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## DEBATE

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### UNCONSTITUTIONALLY EXCESSIVE STATUTORY DAMAGE AWARDS IN COPYRIGHT CASES

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In successive months during the summer of 2009, the music labels won two monstrous jury verdicts for willful copyright infringement against two peer-to-peer file sharers. In June, a Minneapolis jury found single mother Jammie Thomas-Rasset liable for \$1.92 million for downloading and sharing twenty-four songs on KaZaA's file-sharing network. One month later, a Boston jury ordered college student Joel Tenenbaum to pay \$675,000 for downloading and sharing thirty songs in the same manner. Neither jury made a finding about the damage caused to the music labels by the defendants' activities. Rather, both awards were based on the Copyright Act's range of statutory damages of \$750 to \$150,000 per work—available to those who register their works prior to infringement.

In this debate, Professor Pamela Samuelson and Ben Sheffner discuss whether such “whopping” statutory damage awards are constitutional. Samuelson argues that while not all statutory damage awards—or even all those extracted from peer-to-peer file sharers—are unconstitutional, it is “difficult to square [the verdicts from this summer] with Congressional intent or with the Supreme Court's due process jurisprudence.” Relying on the “guideposts” established by the Court in *BMW of North America, Inc. v. Gore* to judge punitive damage awards, Samuelson lays out the case for reducing the “grossly excessive” jury verdicts. In response, Sheffner argues that the guideposts set out in *Gore* have no application to statutory damages because the Court in *Gore* was primarily concerned with “fair notice” to defendants. And although the range of statutory damages is broad, notice is not a valid concern where that range is “set forth in black and white” in the Copyright Act. Thus, while reasonable people may disagree on the proper damages for defendants like Thomas-Rasset and Tenenbaum, those concerns are “essentially legislative” not constitutional.

## OPENING STATEMENT

*The Unconstitutional Excessiveness of Some Statutory Damage Awards  
in Peer-to-Peer File-Sharing Copyright Cases*Pamela Samuelson<sup>†</sup>

A substantial number of persons in the United States have been sued for copyright infringement for engaging in peer-to-peer file sharing of copyrighted sound recordings and motion pictures. See Jeff Leeds, *Labels Win Suit Against Song Sharer*, N.Y. TIMES, Oct. 5, 2007, available at <http://www.nytimes.com/2007/10/05/business/media/05music.html> (estimating that about 30,000 people had been sued). The overwhelming majority of these lawsuits have been settled by the file sharer's agreement to pay some compensation to the plaintiffs, generally between \$2000 and \$5000. J. Cam Barker, Note, *Grossly Excessive Penalties in the Battle Against Illegal File-Sharing: The Troubling Effects of Aggregating Minimum Statutory Damages for Copyright Infringement*, 83 TEX. L. REV. 525, 528 n.19 (2004). At least ten defendants in reported peer-to-peer cases involving sound recordings have either allowed default judgments to be entered against them or have lost on summary judgment motions. See, e.g., *Warner Bros. Records Inc. v. Tait*, No. 07-134-J16-HTS, 2008 WL 2415036 (M.D. Fla. June 12, 2008); *UMG Recordings, Inc. v. Blake*, No. 06-00120-BR, 2007 WL 1853956 (E.D. N.C. June 26, 2007). In each case, courts have awarded \$750 per infringed song, the statutory damages minimum for non-innocent infringements. 17 U.S.C. § 504(c)(1) (2006). The number of infringed songs ranged between seven and eleven, producing total statutory damage awards against these ten file sharers between \$5250 and \$8250. Two other file-sharing defendants went to trial, were found liable for infringement, and were also ordered to pay \$750 per infringed song, for total awards in one case of \$22,500, *BMG Music v. Gonzales*, 430 F.3d 888 (7th Cir. 2005), and \$40,500 in the other, *Atl. Recording Co. v. Howell*, No. 06-02076-PHX-NVW, 2008 WL 4080008, at \*3 (D. Ariz. Aug 29, 2008). These twelve awards are obviously higher than the typical settlement amounts, and likely made a substantial difference to the defendants' pocketbooks, probably enough to deter

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them from further infringements as well as to compensate the recording companies for the infringement and other costs.

Despite the high multiple of \$750 per infringed song in these twelve cases as compared with the actual damages incurred from infringement, these awards are consistent with Congressional intent, *see* H.R. REP. NO. 106-216, at 2-3 (1999) (citing concern about internet user “piracy”), as well as with the Supreme Court’s jurisprudence on due process limitations on grossly excessive money damage awards. In *BMW of North America, Inc. v. Gore*, 517 U.S. 559 (1996), the Supreme Court set forth guidelines for determining whether money damage awards were so grossly excessive as to run afoul of the Due Process Clause of the Constitution. Reprehensibility of the defendant’s conduct is, the Court said, “[p]erhaps the most important indicium” for determining whether a punitive monetary award is excessive. *Id.* at 575. Although the relevant ratio for judging excessiveness is generally ten to one between the award claimed to be excessive and actual damages, the Court also recognized that higher ratios might be appropriate when the actual damages were small and the reprehensibility greater. *Id.* at 580-82.

