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Authors
Samuelson, Pamela
Wheatland, Tara

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Statutory Damages in Copyright Law:
A Remedy in Need of Reform

by

Pamela Samuelson and Tara Wheatland*

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 amount the court "considers just,"[2] and 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 compensatory goal that has historically underlain the statutory damage provision,[6] or to formulate 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]

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* Pamela Samuelson is the Richard M. Sherman Distinguished Professor of Law and Information at the University of California, Berkeley. Tara Wheatland is a Research Fellow for the Copyright Principles Project of the Berkeley Center for Law & Technology. We are grateful to David Marty for excellent research assistance.

[1] 17 U.S.C. § 504(c). Statutory damages can, however, be reduced as to "innocent" infringers, id.; however, in practice, they virtually never are. See infra Parts I-B, II-B. To qualify for awards of statutory damages, copyright owners must register their works within three months of publication. 17 U.S.C. § 412. See generally MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT, § 14.04[F][2] at 114-15 (2008). In a separate article, we show that few other countries have statutory damages regimes for copyright lawn, and the U.S. is unique in its approach to statutory damages. See Tara Wheatland, *Copyright Statutory Damages: A Rarity in the International Arena*, Draft of 4/6/09, manuscript on file with the authors.

[2] 17 U.S.C. § 504(c).

[3] Id.

[4] See S. Rep. No. 94-473, 94th Cong., 1st Sess. (1975) at 144-45 (enhanced damages should be available in "exceptional cases"); H. Rep. 94-1476, 94th Cong., 1st Sess. (1975) at 162 (same).

[5] See, e.g., Island Software & Computer Serv., Inc. v. Microsoft Corp., 413 F.3d 257, 264 (2d Cir. 2005) (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.*,[8] a court found that defendant had willfully infringed copyrights by developing a database of music "ripped" from CDs the firm had purchased, upon which the judge announced his intent to award statutory damages of $25,000 per infringed CD.[9] 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.[10] In another case, Elvin Feltner was first 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.[11] 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.[12] On remand, Feltner got his jury trial, but the jury handed down an even larger statutory damage award of $72,000 per work, for a total award of over $31 million.[13] In a recent peer-to-peer (p2p) filesharing case, *Capitol Records v. Thomas*,[14] a jury awarded $9,250 per song against an individual file-sharer, for a total award of over $220,000,[15] despite the judge's recognition that actual damages were approximately $50.[16] Some jurors in the *Thomas* case wanted to award $750 per infringed song, while others argued for $150,000 per song; why they compromised on $9250 per song is a mystery.[17]

In today's world where 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 particularly acute.[18]

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[8] UMG Recordings, Inc. v. MP3.com, Inc., 2000 WL 1262568 (S.D.N.Y. 2000).

[9] *Id.* at 1, 6.

[10] 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 xx-xx and accompanying text for further discussion of the award in the *MP3.com* case.

[11] Columbia Pictures Television, Inc. v. Krypton Broadcasting 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).

[12] *Feltner*, 523 U.S. at 342-45.

[13] Columbia Pictures Television, Inc. v. Krypton Broad., Inc., 259 F.3d 1186,1189 (9th Cir. 2001).

[14] 579 F. Supp. 2d 1210 (D. Minn. 2008).

[15] *Id.* at 1213.

[16] *See id.* at 1227 (noting that "Thomas allegedly infringed on the copyrights of 24 songs—the equivalent of approximately three CDs, costing less than $54"). The trial judge vacated the statutory damage award, in part of concern that Congress may not have intended this sort of result. 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 TEXAS L. REV. 525 (2004).

[17] David Kravetz, *RIAA Juror: "We Wanted to Send a Message"*, http://blog.wired.com/27bstroke6/2007/10/riaa-juror-we-w.html, Oct. 19, 2007.

[18] *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

Even a defendant who presents a plausible fair use defense at trial may be subjected to large statutory damage awards.[19] Statutory damage awards are particularly likely to be grossly excessive when compared with actual damages in cases of secondary liability, where the number of works infringed is likely to be large.[20] In such cases, the potential chilling effect on individuals and technology providers alike is significant.[21]

In Part I, we review the historical purposes of statutory damages for copyright infringement and demonstrate that Congress intended for statutory damages to be mainly compensatory in nature. The tripartite structure that Congress established for statutory damage awards—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—has not been respected in the caselaw. The application of statutory damages has too often strayed from the compensatory impulse underlying statutory damages for the first two categories and has focused too heavily on deterrence and punishment, especially given that too many ordinary infringements are treated as willful infringements. In Part II, we explain that the Supreme Court's jurisprudence on due process limits to punitive awards has implications for awards of statutory damages.[22] We give examples of cases in which copyright statutory damage awards are sometimes consistent with due process principles, as well as cases in which such awards are inconsistent with those principles. In Part III, we show 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 Supreme Court's due process jurisprudence, we articulate principles upon which a sound jurisprudence for copyright statutory damage awards could be built. We also consider whether legislative reform of U.S. statutory damage rules might be desirable.

I. The Evolution of Statutory Damages in U.S. Copyright Law

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in an ordinary day that might, under some interpretations of copyright law, be deemed infringing, which could result in daily liability exposure of $12.45 million per day or $4.54 billion annually, even without engaging in any p2p file-sharing).

[19] *See, e.g.*, Los Angeles Times v. Free Republic, 2000 WL 1863566 (C.D. Cal. Nov. 16, 2000) ($1 million statutory damage award).

[20] 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. (forthcoming 2009).

[21] Id. at [46-58].

[22] *See, e.g.*, BMW of North Am. v. Gore, 517 U.S. 559 (1996); State Farm Mut. Auto. Ins. Co. v. Campbell, 538 U.S. 408 (2003). We are not the only commentators to raise due process concerns about statutory damages in copyright cases. See, e.g., Barker, supra note xx, at 542-54 (expressing due process concerns about statutory damage awards in p2p file sharing cases); Blaine Evanson, *Due Process in Statutory Damages*, 3 Geo. J. L. & Pub. Pol. 601, 628-37 (2005)(arguing that the due process case law applies to statutory damage awards and giving copyright statutory damage examples).

Statutory damages in U.S. copyright law began as a relatively modest back-up remedy 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.[23] 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 as to 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' intent in adopting this provision.

A. Statutory Damages Under the 1909 Act

Although the Copyright Act of 1909 continued the long tradition of allowing plaintiffs in copyright cases to recover actual damages (e.g., lost license fees) and defendant's profits attributable to infringement, [24] it also provided a new remedy for situations in which such damages and profits were difficult to prove by authorizing courts to award statutory damages "in lieu" of actual damages and the defendant's profits.[25]

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.[26] To aid judges in determining the appropriate amount of compensatory statutory damages within this range, Section 101(b) suggested specific amounts for common types of infringements (e.g., $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, etc.).[27] Newspapers and motion picture studios persuaded Congress to cap their potential liability for unwitting

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[23] 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 Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law to the House Judiciary Committee, 87th Cong., 1st Sess. (1961) at 102-03 (explaining some difficulties).

[24] 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, Oct. 1956, 2 GEORGE S. GROSSMAN OMNIBUS COPYRIGHT REVISION LEGISLATIVE HISTORY (2001).

[25] 17 U.S.C. sec. 101(b) (superseded).

[26] See, e.g., Berg, supra note 20, at [13-15](reporting on legislative discussions about statutory damages leading up to enactment of the 1909 Act). What constituted a single "infringement" for purposes of Section 101(b) was the subject of significant debate. Strauss, supra note 24 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.

[27] 17 U.S.C. sec. 101(b)(superseded). These "yardsticks," as they were often called, were intended merely as a guide and were not mandatory on the courts. See NIMMER, supra note 1, § 14.04[F][3] 14-117.

infringements.[28] Section 101(b) also explicitly stated that statutory damages "shall not be regarded as a penalty."[29]

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."[30] (Under prior law, strict rules requiring precise proof of damages and profits had sometimes resulted in under-compensating copyright owners and insufficient deterrence of infringement.[31]) In keeping with this purpose, some courts refused to order defendants to pay statutory damages when actual damages or profits could be proven.[32] Indeed, the Supreme Court held that the 1909 Act's statutory damage provision was inapplicable when profits were proven.[33] If a successful plaintiff had suffered only nominal or no damage, the minimum of $250 might be awarded, but no more, consistent with the policy that statutory damages should not be a penalty.[34] 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.[35] 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.[36] Appellate courts sometimes also reduced statutory damage awards that were excessive in relation to approximate damages or profits.[37]

B. Statutory Damages Under the 1976 Act

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[28] Unwitting infringements of photographs in newspapers could give rise to statutory damages between $50 and $100; statutory damage awards for infringement of undramatized or non-dramatic works in motion pictures were capped at $100. Id.

[29] Id. The legislative history of the 1909 Act shows there was considerable debate about the potential risk that statutory damage awards could be excessive and punitive. See, e.g., Berg, supra note 20, at Part I-B. Inclusion of the "no penalty" rule was aimed at curbing this.

[30] See, e.g., Douglas v. Cunningham, 294 U.S. 207, 209 (1935). See also NIMMER, supra note 1, sec. 14.04[F][1][A].

[31] See, e.g., *Douglas*, 294 U.S. at 209.

[32] See, e.g., Zeigelheim v. Flohr, 119 F. Supp. 324, 329 (E.D.N.Y. 1954) (awarding the plaintiff $1700 in actual damages and profits rather than statutory damages, which would have amounted to $4100).

[33] Sheldon v. Metro-Goldwyn Pictures Corp., 309 U.S. 390, 399 (1940). See also Universal Pictures Co. v. Harold Lloyd Corp., 162 F.2d 354, 378 (1947) (rejecting defendant's argument that statutory damages should be awarded because actual damages 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 24, at 8-9.

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

[35] See, e.g., Washington Pub. Co. v. Pearson, 140 F.2d 465, 466 (D.C. Cir. 1942).

[36] See, e.g., MCA, Inc. v. Wilson, 677 F.2d 180 (2d Cir. 1981) (live performance of raunchy version of popular song infringed copyright).

[37] See, e.g., Turner & Dahnken v. Crowley, 22 F. 749, 754 (9th Cir. 1918) (reducing $7000 statutory damage award to $560, which the court estimated was the defendant's profit from infringement).

Section 504(c), the statutory damage provision of the 1976 Act, is similar in some respects to its cousin in the 1909 Act, although different in others. 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.[38] Both laws also set minimum and maximum amounts of possible awards, as well as directing courts to choose a statutory damage award within that range that would be "just."[39] Nothing in the statute or legislative history indicates any Congressional intent to abandon the long-standing compensatory goal of this unusual remedy, except perhaps as to willful infringers who could now be subject to enhanced damages.[40]

1. Respects in Which Congress Limited Statutory Damage Awards

Before discussing some respects in which Congress broadened the role of statutory damages in U.S. copyright law, it is well to recognize that in at least five respects, the statutory damages provision of the 1976 Act reflects Congressional efforts to cabin or narrow the award of statutory damages. First, unlike the 1909 Act, Section 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 non-infringing).[41] Second, it allows statutory damages to be remitted entirely for nonprofit educational users or public broadcasters who had reason to believe their uses were non-infringing.[42] Third, and more significantly, the 1976 Act limits the availability of statutory damage awards to those who register their claims of copyright within three

[38] Courts have occasionally made mistakes and granted all three types of awards. See, e.g., Roy Export Co. v. CBS, Inc., 503 F. Supp. 1137 (S.D.N.Y. 1980), aff'd, 672 F.2d 1095 (2d Cir. 1982)(awarding $5000 in statutory damages as well as $7280 in actual damages for broadcaster's use of clips in connection with news story about Charlie Chaplin).

[39] 17 U.S.C. sec. 504(c)(2).

[40] Id.

[41] Id. 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. Modern court interpretations consider a defendant innocent only if he proves that "he was not aware and had no reason to believe that his acts constituted an infringement of copyright." Nimmer, supra note 1, sec. 14.04[B][2]. As Part II-B shows, this innocent infringement provision of the 1976 Act is virtually never used. It is worth noting that prior to 1931, U.S. copyright law was much more charitable toward innocent infringers. See, e.g., Tony Reese, *Innocent Infringement in U.S. Copyright Law: A History*, 30 Colum. J.L. & Arts 133, 133 (2006). The 1976 Act initially had also an innocent infringement exception as to those who were misled by the omission of copyright notices on published copies. Id. at 182-83. Innocent infringers could be ordered to pay a fee to the copyright owner for continued use. Id. at 183. This rule was changed after the U.S. abandoned notice requirements as part of its accession to the Berne Convention. Nimmer, supra note 1, sec. 14.04[B][2][a].

