process principles to make such a large award in order to deter strangers to the litigation.²⁵⁸

Many other technology and service providers have been at risk for similarly huge or even more huge statutory damage awards for making new technologies or providing new services to persons who might use them to infringe copyrights.²⁵⁹ Internet service providers, such as YouTube, and makers of MP3 players, peer-to-peer technologies, and digital video recorders, among others, have either been sued or threatened with suits for contributory copyright infringement.²⁶⁰ Venture capitalists who provide financial and other support for developers of innovative new technologies and services have recognized the “crushing implications” of statutory damage awards which have severe chilling effects on investments in such firms.²⁶¹ This is especially worrisome because it is impossible for a

257. *UMG Recordings, Inc. v. MP3.com, Inc.*, No. 00 Civ. 472 (JSR), 2000 WL 1262568, at *6 (S.D.N.Y. 2000) (emphasis added).

258. *See, e.g.*, *Philip Morris USA v. Williams*, 549 U.S. 346, 353 (2007) (punitive award should not punish a defendant for wrongs done to “strangers to the litigation”); *supra* note 166; *see also* PATRY, *PATRY ON COPYRIGHT*, *supra* note 9, at § 22:181, at 22-433 to 22-435 (noting that the *MP3.com* award is inconsistent with *Philip Morris*).

259. *See, e.g.*, Berg, *supra* note 17, at 268-72.

260. *Id.*

261. *See* Brief of the National Venture Capital Ass'n as Amicus Curiae in Support of Respondents at 4-5, *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (No. 04-480) (2005) [hereinafter Brief of the National Venture Capital Ass'n].

It is critical to understand that the threat of secondary liability from copyright suits is qualitatively different from most other sorts of business risk that investors can insure against or build into their risk calculations. The mandatory mechanism of statutory damages—designed to discourage *direct* infringement—has crushing implications for vendors of multi-purpose technologies, where damages from unforeseen users can quickly mount in the millions and even billions of dollars.

Id. at 16-17. Company executives and engineers may also be sued; even venture capitalists

developer to know in advance, let alone to control, which of a firm's many potential users will infringe certain copyrights and whether the rights holders of those copyrights will qualify for statutory damages.²⁶² Risk exposure may easily run into the billion dollar range.²⁶³

Aggregation poses similarly grave risks of grossly excessive awards in class action copyright cases.²⁶⁴ Although class action lawsuits are rare in copyright cases, they are not unknown.²⁶⁵ In a case brought against Bertelsmann AG for contributing to Napster's infringement through its investment and control of Napster, plaintiffs sought class certification for a class of music publishers whose copyrighted works had been infringed by users of Napster's p2p filesharing system.²⁶⁶ Although the judge granted the class certification, she recognized the risk of a grossly excessive aggregated statutory damage award that would run afoul of due process principles articulated in *Gore* and *State Farm*.²⁶⁷ *The Author's Guild v. Google, Inc.* case is another example of a class action copyright lawsuit on behalf of authors of millions of books that Google

and lawyers have sometimes been sued for contributing to the contributory infringements of their clients. See Berg, *supra* note 17, at 271 n.23.

262. Technology developers currently benefit from the safe harbor that the Supreme Court created in *Sony Corp. of America v. Universal Pictures, Inc.* for technologies that have or are capable of substantial noninfringing uses. 464 U.S. 417, 442 (1984). That safe harbor came under attack in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 928-30 (2005), in which MGM argued for a much stricter standard for secondary liability of technology and service providers. See, e.g., Pamela Samuelson, *Three Reactions to the Grokster Decision*, 13 MICH. TELECOMM. & TECH. L. REV. 177, 182-83 (2006) (discussing MGM's preferred liability standards). It was to counter this stricter standard that the National Venture Capital Association submitted an amicus curiae brief in that case. Brief of the National Venture Capital Ass'n, *supra* note 261, at 2.

263. Brief of the National Venture Capital Ass'n, *supra* note 261, at 4-5.

264. See Sheila B. Scheuerman, *Due Process Forgotten: The Problem of Statutory Damages and Class Actions*, 74 MO. L. REV. 103, 104 (2009).

265. See, e.g., *In re Literary Works in Elec. Databases Copyright Litig.*, 509 F.3d 116, 116-17, 127 (2d Cir. 2007) (vacating class certification and settlement as to authors whose articles were wrongfully included in electronic databases, but who had not registered copyright claims), *cert. granted* (U.S. Mar. 2, 2009) (No. 08-103).

266. *In re Napster, Inc.*, No. C MDL-00-1369 MPH, 2005 WL 1287611, at *1 (N.D. Cal. June 1, 2005).

267. *Id.* at *10; see also *Parker v. Time Warner Entm't Co.*, 331 F.3d 13, 22 (2d Cir. 2003) (expressing concern about potential for an excessive award of statutory damages for privacy violations in class action lawsuit, but ruling that these concerns should not prevent class certification). See *infra* note 298 and accompanying text for a discussion of *Gore* and *State Farm*.

scanned.²⁶⁸ Even an award of the statutory minimum of \$750 per book would yield approximately \$4.5 billion in liability.²⁶⁹ In the hands of Judge Rakoff, Google's liability could soar far above this outrageously large sum for making a digital library of books.²⁷⁰

D. Punitive Statutory Damage Awards Are Subject to Due Process Limits

While we agree with Judge Patel and other commentators that the due process principles of *Gore* and its progeny are implicated when statutory damage awards in copyright cases are grossly excessive,²⁷¹ we acknowledge that the courts in *Zomba* and *Legg Mason* have opined otherwise. In *Zomba*, the Sixth Circuit questioned whether *Gore* and its progeny applied to statutory damage awards, ultimately holding that such damages should be reviewed under the more deferential standard established in the Court's 1919 decision, *St. Louis, Iron Mountain & Railway Co. v. Williams*, until the U.S. Supreme Court holds otherwise.²⁷² In *Legg Mason*, a trial

268. See Class Action Complaint at 2, *Author's Guild v. Google Inc.*, No. 05 CV 8136 (S.D.N.Y. Sept. 20, 2005). A similar lawsuit was filed by five publishers. Google recently announced that it reached a settlement agreement with the Author's Guild, which is designated as the class representative for authors, and the Association of American Publishers, which is now designated as the class representative for publishers, to end this litigation. Under the agreement, Google will provide \$45 million in funds to pay authors who register their claims of copyright with the newly created Book Rights Registry. See Google Book Search Settlement Agreement, <http://books.google.com/googlebooks/agreement/> (last visited Oct. 29, 2009).

269. Of the estimated seven million books in the Book Search database at this point, approximately one million are in the public domain. See, e.g., Posting of Leanne Johnson to TKBR Wiki:PUB802, *Library or Book Store: Google's Book Search*, <http://thinkubator.ccsf.sfu.ca/wikis/PUB802/LibraryOrBookstoreGooglesBookSearch> (Feb. 16, 2009). Although it is far from clear that all of the rights holders of the six million in-copyright books would be eligible for statutory damages, it is useful to realize the potential exposure that Google was facing.