In subsequent cases, the Court has made clear that very high multiples over actual damages (e.g., more than 100:1) cannot be justified merely because the jury believed that a particular defendant might have engaged in wrongful conduct as to others. *See, e.g., Phillip Morris USA v. Williams*, 127 S. Ct. 1057, 1065 (2007) (striking down a jury award because the jury had been instructed that it could punish the defendant for harm that it had done to others besides the plaintiff); *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 427-29 (2003) (striking down a \$145 million award because it was excessive in relation to actual damages and was aimed at punishing the defendant for unsavory acts not related to the acts that gave rise to the Campbells’ lawsuit). The Court’s reluctance to affirm awards of very high multiples over actual damages arises from concerns that high-ratio jury awards may be based on speculation or unwarranted assumptions. In addition, very high multiples pose risks of arbitrary and capricious awards and double recovery since other similarly injured persons could bring suit on the same or similar grounds. Finally, very high-ratio awards are quasi-criminal in nature, yet lack the due process safeguards that would attend criminal actions. *See, e.g., Gore*, 517 U.S. at 586-97 (Breyer, J., concurring).

In the twelve peer-to-peer file-sharing cases mentioned above, the ratio of actual damages to award is very high, but the Court has recognized that higher ratios may be permissible where, as here, actual

damages are small. Judges who have awarded statutory damages in these twelve cases seem to regard file sharing as reprehensible, but not so reprehensible as to justify an award of more than the statutory minimum.

The jury awards against file-sharers Jammie Thomas-Rasset and Joel Tenenbaum are, by contrast, difficult to square either with Congressional intent or with the Supreme Court's due process jurisprudence. Their file-sharing activities were no more heinous than the file-sharing activities of the twelve plaintiffs against whom the minimum statutory damages were awarded. Yet Thomas-Rasset was punished (there is no other word for it) at a first trial with a jury award of \$9250 per infringed song, and then upon retrial with an award (for the very same conduct) of \$80,000 per infringed song. The statutory damage award against Tenenbaum was \$22,500 per infringed song. The jury awards in these two cases were arbitrary and capricious, fueled by speculation, and lacking in sound justification. Both awards were grossly excessive, but especially egregious was the \$1.92 million award against Thomas.

Thomas-Rasset is not the sort of infringer against whom Congress intended awards of enhanced statutory damages (now up to \$150,000 per infringed work, 17 U.S.C. § 504(c)(2) (2006)). The conduct at issue in *RSO Records, Inc. v. Peri*, 596 F. Supp. 849 (S.D.N.Y. 1984), by contrast, exemplifies the kind of egregious infringement for which enhanced damages should be available. See S. REP. NO. 94-473, at 144-45 (1975) (stating that enhanced damages should be available in "exceptional cases"); H.R. REP. NO. 94-1476, at 162 (1975) (same). Peri ran a counterfeit sound recording business for years. He made substantial profits from infringement, although he kept such dreadful records that the extent of his profits was difficult to determine. Out of the nearly two million recordings Peri had made and sold, nearly ninety percent were copyright infringements. Peri was charged with infringing twenty-seven of RSO's copyrighted works, and the award against him was \$1.45 million.

Thomas-Rasset and Tenenbaum are far from innocent or inadvertent infringers, but their copyright sins are far less reprehensible than Peri's. They were merely young and foolish, not commercial counterfeiters; they merely enjoyed the songs they downloaded and shared, not sold them to others for profit. Yet, the awards against these two file sharers involve significantly higher ratios of actual harm to the statutory damage award than in *Peri*.

The only plausible explanation for the outlandishly large jury awards against Thomas-Rasset and Tenenbaum was the jury's desire to

punish them for the sins of all file sharers at the direct or indirect urging of the recording industry plaintiffs. See Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 WM. & MARY L. REV. (forthcoming 2009) (manuscript pt. I-B), available at <http://ssrn.com/abstract=1375604> (explaining that courts and commentators are increasingly recognizing that statutory damage awards, especially at the high end of the range, are punitive in intent and punitive in effect). Under the Supreme Court's due process jurisprudence, juries seem to be punishing these individuals for the acts of millions of other file sharers who are "strangers to the litigation" on behalf of copyright owners who are also "strangers to the litigation" as to copyrighted works that are not before the court. *Williams*, 127 S. Ct. at 1063 ("[T]he Constitution's Due Process Clause forbids a State to use a punitive damages award to punish a defendant for injury that it inflicts upon nonparties or those whom they directly represent, *i.e.*, injury that it inflicts upon those who are, essentially, strangers to the litigation."). Because there are insufficient constraints on jury awards of statutory damages, courts should draw upon the Court's due process jurisprudence by reducing grossly excessive statutory damage awards in peer-to-peer music file-sharing cases either to the \$750 minimum, which seems to have become the norm in the reported cases, or to something much closer to the minimum. See, *e.g.*, *Cooper Indus. v. Leatherman Tool Group, Inc.*, 532 U.S. 424 (2001) (directing de novo review of excessive jury awards).

## REBUTTAL

*Constitutional Limits on Copyright Statutory Damages*Ben Sheffner<sup>†</sup>

Copyright used to be a relatively obscure subject, of interest mainly to authors, composers, artists, and the publishers, record companies, and movie studios who exploited their works. The Internet, however, has brought once-obscure copyright issues into the homes of ordinary citizens, who now have the technical ability—though not the legal right—to copy and distribute music and movies to anyone else with a web connection, all without permission from or payment to the copyright owners. This past summer witnessed perhaps a new height of public attention to copyright, as two among the thousands of individuals targeted by the major U.S. record labels for illegally downloading and “sharing” music over peer-to-peer networks went to trial. In the first case, a jury in Minneapolis awarded the plaintiffs \$80,000 per song, totaling a whopping \$1.92 million, after finding that Jammie Thomas-Rasset had willfully infringed twenty-four works. Barely a month later, a Boston jury ordered Joel Tenenbaum to pay \$675,000, or \$22,500 per song, for downloading and “sharing” thirty songs.