[42] 17 U.S.C. sec. 504(c)(2). We have found no evidence that this provision has ever been utilized in a litigated case.

months of publication.[43] (This requirement caused statutory damages to take on a new purpose in U.S. copyright law, namely, to induce prompt registration.[44]) Fourth, Section 504(c) provides that infringement of a compilation of independently copyrighted works (e.g., an edited book consisting of chapters written by many authors) should be treated as a single copyrighted work for purposes of statutory damages.[45]

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,"[46] instead of the "per infringement" rule that had been common under the 1909 Act.[47] The legislative history of the 1976 Act reveals that Congress was persuaded that the "per infringement" standard had sometimes resulted in excessive awards.[48] The change to a "per infringed work" standard was intended to lessen this risk.

Unfortunately, these changes have not uniformly had the effects intended by Congress. 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 truly innocent infringers. However, this part of the statutory damage framework has virtually no significance in litigation, not even in the fair use context.[49]

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[43] 17 U.S.C. sec. 412 (registration necessary 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. sec. 106A. There is also a special provision in respect of works unpublished prior to the infringement. 17 U.S.C. sec. 412.

[44] 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.").

[45] 17 U.S.C. sec. 504(c). 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*, Ars Technica, March 6, 2008, available at http://arstechnica.com/tech-policy/news/2008/03/rep-berman-pulls-controversial-compilations-rule-from-pro-ip-act.ars.

[46] 17 U.S.C. sec. 504(c)(1).

[47] See 17 U.S.C. sec. 101(b) (superseded) ($1 per copy for most infringing reproductions). See, e.g., Nimmer, supra note 1, sec. 14.04[E][2][a] at 97-101 (discussing "per infringement" statutory damage cases).

[48] See Strauss, supra note 24, at 11-12. The problem was particularly acute in the case of "mass communication," e.g. 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).

[49] 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 Sec. 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

The prompt-registration requirement for statutory damages looks in hindsight less like a meaningful inducement to registration for all authors who value copyright protection, and more like 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.[50] Because individual authors rarely take the trouble to fill out the proper form, pay the necessary registration fee, and get a certificate of registration, they rarely qualify for statutory damage and attorney 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.[51] Copyright-savvy firms can even 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 copyright industry players, but effectively no way to get relief when their rights are infringed.[52]

It is also debatable whether the switch to a "per infringed work" rule has limited statutory damage awards in the manner Congress expected. It does, of course, limit the statutory damage exposure of some firms (e.g., the seller of millions of counterfeit Barbies or the television network that broadcasts a single program via many stations). The "per work" rule has, however, had far less of a limiting impact than its proponents may have anticipated. This is in part because the range within which awards can be made is so much wider under the 1976 Act than under the 1909 Act,[53] in part because Congress has twice further raised statutory damage minima and maxima,[54] in part because there is

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infringement, and an argument that our current copyright regime does far too little to address such concerns, see Reese, supra note 41.

[50] See, e.g., Christopher Sprigman, *Reform(aliz)ing Copyright*, 57 Stan. L. Rev. 485, 495-96 (2004) (citing evidence of low registration rates).

[51] See infra Parts II-C, II-D.

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

[53] The ratio of high to low awards under the 1909 Act was 20:1, with $5000 as the maximum. The ratio of high to low statutory damage awards under the 1976 Act is now 200:1 (or 750:1, if one considers the innocent infringer provision).

[54] Congress doubled the statutory minima and maximum in 1989: from $250 to $500 as a minimum, from $10,000-$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% in 1999. See Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat 2853 (1988);

so little guidance about how to make just awards within that wide range, and in part because Congress didn't anticipate circumstances in which a per work rule would lead to excessive liability, as in the *Thomas* p2p file-sharing case, or excessive risk of liability, as in new technology cases such as Sony Corp. of Am. v. Universal City Studios, Inc.[55]

One additional significant change in the U.S. statutory damage regime since 1976 is one that was unintended by Congress. Although Sec. 504(c) can be interpreted as deeming statutory damage awards to be equitable in nature,[56] the Supreme Court ruled in *Feltner v. Columbia Pictures Television, Inc.*, that litigants had a Seventh Amendment right to a jury trial as to statutory damages.[57] It is still quite common for judges to render statutory damage awards, but *Feltner* has meant that juries now also play a significant role in awarding statutory damages. As the *Thomas* case aptly illustrates,[58] *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* case were arguably about $50. Given the defendant's lack of innocence, the jury had no choice but to award Capitol Records at least $750 per infringed work (which would have totaled $18,000). Some jurors were so outraged by Thomas' conduct that they wanted to award Capitol Records $3.6 million for this infringement.[59]

Digital Theft Deterrence and Copyright Damages Improvement Act of 1999, Pub. L. No. 106-160, 113 Stat. 1774 (1999).

[55] 417 U.S. 340 (1984)(Universal sought to hold Sony liable for infringing uses of its Betamax video taping device). See, e.g., Jessica Litman, The *Sony* Paradox, 55 CASE W. RES. L. REV. 917 (2005) (discussing the 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, Study No. 22 at 11. They did not anticipate the future prevalence of technologies that could result in similarly unfairly aggregated awards under the new "per work" rule.

[56] Sec. 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." The overwhelming majority of statutory damage awards prior to *Feltner* had been rendered by judges. Some courts had concluded that statutory damages were equitable in nature. See, e.g., Sid & Marty Krofft Television v. MacDonald's Corp., 562 F.2d 1157, 1177 (9th Cir. 1977). But see William F. Patry, *The Right to a Jury Trial in Copyright Cases*, J. Cop. Soc'y 139 (1981) (arguing that copyright statutory damages are not equitable in nature).

[57] Feltner v. Columbia Pictures Television, Inc., 523 U.S. 340 (1998).

[58] Capitol Records, Inc. v. Thomas, 579 F. Supp. 2d 1210 (D. Minn. 2008).

[59] Kravetz, supra note 17. The judge in the *Thomas* case expressed concern about the disproportionate award handed down by the jury: "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*

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, it increased the statutory damage award maximum.[60] Second, it gave plaintiffs the right to elect statutory damages at any time during the litigation, up until entry of final judgment.[61] Third, it no longer gave examples of proper statutory damage awards for common types of infringements.[62] Fourth, Section 504(c) omitted that part of Section 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, namely, the creation of a new much higher maximum for statutory damage awards against "willful infringers."[63] 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. The legislative history reflects an expectation that these enhanced damages would be awarded only in "exceptional cases,"[64] by which we think Congress meant 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

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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." *Thomas*, 579 F. Supp. 2d at 1227.

[60] Initially, the 1976 Act doubled the general maximum statutory damage to $10,000. Subsequent amendments to Sec. 504(c) have increased it to $30,000 per infringed work. See supra note 54.

[61] 17 U.S.C. sec. 504(c)(1). 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's 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.

[62] Without consulting the legislative history of the 1976 Act, one might imagine that this omission could be explained by 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 examples of damages per type of infringement out of the statute was thought desirable as a way of avoiding excessive awards. See Register's 1961 Report, supra note 23, at 104. Over time, however, the effect of this omission has been to unmoor statutory damages from its modest compensatory roots and purposes.

[63] 17 U.S.C. sec. 504(c)(2).

[64] See supra note 4 and accompanying text.

$30,000 per infringed work as the maximum.[65] The minimum-to-maximum range under the 1909 Act yielded a 20:1 ratio. The current range for ordinary infringement doubles that for a 40:1 ratio between the smallest and largest authorized awards.[66] Now that the willful infringement maximum is $150,000 per infringed work, the ratio rises to 200:1,[67] or 750:1 if one considers also the innocent infringer provision.

Where in that very broad range any particular statutory award will be rendered is anybody's guess, as there are no guidelines or criteria in the statute or otherwise 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 reluctant to scrutinize or reduce excessive awards rendered by juries.[68]

The risk of arbitrary and excessive awards enabled by this exceptionally broad range is all the greater in view of the fact that Congress did not define the term "willful" in relation to statutory damage awards. While this term clearly applies to counterfeiters and repeat infringers,[69] courts have largely ignored Congress' direction to order enhanced damages only in "exceptional cases." Courts have interpreted this term expansively such that infringement is willful "if it is committed with knowledge that the defendant's conduct constitutes copyright infringement," if the defendant was reckless in respect of the copyright, or even if the defendant should have known his conduct was infringing.[70] Judges have sometimes found infringement to be willful as to defendants who proffered plausible, even if ultimately unsuccessful, fair use defenses.[71]

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

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[65] See Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat 2853 (1988); Digital Theft Deterrence and Copyright Damages Improvement Act of 1999, Pub. L. No. 106-160, 113 Stat. 1774 (1999).

[66] Id.; sec. 504(c)(1). Of course, if the actual damage from infringement for that work is $1 (or less), the ratio is actually up to (or more than) 30,000 times the harm.

[67] For very small scale infringements (e.g., $1 or less per work, as with a song from iTunes), the actual ratio is 150,000 times (or more) larger than harm to the copyright owner's market.

[68] 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).

[69] See, e.g., Nintendo of Am., Inc. v. Ketchum, 830 F. Supp. 1443 (M.D. Fla. 1993) (seller of counterfeit games was willful infringer); RSO Records, Inc. v. Peri, 596 F. Supp. 849 (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 (repeat infringer was willful infringer).

[70] See, e.g., Nimmer, supra note 1, at sec. 14.04[B][3][a] at 14-77 (citing cases).

[71] See, e.g., Basic Books, Inc. v. Kinko's Graphics Corp., 758 F. Supp. 1522 (S.D.N.Y. 1991) (commercial photocopy service held willful infringer for college coursepacks). See also Rogers v. Koons, 960 F.2d 301 (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).

against the really bad actors—has devolved into a regime in which the innocent infringer provision is essentially never used and willful infringement is found in many more cases than Congress intended.

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 required to pay fairly minimal statutory damages,[72] while other ordinary infringers, including putative fair users, have found themselves held liable as willful infringers, and subjected to maximum awards in circumstances when a rational assessment of damages would have been minimal to non-existent, and hence, a minimum award would have been more appropriate.[73]

Although Congress did not specifically state that it intended awards within the newly established upper range to be punitive, courts have sometimes interpreted them so.[74] The omission of the old "no penalty" rule of the 1909 Act seems to have reinforced this trend.[75] In one case involving a plausible joint work defense, for instance, the judge

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[72] See, e.g., Arclightz & Films Pvt. Ltd. v. Video Palace, Inc., 303 F. Supp. 2d 356 (S.D.N.Y. 2003) (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., Nintendo of Am., Inc. v. Ketchum, 830 F. Supp. 1443 (M.D. Fla. 1993)(awarding $2000 for each of twelve works infringed).

[73] See, e.g., Macklin v. Mueck, 2005 U.S. Dist. LEXIS 18026 (S.D. Fla. 2005) (awarding $300,000 in statutory damages on a default judgment for posting two poems on the Internet). See also Los Angeles Times, Inc. v. Free Republic, 2000 WL 1863566 (C.D. Cal. Nov. 16, 2000) ($1 million in statutory damages awarded against plausible fair user who posted news articles on nonprofit conservative site inviting commentary on their liberal bias).

[74] See, e.g., On Davis v. The 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. sec. 504(c)(2), which allows 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)(statutory damages partly punitive); United States Media Corp. v. Edde Entm't Corp., 1998 WL 401532 (S.D.N.Y. 1998)("a statutory damage award…is designed to serve both a compensatory and punitive purpose"); RSO Antenna Television, A.E. v. Agean Video, Inc., 1996 WL 298252 at 8 (E.D.N.Y. 1996)("To the extent that Congress intended the Copyright Act to contain provisions for statutory 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) (statutory damages are "partially punitive"); Rodgers v. Quests, Inc., 213 U.S.P.Q. 212 (N.D. Ohio 1981)(characterizing enhanced statutory damage award for willful infringement as "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 properly be accounted for in the provisions for increasing a maximum damage award" for willful infringements). See also Evanson, supra note 22, at 627, n. 175 (noting that judge had instructed the jury in one excessive award case that it could use statutory damages to punish the defendant).