270. If one modeled the fair use analysis in the *Authors Guild* case on Judge Rakoff's analysis in *UMG Recordings, Inc. v. ROM, Inc.*, 92 F. Supp. 2d 349 (S.D.N.Y. 2000), Google would seem at high risk for liability because it was systematically copying the whole of millions of books without clearing rights with copyright owners and storing the electronic texts in a large database that it intended to "beam" to paying customers. However, some commentators have argued that scanning to index books and make snippets available was fair use. See, e.g., Hannibal Travis, *Google Book Search and Fair Use: iTunes for Authors, or Napster for Books?*, 61 U. MIAMI L. REV. 87, 91-92 (2006).

271. See sources cited *supra* notes 162-63.

272. *Zomba Enter., Inc. v. Panorama Records, Inc.*, 491 F.3d 574, 587 (6th Cir. 2007).

court asserted that *Gore* and its progeny did not apply because damages are often difficult to prove in copyright cases and because Congress had carefully calibrated copyright's statutory damages regime.²⁷³

Our response to *Zomba* begins with the observation that the Supreme Court has applied due process excessiveness reviews to a wide variety of sanctions—not just to punitive damages, but also to civil fines, forfeitures, criminal penalties, and other deprivations of liberty or property.²⁷⁴ *Gore* also recognized that although legislatures have broad discretion to establish remedies for wrongful conduct, they must still exercise this discretion in a manner that comports with due process.²⁷⁵ Thus, the fact that Congress has included a statutory damage provision in U.S. copyright law does not, in itself, insulate this law, or particular awards of statutory damages in specific copyright cases, from due process review. Courts have struck down numerous awards as excessive, even when they fell within a legislatively-imposed cap.²⁷⁶

We do, however, agree with the Sixth Circuit that special considerations apply when legislatures create a statutory damage regime aimed at deterring harms to the public when the actual damages suffered by any one individual may be so small that the law would be persistently underenforced in the absence of a

(discussing *St. Louis, Iron Mountain & Ry. Co. v. Williams*, 251 U.S. 63 (1919)). See *supra* notes 232-37 and accompanying text for a discussion of *Zomba*.

273. *Lowry's Reports, Inc. v. Legg Mason, Inc.*, 302 F. Supp. 2d 455, 460 (D. Md. 2004). See *supra* notes 247-52 and accompanying text for additional discussion of *Legg Mason*.

274. See, e.g., *Cooper Indus., Inc. v. Leatherman Tool Group, Inc.*, 532 U.S. 424, 433-35 (2000). Insofar as statutory damages go beyond merely compensating copyright owners for harms attributable to infringement, they serve, and have been recognized as serving, punitive as well as deterrent purposes. See *supra* notes 89-90 and accompanying text; see also *Evanson*, *supra* note 21, at 602 ("[D]ue to the risks of arbitrary and excessive statutory awards, *Gore* and *State Farm*'s due process review should be exacted on every extra-compensatory award."). *Gore* and its progeny seem to regard extra-compensatory awards as punitive. *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559, 580-82 (1995); see also *Cooper Industries*, 532 U.S. at 432.

275. *Gore*, 517 U.S. at 572-73.

276. See, e.g., *United States v. Bajakajian*, 524 U.S. 321, 334 (1998) (finding due process violation in application of forfeiture provision); *Rubinstein v. Adm'rs of the Tulane Educ. Fund*, 218 F.3d 392, 403-09 (5th Cir. 2000) (reducing punitive damage award under equal employment laws even though it was below the statutory maximum); see also sources cited in *Evanson*, *supra* note 21, at 623 n.145. Damages limited by a legislatively-imposed cap function similarly to statutory damages within a specified range.

statutory damage remedy. Consider, for instance, the award in *St. Louis Railway*.²⁷⁷ In order to deter railroads from overcharging their customers for transport within Arkansas—something that the railroads would otherwise be sorely tempted to do—the state legislature established a penalty for overcharges ranging between \$50 and \$300.²⁷⁸ After the St. Louis Railway charged the Williams sisters 66¢ more than the prescribed fare for their route, the sisters sued and were each awarded \$75 in statutory damages.²⁷⁹ The railroad challenged the extra-compensatory award as a deprivation of its property without due process of law.²⁸⁰ Even though the award represented a high multiple over the actual damages, the Supreme Court affirmed the Arkansas court's ruling in favor of the Williams sisters and observed:

When [the penalty] is considered with due regard for the interests of the public, the numberless opportunities for committing the offense, and the need for securing uniform adherence to established passenger rates, we think it properly cannot be said to be so severe and oppressive as to be wholly disproportioned to the offense or obviously unreasonable.²⁸¹

Similar concerns about protecting the public against wrongful acts by unscrupulous firms have induced legislatures to create statutory damage remedies to address a wide range of public harms, such as the sending of junk faxes,²⁸² failure to comply with support orders,²⁸³ displays of Indian-style arts and crafts in a

277. *St. Louis, Iron Mountain & S. Ry. Co. v. Williams*, 251 U.S. 63, 64 (1919).

278. *Id.* at 63-64. The statute also allowed recovery of costs, including a reasonable attorney fee.

279. *Id.* at 64. The sisters also recovered the costs of suit, including an attorney's fee of \$25.

280. *Id.* at 64-65.

281. *Id.* at 67. It bears mentioning that the Court decided *St. Louis Railway* in 1919, and given its modern due process jurisprudence, the Court might not view the penalty in that case in the same way today. Nothing in the Court's modern punitive damage jurisprudence suggests that the Court regards *St. Louis Railway* as the controlling precedent for deferring to statutory damage regimes, and much in that jurisprudence suggests otherwise. See Scheuerman, *supra* note 264, at 122-27 (questioning courts' failure to apply *Gore* to awards of statutory damages).

282. See, e.g., *Kenro, Inc. v. Fax Daily, Inc.*, 962 F. Supp. 1162, 1166 (S.D. Ind. 1997) (refusing to strike down \$500 junk fax award under *Gore* and its progeny).