There is no dispute that such awards were stunningly huge. Even the victorious record labels agree. “We were shocked,” said Sony Music Entertainment Deputy General Counsel Wade Leak a few days after the *Thomas-Rasset* verdict. “I suspected we were going to win, but I really thought they would come in with a lower number.” Posting of Ben Sheffner to Copyrights & Campaigns, *Sony BMG Attorney: ‘We were shocked’ by Size of Verdict; Concedes \$1.92 Million Award Could Be Reduced on Appeal*, <http://copyrightsandcampaigns.blogspot.com/2009/06/sony-bmg-attorney-we-were-shocked-by.html> (June 20, 2009) (quoting Press Release, Columbia Law School, *Aggressive Pursuit of Illegal File-Sharers Defended by Top Music-Industry Lawyer* (June 20, 2009)).

Though I support the labels’ litigation campaign against individual peer-to-peer infringers, I have serious reservations about the size of the *Thomas-Rasset* and *Tenenbaum* awards. At some gut level, they just

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feel “too big.” I also fear that the public relations hit the industry took from these verdicts may eventually lead to a loss of political support for copyright owners. But we’re not here to debate whether the *Thomas-Rasset* and *Tenenbaum* verdicts were “too big” for our taste, or whether they were helpful or hurtful to the music industry. Rather, we were asked to debate whether such large awards of statutory damages violate the U.S. Constitution. I believe the answer is no.

First, a little history is in order. Statutory damages have been part of the U.S. copyright landscape since the first days of the Republic. Actually, before then: the issue was discussed in the Continental Congress in 1783. See *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 350 (1998). And, in language that mirrored Britain’s 1710 Statute of Anne, the First Congress included in the Copyright Act of 1790 a statutory damages provision making an infringer liable for “the sum of fifty cents for every sheet which shall be found in his or their possession.” Act of May 31, 1790, § 2, 1 Stat. 124, 125. Congress has periodically increased the amount of available statutory damages over the centuries; under the most recent iteration of the Copyright Act, the jury may award statutory damages “in a sum of not less than \$750 or more than \$30,000 as the court considers just,” or up to \$150,000 per infringed work if they find the infringement to be “willful.” 17 U.S.C. § 504(c) (2006).

There are two justifications for permitting copyright plaintiffs to pursue statutory, rather than actual, damages. First, statutory damages “give the owner of a copyright some recompense for injury done him, in a case where the rules of law render difficult or impossible proof of damages or discovery of profits.” *F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 231 (1952) (citation omitted). Second, statutory damages may be imposed to punish the infringer, and thus deter him, and others, from further infringement. See, e.g., *On Davis v. Gap, Inc.*, 246 F.3d 152, 172 (2d Cir. 2001) (“The purpose of punitive damages—to punish and prevent malicious conduct—is generally achieved under the Copyright Act through the provisions of 17 U.S.C. § 504(c) (2), which allow increases to an award of statutory damages in cases of willful infringement.”); *L.A. News Serv. v. Reuters Television Int’l, Ltd.*, 149 F.3d 987, 996 (9th Cir. 1998) (“Because awards of statutory damages serve both compensatory and punitive purposes, a plaintiff may recover statutory damages ‘whether or not there is adequate evidence of the actual damages suffered by plaintiff or of the profits reaped by defendant,’ in order ‘to sanction and vindicate the statutory policy of discouraging infringement.’” (citations omitted)).

Statutory damages, though their origins pre-date the Internet by centuries, are tailor-made for peer-to-peer cases like Thomas-Rasset's and Tenenbaum's. Actual damages in such cases are difficult, perhaps impossible, to calculate. Though it is tempting to say that an infringer who used KaZaA to obtain a song that costs ninety-nine cents on iTunes caused no more than ninety-nine cents in actual damages, such analysis would be flawed. For such a calculation completely ignores the distribution or "sharing" engaged in by peer-to-peer users. The songs Thomas-Rasset and Tenenbaum were found to have infringed were located in the "shared" folder of their hard drives and were downloaded by untold numbers of other KaZaA users; indeed that is the very purpose of such networks. Yet because of the way that KaZaA is configured and the lack of record-keeping by KaZaA itself, the plaintiffs were forced to admit that they are unable to determine how many others Thomas-Rasset and Tenenbaum "shared" their songs with. The availability of statutory damages prevents infringers and their facilitators from profiting from such willful blindness, whose primary intent is to thwart copyright enforcement.

Additionally, statutory damages are useful in deterring both the actual infringer and others from committing similar bad acts in the future. Compensating copyright owners for their actual losses in the case at bar is insufficient; as then-District Judge Sonia Sotomayor once ruled, "statutory damages must be sufficient enough to deter future infringements and should not be calibrated to favor a defendant by merely awarding minimum estimated losses to a plaintiff." *Top Rank, Inc. v. Allerton Lounge, Inc.*, No. 96-7864, 1998 WL 35152791, at \*1 (S.D.N.Y. Mar. 25, 1998). As the Supreme Court itself has acknowledged, peer-to-peer use involves "infringement on a gigantic scale," *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 940 (2005), and it is the public policy of the United States that it be curbed. Imposing statutory damages on such infringers is an important tool in combating it.