[75] At least one court has opined that this omission signaled that Congress intended the enhanced damage provision to provide punishment for infringement. See Rodgers v. Quests, Inc., 213

concluded that the defendant playwright was a willful infringer and referred to the $30,000 award against her as "primarily punitive in nature."[76] The legislative history of the 1999 amendments to Section 504(c) is peppered with statements about the need for "stringent deterrents" and increased "penalties" for infringement.[77]

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."[78] 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 a retributive or deterrent purpose, is punishment."[79] Insofar as statutory damage awards are frequently being awarded at very large multiples over actual damages and/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? [80] 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.[81] MP3.com's fair use defense was somewhat bold and aggressive, but not completely implausible,[82] and it had

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U.S.P.Q. 212, xx (N.D. Ohio 1981)("Significantly, clause (1) [of Sec. 504(c)] omits the caveat of the Prior Act that statutory damages 'shall not be regarded as a penalty.'").

[76] Childress v. Taylor, 798 F. Supp. 981, 997 (S.D.N.Y. 1992) (after initial collaboration fell apart, one dramatist developed a separate play whose performance was held to be infringement).

[77] See, e.g., H. Rep. No. 106-216, 106th Cong., 1st Sess. 1999, available at 1999 WL 446444, p. 3. The main purpose of the legislation was to amend the enhanced damages part of Section 504(c), but it also aimed to stiffen criminal sentencing guidelines in copyright cases.

[78] Marketa Trimble Landova, *Punitive Damages in Copyright Infringement Actions Under the U.S. Copyright Act*, [2009] Eur. Intell. Prop. Rev. 108, 109. See also Patry, supra note 56, at 194 (referring to the "penal" nature of the enhanced damage provision of Sec. 504(c)); Barker, supra note 16, at 526 (noting the "punitive effect" of even the statutory damage minimum when applied to peer to peer file sharing); Evanson, supra note 22, at 632-37 (characterizing awards in some copyright statutory damage cases as punitive).

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

[80] See, e.g., Christopher Stern, *MP3.com to Pay Universal $53 Million*, Washington Post, Nov. 15, 2000, at E3.

[81] 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).

[82] 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.

made little or no profit on this service because MP3.com suspended the service while UMG's lawsuit was being litigated.[83]

The $1 million statutory damage award in *Los Angeles Times, Inc. v. Free Republic*[84] 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.[85] That this lawsuit was later settled for $1000 shows how out of proportion the statutory damage award was. Because Free Republic raised a plausible fair use defense—and indeed, a First Amendment defense as well[86]—one might have expected a minimal statutory damage award. This defendant had no profits, and the lost profits claims by the newspapers were highly speculative.[87]

The $19.7 million jury award in *Lowry's Reports, Inc. v. Legg Mason*[88] is even more difficult to understand except in punitive terms. Legg Mason was a subscriber to Lowry's financial newsletters whose research staff had made some copies of some newsletters for their internal use.[89] The jury ruled against Legg Mason's argument that this internal copying from 240 works was fair use.[90] After concluding that Legg Mason's infringement was willful, the jury punished Legg Mason for this copying by imposing an award that amounted to roughly $82,000 per infringed work![91] Legg Mason's fair use defense—after all, we're subscribers, we were using the copies for research purposes, and we thought this was fair use—was not implausible.[92] 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.[93] 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.[94] But awards of this sort are also inconsistent with the tripartite structure for statutory damages that Congress established in 1976.

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[83] *MP3.com*, 92 F.Supp.2d 349.

[84] 2000 WL 1863566 (C.D. Cal. 2000).

[85] See Los Angeles Times, Inc. v. Free Republic, 2000 WL 565200 (C.D. Cal. Apr. 4, 2000).

[86] Id. at *5-22.

[87] Id. at *13, 19-21.

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

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

[90] *Legg Mason*, 302 F. Supp. 2d at 458 & n.2.

[91] Id. at 457-58.

[92] Although the Second Circuit had ruled against a similar fair use defense in American Geophysical Union v. Texaco, 60 F.3d 913 (2d Cir. 1994), that case was decided by a 2-1 majority. 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.

[93] Evanson, supra note 22, at 632, n.203.

[94] *Legg Mason*, 302 F. Supp. 2d at 458 (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 not only punitive in effect, but punitive in intent. Section A of this Part reviews the Supreme Court's due process jurisprudence concerning punitive damage awards. Section B goes on to demonstrate that some statutory damage awards in copyright cases comport with Congress' intent to establish a just statutory damage regime and with due process principles. Section C discusses several respects in which copyright statutory damage awards have been inconsistent with Congress' goal of establishing a just statutory damage regime and with *Gore* and its progeny. Section D responds to arguments that due process principles have no application to statutory damage awards in copyright cases.

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

BMW, Inc. v. Gore[95] is the foundational ruling of the U.S. Supreme Court's modern due process jurisprudence on punitive damages. 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.[96] In addition to obtaining a jury award of $4000 in actual damages,[97] Gore sought and obtained a $4 million punitive damage award by arguing that BMW should be punished for having hidden repainting and other repairs to "new" cars from roughly a thousand other customers.[98] Although the Alabama Supreme Court reduced the punitive award to $2 million, it affirmed liability.[99] In *Gore*, the U.S. Supreme Court 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.[100]

Gore sets forth three criteria, often referred to as "the *Gore* guideposts,"[101] 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.[102]

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[95] 517 U.S. 559 (1999).

[96] Id. at 563-64.

[97] Id. at 563-65.

[98] Id. at 564.

[99] Id. at 566-68. The Alabama court lowered the punitive award because it 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 the laws of many states. Id. at 569-71.

[100] Id. at 562-63.

[101] The Court characterizes these critieria as "guideposts," id. at 574, and commentators have followed suit. See, e.g., Evanson, supra note 22, at 605-13 (discussing the *Gore* guideposts).

[102] *Gore*, 517 U.S. at 574-75.

Gore characterized the reprehensibility criterion as "[p]erhaps the most important indicium" for determining whether a punitive award was reasonable or excessive.[103] The Court recognized that "some wrongs are more blameworthy than others,"[104] 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 of the health or safety of others; the target of the conduct had financial vulnerability; the conduct involved repeated actions or was an isolated incident; and the harm was the result of intentional malice, trickery, or deceit, or mere accident."[105]

Because the harm in *Gore* was economic and because the firm had not made deliberately false statements and could have thought it did not need to mention minor repairs, the Court placed BMW at the less reprehensible end of this spectrum.[106] The Court observed: "That conduct is sufficiently reprehensible to give rise to tort liability, and even a modest award of exemplary damages does not establish a degree of culpability that warrants a substantial punitive damages award."[107]

The reasonableness of a punitive award depends not only on the relative reprehensibility of the defendant's conduct, but also on the relationship or ratio between compensatory and punitive awards. Judging the reasonableness of punitive awards in relation to compensatory awards has, the Court noted, "a long pedigree."[108] Pre-republic English laws had allowed punitive awards between two and four times actual damages, and the Court opined that the relevant ratio was generally 10:1.[109] 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 when the compensatory award was more substantial.[110] 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.[111]

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

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[103] Id. at 575.

[104] Id.

[105] Id. at 576-77. The Court also noted that "a recidivist may be punished more severely than a first offender." Id.

[106] Id. at 580.

[107] Id.

[108] Id.

[109] Id. at 580-81.

[110] Id. at 582.

[111] Id. at 582-83.

state may impose."[112] The Court observed that Alabama had set the maximum civil penalty for comparable wrongs at $2000.[113] 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. Another consideration is whether a more modest award would adequately deter this defendant.[114] The 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."[115] Justice Breyer's concurrence pointed to the "substantial risk of arbitrary outcomes" because juries are insufficiently constrained by due process principles.[116]

The Court reaffirmed and extended *Gore* in Cooper Industries, Inc. v. Leatherman Tool Group, Inc.[117] *Cooper Industries* ruled that courts should apply a de novo standard of review in judging whether a punitive damage award is consistent with constitutional due process principles.[118] Leatherman sued Cooper for trademark infringement because Cooper copied the configuration and features of Leatherman's multi-purpose tool and for unfair competition for advertising the Cooper tool with a photograph of a slightly modified Leatherman tool.[119] The jury awarded $50,000 in compensatory damages and $4.5 million in punitive damages.[120] Both the trial and appellate courts ruled that the punitive damage award was not "grossly excessive" under *Gore*, although the appellate

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[112] Id. at 574.

[113] Id. at 584.

[114] Id. at 584. "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.

[115] 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 safeguards that criminal law offers." Evanson, supra note 22, at 603-04.

[116] *Gore*, 517 U.S. at 595-96. "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.

[117] 532 U.S. 425 (2001). We think *Cooper Industries* is a significant case for our analysis, not only as to its holding on de novo review of jury awards to consider whether they may be grossly excessive, but also because the case claims of infringement of an intellectual property right and wrongful copying by the defendant as well as an excessive award by a jury.

[118]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. Center for the Humanities, Inc., 518 U.S. 415, 459 (1996)(Scalia, J., dissenting). The Court also rejected an argument derived from Mitchell Polinsky & Steven Shavell, *Punitive Damages: An Economic Analysis*, 111 Harv. L. Rev. 869, 890-91 (1998) 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." *Cooper Ind.*, 532 U.S. at 439.

[119] Id. at 427-28.

[120] Id. at 426.

court vacated the injunction against Cooper's manufacture of a comparable tool on the ground that its configuration was too functional to be protectable as a trademark.[121]

An important consideration in *Cooper Industries* was the institutional competence of juries vs. judges in applying the *Gore* guideposts. 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 ratio of punishment to harm, and appellate courts are the most competent judges of the comparable sanction guidepost.[122] 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 all that 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.[123]

Still other decisions have struck down as "grossly excessive" high punitive damage awards which 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 held that a $145 million punitive damage award against State Farm was unconstitutionally excessive.[124] The Court accepted the jury's conclusion that the insurer had wrongly failed to settle a tort lawsuit against the Campbells and the $1 million compensatory award.[125] 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 order to meet internal fiscal goals, and the Campbells were one of many claimants who had been harmed by this policy.

The Utah Supreme Court upheld the punitive award for several reasons. First, it regarded State Farm's policy to be quite reprehensible.[126] Second, State Farm had enjoyed "massive wealth" in part as a result of this policy.[127] 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, which meant that severe punishment was warranted when it did get caught.[128] And finally, State Farm could have been

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[121] Id. at 428-30. 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 Industries, Inc., 205 F.3d 1351 (9th Cir. 1999).

[122] *Cooper Ind*., 532 U.S. at 440.

[123] Id. at 442-43.

[124] 538 U.S. 416, 429 (2003).

[125] 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.

[126] Campbell v. State Farm Auto Ins. Co., 65 P.3d 1134, 1153 (Utah 2001).

[127] Id. at 1153.

[128] Id.

penalized by $10,000 fines per fraud and forced to disgorge profits if the state had sued it for these wrongs, and so the sanction was relatively comparable to other civil awards.[129]

The U.S. Supreme Court disagreed with the Utah court on every point. Although it noted that State Farm's policy "merits no praise,"[130] the Campbells had offered "scant evidence" that State Farm had hurt others in the same way it had hurt them.[131] Much of the evidence presented at trial consisted of tangential and inflammatory testimony about State Farm's nationwide operations and claim adjustment policies.[132] "The reprehensibility guidepost does not permit courts to expand the scope of the case so that a defendant may be punished for any malfeasance."[133] 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.[134] "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 analysis."[135] 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*.[136]

As for the reasonableness of the punitive award in relation to actual harm, the Court opined that in general, "sanctions that 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."[137] A 145:1 ratio should be presumed "grossly excessive."[138] The 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.[139] 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."[140] State Farm's wealth should also have been given little weight, as heavy reliance on this factor creates the risk of arbitrary and biased jury awards.[141] The Court was also skeptical of the Utah court's comparable sanction analysis.[142] The punitive

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[129] Id. at 1154-55.

[130] *State Farm*, 538 U.S. at 419

[131] Id. at 423.

[132] Id. at 420, 423-24.

[133] Id. at 424.

[134] Id. at 422-24.

[135] Id. at 423.

[136] Id.

[137] Id. at 425.

[138] Id. at 426.

[139] Id.

[140] Id. at 427.

[141] Id. at 427-28.

[142] Id. at 428.