283. See, e.g., *In re Marriage of Chen and Ulner*, 820 N.E.2d 1136, 1152 (Ill. App. Ct. 2004)

manner that falsely suggests they were made by Indians,²⁸⁴ and violations of cable television privacy rules.²⁸⁵ Statutory damages for these offenses are typically fixed in relatively small amounts, usually under \$1,000, and apply to a specific and narrowly-defined type of conduct.²⁸⁶ Even though the statutory awards authorized under such circumstances may seem excessive in relation to actual harm likely to be suffered by individual victims, courts tend to defer to legislative decisions that carefully calibrate statutory damages to specific harms, and uphold awards made under such carefully calibrated statutes.²⁸⁷

However, even when the legislature has exercised care in establishing a specific statutory award for specific wrongful conduct, due process concerns may arise insofar as claims are aggregated, as in a class action. The Second Circuit Court of Appeals recognized “the potential for a devastatingly large damages award” in connection with its consideration of whether the risk of an excessive award should preclude certification of a class action against a cable television company for violating its twelve million customers’ privacy rights.²⁸⁸ The court observed that “the aggregation in a class action of large numbers of statutory damages claims potentially distorts the purpose of both statutory damages and class actions.”²⁸⁹ The court was concerned that the potential for an excessive award would have “an *in terrorem* effect on defendants,

(upholding \$100-per-day penalty for employer’s failure to comply with support order).

284. *See, e.g.*, *Native Am. Arts, Inc. v. Bundy-Howard*, 168 F. Supp. 2d 905, 914-15 (N.D. Ill. 2001) (upholding \$1,000 per day fine for falsely displaying such goods to protect consumers against counterfeit products and to preserve Native American culture).

285. *See, e.g.*, *Parker v. Time Warner Entm’t*, 331 F.3d 13, 23 (2d Cir. 2003) (Newman, J., concurring) (ordering \$1,000 penalty for violating privacy of cable television subscribers).

286. *See, e.g.*, *Evanson*, *supra* note 21, at 619 n.123 (giving examples). Some statutory remedies provide for a narrow range within which awards can be made. *See* Fair Credit Reporting Act, 15 U.S.C. § 1681n(a)(1)(A) (2006) (allowing awards of actual damages or of statutory damages between \$100 and \$1,000).

287. *See, e.g.*, *Kenro*, 962 F. Supp. at 1166 (upholding \$500 penalty for sending junk faxes because “Congress designed a remedy that would take into account the difficult to quantify business interruption costs imposed upon recipients of unsolicited fax advertisements, effectively deter the unscrupulous practice of shifting these costs to unwitting recipients of ‘junk faxes,’ and ‘provide adequate incentive for an individual plaintiff to bring suit on his own behalf’”).

288. *Parker*, 331 F.3d at 21-22.

289. *Id.*

which may induce unfair settlements.”²⁹⁰ The Second Circuit assumed that it had power under *Gore* to order a reduction of a grossly excessive award in such a case so as to comport with due process.²⁹¹

Statutory damages in copyright law are, of course, not fixed in amount, nor are they fixed within a narrow range. They also apply not just to one specific type of misconduct, nor to a narrow range of conduct, but to a wide range of activities as to a vast array of works. The boundaries of copyright law are, moreover, unclear in many contexts; whether a use is fair or unfair, whether the defendant took only unprotectable parts from an earlier work, and whether two contributors to the same project are joint authors are just a few of the dozens of issues that are often hotly contested in copyright cases. Copyright statutory damages aim, moreover, to rectify a private wrong by compensating copyright owners for economic harms done from infringement and not to remedy the sorts of public wrongs at which most statutory damage rules are aimed. For these reasons, we think that the trial judge in *Legg Mason* was simply wrong in concluding that Congress had calibrated copyright statutory damages so carefully that any award under § 504(c) is insulated from due process review.²⁹²

An award made under a statute may fail *Gore* scrutiny when, like the U.S. copyright statutory damage provision, it “merely specifies a wide range within which an award must fall, leaving gross discretion to the judiciary or when the aggregation of an amount on a per violation basis case presents a situation not considered by the legislature.”²⁹³ In particular, Congress did not foresee or appropriately calibrate statutory damages as to many challenging new technology cases, such as *MP3.com*, *Free Republic*, and *Thomas*.²⁹⁴ Excessive copyright statutory damage awards are,

290. *Id.*

291. *Id.* Barker argues that aggregation and grossly excessive awards are also problematic in p2p filesharing cases. Barker, *supra* note 14, at 525-26. He relies in part on the analysis in *Parker* in support of this argument. *Id.* at 550-51.

292. Evanson found “no evidence from the legislative history [of the 1976 Act] that the statutory range reflects an optimal level of deterrence or retribution” and noted that “the statutory range is so wide that it makes possible both reasonable awards and unreasonable awards.” Evanson, *supra* note 21, at 620-21.

293. *Id.* at 603.

294. See *supra* notes 203-06 and accompanying text.

moreover, likely to have other negative spillover effects, such as chilling lawful, even if close to the boundary, uses of copyrighted works, especially those that would promote freedom of speech and freedom of expression, as well as the development of innovative new technologies and services.²⁹⁵

That damages in copyright cases are sometimes difficult to prove may have been the initial impetus for creating a general statutory damage provision in U.S. copyright law.²⁹⁶ However, this is no longer its principal rationale, nor its main role, in copyright law. In the overwhelming majority of copyright cases, the harm to the rights holder (such as lost license fees) and any unjust enrichment to the defendant attributable to infringement are reasonably discernible.²⁹⁷ It is, in fact, remarkably common for courts to consider plaintiff's damages and defendant's profits as part of its assessment of the proper statutory damage award. It is precisely because statutory damage awards may be grossly disproportionate to actual harm that due process issues arise.

Yet even when copyright damages are difficult to prove, as perhaps they were in the *Free Republic* case, the Supreme Court's due process jurisprudence still has application. *Gore* and *State Farm* both expressly recognize that difficulties in determining what precise economic value to assign to the harm that the defendant has caused the plaintiff may affect the reasonable ratio guidepost, but such difficulties do not insulate such awards from due process review.²⁹⁸ Courts still should consider whether the legitimate objective of the state in establishing a remedy for certain wrongs

295. See, e.g., Berg, *supra* note 17, at 314-17; Reese, *supra* note 57, at 183-84.

296. See *supra* note 22 and accompanying text.

297. Congress could have chosen to limit the award of statutory damages to cases in which damages are difficult to prove, as at least one other nation has done. See *supra* note 171. Congress also could have chosen to allow statutory damages to be awarded to any plaintiff for whom damages or profits were difficult to prove instead of only to those copyright owners who have registered their claims of copyright within three months of publication. That it has done neither of these things suggests that this is no longer the principal rationale for statutory damages. We would be less concerned about the potential excessiveness of statutory damages in U.S. copyright cases if they were only available in difficult-to-prove cases. As it is, most copyright owners have no choice but to prove their own lost profits and the defendant's profits insofar as they registered their copyrights outside the three month window.

298. *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 425 (2002); *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559, 582 (1995).

could be satisfied with a more modest award. Would an award of less than \$118 million have deterred MP3.com from further copying of recorded music? Would less than \$1 million have deterred Free Republic from further postings of news articles? We think so, but we think that courts should at least ask this sort of question before making six- to nine-figure statutory damage awards in copyright cases. Damages in copyright are no harder to compute than “injury to reputation in a defamation case, pain and suffering in a personal injury case, or emotional distress in an insurance bad faith case, yet punitive damages in those situations all require [due process] excessiveness review.”²⁹⁹ Difficulties of proof cannot insulate copyright statutory damage awards from due process review.