Professor Samuelson argues that the Supreme Court's cases imposing limits on *punitive* damages similarly limit the imposition of *statutory* damages. Respectfully, I disagree. In *BMW of North America, Inc. v. Gore*, 517 U.S. 559 (1996), the Court made clear that its underlying concern about punitive damages was that they failed to provide "fair notice not only of the conduct that will subject [a potential defendant] to punishment but also of the severity of the penalty that a State may impose." *Id.* at 574. This concern is absent in the context of copyright statutory damages. While it is true that the statutory range of



\$750 to \$150,000 is broad, it is set forth in black and white at 17 U.S.C. § 504, and infringers have, at least, constructive notice of the penalties that may be imposed on them for their bad acts. The due process concerns present in the case of unlimited punitive damages are simply not present here.

Moreover, attempting to impose *Gore's* rubric for analyzing punitive damages awards on copyright statutory damages awards involves attempting to pound the proverbial square peg into a round hole. *Gore* set forth three “guideposts” for determining whether a punitive damages award is unconstitutionally excessive: 1) the “degree of reprehensibility” of the defendant’s conduct, *id.* at 575; 2) the ratio between the punitive and actual damages, *id.* at 580; and 3) “the civil or criminal penalties that could be imposed for comparable misconduct,” *id.* at 583. But at least two of those don’t work in the context of statutory damages. We can debate how “reprehensible” infringers like Thomas-Rasset and Tenenbaum are; I agree that they aren’t the worst of the worst. But saying, for example, they’re in the mid-range of reprehensibility doesn’t tell us much about where in the statutory range the award should fall; as we saw with Thomas-Rasset, even an award in the middle of the range can represent an enormous sum when multiplied by the number of infringed works (and keep in mind that the plaintiffs sued on only a tiny fraction of the 1702 songs she was caught “sharing”).

Further, *Gore* guideposts two and three don’t work at all with copyright statutory damages. In many copyright cases (*Thomas-Rasset* and *Tenenbaum* included), it is impossible to compare actual to statutory damages because, as noted above, it is difficult or impossible to *measure* actual damages. Indeed, statutory damages exist in part to relieve copyright owners of the burden of proving up actual damages where, as a practical matter, they cannot. See *F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 231 (1952). And it makes no sense to speak of comparing the actual damages with “the civil or criminal penalties that could be imposed for comparable misconduct,” *Gore*, 517 U.S. at 583; statutory damages *are* the “civil . . . penalties” that Congress has chosen to impose on copyright infringers. If we’re going to debate the constitutionality of statutory damages, we’re going to have to do so under the much more deferential standard set forth in *St. Louis, Iron Mountain & Southern Railway v. Williams*, 251 U.S. 63 (1919)—under which, as far as I am aware, no award has ever been invalidated.

Reasonable people can disagree over the proper amount of statutory damages for individual non-profit infringers like Thomas-Rasset and Tenenbaum. I, for one, would likely be willing to trade a signifi-

cantly lower range of available damages for a cheap and streamlined process for adjudicating such cases. *See, e.g.*, Mark Lemley & R. Anthony Reese, *Reducing Digital Copyright Infringement Without Restricting Innovation*, 56 STAN. L. REV. 1345 (2004) (“Another way to reduce the cost of enforcement is to create some sort of quick, cheap dispute resolution system that enables copyright owners to get some limited relief against abusers of peer-to-peer systems . . .”). But these are essentially legislative choices. Those who are outraged by the recent high, and high-profile, statutory damages awards in copyright cases should take their case to Congress, and argue for a change in the statute. I suspect that they are instead focusing on untested constitutional arguments because they realize that, unlike many in academia and the copyleft or “free culture” movement, members of Congress view Internet piracy as a serious problem, deserving of serious punishment. I doubt that the Supreme Court will interfere with Congress’s judgment on this subject. As Justice Ginsburg noted in a different context, “[T]his Court has been . . . deferential to the judgment of Congress in the realm of copyright.” *Eldred v. Ashcroft*, 537 U.S. 186, 198 (2003). I expect the Court to exhibit similar deference should the issue of the constitutionality of large copyright statutory damages awards ever reach its docket.

## CLOSING STATEMENT

*Adapting the Supreme Court's Guideposts on Punitive Awards  
to Copyright Statutory Damages*

Pamela Samuelson

I agree with Ben Sheffner that the jury awards of statutory damages against Jammie Thomas-Rasset and Joel Tenenbaum in peer-to-peer file-sharing copyright cases were “stunningly huge.” He and I also agree that statutory damage awards for willful copyright infringement are often punitive in nature. We may even agree that the *Thomas-Rasset* and *Tenenbaum* awards are so stunningly high as to be punitive. These points of agreement are important keystones in my argument that the \$1.92 million award in the *Thomas-Rasset* case and the \$675,000 award in the *Tenenbaum* case were grossly excessive and should be reduced in keeping with the Supreme Court’s modern due process jurisprudence.

Where Sheffner and I mainly differ is in our interpretations of history and our perspectives on the second and third “guideposts” for judging when punitive awards are constitutionally suspect under that jurisprudence.

Sheffner’s assertion that “[s]tatutory damages have been part of the U.S. copyright landscape since the first days of the Republic” conveys the impression that statutory damages are such a tried and true part of U.S. history that they cannot possibly be unconstitutional. However, the fifty-cent-per-sheet penalty awardable under the Copyright Act of 1790 is importantly different from the statutory damage regime under the Copyright Act of 1976. Apples and oranges may both be fruits, but we all know that apples and oranges are very distinct varieties of fruit. The 1790 per-sheet penalty is likewise fundamentally distinct from the statutory damage regime in the 1976 Act.