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."[143]

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,[144] although, as Part III-D will show, there is not unanimity on its applicability.[145] The next two sections assume, for the sake of argument, that the due process principles of *Gore* and its progeny do apply to copyright statutory damage awards.

Applying the *Gore* guideposts to copyright statutory damages is relatively straightforward. Especially easy is adapting the reprehensibility guidepost. Although, in contrast with *Gore*, 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 they are intentional bad actors (e.g., counterfeiters) who were commercially

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[143] 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, 127 S.Ct. 1057 (2007), in which the Court ruled that a punitive award that was based in part on a desire to punish the defendant for harming persons not before the court (e.g., other smokers) is an unconstitutional deprivation of property without due process of law. Id. at 1060. The Court thought it was fine for juries to consider risks that the defendant's conduct posed for 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 damage calculation." Id. at 1063. Not only would defendants not have the opportunity to defend themselves against these other claims, but the Court emphasized the risk of "'arbitrary punishments'" that reflect "not 'an application of law, but a decisionmaker's caprice.'" Id. at 1062, quoting *State Farm*, 538 U.S. at 416, 418. A corollary principle to *Philip Morris* is that the defendant before the court cannot be punished in order to deter others from engaging in similar wrongful acts. The punitive award may speak for itself as a deterrent to others, but for punitive damages to be awarded expressly in order to deter others is inconsistent with the Supreme Court's due process jurisprudence. Yet, the force of *Philip Morris* as a precedent has been somewhat lessened 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.

[144] See, e.g., Bridgeport Music, Inc. v. Justin Combs Pub'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.); Atlantic 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, 2006 WL 3335048 (E.D.N.Y. 2006)(granting motion for leave to amend answer to plead unconstitutionality of statutory damage award in p2p file sharing case because due process defense is not frivolous); In re Napster, 2005 U.S. Dist. LEXIS 11498 (N.D. Cal. 2005)(giving credence to due process concerns about grossly excessive statutory damage awards in copyright cases). See also Barker, supra note 16, at 542-48; Berg, supra note 20; Evanson, supra note 22, at 635-37.

[145] See Zomba Enterp. 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).

exploiting the plaintiff's works or were merely careless about whether they might be infringing, whether or not a reasonable person in the defendant's shoes could have believed that his/her actions were lawful, whether a non-infringement defense was plausible or not, 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 or not the defendant was a recidivist or first offender, whether the defendant has impeded efforts to determine liability or damages, and whether the defendant was either a direct infringer or an inducer of infringement or was instead sued as indirectly liable for the wrongful acts of others.[146]

The reasonable ratio guidepost is also relatively straightforward to apply. Because statutory damages may be awarded against innocent or ordinary infringers, they are not necessarily punitive in nature. Statutory damage awards only become punitive when they are imposed on willful infringers and when they represent high multiples over actual damages or the defendant's profits. 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.[147] Multiples over actual damages should be lower when compensatory awards are very large, but may be higher when the compensatory award is smaller.[148] When a statutory damage award is in the six, seven or eight figures, there is most probably a punitive component to it. Courts commonly consider what actual damages the plaintiff suffered or what profits were attributable to infringement, so it is generally easy to discern the ratio of compensatory to punitive award. Even in cases where neither damages nor profits are mentioned, it is generally possible to approximate the relative magnitude of damages or profits and thus to know 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 that *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 can hardly compare the statutory damage regime to itself.[149] 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.[150] We will explain in Part II-D why we think the

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[146] Most of these factors parallel those considered in *Gore*. See *Gore*, 517 U.S. at 576-80.

[147] Id. at 580-83.

[148] Id. at 582.

[149] See, e.g., Barker, supra note 16, at 544 (concluding that the third guidepost provides no useful insights in copyright cases). Evanson suggests that courts could assess 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 22, at 632-35.

[150] Evanson argues that extent of careful legislative calibration (or lack thereof) is the key consideration in assessing the third guidepost. Evanson, supra note 22, at 629-37. *Gore* makes clear that courts should give some deference to legislatively set sanctions, but also that

statutory damage regime in U.S. copyright law lacks the careful calibration that would justify deference to the legislature.[151]

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

Judges sometimes exercise considerable care in awarding statutory damages in copyright cases. Awards are sometimes quite modest in close cases, approximate actual damages in other cases, or are enhanced by modest amounts (e.g., 2 or 3 times actual damages) in somewhat egregious cases and somewhat more (e.g., 8 to 10 times actual damages) in more egregious infringement cases.

When courts perceive defendants to have believed in good faith that their uses of copyrighted materials were fair or otherwise non-infringing, they sometimes invoke this perception as a reason to award only minimum statutory damages. An example is Infinity Broadcasting Corp. v. Kirkwood, in which the defendant transmitted broadcast radio over telephone lines to enable customers to monitor the ads for which they had paid. Although Kirkwood's fair use defense was ultimately rejected, the court awarded only minimum statutory damages because the fair use claim was plausible and there appeared to be no real damage to the plaintiff.[152]

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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 Part I-B.

[151] The comparable sanction analysis in the copyright context might also usefully focus on the level of award that a late-registering copyright owner could have gotten for the same infringement (i.e., actual damages suffered by the plaintiff and any profits the defendant made that are attributable to the infringement). See 17 U.S.C. sec. 504(b). It is worth noting that other intellectual property regimes significantly limit punitive awards by authorizing no more than a doubling or at most 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. sec. 3(b). U.S. patent and trademark laws allow courts to award up to three times actual damages when infringements are willful, see 35 U.S.C. sec. 284, 15 U.S.C. sec. 1117(a), although trademark counterfeiters may face stiffer damages under 15 U.S.C. sec. 1117(c). It is also pertinent to the comparable sanctions analysis 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.

[152] 63 F. Supp.2d 420 (S.D.N.Y. 1999). 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 close fair use case); Warner Bros. Entm't v. RDR Books, Inc., 575 F. Supp.2d 513, xx (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 defendants' works); Religious Tech. Center v. Lerma, 1996 U.S. Dist. LEXIS 15454 (E.D. Va. 1996)(awarding minimum statutory damages for infringement of Scientology texts posted on the Internet where fair use defense was plausible).

Although one might have expected at least some putative fair users to be treated as innocent infringers, we were only able to find two cases in which a court made a lower than ordinary minimum statutory damage award.[153] In 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.[154] The low award in *Dae Rim* was probably also due to the court's outrage at the "unfair, vexacious, and oppressive manner" in which Warner's lawyers had litigated the case, which had been unnecessarily prolonged to rack up large attorney fees and statutory damages.[155]

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 had initially published it in a school newspaper.[156] The court considered the fair market value of the article and the costs the paper saved by using the student's article rather than re-writing the story and concluded that the $250 award adequately compensated the plaintiff and deterred the defendant.[157] And in Doehrer v. Caldwell, a political cartoonist received a minimum award against a politician whose campaign reproduced a cartoon in its campaign literature.[158] The court rejected the plaintiff's argument for maximum statutory damages because Caldwell had used the cartoon in fund-raising pamphlets and

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[153] Courts have been very stringent about the burden of proof that defendants bear when they claim "innocent" infringement. They must not only show that they had a good faith belief that their conduct was non-infringing, but also that they had a reasonable basis for this belief. See Nimmer, supra note 1, at sec. 14.04[B][2][a] at 1474. 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, e.g., Reese, supra note xx, 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).

[154] 677 F. Supp. 740, 765 (S.D.N.Y. 1988). See also D.C. Comics, Inc. v. Mini Gift Shop, 912 F.2d 29 (2d Cir. 1990)(reversing $200 awards against defaulting defendant retail stores that were selling infringing merchandise because their defaults meant they had not proven innocence, but upholding one $200 award as to a defendant lacking in business sophistication and notice that the works were in copyright).

[155] *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 fees.") See also Reader's Digest Ass'n, Inc. v. Conservative Digest, Inc., 642 F. Supp. 144, 145-46 (D.D.C. 1986)(expressing concern about aggressiveness of the plaintiff's lawyer and baseless claims).

[156] 511 F. Supp. 579 (D.D.C. 1981). See also Bly v. Banbury Books, Inc., 638 F. Supp. 983, 986 (E.D. Pa. 1986)($250 minimum awarded for unauthorized use of software where plaintiff's damages were nominal); Reader's Digest Ass'n, Inc. v. Conservative Digest, Inc., 642 F. Supp. 144, 147 (D.D.C. 1986)(awarding minimum statutory damages where harm to plaintiff was minimal).

[157] *Quinto*, 511 F. Supp. at 582.

[158] 207 U.S.P.Q. 391 (N.D. Ill. 1980).

his reputation had been harmed "by an unwanted association with a candidate he did not support."[159] The court in *Doehrer* 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."[160]

In other ordinary infringement cases, courts have awarded statutory damages in amounts that approximated actual damages and/or defendant's profits. In Twin Peaks Prods. v. Publ'ns Int'l, Ltd., for instance, the publisher of books that summarized plots of a popular television series was found to have infringed copyrights, and even to have been a willful infringer; yet the plaintiff was awarded statutory damages roughly equivalent to the actual damages it alleged it had suffered.[161] Courts have also sometimes deferred to an advance agreement between the parties about an appropriate statutory damage award in the event that the court did not find compelling the defendant's legal argument.[162]

Other statutory damage awards have involved relatively modest multiples over actual damages in cases finding willful infringement. In Falacci 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 the author's normal translation fee was adequate as statutory damages.[163]

In more egregious willful infringement cases, somewhat higher multiples over actual damages and profits have sometimes been awarded, and at least some of these have also

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[159] Id. at 392-93.

[160] Id. at 393.

[161] 996 F.2d 1366 (9th Cir. 1993)(affirming $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.")

[162] Encyclopedia Brittanica Educ'l Corp. v. Crooks, 558 F. Supp. 1247 (W.D.N.Y. 1983)(awarding agreed upon statutory damages for unauthorized recordings of educational television programs).

[163] 568 F. Supp. 1172, 1173-74 (S.D.N.Y. 1983). Fallaci had argued for maximum statutory damages because of harm to her reputation arising from flaws in the translation and its appearance in a non-prestigious 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 Prods., Inc. v. Capital Cities/ABC, Inc., 804 F. Supp. 950 (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 (N.D. Ga. 1991)(awarding 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. Prime Time 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 non-infringing, but higher awards for continuing acts of infringement after lower court ruling against its defense).

been 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, but decided this was necessary in part because the defendant was a repeat infringer.[164] 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.

Even highly willful and egregious infringers do not always suffer the maximum statutory penalty for their sins. In U.S. Media Corp. v. Edde Entertainment Corp., for instance, the main defendant was a large-scale bootlegger of pornographic films.[165] His firm made a practice of searching the Copyright Office registration records before bootlegging particular films, apparently calculating that fellow pornographers who don't qualify for statutory damages and attorney fees would not find it worthwhile to sue him.[166] Edde even put copyright notices and FBI warnings on the packaging for his bootleg goods.[167] In the *U.S. Media* case, however, 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 $112,700 in damages and profits for infringement of the other four films. This statutory damage award was roughly twice the actual damages/profits as to the registered film, and half of the maximum possible award.[168]

Even more reprehensible than Edde were the music 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-nine sound recordings infringed, for a total award of $1.45 million. [169] Peri, the lead defendant, had already pleaded guilty to two counts of criminal copyright infringement.[170] 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.[171] Peri had run the counterfeit operation for years and generated considerable profits from the enterprise, although neither Peri nor

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[164] 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." *Gore*, 517 U.S. at 577.

[165] 1998 WL 401532 (S.D.N.Y. 1998). See also Pret-A-Printee, Ltd. v. Allton Knitting Mills, Inc., 218 U.S.P.Q. 150, 153 (S.D.N.Y. 1982)(awarding $30,000 against repeat infringer, but not $50,000 maximum).

[166] *US Media*, 1998 WL 401532 at 18.

[167] Id.

[168] Id. at 18-22. See also Viacom Int'l, Inc. v. Fanzine Int'l, Inc., 2000 U.S. Dist. LEXIS 11925 (S.D.N.Y. 2000)(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).

[169] 596 F. Supp. 849, 864-65 (S.D.N.Y. 1984).

[170] Id. at 854.