In short, we believe that *Gore* and its progeny have salience in copyright cases, and that statutory damage awards should be overturned or reduced when they are grossly excessive under the *Gore* guideposts.

III. PROPOSALS FOR REFORM

Part II has demonstrated that the U.S. statutory damages regime has been applied in a manner that often results in arbitrary, inconsistent, unprincipled, and grossly excessive awards and that reform is needed to address these problems. This Part begins by situating our proposals for reform by considering the statutory damage remedy in the context of other monetary relief that U.S. copyright law provides to compensate copyright owners and deter infringement. It then discusses how courts could develop principles, derived mainly from the case law discussed in Part II.B and II.C, which would achieve significant reform of the statutory damage regime within the current statutory framework. Finally, it reflects on whether statutory reform might be desirable to achieve legislative goals of compensation, deterrence, and punishment in a manner that would be more consistent with due process principles.

299. Evanson, *supra* note 21, at 627.

A. Considering Statutory Damages in the Context of Other Copyright Remedies

Statutory damages should be considered in light of the broader remedial scheme that Congress established for U.S. copyright law.³⁰⁰ When infringement occurs, all copyright owners are entitled to recover their actual damages from the infringement and whatever profits the defendants made that are attributable to the infringement.³⁰¹ The actual damage recovery—that is, profits from sales of the same or similar products or license fees not paid—is clearly compensatory in nature. An award of the defendant's profits, by contrast, has a largely deterrent function.³⁰² Recovery of the defendant's profits ensures that the defendant will not be unjustly enriched by infringement and cannot treat infringement as a cost of doing business, for he will have to disgorge his profits if he infringes. He may also have to pay the copyright owner's attorney's fees, as well as his own.³⁰³

In most cases, particularly when the infringement has generated a lot of money, copyright owners, even those who have promptly registered their works, will prefer to recover actual damages and the defendant's profits rather than to elect statutory damages. The maximum statutory award of \$150,000 may, in fact, be a paltry sum if there are millions in profits that could potentially be disgorged for infringement of a single work (e.g., counterfeit software). It bears mentioning that no matter how egregious the infringement, the copyright owner who recovers its actual damages and the defendant's profits is ineligible for any kind of strictly punitive award.³⁰⁴

300. The Nimmer treatise supports this concept. See NIMMER & NIMMER, *supra* note 1, § 14.04[E][1][a], at 14-95 (statutory damages “should be woven out of the same bolt of cloth as actual damages” and there should be some correlation between actual damages and defendant profits and whatever statutory damage award might be imposed).

301. 17 U.S.C. § 504(b) (2006).

302. Courts exercise care to ensure that there is no double-counting as between an award of the defendant's profits and an award of the plaintiff's lost profits. *See, e.g.*, *Hamil America, Inc. v. GFI*, 193 F.3d 92, 108 n.7 (2d Cir. 1999).

303. 17 U.S.C. § 505 (2006). Deterrent purposes are also served by the copyright rule that successful plaintiffs are required to prove the defendant's gross revenues, but the defendant bears the burden of proving deductions for expenses and profits that are attributable to other causes than infringement. 17 U.S.C. § 504(b) (2006).

304. Punishment for egregious copyright infringement is largely left to criminal law. 17 U.S.C. § 506 (2006).

Of course, late-registering copyright owners will not have the opportunity to elect statutory damage awards; yet, their ability to recover actual damages and defendant's profits will generally achieve compensatory and modest deterrent purposes. They are just ineligible for the extra-compensatory and potentially punitive award of statutory damages for truly egregious infringement. Compensation and modest deterrence must suffice in such cases in accordance with Congress's intent.

Statutory damages clearly have a significant compensatory purpose. As Part I showed, such damages have long been intended to compensate plaintiffs in situations in which it was difficult for a copyright owner to prove what actual damages she sustained and what profits the defendant made or when it would be too expensive, for example, because of a possible need to hire an expert witness, to prove damages or profits in comparison with the amount that could be recovered. This compensatory purpose continues to be important in the statutory damage case law, and courts routinely consider actual damages in assessing how much to award as statutory damages.³⁰⁵ The broadness of the middle statutory damage range for ordinary infringement—between \$750 and \$30,000 per infringed work—very likely achieves the goal of just compensation for infringement in a wide variety of situations as to a wide variety of works. Some part of every statutory damage award is compensatory, though neither a judge nor a jury awarding such damages is required to say how much of the award is compensatory.

Deterrence is also a legitimate goal of statutory damage awards, and Congress unquestionably intended for them to have this purpose. When the actual damages or the defendant's profits are small, the \$750 minimum award ensures that, even if the specific amount of market harm caused by an infringement is small (say, the \$150 fee that a photographer would have sought from a magazine for use of his photo), the copyright owner can nonetheless obtain some compensation that makes bringing a lawsuit worth his time and energy. The prospect of extra-compensatory and potentially punitive levels of statutory damages for willful infringement may deter some would-be infringers more than if they faced liability

305. See, e.g., PATRY, PATRY ON COPYRIGHT, *supra* note 9, § 22:199, at 22-450 (“[M]any court decisions have looked at actual damages as a factor in awarding statutory damages.”).

only for actual damages and profits attributable to infringement. To what extent Congress intended statutory damages to be merely deterrent in purpose and to what extent it intended them to be punitive is, unfortunately, unclear.³⁰⁶ What we can say with some confidence is that the higher the multiple of a statutory damage award as compared with the actual damages and/or defendant's profits or an approximation thereof, the more likely the award is to have a punitive effect as well as a punitive intent.

Our study of the history of statutory damages under the 1976 Act has caused us to conclude that the primary reason that statutory damage awards under the 1976 Act have too often been arbitrary, inconsistent, unprincipled, and grossly excessive is that Congress melded together in one statutory damage provision two things that it should have kept separate. Exemplary statutory damages for egregious infringements serve strong deterrent and punitive purposes. Quite different is the original and still meaningful purpose of statutory damages: to compensate plaintiffs and modestly deter infringement in parallel with the Act's provisions allowing recovery of actual damages and defendant's profits. Courts have too often ignored the tripartite structure of the statutory damage provision and awarded statutory damages for willful infringement in ordinary infringement cases, *and* too rarely reduced awards to innocent infringement levels in close fair use or other plausible noninfringement defense cases. The largely compensatory purpose of statutory damages in innocent and ordinary infringement cases has been undermined by overzealous plaintiffs and judges who have failed to grasp the tripartite structure of § 504(c).