For one thing, the 1790 provision was explicitly designated as “punish[ment].” Act of May 31, 1790, § 2, 1 Stat. 124, 125. Half of each award was statutorily required to go to the U.S. treasury. *Id.* The penalty was fixed in amount, had no relationship to the actual damage that the copyright owner suffered, and was not justified on the ground that it was sometimes difficult to prove actual damages. Because of the penal, quasi-criminal nature of this remedy, courts tended to construe it very narrowly. In *Rogers v. Jewett*, 20 F. Cas. 1114, 1115 (C.C.D. Mass. 1858), for instance, the court denied a copyright owner’s re-

quest for a per-sheet penalty award because the “highly penal” nature of this award meant that it should be strictly construed, and the defendant had copied only part of the plaintiff’s book, not the whole thing. Per-sheet penalties were, moreover, only available for infringing sheets actually in the possession of the defendant. *See, e.g., Backus v. Gould*, 48 U.S. (7 How.) 798 (1849) (reversing a jury verdict for \$2,069.75 because this award had been based on the number of infringing sheets that the defendant had printed when the statute called for the penalty to be available only for the infringing sheets in the defendant’s possession). Per-sheet penalty awards were, in fact, relatively uncommon in the nineteenth century. Most copyright owners challenged infringement in equity because they wanted injunctive relief and an accounting of the defendant’s profits that only equity courts could provide; equity could not award penalties.

The legislative history of the Copyright Act of 1909 is replete with expressions of dissatisfaction with the per-sheet penalty as a signal failure of the nineteenth century copyright regime. *See, e.g.,* Proceedings of the Second Session of the Conference on Copyright (Nov. 1-4, 1905) (complaining about inadequacies of the per-sheet penalty), in 2 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT 1, 243 (E. Fulton Brylawski & Abe Goldman eds., 1976). To address the need for penal remedies, Congress created a new and separate criminal provision for willful infringements for profit. The new civil statutory damage regime was created as an alternative to recovery of actual damages to the plaintiff and defendant’s profits. The primary purpose of this alternative award was to provide some compensation to copyright owners when damages and profits were difficult to prove. The provision explicitly stated that statutory damages “shall not be regarded as a penalty.” Copyright Act of 1909, Pub. L. No. 60-349, § 25, 35 Stat. 1075, 1081.

In keeping with this non-penal purpose, courts generally construed the 1909 Act’s statutory damage provision with some circumspection. Some courts, for instance, refused to order defendants to pay statutory damages when actual damages or profits could be proven. *See, e.g., Zeigelheim v. Flohr*, 119 F. Supp. 324, 329 (E.D.N.Y. 1954). Some judges also reduced statutory damage awards when actual damages or profits were substantially smaller. *See, e.g., Turner & Dahnken v. Crowley*, 252 F. 749, 754 (9th Cir. 1918) (reducing a \$7000 statutory damage award to \$560, the estimated profit the defendant had made from infringement).

The 1976 Act’s legislative history reveals that Congress wanted to create a more nuanced statutory damage regime than the 1909 Act

provided. For the exceptional cases of innocent infringement, it established a lower minimum award. For ordinary infringement cases, Congress created a wider range within which statutory awards could be made, but sought to cabin the risk for excessive awards by shifting to a “per infringed work” standard. *See* 17 U.S.C. § 504(c) (2006). Congress expected courts to consider actual damages and profits in the process of assessing statutory damages.

The main novelties of the 1976 Act’s statutory damage regime were twofold. The first was its introduction of a wholly new enhanced statutory damage award level for willful infringements, which Congress expected to be used in exceptional cases (e.g., against professional counterfeiters). The second was its limitation on the availability of statutory damages to copyright owners who promptly registered copyrights within three months of the work’s publication. Penal functions of copyright law were mainly to be fulfilled through the criminal infringement provisions, as in the 1909 Act.

A closer look at the 1790 and 1976 Acts and the history that undergirds them thus reveals insufficient continuity in statutory damages as a remedy in U.S. copyright law to insulate particular awards under the 1976 Act regime from constitutional challenge.

Tara Wheatland and I argue in our recent article on statutory damages that courts have failed to recognize and abide by the tripartite structure that Congress intended to be used for awarding statutory damages in copyright cases. *See* Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 WM. & MARY L. REV. (forthcoming 2009), available at <http://ssrn.com/abstract=1375604>. Part III of *Statutory Damages* demonstrates that a set of principles can be derived from the statutory damage case law that would comport with Congressional intent as well as due process jurisprudence. If courts followed these principles, grossly excessive and obviously punitive awards, such as those in the *Thomas-Rasset* and *Tenenbaum* cases, would not happen, and it would not be necessary to invoke the Supreme Court’s due process jurisprudence to ensure that such awards were constitutionally sound. However, because courts have yet to self-consciously develop a principled jurisprudence of statutory damage awards, we join the voices of several other commentators, including treatise author William Patry, and several courts that have opined that the Supreme Court’s due process jurisprudence requires that grossly excessive statutory damage awards in copyright cases be reduced. *See, e.g.*, 6 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 22:181 (2009) (arguing that the award in *UMG Recordings, Inc. v. MP3.com, Inc.* was “hardly necessary as a deterrent for a de-

fendant who had not made a penny in profits off its use, and where plaintiff had conceded that it could not prove any actual damages” and inconsistent with the Supreme Court’s due process jurisprudence on punitive awards). *See also* Samuelson & Wheatland, *supra* (manuscript at 26 n.163) (citing cases and commentary opining that due process limits copyright statutory damage awards).

The concern of the first “guidepost” set forth in *BMW of North America, Inc. v. Gore*, 517 U.S. 559 (1996), for judging whether punitive damage awards are so grossly excessive as to violate due process is the relative reprehensibility of the defendant’s conduct. Higher punitive awards are obviously appropriate for highly reprehensible conduct. This guidepost is adaptable to copyright cases, as Sheffner seems to agree.