[171] Id. at 859.

his fellow defendants had provided enough documentation about the infringing records at issue to calculate the firm's profits precisely.[172] Based on the incomplete information at hand, the court could only identify $42,239 in damages and profits (a 34.5:1 ratio), but this probably vastly understated the actual damages and profits attributable to this infringement. Even though the ratio of proven damages to award is higher than *Gore* and its progeny suggest 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 might be 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 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 fees, but only the minimum of $750 in statutory damages for a video store's making of DVD and VHS format copies of Archlightz' movie and selling or renting them to customers.[173] 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, and the minimum statutory damage award would give the plaintiff more than the defendant's profits, and the attorney fee award would deter further infringement.[174]

Occasionally courts even make an effort to be consistent with statutory damage awards in similar cases.[175] In Sega Enterprises Ltd. v. MAPHIA, for instance, an online bulletin board service (BBS) was operating a site at which encouraged its paying customers to up- and download commercially valuable video games, such as those made by Sega.[176] The court held that MAPHIA was a willful infringer because he not only encouraged this up- and downloading, but he was being paid for this service and he also offered for sale copiers for these games. Noting that the Ninth Circuit had upheld a $5000 per infringed work award in a similar case, the court in MAPHIA decided that a similar award was justified in the case before it.[177]

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[172] Id. at 859-62.

[173] 303 F. Supp. 356 (S.D.N.Y. 2003).

[174] Id. at 363.

[175] Courts have generally 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. 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).

[176] 948 F. Supp. 923 (N.D. Cal. 1996).

[177] Id. at 940, citing Nintendo of Am., Inc. v. Dragon Pacific Int'l, 40 F.3d 1007, 1010 (9th Cir. 1994). See also Sega Enterprises Ltd. v. Sabella, 1996 U.S. Dist. LEXIS 20470 (D.D.C.

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

The *Thomas*, *MP3.com*, and *Free Republic* 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. In these three cases, reprehensibility was low because the defendants should probably have known their acts would be deemed infringing,[178] the ratio of punitive to actual damages was exceptionally high, and comparable sanctions would have been much lower than the statutory award.[179] We believe that they are also inconsistent with the tripartite structure that Congress established for statutory damages in 1976. This section will give additional examples of cases in which statutory damage awards have been so punitive that they are difficult to square with Congress' intent in establishing a just statutory damage regime and with due process principles.

One unfortunate practice utilized in several recent cases has been to jump straight to 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 instance, the plaintiff sued two individuals who operated poetry websites for infringing copyrights in two of Macklin's poems by posting them online.[180] After the defendants defaulted by not answering the complaint, Macklin moved for an award of maximum statutory damages based on his allegation that the infringements were willful.[181] Seeming to recognize the unlikelihood that the defendants had profited from the infringements and damages were almost certainly modest, the magistrate recommended an award of $750 per poem to compensate the plaintiff and deter the defendants.[182] Yet, the trial judge

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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. See also Nintendo of Am., Inc. v. Ketchum, 830 F. Supp. 1443 (M.D. Fla. 1993)(awarding statutory damages of $2000 per infringed work for selling counterfeit videogames).

[178] 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.

[179] See supra notes xx and accompanying text.

[180] Macklin v. Mueck, 373 F. Supp.2d 1334 (S.D. Fla. 2005). Interestingly, the court identified Macklin's residence as a Miami correctional institution.

[181] Macklin also asked for an award of attorney fees (although he was representing himself). The court granted this award as well. Id. at xx.

[182] Macklin v. Mueck, 2004 U.S. Dist. LEXIS 28416 at 6-7 (S.D. Fla. 2004). See also Axact (Pvt), Ltd. v. Student Network Resources, Inc., 2008 U.S. Dist. LEXIS 86455 (D. N.J. 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); Design Tex Group, Inc. v. U.S. Vinyl Mfg. Corp., 2005 U.S. Dist. LEXIS 18276

accepted Macklin's allegation that the infringement was willful and awarded $300,000, the maximum possible award.[183] This award was plainly punitive, far in excess of what was needed to compensate the plaintiff and deter further infringement.[184]

Even defendants with plausible non-infringement defenses have sometimes gotten smacked with maximum statutory damage awards. In Graever v. Nat'l Ass'n of Corporate Directors, for example, the plaintiff was an independent contractor whom NACD had hired to develop seminar materials on issues of interest to chief financial officers and to conduct some of them.[185] After NACD informed Graever that his services were no longer required, it hired another person to develop comparable seminar materials and instructed him not to reuse Graever's materials. The second consultant's materials were, however, found to be substantially similar to Graever's. The court ruled that NACD's infringement was willful and awarded Graever $100,000 in statutory damages, the maximum possible at that time,[186] and made no effort to explain why this high award was justified.

Even more questionable was the maximum statutory damage award in Lipton v. Nature Co.[187] Lipton, an etymologist and author of a book entitled "An Exaltation of Larks," sued Nature Co. for copyright infringement for making and selling scarves and other items on which were printed 72 terms of venery (e.g., a pod of whales, a gaggle of geese) that Lipton claimed infringed a section of "Larks." Nature Co. had gotten the terms from Wein who claimed to have found them in a public domain source. When

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(S.D.N.Y. 2005)(awarding $150,000 for infringement when actual damages were $3389); Perfect10, Inc. v. Talisman Communications, Inc., 2000 WL 364813 (C.D. Cal. 2000)(awarding $300,000 as maximum statutory damages on default judgment for unlicensed posting of sexy 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.

[183] Macklin v. Mueck, 2005 U.S. Dist. LEXIS 18026 (S.D. Fla. 2005)(awarding the maximum against the websites); Macklin v. Meuck, 2005 U.S. Dist. LEXIS 18027 (S.D. Fla. 2005)(awarding the maximum against the two individual defendants).

[184] One danger of statutory damage awards in default judgment cases is that the plaintiff 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 be treating defaults as admitting liability for general damages, and to require proof of willfulness beyond that pleaded in the complaint.

[185] 1997 U.S. Dist. LEXIS 20856 (D.D.C. 1997).

[186] Id. at xx. The court did not attempt to explain why the maximum award was appropriate, or estimate actual damages or the defendant's profits attributable to infringement.

[187] 781 F. Supp. 1032 (S.D.N.Y. 1992).

Lipton sued for infringement, Wein contested the copyrightability of the compilation.[188] The trial judge granted summary judgment to Lipton, holding that Wein's infringement was willful and awarding Lipton maximum possible statutory damages.[189] 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.[190] But the trial judge was clearly ready to throw the book at Wein, notwithstanding the low reprehensibility—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 damage award was almost certainly well in excess of 10:1, and the actual damage award would have been very much smaller if Lipton had not registered promptly. 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.[191]

Another unfortunate practice sometimes evident in the caselaw occurs when courts start with the statutory maximum and work backwards from it because this defendant is not at the most reprehensible end of the spectrum, as in Childress v. Taylor.[192] Childress sued Taylor for infringement after Taylor rewrote a play on which they had previously collaborated. 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 that the rewrite of the play infringed her play.[193] Despite the plausibility of Taylor's defense, the trial judge ruled that she was a willful infringer and ordered Taylor to pay her $30,000 in statutory damages.[194] The statutory maximum was, he decided, not necessary because Taylor had paid Childress to write the underlying play and had made many contributions to it.[195] Childress not having proven her damages, the statutory award was "regarded as primarily punitive in nature."[196]

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[188] Wein also contested the court's jurisdiction over him. Id. at 1034-36.

[189] Lipton v. Nature Co., 71 F.3d 464, 472 (2d Cir. 1995).

[190] Id. at 472-73.

[191] 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, 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 a few thousand dollars. The principal factor tending to heighten reprehensibility was that Dan Chase had been charged with copyright infringement in the past.

[192] 798 F. Supp. 981 (S.D.N.Y. 1982). The judge rejected as speculative Childress' arguments for $71,000 in actual damages. Id. at 989-93.

[193] Childress v. Taylor, 1990 WL 196013 (S.D.N.Y. 1990), aff'd, 945 F.2d 500 (2d Cir. 1991).

[194] *Childress*, 798 F. Supp. at 997.

[195] Id.

[196] Id.

A similar erroneous conception of the enhanced statutory damage provision of copyright law seems to have led the trial court in Zomba Enterp., Inc. v. Panorama Records, Inc., to award the plaintiff $31,000 per infringed work for making unauthorized karoke disks of Zomba's music.[197] Panorama argued to the Sixth Circuit Court of Appeals that the statutory damage award should be reduced because the trial court had erroneously believed that once it found the infringement to be willful, the statutory award must be above $30,000 per work.[198] Although Panorama could not point to specific statement in the record to support this claim, its theory is plausible, for there is no apparent explanation for the use of the prime number figure of $31,000 per work as the proper measure of statutory damages in this case. The Sixth Circuit Court of Appeals 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."[199] Yet, in many other cases involving willful infringers, courts have not found it necessary to start at the first step of the enhancement ladder in making statutory damage awards.[200] Had Zomba not promptly registered its copyrights, the actual damage and profit award would have been $28,151.[201] Panorama argued that the $806,000 award was "grossly excessive" under *Gore* and its progeny because it was 37 times this compensatory award, but the Sixth Circuit brushed aside this argument, seeming to suggest that *Gore* does not apply to statutory damage awards.[202]

Inconsistent statutory damage rulings in similar cases are also easy to find.[203] In one set of cases, the same recording industry firm challenging comparable acts of

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[197] 491 F.3d 574, 580 (6th Cir. 2007).

[198] 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"); this number is also the apparent dividing line above which enhanced damages for willful infringement can be made. The lower court in *Zomba* also seemed mistakenly to believe that $30,000 was the maximum statutory award for innocent infringement. See id. (quoting the lower court opinion).

[199] Id. at 586 (emphasis in the original). 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 infringers, such as the defendants in the *Edde* and *Peri* cases. See supra notes 165-72 and accompanying text.

[200] See, e.g., *Arclightz*, 303 F. Supp. 356 ($750 per work award against maker of counterfeit movie); *Lauratex*, 519 F. Supp. 730 ($10,000 per work against repeat infringer).

[201] *Zomba*, 491 F.3d at 586, n. 10.

[202] Id. at 586-87. The court relied upon a 1919 decision in St. Louis, I.M. & 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.

[203] Even on the exact same facts, inconsistent awards may occur. See, e.g., Columbia Pictures Television, Inc. v. Krypton Broadcasting, 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), on remand, Columbia Pictures Television, Inc. v. Krypton Broadcasting, 259 F.3d 1186 (9th Cir. 2001)(jury awarded $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

infringement (e.g. continuing to make and sell records after a compulsory license was terminated) obtained statutory damage awards of $10,000 per infringed work in one case, $30,000 per infringed work in another, and $50,000 per infringed work in a third.[204] No effort was made to align the awards or explain the discrepancies.

The posting of infringing materials on the Internet have yielded even more wildly inconsistent rulings. For making considerable portions of five Scientology texts available on the Internet, Lerma was ordered to pay the statutory damage minimum of $2500.[205] However, Free Republic 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.[206] No meaningful explanation was given in the *Free Republic* or *Macklin* cases for imposing maximum awards.

Photocopying has similarly yielded 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 $30,000 per infringed work for three others because its duplication of "coursepacks" for university students infringed

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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. 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 have also been inconsistent. See, e.g., Los Angeles News Service v. Tullo, 973 F.2d 791 (9th Cir. 1992)(awarding $20,000 for infringement of two works); Pacific & Southern v. Duncan 744 F.2d 1490, 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 $2000-$5000. Barker, supra note 16, at 528, n. 19. Statutory damage awards against some filesharers 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)($750 per song for a total award of $22,500). Yet, in at least one case, the judge persuaded the RIAA to settle fo $200 per infringed work, saying that the defendant's innocent infringement defense was plausible. See Maverick Recording Co. v. Harper, Civ. No. 5:07-CV-026-XR (W.D. Tex. 2008). See also Eric Bangeman, RIAA Now Wants to Avoid Trial in Innocent Infringement Case, Ars Technica, 3/30/09. Yet, as noted supra note xx and accompanying text, Jammie Thomas was punished by a statutory award of $9250 per infringed song for a total award of $220,000. See also infra notes xx and accompanying text (giving an example of inconsistent damage awards for comparable infringements under Japanese and U.S. law).