B. Reform Within the Current Statutory Framework

This section will discuss a set of principles for awarding statutory damages in copyright cases that is consistent with due process as

306. As Part I explained, the legislative history of the 1976 Act is not entirely clear about how much, if at all, Congress intended for statutory damages to have a punitive character. The omission of the old "no penalty" rule and the addition of an elevated level for willful infringements have caused some courts to construe statutory damages as having a partly punitive purpose. When Congress raised the maximum level of statutory damages in 1999, though, there is some legislative history indicating that punishment was part of its purpose in doing so. See *supra* note 92 and accompanying text.

well as with Congress's intent that awards of statutory damages be "just."³⁰⁷ These principles are, for the most part, extracted from the cases discussed in Part II to help judges and litigants to understand the "do's" and "don'ts" of statutory damage awards. A sound jurisprudence of statutory damage awards can be developed if courts follow these principles.

1. *What Courts Should Do*

The following principles illustrate what courts should do when awarding copyright statutory damages:

- Consider awarding the reduced minimum damages authorized for "innocent" infringements in close fair use cases or in other cases in which the noninfringement claim was strong, even if ultimately not compelling.³⁰⁸
- Award the minimum statutory damages in cases of ordinary infringement when:
 - the plaintiff lost no profits and the defendant made no profits from the infringement, or when damages and profits are nominal or minimal;³⁰⁹
 - the infringement was technical in nature;³¹⁰

307. It is fairly common for judges to recite a set of factors that should be considered in awarding statutory damages. This has not, however, necessarily led to soundly reasoned analyses about the level of award that was appropriate given the harm to the plaintiff. *See, e.g., Lowry's Reports, Inc. v. Legg Mason*, 302 F. Supp. 2d 455, 461 (D. Md. 2004) (instructing jury on a number of factors to consider in awarding statutory damages, including the defendant's wealth).

308. *See, e.g., Maverick Recording Co. v. Harper*, No. 5:07-CV-026-XR, slip op. at 14 (W.D. Tex. Aug. 7, 2008) (judge persuaded the plaintiff to settle a p2p filesharing case for the reduced minimum of \$200 per infringed work because the defendant's innocent infringement argument was plausible).

309. *See, e.g., Bly v. Banbury Books, Inc.*, 638 F. Supp. 983, 985-86, 988 (E.D. Pa. 1986) (awarding minimum statutory damages for unauthorized use of software when plaintiff's damages were nominal); *Reader's Digest Ass'n, Inc. v. Conservative Digest, Inc.*, 642 F. Supp. 144-45 (D.D.C. 1986) (awarding minimum statutory damages for infringement of magazine covers when harm to plaintiff was minimal); *Quinto v. Legal Times of Wash., Inc.*, 511 F. Supp. 579, 580, 582 (D.D.C. 1981) (awarding minimum damages for newspaper's reproduction of law review article when plaintiff suffered only nominal damages); *Doehrer v. Caldwell*, No. 79 C 394, 1980 WL 1158, at **1-2 (N.D. Ill. Mar. 28, 1980) (awarding minimum damages for political campaign's infringement of political cartoon when plaintiff suffered only nominal damages).

310. *See, e.g., Bly*, 638 F. Supp. at 986, 988 (awarding minimum damages for RAM

- the plaintiff or the plaintiff's lawyer has engaged in misconduct;³¹¹ or
- the defendant had a plausible fair use or other noninfringement argument (unless the plaintiff's lost profits or defendant's profits justify a larger award).³¹²
- Ask the parties to offer proof of damages and profits, or, in the alternative, to demonstrate why damages or profits are sufficiently difficult to prove that it is justifiable to offer no such proof.³¹³
- In ordinary direct infringement cases, award statutory damages in amounts that approximate the damages/profits that would

copying).

311. *See, e.g.*, *Warner Bros., Inc. v. Dae Rim Trading, Inc.*, 677 F. Supp. 740, 745 (S.D.N.Y. 1988) ("Warner has been pressing this litigation for over three years for the purpose of collecting disproportionately large statutory damages and attorneys' fees."); *Reader's Digest*, 642 F. Supp. at 145-46 (expressing concern about aggressiveness of the plaintiff's lawyer and baseless claims).

312. *See, e.g.*, *MCA, Inc. v. Wilson*, 677 F.2d 180, 182, 187 (2d Cir. 1981) (lowering \$32,500 statutory damage award for bawdy song to \$250 in close fair use case); *Warner Bros. Entm't v. RDR Books, Inc.*, 575 F. Supp. 2d 513, 545-46, 554 (S.D.N.Y. 2008) (awarding minimum statutory damages against defendants who had good faith beliefs that they had only made fair use of the plaintiffs' works); *Infinity Broad. Corp. v. Kirkwood*, 63 F. Supp. 2d 420, 427 (S.D.N.Y. 1999) (awarding minimum damages for transmitting broadcast radio over the telephone because fair use claim was plausible and there was no real damage to plaintiff); *Religious Tech. Ctr. v. Lerma*, CIV.A. No. 95-1107-A, 1996 WL 633131, at *6, *13, *15 (E.D. Va. Oct. 4, 1996) (awarding minimum statutory damages for infringement of Scientology texts posted on the Internet when fair use defense was plausible).

313. This is one of the most important exhortations we have for courts wrestling with determinations of copyright statutory damages. Many of the other principles we set forth here, such as ensuring that punitive sanctions are reasonably related to actual harm and ensuring that similarly situated defendants are subjected to similar awards, are difficult to achieve if the court has no facts to inform an estimate of actual damages and profits. Plaintiffs are not, of course, required by law to present any evidence at all regarding actual damages or defendants' profits in support of their prayer for copyright statutory damages. Indeed, authorities agree that a plaintiff may recover statutory damages "regardless of the adequacy of the evidence offered as to his actual damages and the amount of defendant's profits, and even if he has intentionally declined to offer such evidence, although it was available." *NIMMER & NIMMER*, *supra* note 1, § 14.04[A]. But there is nothing that prevents courts from refusing to award more than the statutory minimum without an offering of proof that an amount in excess of the minimum is justified. In fact, the legislative history indicates that this is consistent with the intention of Congress with respect to cases in which there is no proof of actual damages and profits: "[T]he plaintiff in an infringement suit is not obliged to submit proof of damages and profits and may choose to rely on the provision for minimum statutory damages." H.R. REP. No. 94-1476, at 161 (1975) (emphasis added).

have been awarded if the plaintiff had not elected to receive, or was ineligible for, a recovery of statutory damages.