Sheffner contests the applicability of the second guidepost—which focuses on the ratio between the actual damage suffered and the amount actually awarded—because statutory damages are designed for situations where actual damages are difficult to prove. He may be right that this includes peer-to-peer file sharing. Yet, consider this: If the record labels had not promptly registered the copyrights in their sound recordings, the jury would have been required to estimate actual damages from Thomas’s downloading of those twenty-four songs. That award would almost certainly have been a lot closer to \$750 per song than to the \$80,000 per song actually awarded, and probably less than the statutory damage minimum. I agree with Sheffner that Thomas-Rasset and Tenenbaum may have contributed to additional damage (although not necessarily to the plaintiffs in these cases) by making other songs available to peer-to-peer file sharers, and this can be considered when setting statutory damages. But making copies of protected works available to others is not copyright infringement in the United States (because it is not a distribution of a copy), and only speculation, not evidence, exists that Thomas-Rasset or Tenenbaum actually facilitated other infringements.

A more general point, though, is that the 1976 Act legislative history contemplates that courts would consider actual damages (or an approximation of them) in setting statutory damages. *Cf.* H.R. REP. No. 94-1476, at 161 (1975) (“[T]he plaintiff in an infringement suit is not obliged to submit proof of damages and profits and may choose to rely on the provision for *minimum* statutory damages.” (emphasis added)). And courts routinely mention actual damages suffered by plaintiffs or the defendant’s profits attributable to infringement in setting statutory damages. *See, e.g., Twin Peaks Prods., Inc. v. Publ’ns Int’l, Ltd.*, 996 F.2d 1366, 1380-82 (2d Cir. 1993) (affirming a \$120,000 statutory

damage award where plaintiff alleged \$125,000 in actual damages); see also *New Line Cinema Corp. v. Russ Berrie & Co.*, 161 F. Supp. 2d 293, 303 (S.D.N.Y. 2001) (“New Line’s statutory damages should be commensurate with the actual damages incurred . . .”). Because of this, the second *Gore* guidepost is applicable in the copyright context.

The third *Gore* guidepost focuses on other civil awards that might be rendered as to the conduct at issue. Sheffner is right that the Court in *Gore* mentions notice as one factor to be considered; it regarded BMW as having insufficient notice that an Alabama court might award two or four million dollars in punitive damages for having made a few minor repairs to new cars which were not revealed to BMW customers. *State Farm* and other post-*Gore* cases, however, hardly mention notice. Constructive notice that a certain penalty may be awarded is, moreover, insufficient to shield awards from due process review. See, e.g., *United States v. Bajakajian*, 524 U.S. 321, 334 (1998) (finding a due process violation in the application of a 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). Finally, it is far from clear that the *St. Louis Railway* case on which Sheffner relies is still good law under modern due process jurisprudence.

We agree with Blaine Evanson that the main focus in the analysis of the third guidepost should be on how carefully the legislature calibrated the statutory damage provisions to achieve just results. Blaine Evanson, *Due Process in Statutory Damages*, 3 GEO. J.L. & PUB. POL’Y 601, 628-37 (2005). Wheatland and I have concluded that Congress has not carefully tailored the copyright statutory damage provision enough to avert arbitrary, capricious, and grossly excessive awards, as in the *Thomas-Rasset* and *Tenenbaum* cases.

In view of the \$750 per-song minimum awards in a dozen other peer-to-peer file-sharing-of-music cases, the awards in the *Thomas-Rasset* and *Tenenbaum* cases should be reduced. In keeping with the Supreme Court’s ruling in *Phillip Morris USA v. Williams*, 127 S. Ct. 1057 (2007), these young and foolish defendants should not be excessively punished for the sins of other file-sharers as to music whose copyright owners are strangers to the *Thomas-Rasset* and *Tenenbaum* litigations. Oddly enough, these defendants would almost have been better off if they had been charged with criminal copyright infringement, for the proof standard for willful infringement would have been higher and the maximum fine that could be levied was \$250,000, see 18 U.S.C. §§ 2319, 3571(b)(3) (2006), one-eighth of the civil award levied against *Thomas-Rasset* and one-third that against *Tenenbaum*.

## CLOSING STATEMENT

*Historical Claims About Statutory Damages and  
the Inapplicability of BMW v. Gore*

Ben Sheffner

Professor Samuelson writes that comparing ancient statutory damages awards to those of the present day is comparing apples and oranges. I will happily concede that the world in which copyright owners operated in 1790 is vastly different than the one in which they find themselves today. But my overall point stands: Statutory damages, which need not correlate closely with actual damages, have long been an important feature of U.S. copyright law. They compensate the plaintiff for its loss (which may be difficult or impossible to calculate) and punish the infringer, thus sending a deterrent message both to the defendant and to other potential infringers. Statutory damages' lengthy history does not, by itself, insulate the concept from constitutional challenge, but it puts the issue in context and demonstrates that awards that lack a close connection to actual damages are no novelty. Professor Samuelson also uses history where she believes it serves her argument. Her Closing Statement relies on what has become a central trope of copyright critics: Once upon a time, copyright law was properly balanced between private interests and the public good, but sometime, in the not-too-distant past, things went awry. Heavily influenced by rapacious lobbyists for Big Content, a compliant Congress increased the scope and term of copyright and increased the penalties beyond all reason. *But cf.* Justin Hughes, *Copyright and Incomplete Historiographies: Of Piracy, Propertization, and Thomas Jefferson*, 79 S. CAL. L. REV. 993, 998-1046 (2006) (discussing, and discrediting, claims by copyright reformers that the terms "piracy" and "intellectual property" are recent in origin).