[204] See Peer Int'l Corp. v. Pausa Records, Inc., 909 F.2d 1332 (9th Cir. 1990); Peer Int'l Corp. v. Max Music & Entm't, Inc., 2004 WL 1542253 (S.D.N.Y. 2004); Peer Int'l Corp. v. Luna Records, Inc., 887 F. Supp. 560 (S.D.N.Y. 1995)

[205] *Lerma*, 1996 U.S. Dist. LEXIS 15454 at 42-43. The statutory damage award against Veeck for posting the whole 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 Congress 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).

[206] See supra notes xx and accompanying text. Talisman was similarly punished with a maximum award for posting photos of nude women on the Internet. Perfect 10, Inc. v. Talisman Commns., Inc., 2000 WL 364813 (C.D. Cal. 2000).

copyrights in the book chapters and articles they contained.[207] For doing exactly the same thing, Michigan Document Service was sanctioned with a $5000 per infringed work statutory damage award.[208] Yet, the Sixth Circuit Court of Appeals reversed this award as excessive because Michigan Document had reasonably believed it was engaged in fair use.[209]

One might have expected a statutory damage award in *Legg Mason* to be considerably less given that the firm was not engaged in directly commercial exploitation of copies, as in *Kinko's* or *Michigan Document*; the copying was done by a few members of a research group from newsletters to which the firm subscribed. Yet, Legg Mason was punished with a $19.7 million award.[210] This is almost 40 times larger than the award in *Kinko's* and more than thirteen times the statutory damage award against Peri, a serious bad guy 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.[211] It also characterized copyright statutory damages as "carefully crafted and reasonably constrained."[212] 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 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 would have almost certainly deterred the firm from further unlicensed copying. This amount was three times the actual damages of roughly

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[207] 758 F. Supp. 1522, 1543-45 (S.D.N.Y. 1992). The total award in *Kinko's* was $510,000. One might argue in *Kinko's* 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. In light of this, the total award may seem modest. Id. at xx. There are at least three problems with this perspective. First, the non-plaintiff 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*.

[208] 855 F. Supp. 905, 913 (E.D. Mich. 1994) (total award of $30,000).

[209] 99 F.3d 1381, 1392 (6th Cir. 1996).

[210] Lowry's Reports, Inc. v. Legg Mason, Inc., 302 F. Supp.2d 455, 456 (D. Md. 2004). The maximum exposure was $36 million. Id. at 459, n. 3.

[211] *Legg Mason*, 302 F. Supp.2d at 459-60.

[212] Id. at 460.

$60,000,[213] the comparable sanction that would have been imposed if Lowry's had not promptly filed its copyright registrations. The firm's reprehensibility was low in view of its plausible, even if unsuccessful, fair use claim.[214] The ratio of punishment to actual harm exceeded 300:1,[215] 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.

Aggregation of per-work infringement claims has also led to grossly excessive statutory damage awards in cases challenging new technological uses of copyrighted works. The ruling of willful infringement in *MP3.com* sent a shockwave of chilling effects throughout the innovative digital technology and services community in 2000.[216] After ruling against MP3.com's fair use defense,[217] Judge Rakoff announced that he was prepared to order MP3.com to pay $25,000 in statutory damages per infringed CD.[218] Accepting MP3.com's assertion that only 4700 CDs of the 6700 at issue qualified for statutory damage relief, the judge stood ready to impose a $118 million award.[219] The size and scope of the infringement and the defendant's financial resources were two factors that favored this very large award,[220] but the main reason the judge was ready to

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[213] See Legg Mason's Memorandum of Law In Support of Its Motion for a New Trial and Judgment as a Matter of Law, Lowry's Reports, Inc. v. Legg Mason, Inc., Case No. WDQ 01-3898 (2003) at 3-9. 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.

[214] See supra note xx and accompanying text.

[215] See Legg Mason Memorandum, supra note xx, 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).

[216] See, e.g., Berg, supra note 20. The Nimmer treatise is critical of the disproportionately high award in *MP3.com*. Nimmer, supra note 1, at sec. 14.04[E][1].

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

[218] UMG Recordings, Inc. v. MP3.com, Inc., 2000 WL 1262568 at 6 (S.D.N.Y. 2000). UMG had been arguing for $150,000 per infringed CD, but the judge decided that this wasn't necessary as he credited Michael Robertson's testimony that he had "shunned the kind of lawless piracy seemingly characteristic of some others operating in this area." Id. at 5.

[219] Id. The judge noted that the actual award might be higher than this if UMG could show that more than 4700 CDs qualified for statutory damages. One source estimated the number of potentially qualifying CDs at 6700 which would have raised MP3.com's exposure to $167.5 million. Ian Mohr & Tamara Conniff, *MP3.com Will Pay Universal $53.4 Million*, Hollywood Reporter, Nov. 15, 2000, available at http://www.allbusiness.com/services/motion-pictures/4827063-1.html.

[220] The court noted that the plaintiffs made no attempt to prove any damages or profits, but "[o]f course, they are not required to; this is why, among other reasons, Congress provided statutory damages." *MP3.com*, 2000 WL 1262568 at 5. Yet, the court also hinted that the damage the plaintiffs had suffered was "the fair market value of the copyrights in question," which makes the $25,000 statutory damage per infringed CD seem like a bargain.

order such a substantial award was 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 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 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.[221]

Forty eight hours after the judge made this pronouncement, UMG and MP3.com agreed to a statutory damage settlement of $53.4 million.[222] We question whether it is consistent with due process principles to make such a large award in order to deter strangers to the litigation.[223]

While MP3.com risked direct infringement liability when it ripped music from CDs for a database from which it intended to "beam" songs to those who had already paid for them, many other technology and service providers have been at risk of 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.[224] Internet service providers, such as YouTube, and makers of MP players, peer to peer technologies, and digital video recorders, among others, have either been sued or threatened with suit for contributory copyright infringement.[225] 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.[226] This is especially worrisome because it

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[221] Id. at 6 (emphasis added).

[222] Mohr & Conniff, supra note 217. Sony Music, BMG Music, EMI, and the music publishers had already settled with MP3.com for a combined total of approximately $110 million. Following entry of final judgment, MP3.com was forced into bankruptcy and the parent company of UMG acquired MP3.com. See Berg, supra note 20, at n. 20.

[223] See, e.g., *Philip Morris*, 127 S.Ct. at 1063 (punitive award should not punish a defendant for wrongs done to "strangers to the litigation").

[224] See, e.g., Berg, supra note 20.

[225] Id.

[226] See Brief of the National Venture Capital Ass'n as Amicus Curiae in Support of Respondents to the Supreme Court in Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd. (2005) at 2: "It is critical to understand that the threat of secondary liability from copyright suits is qualitatively different from most other sorts of business risks that investors can insure against or build into their business 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 or even

is impossible for a developer to know in advance, let alone to control, which of a firm's (hopefully) many users will infringe what copyrights and whether the rights holders of those copyrights will qualify for statutory damages.[227] Risk exposure may easily run into the billions.[228]

Aggregation poses similarly grave risks of grossly excessive awards in class action copyright cases. Although class action lawsuits are rare in copyright cases, they are not unknown.[229] Although granting a motion to certify a class of music publishers whose copyrighted works had been infringed by users of Napster's peer to peer file sharing system in a case brought against Bertlesmann AG for contributing to Napster's infringement through its investment and control of Napster, Judge Patel recognized that the risk of a grossly excessive statutory damage award in this action that would run afoul of due process principles articulated in *Gore* and *State Farm*.[230] The Authors Guild v. Google, Inc. case is another example of a class action copyright lawsuit on behalf of authors of millions of books from major research libraries that Google scanned.[231] Even an award of the statutory minimum of $750 per book would yield approximately $4.5 billion in liability.[232] In the hands of Judge Rakoff, Google's liability could soar far above this outrageously large sum for making a digital library of books.[233]

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billions of dollars." Id. Company executives and engineers may also be sued; even venture capitalists and lawyers have sometimes been sued for contributing to the contributory infringements of their clients. See Berg, supra note 20, at xx.

[227] Technology developers currently benefit from the safe harbor that the Supreme Court created in Sony Corp. of Am. v. Universal Pictures, Inc., 417 U.S. 340 (1984) for technologies that have or are capable of substantial non-infringing uses. Id. at 442. That safe harbor came under attack in Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 545 U.S. 913 (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. Telecom. & Tech. L. Rev. 177 (2006)(discussing MGM's preferred liability standards). It was to counter this stricter standard that the National Venture Capital Ass'n submitted an amicus curiae brief, cited supra note 224, in that case.

[228] Id. at 2.

[229] See, e.g., In re Literary Works in Electronic Databases Copyright Litigation, 509 F.3d 116 (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.

[230] 77 U.S.P.Q. 1833, xx (N.D. Cal. 2005). 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).

[231] Authors Guild v. Google, Inc., Case No. 05 CV 8136 (S.D.NY 2005). Google recently announced that it had reached a settlement agreement with the Authors Guild, as well as the Association of American 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, available at http://books.google.com/googlebooks/agreement/.

[232] There are an estimated 7 million books in the Book Search database at this point, approximately 1 million of which are in the public domain. See, e.g., Leanne Johnson, Library

D. Punitive Statutory Damages 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,[234] we acknowledge that the courts in *Zomba* and *Legg Mason* have opined otherwise. In *Zomba* the Sixth Circuit questioned whether *Gore* and its progeny apply to statutory damage awards, arguing that such damages should be reviewed under the more deferential standard established in the Court's 1919 decision St. Louis, I.M. & Ry. Co. v. Williams.[235] In *Legg Mason* a trial 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.[236]

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.[237] *Gore* and its progeny also recognize that while legislatures have broad discretion to establish remedies for wrongful conduct, they must still exercise this discretion in a manner that comports with due process.[238] Thus, the fact that Congress has included a statutory damage provision in U.S. copyright law does not,

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or Book Store: Google's Book Search, blog posting, Feb. 1, 2009, available at http://thinkubator.ccsp.sfu.ca/wikis/PUB802/LibraryOrBookstoreGooglesBookSearch. While 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.

[233] If one modeled the fair use analysis in the *Authors Guild* case on Judge Rakoff's analysis in *MP3.com*, 92 F. Supp.2d 349, Google would seem at high risk for liability, for it was systematically copying the whole of millions of books without clearing rights with copyright owners and storing the electronic texts in a big database that it intended to "beam" to paying customers. However, some commentators have argued that its 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. 601, 601 (2006).

[234] See sources cited supra note 144.

[235] 251 U.S. 63 (1909). See supra notes 197-202 and accompanying text for a discussion of *Zomba*.

[236] *Legg Mason*, 302 F. Supp.2d at 460. See supra notes 211-15 and accompanying text for additional discussion of *Legg Mason*.

[237] See, e.g., *Cooper Industries*, 532 U.S. at 433-35. 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 xx and accompanying text. See also Evanson, supra note 22, at 602 ("due to risks of arbitrary and excessive 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. *Gore*, 517 U.S. at 580-82; *Cooper Industries*, 532 U.S. at 432.

[238] *Gore*, 517 U.S. at 572-73.

in itself, insulate this law, or particular awards of statutory damage 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.[239]

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 under-enforced in the absence of a statutory damage remedy. Consider, for instance, the award in *St. Louis Railway*.[240] In order to deter railroads from over-charging its customers for transport within Arkansas—something that the railroads would otherwise be very tempted to do—the state legislature established a penalty for over-charges, with a range of between $50 and $300.[241] After the St. Louis Railway charged the Williams sisters 66 cents more than the prescribed fare for their route, the sisters sued and were awarded $75 as statutory damages.[242] The railroad challenged the extra-compensatory award as a deprivation of its property without due process of law.[243] 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, saying that "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 disproportionate to the offense or obviously unreasonable."[244]

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,[245] failing to comply with support orders,[246] displaying Indian-style arts and crafts in a manner that falsely suggests

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[239] See, e.g., U.S. v. Bajakajian, 524 U.S. 321, 334 (1998)(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 several sources cited in Evanson, supra note 22, at 623, n. 145.

[240] St. Louis, I.M. & S. Ry. Co. v. Williams, 251 U.S. 63 (1919).

[241] Id. at 63-64. The statute also allowed recovery of costs, including a reasonable attorney fee.

[242] Id. at 64.

[243] Id. at 64-65.

[244] Id. at 73. 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 that suggests otherwise.

[245] 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).