- This principle should apply when the defendant did not know his conduct was infringing, even if he should have known that it was.
 - This principle should apply in close fair use cases.
 - This principle should apply in other close noninfringement cases.
 - This principle should apply when the case involves a novel issue of law such that a reasonable person in the defendant's position could have believed his arguments for noninfringement were plausible.
- Make efforts to be consistent with the level of statutory damage awards in other factually similar situations, insofar as the other awards are consistent with due process and Congressional intent.³¹⁴
 - In secondary liability or class action cases, statutory damage awards should approximate actual damages and the defendant's profits insofar as awarding higher statutory damages would result in grossly excessive awards.³¹⁵
 - For ordinary infringers who knew they were infringing or were reckless about infringement, but as to whom other indicia of egregious conduct are not present, base any award of statutory damages at modest multiples (two or three times) over actual damages/profits.³¹⁶

314. See, e.g., *Sega Enter. Ltd. v. MAPHIA*, 948 F. Supp. 923, 940 (N.D. Cal. 1996) (analogizing to the similar case of *Nintendo of America, Inc. v. Dragon Pacific International*, 40 F.3d 1007 (9th Cir. 1994)); *Sega Enters. Ltd. v. Sabella*, No. C 93-04260 CW, 1996 WL 780560, at *16 (D.D.C. Dec. 18, 1996) (making a similar award on similar facts); see also *supra* note 199 (discussing courts' efforts to make consistent awards in cases involving unlicensed public performances of music in taverns or similar venues).

315. See, e.g., *In re Napster*, No. C MDL-00-1369 MPH, 2005 WL 1287611, at *10 (N.D. Cal. June 1, 2005) (giving credence to due process concerns about grossly excessive statutory damage awards in copyright cases).

316. See, e.g., *Hi-Tech Video Prods., Inc. v. Capital Cities/ABC, Inc.*, 804 F. Supp. 950, 952, 957-59 (W.D. Mich. 1992) (awarding three times the ordinary license fee for infringement of portions of Good Morning America program); *U.S. Songs, Inc. v. Downside Lenox, Inc.*, 771 F. Supp. 1220, 1229 (N.D. Ga. 1991) (awarding approximately three times the license fee to which the plaintiff was entitled); *Falacci v. New Gazette Literary Corp.*, 568 F. Supp. 1172, 1173-74 (S.D.N.Y. 1983) (awarding twice the author's normal translation fee for unauthorized translation of a copyrighted interview).

- If the judge decides to award attorney's fees in addition to statutory damages, he or she should, when possible, consider the size of the fee award in determining the amount of statutory damages that are necessary to compensate the plaintiff and deter further infringement.³¹⁷
- Base any enhanced statutory damage award for "willful infringement" on multiples above two to three times damages/profits or a best approximation, but only to the extent there are factors showing egregiousness of the infringement beyond the fact that the defendant knew his acts were infringing (for example, a repeat infringer or counterfeit operations).³¹⁸
- Require clear and convincing evidence of willfulness before imposing higher ratios of statutory damages.³¹⁹
- If damages and profits are truly difficult or impossible to determine, consider what award within the range the statute provides would be sufficient to deter this defendant from further infringement.³²⁰
- When statutory damages are awarded by a judge, he or she should explain on the record why a particular award of statutory damages is "just."³²¹

317. See, e.g., *Arclightz & Films Pvt. Ltd. v. Video Palace, Inc.*, 303 F. Supp. 2d 356, 363 (S.D.N.Y. 2003) (holding statutory minimum award of \$750 per infringed work was adequate deterrence when considered in conjunction with attorney's fees award of over \$20,000).

318. See, e.g., *U.S. Media Corp. v. Edde Entm't Corp.*, No. 94 Civ. 4849(MBM)MHD, 1998 WL 401532, at *8, *11, *16 (S.D.N.Y. July 17, 1998) (awarding statutory damages that were roughly twice the actual damages/profits where defendant was large-scale bootlegger of films); *Pret-A-Printee, Ltd. v. Allton Knitting Mills, Inc.*, No. 81 Civ. 3770 (WCC), 1982 WL 1788, at *4-5 (S.D.N.Y. Sept. 16, 1982) (awarding \$30,000 against repeat infringer, but not \$50,000 maximum); *Lauratex Textile Corp. v. Allton Knitting Mills*, 519 F. Supp. 730, 733 (S.D.N.Y. 1981) (awarding statutory damages that were roughly eight times the actual damages that the plaintiff had suffered from the defendant's infringement in part because defendant was repeat infringer).

319. This requirement would be consistent with the common practice in patent cases, even though the Patent Act is silent about the level of proof required for enhanced damage awards. See, e.g., *Accumed LLC v. Stryker Corp.*, 483 F.3d 800, 804 (Fed. Cir. 2008).

320. We consider this principle to derive from the Supreme Court's due process jurisprudence. See, e.g., *BMW of N. Am. v. Gore*, 517 U.S. 559, 584-85 (stating that courts should consider whether a lesser award would adequately deter the defendant from wrongdoing).

321. See, e.g., *Video Views, Inc. v. Studio 21, Ltd.*, 925 F.2d 1010, 1017 (7th Cir. 1991) ("[C]oncerns of due process and the opportunity for meaningful, if limited, appellate review contemplate that the district court would provide *some* explanation of the factual findings that underlie this exercise of discretion to award greater than minimum statutory

- Instruct juries to award statutory damages in a manner that accords with the principles stated above.
- Although the principles we articulate in this Part will help ensure that awards of copyright statutory damages are consistent with principles of due process, courts should review such awards under *Gore* and its progeny when presented with a timely challenge on these grounds.³²²
- Consider the impacts of such awards on freedom of speech and expression and the interests of the public in ongoing innovation.³²³

2. What Courts Should Not Do

In contrast, here are a number of principles that we think may assist courts in avoiding problematic statutory damage awards in copyright cases:

- Avoid the following technical mistakes in awarding statutory damages:
 - Do not award statutory damages without ensuring that the plaintiff is actually eligible for such an award with respect to the infringed work in question.³²⁴

damages.”). Some judges have done this. *See, e.g.,* *Rodgers v. Quests, Inc.*, 213 U.S.P.Q. (BNA) 212, 219 (N.D. Ohio 1981).

322. Consistent with *Cooper Industries*, appellate courts should engage in de novo review of a district court’s ruling on the constitutionality of a damage award with respect to substantive due process. *See Cooper Indus., Inc. v. Leatherman Toolgroup, Inc.*, 532 U.S. 424, 443 (2000).

323. *See, e.g.,* Berg, *supra* note 17, at 268-72 (discussing impacts on investments in innovation); Michael Carroll, *Fixing Fair Use*, 85 N.C. L. REV. 1087, 1096 (2007) (discussing impacts of statutory damages on chilling free speech and free expression); Alfred Yen, *A First Amendment Perspective on the Construction of Third Party Copyright Liability*, 51 B.C. L. REV. (forthcoming 2009) (manuscript at 14-15, on file with authors) (arguing that heightened First Amendment concerns in the area of third party liability for copyright infringement counsel stricter limits on the availability of presumed damages in these cases).