At least in the case of statutory damages, I was surprised to learn recently that the modern-day limits are in certain cases significantly *lower* than those under the 1909 Act. In a criticism of an early draft of Professor Samuelson's recent article on statutory damages, Thomas Sydnor, of the Progress & Freedom Foundation, ran the numbers, adjusted for inflation, and came up with this rather striking table:



**Table 1: Statutory Damages Ranges (1909 vs. 2008)\***

Year	Innocent-infringer minimum	Non-innocent minimum	Non-innocent maximum	Willful-infringer maximum
1909	\$5814	\$5814	\$116,279	\$116,279
2008	\$200	\$750	\$30,000	\$150,000

Posting of Thomas Sydnor to PFF Blog, The ‘Lessigation’ of Copyright Scholarship: A Review of *Statutory Damages in Copyright Law: A Remedy in Need of Reform* (Part I), [http://blog.pff.org/archives/2009/07/the\\_lessigation\\_of\\_copyright\\_scholarship\\_a\\_review.html](http://blog.pff.org/archives/2009/07/the_lessigation_of_copyright_scholarship_a_review.html) (July 1, 2009, 4:43 PM EST). Most significantly, measured in 2008 dollars, the maximum statutory damages for “regular” (i.e., non-willful) infringement was almost four times *greater* in 1909 than in 2008: \$116,279 vs. \$30,000 per work. Similarly, each of the relevant limits has fallen from 1976 to 2008, when measured in constant dollars:

**Table 2: Statutory Damages Ranges (1976 vs. 2008)**

Year	Innocent-infringer minimum	Non-innocent minimum	Non-innocent maximum	Willful-infringer maximum
1976	\$378	\$946	\$37,839	\$189,124
2008	\$200	\$750	\$30,000	\$150,000

*Id.* If one is to attack statutory damages, one cannot credibly do so by arguing that the maximum permissible awards have only recently increased to unacceptable levels.

Professor Samuelson points out that her article urging statutory damages reform includes a “set of principles [that] can be derived from the statutory damage case law that would comport with Congressional intent as well as with due process jurisprudence.” I gather that Professor Samuelson would have courts apply this set of principles and strike down or reduce statutory damages awards that fail to comport with them. While some of the principles she suggests have merit as a

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\* Values in rounded 2008 CPI-adjusted dollars

matter of policy, I find the prospect of using those principles as a basis for constitutional decisionmaking wrongheaded.

First, to the extent one can accurately divine Congressional intent, it seems clear from the legislative history of the most recent amendment to the statutory damages provisions of the Copyright Act that Congress had every intention of increasing awards against those who use the Internet to infringe. See H.R. REP. NO. 106-216, at 3 (1999) (“Many computer users are either ignorant that copyright laws apply to Internet activity, or they simply believe that they will not be caught or prosecuted for their conduct.”); *id.* at 2 (stating that the increased statutory damages range is necessary to provide “more stringent deterrents to copyright infringement and stronger enforcement of the laws”).

But more fundamentally, it seems strange to say that courts should divine Congressional intent, and then strike down as unconstitutional statutory damages awards that purportedly contravene such intent. If Congress believes that the statutory damages range it has set has resulted in excessive awards, then the solution is to amend the Copyright Act and to lower the range and save the Jammie Thomas-Rassets and Joel Tenenbaums of the world from financial ruin. As far as I am aware, not a single member of Congress has proposed amending 17 U.S.C. § 504 since last summer’s highly-publicized verdicts, which suggests Congressional acquiescence in, if not embrace of, the juries’ handiwork.

Professor Samuelson states that in creating a new, enhanced statutory damages limit for “willful” infringers in the 1976 Act, Congress “expected” the heightened awards to be limited to “professional counterfeiters.” But even accepting that was indeed Congress’s expectation, the limitation to “professional counterfeiters” is simply not in the statute. As William Patry explains in his treatise,

Neither the Act nor the legislative history attempts to define “willfulness.” The courts have developed two basic approaches: (1) actual knowledge of the actual consequences of one’s conduct, or (2) actual or constructive knowledge of such consequences, which may include reckless disregard for the possibility that the conduct is infringing. The Ninth Circuit takes the first, more restrictive, approach, limiting willfulness to actual knowledge, although not requiring a specific intent to infringe. The Second and Seventh Circuits permit actual or constructive knowledge. Maliciousness is not required under either approach.

6 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 22:180 (2009) (footnotes omitted) (citing *Danjaq LLC v. Sony Corp.*, 263 F.3d 942, 959 (9th Cir. 2001); *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 112 (2d Cir. 2001)).

Moreover, even noncommercial infringers—those who do not seek monetary profit from their acts, *but see A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1015 (9th Cir. 2001) (“[R]epeated and exploitative copying of copyrighted works, even if the copies are not offered for sale, may constitute a commercial use.”)—can cause enormous harm to copyright owners, sometimes even more than “professional counterfeiters.” To illustrate, imagine two infringers on the Internet. One offers songs at fifty cents each, significantly undercutting iTunes’ standard price of ninety cents. The other offers songs for free, thus reaping no revenue or profit at all. But which one causes more harm to the copyright owner? Likely, the latter. Certainly it is appropriate for a harsh sanction to attach to both forms of infringement.