[246] See, e.g., In re Marriage of Chen and Ulner, 820 N.E.2d 1136 (Ill. App. 2004)(upholding $100-per-day penalty for employer's failure to comply with support order).

they were made by Indians,[247] and violating cable television privacy rules.[248] Statutory damages like these are typically fixed in relatively small amounts (i.e., under $1000) and apply to a narrow range of conduct.[249] Even though the statutory awards authorized may seem excessive in relation to actual harm likely to be suffered by individual victims, courts have tended to be deferential to legislative decisions that carefully calibrate statutory damages to specific harms.[250]

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 12 million customers' privacy rights.[251] "It may be 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."[252] The court was concerned that the potential for an excessive award would have "an in terrorem effect on defendants, which may induce unfair settlements."[253] The Second Circuit assumed that it had power under *Gore* and its progeny to order a reduction of a grossly excessive award in such a case so as to comport with due process.[254]

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

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[247] See, e.g., Native American Arts, Inc. v. Bundy-Howard, 168 F. Supp.2d 905, 914 (N.D. Ill. 2001)(upholding $1000 per day fine for falsely displaying such goods to protect consumers against counterfeit products and to preserve Native American culture).

[248] See, e.g., Parker v. Time Warner Entm't, 331 F.3d 13 (2d Cir. 2003)($1000 penalty for violating privacy of cable television subscribers).

[249] See, e.g., Evanson, supra note 22, at 619, n. 123 (giving examples). Some provide for a narrow range within which awards can be made. See Fair Credit Reporting Act, 15 U.S.C. sec. 1681n (a)(1)(A)(allowing awards of actual damages or of statutory damages between $100 and $1000).

[250] 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 difficulty of quantifying business interruption costs imposed on recipients of unsolicited fax advertisements, effectively deter the unscrupulous practice of shifting these costs to unwitting recipients of 'junk faxes,' and provide adequate incentives for an individual plaintiff to bring suit on his own behalf.").

[251] Parker v. Time Warner Entm't, 331 F.3d 13, 22 (2d Cir. 2003).

[252] Id.

[253] Id.

[254] Id. Barker argues that aggregation and grossly excessive awards are also problematic in p2p file-sharing cases. Barker, supra note 16, at 525-26. She relies in part on the analysis in Parker in support of this argument. Id. at 550-51.

an earlier work, whether two contributors to the same project are joint authors are just a few of the many issues that are often hotly contested in copyright cases. Copyright statutory damages aim, moreover, to rectify a private wrong (i.e., compensating copyright owners for economic harms done from infringement), not the sorts of public wrongs at which most statutory damage rules are aimed. For these reasons, we reject the trial judge's contention in *Legg Mason* that copyright statutory damages should be insulated from due process review because Congress had carefully calibrated the statute.[255]

A statute does not warrant substantial judicial deference 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 where the aggregation of an amount on a per-violation basis case presents a situation not considered by the legislature, the statutory award may fail *Gore* scrutiny."[256] Congress did not and could not have foreseen or appropriately calibrated statutory damages to respond to many of the situations posed in new technology cases, such as *MP3.com*, *Free Republic*, and *Thomas*. Excessive copyright statutory damage awards are, 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.[257]

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.[258] 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 (e.g., lost license fees) and any unjust enrichment to the defendant attributable to infringement are reasonably discernible.[259] It is, in fact, remarkably common for courts to consider plaintiff's damages and/or defendant's profits as part of its assessment of the proper

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[255] 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 and unreasonable awards." Evanson, supra note 22, at 620-21.

[256] Id. at 603.

[257] See, e.g., Berg, supra note 20, at [55]; Reese, supra note 41, at 183-84.

[258] See supra notes xx and accompanying text.

[259] 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 infra note xx and accompanying text. Congress could also 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 a lot less concerned about the potential excessiveness of statutory damages in U.S. copyright cases if they were only available in difficult proof 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 3 month window.

statutory damage award. It is precisely because statutory damage awards are too often grossly disproportionate to actual harm that motivated our analysis.

Yet, even when copyright damages are difficult to prove, as they arguably were in the *MP3.com* and *Free Republic* cases, 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 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.[260] Courts should still consider whether the legitimate objective the state had in establishing a remedy for certain wrongs 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, and emotional distress in an insurance bad faith case; yet punitive damages in those situations all require excessiveness review."[261] Difficulties of proof cannot insulate copyright statutory damage awards from due process reviews.

In short, *Gore* and its progeny do have salience in copyright cases when statutory damage awards are grossly excessive under the three guideposts.

III. Suggestions For Reform

This Article has argued that the U.S. statutory damages regime has evolved in a manner that results in too many arbitrary, inconsistent, unprincipled, and grossly excessive awards and that reform is needed. In this Part, we situate our proposals for reform of the statutory damage remedy by viewing it in the context of other relief that U.S. copyright law provides to compensate copyright owners and deter infringement. We then discuss some principles, largely derived from the statutory damages case law discussed in Parts II-B and II-C, that would allow reform of the statutory damage regime within the current statutory framework. Finally, we consider whether statutory reform might be desirable to achieve legislative goals of compensation, deterrence, and punishment in a manner that is consistent with due process principles.

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

To put our suggestions for reform of U.S. statutory damages in context, we recommend consideration of such damages in light of the broader remedial scheme that Congress established for U.S. copyright law. When infringement occurs, copyright owners can expect to recover any profits they have lost as a result of the infringement and whatever profits the defendants made that are attributable to the infringement.[262] The

[260] *Gore*, 517 U.S. at 582; *State Farm*, 538 U.S. at 425.

[261] Evanson, supra note 22, at 627.

[262] 17 U.S.C. sec. 504(b).

actual damage (i.e., profits or license fees lost by the plaintiff) recovery is compensatory in nature. An award of the defendant's profits, by contrast, has a largely deterrent function.[263] Recovering the defendant's profits ensures that infringement will not become merely a cost of doing business, for a defendant will have to disgorge his profits if he infringes, and he may also have to pay the copyright owner's attorney fees.[264]

In most cases, particularly where the infringement has generated a lot of money, copyright owners who promptly registered their works will overwhelmingly prefer to recover actual damages and the defendant's profits than to elect statutory damages, for $150,000 may be a paltry sum if there are millions in profits that could potentially be disgorged for infringement of a single work. It bears mentioning that no matter how egregious the infringement, the copyright owner who relies on recovering her actual damages and the defendant's profits cannot receive any kind of punitive award.[265] Of course, late-registering copyright owners will not have the opportunity to elect statutory damage awards; they can still recover actual damages and defendant's profits, but they cannot obtain an extra-compensatory award akin to statutory damages, no matter how egregious the infringement may be. Compensation and modest deterrence must suffice in these cases, in accordance with Congress' intention.

Statutory damages clearly have a compensatory purpose. Compensation was the original purpose of this remedy to respond to situations in which it is difficult for a copyright owner to prove what actual damages she sustained or what profits the defendant made or where it would be too expensive (for example, because of a possible need to hire an expert witness) to prove damages/profits in comparison with the amount that could be recovered. This compensatory purpose continues to have significance in statutory damage case law, which is why the medium range for ordinary infringement is quite broad. Some part of every statutory damage award is compensatory, even though neither the 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 it to have this purpose. When, for example, the actual damages or defendant profits are small, the $750 minimum award means that even if an infringement might have caused only $150 of harm (such as the fee that a photographer would have charged a magazine for use of his photo), the copyright owner can nonetheless obtain some compensation that makes bringing a lawsuit worth her time and

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[263] Courts are supposed to ensure that there is no overlap 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 (2d Cir. 1999).

[264] 17 U.S.C. sec. 505. Copyright owners are only required to prove the defendant's gross revenues after infringement is established, and it is then incumbent on the defendant to prove deductions for expenses and profits that are not attributable to infringement. 17 U.S.C. sec. 503(b).

[265] Punishment for copyright infringement is largely left to criminal law. 17 U.S.C. sec. 506.

energy. The prospect of a statutory damage award may deter some infringers more than if they faced liability only for actual damages and their profits attributable to infringement. How much Congress intended for statutory damages to be merely deterrent in purpose and how much it intended them to be punitive is, however, unclear.[266]

It is generally not possible to discern how much of a statutory damage award is intended as a deterrent or how much as a punishment, but what we can confidently say is that the higher the multiple of a statutory damage award as compared with the actual damages 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.

The main reason that statutory damage awards under the 1976 Act have too often resulted in arbitrary, inconsistent, unprincipled, and grossly excessive awards is that Congress melded together in one statutory damage provision two things that should perhaps be separated. 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 a manner parallel to the actual damage/defendant profits recovery provision of the Act. Too often courts have ignored the tripartite structure of the statutory damage provision, which Congress intended to be used to grant exemplary damages in exceptional cases of egregious infringement. The largely compensatory purpose of statutory damages in innocent and ordinary infringement cases has been undermined by over-eager plaintiffs and judges who do not seem to recognize the implications of the tripartite structure of Sec. 504(c).

B. Reform Within the Current Statutory Framework

It is quite possible to build a set of principles for awarding statutory damages in copyright cases that is consistent with due process as well as with Congress' intent that awards of statutory damages be "just."[267] In this section, we set forth a set of principles we extracted from the cases discussed in Part II to offer suggestions for "do's" and "don'ts" of statutory damage awards. A sound jurisprudence of statutory damage awards can be developed if courts follow these principles.

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[266] 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 are indications that punishment was part of the purpose in doing so. See supra notes xx and accompanying text.

[267] 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., *Legg Mason,* 302 F. Supp.2d at 462 (jury was instructed on a number of factors to consider in awarding statutory damages, including the defendant's wealth).

The following are principles that represent 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 where the non-infringement claim was strong, even if ultimately not compelling.[268]
- Award the minimum statutory damage in cases of ordinary infringement when:
    - the plaintiff lost no profits and the defendant made no profits from the infringement, or where damages and profits are nominal or minimal;[269]
    - the infringement was technical in nature;[270]
    - when the plaintiff or the plaintiff's lawyer has engaged in misconduct;[271] or
    - the defendant had a plausible fair use or other non-infringement argument (unless the plaintiff's lost profits or defendant's profits justify a larger award).[272]

[268] See, e.g., Maverick Recording Co. v. Harper, Civ. No. 5:07-CV-026-XR (W.D. Tex. 2008) (plaintiff persuaded to settle a p2p filesharing case for the reduced minimum of $200 per infringed work because the defendant's innocent infringement argument was plausible).

[269] See, e.g., Bly v. Banbury Books, Inc., 638 F. Supp. 983, 986 (E.D. Pa. 1986) (minimum awarded for unauthorized use of software where plaintiff's damages were nominal); Reader's Digest Ass'n, Inc. v. Conservative Digest, Inc., 642 F. Supp. 144, 147 (D.D.C. 1986) (awarding minimum statutory damages for infringement of magazine covers where harm to plaintiff was minimal); Quinto v. Legal Times of Washington, Inc., 511 F. Supp. 579 (D.D.C. 1981) (minimum awarded for newspaper's reproduction of law review article where plaintiff suffered only nominal damages); Doehrer v. Caldwell, 207 U.S.P.Q. 391 (N.D. Ill. 1980) (minimum awarded for political campaign's infringement of political cartoon where plaintiff suffered only nominal damages).

[270] See, e.g., Bly v. Banbury Books, Inc., 638 F. Supp. 983, 986 (E.D. Pa. 1986) (minimum awarded for RAM copying).

[271] 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 attorney fees."); Reader's Digest Ass'n, Inc. v. Conservative Digest, Inc., 642 F. Supp. 144, 145-46 (D.D.C. 1986) (expressing concern about aggressiveness of the plaintiff's lawyer and baseless claims).

[272] See, e.g., MCA, Inc. v. Wilson, 677 F.2d 180 (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 (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 defendants' works); Infinity Broadcasting Corp. v. Kirkwood, 63 F. Supp.2d 420 (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. Center v. Lerma, 1996 U.S.

- 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.[273]
- In ordinary direct infringement cases, award statutory damages in amounts that approximate the damages/profits that would 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 non-infringement cases.
    - This principle should apply when the case involves a novel issue of law, where a reasonable person in the defendant's position could have believed his arguments for non-infringement were plausible.
- Make every effort 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.[274]

Dist. LEXIS 15454 (E.D. Va. 1996) (awarding minimum statutory damages for infringement of Scientology texts posted on the Internet where fair use defense was plausible).