324. *See, e.g.,* *Derek Andrew, Inc. v. Poof Apparel Corp.*, 528 F.3d 696, 700-02 (9th Cir. 2008) (overturning an award of statutory damages because the plaintiff was ineligible for them); *see also* *Rogers v. Koons*, 960 F.2d 301, 313 (2d Cir. 1992) (characterizing the defendant as an egregious infringer and suggesting that Rogers should elect statutory damages on remand even though Rogers was, in fact, ineligible for them).

- Do not award statutory damages in addition to an award of actual damages and profits under § 504(b).³²⁵
- Do not award statutory damages to compensate the plaintiff for injuries that are not cognizable by U.S. copyright law, for example, reputational harm or privacy intrusions.³²⁶
- Do not award statutory damages on a “per infringement” basis. The statute directs that they be awarded on a “per work” basis.³²⁷
- Do not find the defendant’s conduct to be “willful” and award maximum statutory damages unless there is considerably more evidence of reprehensibility than simply that the defendant knew or should have known his conduct was infringing.
- Do not find the defendant’s conduct “willful” and hence eligible for enhanced statutory damages based upon a default judgment.³²⁸ To justify an enhanced damage award, there should be independent evidence of egregious conduct, not just a bare allegation in the complaint.³²⁹

325. Plaintiffs may recover actual damages and defendants’ profits *or* statutory damages, but not all three. An example of this mistake is *Roy Export Co. v. CBS, Inc.*, 503 F. Supp. 1137, 1155, 1157 (S.D.N.Y. 1980) (awarding damages, defendant’s profits, and statutory damages).

326. The plaintiff made this sort of misdirected argument in *Engel v. Wild Oats, Inc.*, 644 F. Supp. 1089, 1092 (S.D.N.Y. 1986) (plaintiff sought high statutory damage award in order to be compensated for harm to her reputation from defendant’s use of her art on T-shirts).

327. See *SESAC, Inc. v. WPNT*, 327 F. Supp. 2d 531, 531-32 (W.D. Pa. 2003) (referring to statutory damages as based on “per infringement” although the broadcast of each work once resulted in the same award as if the court had referred to the basis of infringement in “per work” terms).

328. Examples of this unfortunate tendency include: *Axact (Pvt), Ltd. v. Student Network Res., Inc.*, No. 07-5491 (FLW), 2008 WL 4754907, at *1-3 (D.N.J. Oct. 20, 2008) (awarding \$300,000, the maximum statutory damages, against the off-shore operator of a website containing academic research papers that both parties were selling to their customers on a default judgment); *Macklin v. Mueck*, 373 F. Supp. 2d 1334, 1335-36 (S.D. Fla. 2005) (awarding maximum damages of \$150,000 for each of two poems posted on the Internet on a default judgment, despite magistrate’s recommendation to award minimum damages of \$750 per work); *Design Tex Group, Inc. v. U.S. Vinyl Mfg. Corp.*, No. 04 Civ. 5002 (JSR), 2005 WL 2063819, at *6, *9 (S.D.N.Y. Aug. 22, 2005) (awarding \$150,000 for infringement when actual damages were \$3,389); *Perfect 10, Inc. v. Talisman Comm’cns, Inc.*, No. CV99-10450 RAP MCX, 2000 WL 364813, at *2, *4 (C.D. Cal. Mar. 27, 2000) (awarding \$300,000 as maximum statutory damages on default judgment for unlicensed posting of sexualized photographs on the defendant’s website).

329. An example of this mistake is *Macklin*, 373 F. Supp. 2d at 1336.

- Do not find the defendant's infringement to be willful on summary judgment. This question is one of fact upon which, if the defendant denies willfulness, he may be entitled to trial.³³⁰
- Do not jump straight to the maximum statutory damage award simply because the defendant's infringement is willful.³³¹ Consider how egregious the infringement is, as compared with other infringements for which statutory damages have been awarded, before awarding the statutory maximum.
- Do not begin with \$30,001 per infringed work as the statutory damage *minimum* for willful infringements.³³² A finding of willfulness may justify an increased award toward the statutory *maximum* but it does not change the applicable *minimum*. Nor is it necessary for damages for willful infringement to be awarded outside the "ordinary" infringement range if doing so would cause the award to be disproportionate to the actual harm.³³³
- Do not commence a statutory damage analysis by considering the applicable maximum (for the ordinary or the willful infringement range) and working backwards from it if the defendant is not the worst kind of offender.³³⁴
- Do not award statutory damages for the express or implicit purpose of deterring other infringers who are not parties in the case before the court.³³⁵

330. *Lipton v. Nature Co.*, 71 F.3d 464, 472-73 (2d Cir. 1995) (reversing trial court's grant of summary judgment on willful infringement).

331. An example of this unfortunate tendency is *Greaver v. National Ass'n of Corporate Directors*, No. C.A. 94-2127 (WBB), 1997 WL 34605245, at *7 (D.D.C. Nov. 19, 1997) (awarding the maximum with no attempt to explain why such an award was justified).

332. An example of this mistake would seem to be the district court's decision in *Zomba Enterprises, Inc. v. Panorama Records, Inc.*, 491 F.3d 574, 586 (6th Cir. 2007) (summarizing the district court's decision). See *supra* note 233 and accompanying text for a discussion of defendant's arguments that the district court in *Zomba* made the erroneous assumption that a finding of willfulness shifted the appropriate minimum to \$30,000.

333. See, e.g., *Arclightz & Films Pvt. Ltd. v. Video Palace, Inc.*, 303 F. Supp. 2d 356, 362-63 (S.D.N.Y. 2003) (holding that minimum award would adequately deter this willful infringer from further wrongs).

334. Cf. *Childress v. Taylor*, 798 F. Supp. 981, 997 (S.D.N.Y. 1982) (considering, in determining the appropriate statutory amount, the fact that the statutory maximum was not necessary).

335. Awarding statutory damages for the express or implicit purpose of deterring other infringers who are not before the court is inconsistent with the Supreme Court's ruling in *Philip Morris USA v. Williams*, 549 U.S. 346, 352-53 (2007) (finding it a violation of due process to punish defendant for harms done to others). A large award of statutory damages

- Do not use large statutory damage awards to punish the defendant for wrongs done by others to the same or similar plaintiffs.³³⁶
- Do not find infringement to be willful in close cases, especially not in close fair use cases when freedom of speech or of expression values are at stake.³³⁷
- Do not rely upon other maximum damage award cases that are inconsistent with due process principles as justification for high awards.³³⁸

may, however, stand as a warning to others, but the award made should be aimed at deterring the defendant before the court, not giving the plaintiff a windfall in order to send a message to others who might be tempted to infringe. An egregious example of this is the *MP3.com* case in which the judge explicitly said he would award high statutory damages to discourage other technology entrepreneurs from taking copyright risks of the sort *MP3.com* had taken. *UMG Recordings, Inc. v. MP3.com*, No. 00 CIV. 472 (JSR), 2000 WL 1262568, at *6 (S.D.N.Y. Sept. 6, 2000). Judge Rakoff is not alone, however, in awarding statutory damages in amounts aimed at deterring other potential infringers. *See also Engel v. Wild Oats, Inc.*, 644 F. Supp. 1089, 1091 (S.D.N.Y. 1980). Thus, in ruling on the admissibility of evidence and proposed jury instructions, courts should be mindful of the Supreme Court's due process jurisprudence regarding the permissible scope of deterrence in the civil remedial context. In light of the Court's rulings in *State Farm* and *Philip Morris*, fact-finders should focus on what remedy would have deterred the defendant before the court, rather than what remedy will "send a message" to the public at large. Courts must be on guard to prevent reliance on evidence regarding the behavior of other infringers or harms suffered by an industry as a whole lest fact-finders be tempted to punish one defendant for misdeeds committed by others. We thank Fred von Lohmann and Doug Lichtman for their insights on this point.