Professor Samuelson’s counterfactual in which the plaintiffs in the *Thomas-Rasset* and *Tenenbaum* cases were required to prove their actual damages is interesting, but I am not sure what it proves. She submits that the amount “would almost certainly have been a lot closer to \$750 per song than to the \$80,000 per song actually awarded, and probably less than the statutory damage minimum.” I am not convinced. The record labels conceded that it was “impossible” for them to measure the amount of actual damages, because KaZaA’s configuration prevents third-party knowledge of transfers between peers. The juries thus did not likely base their awards on an estimate of actual loss to the plaintiffs, but of some assessment of where on the \$750 to \$150,000 culpability scale the defendants fell.

And I must take issue with Professor Samuelson’s blunt statement that “making copies of protected works available to others is not copyright infringement in the United States (because it is not a distribution of a copy), and only speculation, not evidence, exists that Thomas or Tenenbaum actually facilitated other infringements.” Tenenbaum, for one, testified that he observed the “traffic tab” on KaZaA indicating that there were song files being downloaded from his computer by others. The transfer of songs between users is, of course, the very purpose of the software; it would be rendered useless unless such transfers were taking place. That Thomas-Rasset and Tenenbaum were distributing songs from their computers via KaZaA is a certainty, not “speculation.” And as to the law, while it is true that some courts have held that “making available” does not constitute distribution under the Copyright Act, numerous others have held that it does. *See, e.g., Napster*, 239 F.3d at 1014 (“Napster users who upload file names to the search index for others to copy violate plaintiffs’ distribution rights.”); *Hotaling v. Church of Jesus Christ of Latter-Day Saints*, 118 F.3d 199, 203 (4th Cir. 1997) (holding that making a work available in a

public library infringes the distribution right); *Atl. Recording Corp. v. Anderson*, No. 06-3578, 2008 WL 2316551, at \*8 (S.D. Tex. Mar. 12, 2008) (finding that making files available “on KaZaA constituted a ‘distribution’ for the purposes of . . . copyright infringement”); *Motown Record Co., LP v. DePietro*, No. 04-2246, 2007 WL 576284, at \*3 n.38 (E.D. Pa. Feb. 16, 2007) (same); *Advance Magazine Publishers, Inc. v. Leach*, 466 F. Supp. 2d 628, 638 (D. Md. 2006) (“Defendant operates . . . an online database of literary works, and by making available . . . Plaintiff’s publications, he has infringed its right to distribute.”); *Arista Records LLC v. Greubel*, 453 F. Supp. 2d 961, 969 (N.D. Tex. 2006) (“[T]he courts have recognized that making copyrighted works available to others may constitute infringement by distribution . . . .”); cf. *N.Y. Times Co. v. Tasini*, 533 U.S. 483, 506 (2001) (holding electronic publishers liable for reproducing and distributing the plaintiff’s copyrighted works by placing works into an online database from which the works were “retrievable” by the public). In sum, notwithstanding Professor Samuelson’s arguments, I fail to see how the second *Gore* guidepost can be adapted to the cases we have been discussing, where there is truly no way to know the amount of actual damages against which the award of statutory damages can be measured.

Lastly, Professor Samuelson’s attempt to minimize the notice concerns underlying the Supreme Court’s punitive damages jurisprudence is undermined by the language of the cases themselves. Starting with *Gore*, the Court’s decisions in this area have emphasized that constitutional limits on punitive damages are required because otherwise defendants would have no notice of the potential penalties they face. See *Exxon Shipping Co. v. Baker*, 128 S. Ct. 2605, 2640 (2008) (Breyer, J., concurring) (“Like the Court, I believe there is a need, grounded in the rule of law itself, to assure that punitive damages are awarded according to meaningful standards that will provide notice of how harshly certain acts will be punished . . . .”); *Philip Morris USA v. Williams*, 127 S. Ct. 1057, 1062 (2007) (“Unless a State insists upon proper standards that will cabin the jury’s discretionary authority, its punitive damages system may deprive a defendant of ‘fair notice . . . of the severity of the penalty that a State may impose . . . .’” (citing *Gore*, 517 U.S. at 574); *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 416-17 (2003); *Cooper Indus., Inc. v. Leatherman Tool Group, Inc.*, 532 U.S. 424, 436 (2001); *Gore*, 517 U.S. 559, 574 (1996) (reasoning that defendants must be provided “fair notice not only of the conduct that will subject him to punishment but also of the severity of the penalty that a State may impose”); see also *Verizon Cal. Inc. v. OnlineNIC*,

*Inc.*, No. 08-2832, 2009 WL 2706393, at \*8 (N.D. Cal. Aug. 25, 2009) (“The third ‘guidepost’—the difference between the remedy at issue and the civil penalties authorized or imposed in comparable cases—appears to rest almost entirely on the ‘fair notice’ aspect of the due process limitations on damages awards. . . . That limitation clearly has no application in the field of statutory damages awards, where the text of federal legislation explicitly discloses the range of penalties that may be awarded on a per-violation basis.”); *Lowry’s Reports, Inc. v. Legg Mason, Inc.*, 302 F. Supp. 2d 455, 460 (D. Md. 2004) (“The unregulated and arbitrary use of judicial power that the *Gore* guideposts remedy is not implicated in Congress’ carefully crafted and reasonably constrained [copyright] statute.”). Because Congress has defined the range, the Supreme Court’s concern about unbounded jury discretion is simply not present in the world of statutory damages.

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In closing, I want to thank Professor Samuelson for the lively debate, and PENNumbra for providing the platform. And I want to emphasize that reasonable people can disagree over what the range of available statutory damages, and the award in a particular case, may be. But those tasks are for Congress (and for a jury in an actual case), not for judges engaging in constitutional decisionmaking.

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