[273] 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/profits. But one may ask what authority courts have to request this information from the parties, given that plaintiffs are not required by law to present any evidence at all regarding actual damages and 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, supra note 1, at § 14.04[A]. But there is nothing that prevents courts from refusing to award more than the statutory minimum without some offering of proof that an amount in excess of the minimum is justified. In fact, the legislative history indicates that this is the explicit 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 obligated 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, supra note 4, at 161.

[274] See, e.g., Sega Enterprises Ltd. v. MAPHIA, 948 F. Supp. 923 (N.D. Cal. 1996) (analogizing to the similar case of Nintendo of Am., Inc. v. Dragon Pacific Int'l, 40 F.3d 1007 (9th Cir. 1994)), and Sega Enterprises Ltd. v. Sabella, 1996 U.S. Dist. LEXIS 20470 (D.D.C. 1996) (making a similar award on similar facts). See also supra note xx, discussing courts' efforts to make consistent awards in cases involving unlicensed public performances of music in taverns or similar venues

- In secondary liability cases, statutory damage awards should approximate lost profits and defendant's profits when awarding higher statutory damages would result in grossly excessive awards.[275]
- 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 (2 or 3 times) over actual damages/profits.[276]
- If awarding attorney fees in addition to statutory damages, consider the size of the fee award in determining the amount of statutory damages that should be imposed on this defendant to deter further infringement.[277]
- Base any enhanced statutory damage award for "willful infringement" on multiples above 2-3 times damages/profits (or a best approximation of them), but only to the extent there are factors showing egregiousness of the infringement beyond the fact that the defendant knew his acts were infringing (e.g., repeat infringer, counterfeit operations).[278]
- 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.[279]
- Judges who award statutory damages should explain on the record why they believe a particular award of statutory damages is "just."[280]

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[275] See, e.g., In re Napster, 2005 U.S. Dist. LEXIS 11498 (N.D. Cal. 2005) (giving credence to due process concerns about grossly excessive statutory damage awards in copyright cases). See also Berg, supra note 20.

[276] See, e.g., Hi-Tech Video Prods., Inc. v. Capital Cities/ABC, Inc., 804 F. Supp. 950 (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 (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 (S.D.N.Y. 1983) (awarding twice the author's normal translation fee for unauthorized translation of a copyrighted interview).

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

[278] See, e.g., Pret-A-Printee, Ltd. v. Allton Knitting Mills, Inc., 218 U.S.P.Q. 150 (S.D.N.Y. 1982) (awarding $30,000 against repeat infringer, but not $50,000 maximum); U.S. Media Corp. v. Edde Entertainment Corp., 1998 WL 401532 (S.D.N.Y. 1998) (awarding statutory damages that were roughly twice the actual damages/profits where defendant was large scale bootlegger of films); Lauratex Textile Corp. v. Allton Knitting Mills, 519 F. Supp. 730 (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).

[279] We consider this principle to derive from the Supreme Court's due process jurisprudence. See, e.g., *Gore*, 517 U.S. at 584-85 (courts should consider whether a lesser award would adequately deter the defendant from wrongdoing).

[280] Some judges have done this. See, e.g., Rodgers v. Quests, Inc., 213 U.S.P.Q. 212 (N.D. Ohio 1981).

- Judges should 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.[281]
- Courts should also be careful in awarding statutory damages about the impacts of such awards on freedom of speech and expression, and the interests of the public in ongoing innovation.[282]

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

- Do not make technical mistakes in awarding statutory damages:
  - Do not award statutory damages without being sure that the plaintiff is actually eligible for such an award with respect to the infringed work in question.[283]
  - Do not award statutory damages in addition to actual damages/profits.[284] (Plaintiffs can get one or the other but not both.)
  - Do not award statutory damages to compensate the plaintiff for injuries that are not cognizable by U.S. copyright law (e.g., reputational harm or privacy intrusions).[285]
  - Do not award statutory damages on a "per infringement" basis: the statute directs that they be awarded on a "per work" basis.[286]

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[281] 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 Industries*, 532 U.S. at 443.

[282] See, e.g., Berg, supra note 20 (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).

[283] 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)

[284] A "bad" example is Roy Export Co. v. CBS, Inc., 503 F. Supp. 1137 (S.D.N.Y. 1980) (awarding damages, defendant's profits and statutory damages).

[285] A "bad" example is Engel v. Wild Oats, Inc., 644 F. Supp. 1089 (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).

- Do not find the defendant's conduct to be "willful" unless there is more evidence of reprehensibility than simply that he 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.[287] There should be evidence of egregious conduct independent of the complaint (which, in a default judgment, the defendant did not answer).
- 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 is entitled to trial.[288]
- Do not jump straight to the maximum statutory damage award simply because the defendant's infringement is willful.[289] (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 start with $30,000 per work as the statutory damage *minimum* for willful infringements[290]—a finding of willfulness increases the statutory *maximum* but does not change the applicable *minimum*, nor does it require that damages be awarded outside the "ordinary" range, if doing so would cause the award to be disproportionate to the actual harm.
- Do not start a statutory damage analysis by considering the applicable maximum (of either the ordinary or willful infringement range) and

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[286] See SESAC, Inc. v. WPNT, 327 F. Supp.2d 531 (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).

[287] "Bad" examples include: Axact (Pvt), Ltd. v. Student Network Resources, Inc., 2008 U.S. Dist. LEXIS 86455 (D.N.J. 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 (S.D. Fla. 2005) (on a default judgment, awarding maximum damages of $150,000 for each of two poems posted on the internet, despite magistrate's recommendation to award minimum damages of $750 per work); Design Tex Group, Inc. v. U.S. Vinyl Mfg. Corp., 2005 U.S. Dist. LEXIS 18276 (S.D.N.Y. 2005) (awarding $150,000 for infringement when actual damages were $3,389); Perfect10, Inc. v. Talisman Communications, Inc., 2000 WL 364813 (C.D. Cal. 2000) (awarding $300,000 as maximum statutory damages on default judgment for unlicensed posting of sexy photographs on the defendant's website).

[288] Lipton v. Nature Co., 71 F.3d 464, 472-73 (2d Cir. 1995).

[289] A "bad" example is Graever v. Nat'l Ass'n of Corporate Directors, 1997 U.S. Dist. LEXIS 20856 (D.D.C. 1997) (awarding the maximum with no attempt to explain why such an award was justified).

[290] A "bad" example is the district court's decision in Zomba Enterp., Inc. v. Panorama Records, Inc., 491 F.3d 574, 580 (6th Cir. 2007). See supra notes xx 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.

working backwards from it if the defendant is not the worst kind of offender.[291]

- 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. (A large award of statutory damages may, on its own, stand as a warning to others, but the award should be aimed at deterring this defendant, not giving the plaintiff a windfall in order to send a message to others who might be tempted to infringe.)[292]
- Do not use large statutory damage awards to punish defendant for wrongs done by others to the same or similar plaintiffs.[293]
- Do not find infringement to be willful in close cases, especially not in close fair use cases where freedom of speech or of expression values are at stake.[294]
- Do not rely upon maximum damage award cases that are inconsistent with due process principles as justification for comparable high awards.[295]

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

[292] 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, 127 S.Ct. 1057 (2007) (violation of due process to punish defendant for harms done to others). The worst example of this in a copyright context 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 done. *MP3.com*, 2000 WL 1262568 at 6. Judges have also awarded statutory damages in amounts aimed at deterring other potential infringers in other contexts. See also *Engel*, 644 F. Supp. at 1091. 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 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.

[293] This principle, like the previous one, is based on the Supreme Court's ruling in *Philip Morris v. Williams*. In some p2p file-sharing cases, judges sometimes consider the harm that file sharing is doing to the entire recording industry, not just 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).

[294] A "bad" example is *Free Republic*, 2000 WL 565200 (awarding $1 million against website aimed at promoting critical commentary on bias in news reporting). A "good" example is Religious Tech. Center v. Lerma, 1996 U.S. Dist. LEXIS 15454 (E.D. Va. 1996)(awarding minimum statutory damages for posting Scientology texts for purposes of criticism).

[295] Unsurprisingly, the plaintiff in *Legg Mason* relied heavily on *MP3.com* in support of the $19.7 million award in *Legg Mason*. See Memorandum of Law in Opposition to Defendant's Motion for a New Trial and Judgment as a Matter of Law, Lowry's Reports, Inc. v. Legg Mason, Inc., Case No. WDQ 01-3898 (2003). Other maximum award cases also cite other maximum award

Following these principles will go a long way toward making statutory damage awards in U.S. copyright case both more just—Congress' goal in establishing the regime in the first place—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 some higher level of possible awards to be imposed on egregious infringers, on the other. So it has occurred to us that it might be desirable for Congress to revisit Sec. 504(c) and to amend it by breaking out into two different subsections provisions that achieve these two different purposes. This would structurally address the problems in the case law better than the principles we propose which courts would not necessarily feel bound to follow.

As a result of this structural change, courts would, we think, be less inclined to characterize those with constructive knowledge of infringement as willful infringers and award grossly excessive or arbitrarily high (or low) awards as compared with the actual damages sustained and awards in other factually similar cases if statutory damages were only available in ordinary infringement, and if it was necessary to make a greater showing of reprehensibility in order to award exemplary damages against egregious infringers. It would also enable careful consideration of the relationship between actual harm and the award of exemplary damages, as contemplated by the Supreme Court's due process jurisprudence.

We also think courts should have the power to lower statutory damage awards below the $750 minimum in the current statute when an award based on this minimum would be grossly disproportionate to the harm caused, as in the p2p file-sharing cases.[296] We further think Congress should seriously consider limiting the availability of statutory damage awards in other situations in which aggregation of claims creates a severe risk of grossly excessive remedies, such as in class action and secondary liability lawsuits.[297]

As part of a more general revision of copyright law, Congress might even want to reconsider whether statutory damages are serving a truly useful 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 created and given how few other countries have statutory damage regimes. It might also ponder about whether

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cases. A "bad" example is Axact (Pvt.), Ltd. v. Student Network Resources, Inc., 2008 WL 364813 (D.N.J. 2008) (citing *Macklin* in support of its maximum statutory damage award).

[296] Canada has such a rule. Canadian Copyright Act, sec. 88(2). See Wheatland, note 1. Barker has recommended legislation to "fix" the statutory damage regime so that it will not produce grossly excessive awards in to p2p file sharing cases. Barker, supra note 16, at 526.

[297] See, e.g., Berg, supra note 20.

statutory damages should be available to all copyright owners and not just to those who have registered their claims of copyright within three months of publication of their works. As an alternative to exemplary damages akin to the enhanced damage levels now in Sec. 504(c), Congress could also consider giving courts discretion to increase awards up to two to three times the actual damage/profits recovery, as in other intellectual property regimes.[298]

CONCLUSION

The statutory damage regime of U.S. copyright law was originally intended to allow some meaningful compensation to copyright owners when it was difficult to prove actual damages or 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 to respond to willful infringements, courts and juries have increasingly awarded statutory damages as a means of punishing and deterring copyright infringement. Without principles to guide their deliberations on statutory damages, awards have been arbitrary, inconsistent, and sometimes grossly excessive.

We know of no other area of law in which judges and juries are given such open-ended discretion to award up to $150,000 in damages without any burden of proof on plaintiff to prove the fact or extent of the harms they have suffered, or the profits defendant has garnered. This is not only offensive to historical tradition, Congress' intent in establishing a tripartite and just statutory damage regime, principles of due process, and international norms; it also defies common sense. We believe the principles we have articulated will give courts guidance necessary to achieve the dual goals of ensuring that copyright owners are able to recover reasonable compensation and of avoiding arbitrary, excessive, and unfair awards.

Under these principles, grossly excessive awards, such as those imposed in the *MP3.com* and *Thomas* cases, will not recur. In *MP3.com*, for example, the court should have considered the complete lack of proof of *any* actual damages or profits as a reason to award the statutory minimum of $750 per work, or if the court believed that there was a special need for deterrence of this defendant, it could have applied some modest multiplier (e.g., three times the statutory minimum); this would have resulted in a still significant award of $10.5 million, rather than the grossly excessive award of $118 million that the judge was prepared to impose. And in *Capitol Records v. Thomas*, jury instructions should have asked the jury to consider more carefully the relative reprehensibility of Thomas's conduct and the reasonableness of the ratio of harm that this defendant caused these plaintiffs to a proper award aimed at deterring and punishing her, but no more. These are just two examples of the many places we think it is possible to reintroduce reason and balance to the awarding of copyright statutory damages.

[298] See supra notes xx and accompanying text.