336. This principle, like the previous one, is based on the Supreme Court's ruling in *Philip Morris v. Williams*, 549 U.S. 346 (2007). In some p2p filesharing cases, judges sometimes consider the harm that filesharing is doing to the entire recording industry instead of simply the harm done by the particular defendant in the case before the court. *See, e.g.*, *BMG Music, Inc. v. Gonzalez*, 430 F.3d 888 (7th Cir. 2005). Other examples are the \$1.92 million award against Jammie Thomas and the \$675,000 award against Joel Tenenbaum for filesharing. *See supra* notes 13-14, 162 and accompanying text.

337. An example of an award that was insufficiently sensitive to these concerns is *Los Angeles Times v. Free Republic*. No. 98-7840 MMMAJWX, 2000 WL 1863566, at *3 (C.D. Cal. Nov. 16, 2000) (awarding \$1 million against website aimed at promoting critical commentary on bias in news reporting). An example of a more free-speech-sensitive ruling is *Religious Technology Center v. Lerma*, CIV.A. No. 95-1107-A, 1996 WL 633131, at *1, *15 (E.D. Va. Oct. 4, 1996) (awarding minimum statutory damages for posting Scientology texts for purposes of criticism).

338. Unsurprisingly, the plaintiff in *Legg Mason* relied heavily on *MP3.com* in support of the \$19.7 million award it received in *Legg Mason*. *See Memorandum of Law in Opposition to Defendant's Motion for a New Trial and Judgment as a Matter of Law* at 33, *Lowry's Reports, Inc. v. Legg Mason, Inc.*, 302 F. Supp. 2d 455 (2003) No. WDQ 01-3898. Other maximum award cases also cite prior maximum award cases. An example of this unfortunate

Following these principles about what to do and what not to do in making statutory damage awards will go a long way toward making such awards in U.S. copyright cases both more just, as the statute directs, and more consistent with due process principles.

C. Is There a Need for Legislative Reform?

Much of the mischief we have discerned in the current statutory damage regime arises from the unholy melding of two distinct types of impulses in one statutory provision: the perceived need for *some* compensation when damages and profits are difficult to prove on the one hand, and the need for a higher level of possible awards to be imposed on egregious infringers on the other. This suggests that it would be desirable for Congress to revisit § 504(c) and to amend the law by separating into two different subsections provisions that achieve these two different purposes and by giving more guidance about the egregious circumstances that justify punitive levels of enhanced damages. This change would structurally address a key problem with the 1976 Act statutory damage regime.

If the statute had one provision for awarding statutory damages in ordinary infringement cases and another for awarding enhanced damages against egregious infringers, courts would be less likely to continue the common practice of characterizing those with constructive knowledge of infringement as willful infringers and awarding grossly excessive or arbitrarily high awards as compared with the actual damages sustained and awarded in other factually similar cases. More guidance about circumstances that justify enhanced awards might also contribute to more careful consideration of the relationship between actual harm and the award of exemplary damages, as the Supreme Court's due process jurisprudence directs.

Courts should also have the power to lower statutory damages below the current \$750 minimum when an award based on this minimum would be grossly disproportionate to the harm caused, as in p2p filesharing cases.³³⁹ Congress should further consider

tendency is *Axact (Pvt.), Ltd. v. Student Network Res., Inc.*, No. 07-5491 (FLW), 2008 WL 4754907 (D.N.J. Oct. 20, 2008) (citing other maximum award cases in support of its maximum statutory damage award).

339. Canada has such a rule, applicable in cases where multiple works have been infringed in a "single medium." Canadian Copyright Act, § 38.1(3) (2009); *see also* Wheatland,

limiting the availability of statutory damage awards in other situations in which aggregation of claims would create a severe risk of grossly excessive remedies, such as in class action and secondary liability lawsuits.³⁴⁰

As part of a more general revision of copyright law, Congress might even reconsider whether statutory damages serve a desirable purpose in copyright law, given that the rules of evidence about proof of damages and profits are much less rigorous now than they were when statutory damages were first created³⁴¹ and how few other countries have statutory damage regimes. It might also consider again whether, assuming it decided to retain such a regime, statutory damages should be available to all copyright owners, not merely those who have registered their claims of copyright within three months of publication of their works. One alternative to the enhanced statutory damage regime for willful infringement now authorized by § 504(c) would be to give courts discretion to increase awards up to two to three times the actual damage/profits recovery as in other intellectual property regimes.³⁴²

CONCLUSION

The statutory damage regime of U.S. copyright law was originally intended to provide some meaningful compensation to copyright owners when it was difficult to prove actual damages or a defendant's profits. The compensatory purpose of statutory damages continues to be important, but, owing to the 1976 Act's creation of an enhanced level of authorized statutory damages for willful infringements, and the lack of principles to guide jury or judicial deliberations on statutory damages, awards have too often been arbitrary and inconsistent, and sometimes grossly excessive.

supra note 1. Barker has recommended legislation to "fix" the statutory damage regime so that it will not produce grossly excessive awards in p2p filesharing cases. Barker, *supra* note 14, at 526.

340. See, e.g., Berg, *supra* note 17, at 316-17; Yen, *supra* note 323, at 14-15.

341. See NIMMER & NIMMER, *supra* note 1, § 14.02[A][3], at 14-XX ("Uncertainty will not preclude recovery of actual damages if the uncertainty is as to amount, not as to whether actual damages are attributable to the infringement.").

342. See *supra* note 171 and accompanying text.

It is rare for the law to give judges and juries such open-ended discretion to award up to \$150,000 in damages without any burden of proof on the plaintiff to prove the fact or extent of the harms they have suffered or the profits defendant has garnered. Judges can and should develop a more principled approach to statutory damage awards to be more consistent with Congress' intent in establishing a tripartite and just statutory damage regime, with principles of due process, and with international norms. The principles articulated in this Article, which were largely drawn from the case law, should give courts some guidance that will help to achieve the dual goals of ensuring that copyright owners are able to recover reasonable compensation and of avoiding arbitrary, excessive, and unfair awards.