

Utah State Bar 2018 IP Summit

---



Statutory Damages in Copyright Litigation  
February 23, 2018  
Andrew Berger

---

1 

---

---

---

---

---

---

---

---

What Are Statutory Damages & When Are You Entitled to Them

---

- Statutory damages: range of damages set by Congress
- You are only entitled to statutory damages if you timely registered the copyrighted work
- Timely?
- Two options:
  - Before infringement
  - Or if work was infringed, within three months of initial publication of work infringed

---

2 

---

---

---

---

---

---

---

---

Timely Registration?

---

- So if published the work on February 1; its infringed on March 1 and then registered on May 15, is registration timely?  

  - No, too late; registered infringed work **more than 3 months after** initial publication
- If work published on January 1, 2000 and never infringed can you still register it now?
  - No time limit to register works not been infringed
- Congress' bargain with copyright holder; be timely and you may be entitled to enhanced damages depending on conduct infringer

---

3 

---

---

---

---

---

---

---

---

### What Are Statutory Damages & When Are You Entitled to Them

- Who determines statutory damages?
- You have option electing a jury may as result of 1998 Supreme Court case, *Feltner v. Columbia Pictures*
- How much: in 1999 the range of statutory damages increased from \$100,000 to \$150,000 **for each work infringed**
- The range of damages depends on conduct:
  - Non-willful infringers: between \$750 and a maximum of \$30,000 per work
  - Innocent: not less than \$200 per work
  - Willful: between \$750 and \$150,000

4

---

---

---

---

---

---

---

---

### Why Is it Difficult to Predict Statutory Damages

- There are no public benchmarks
- No Blue Books
- Nor reliable jury research
- All large settlements in meritorious cases are confidential
- They only statutory guideline in the Copyright Act is that amount be "just"
- What does just mean?



5

---

---

---

---

---

---

---

---

### Even Same Jury in the Same Case Can Reach Different Conclusions in Different Trials: *Capitol Records v. Thomas-Rasset*

- Three trials for Ms. Thomas-Rasset's infringement of 24 songs
- 1<sup>st</sup> verdict: **\$220,000** (\$9,250 per song); vacated by district judge; verdict "wholly disproportionate to the damages suffered by Plaintiffs"
- 2<sup>nd</sup> verdict: **\$1.92 million**; reduced again by judge to \$54,000 (\$2,250 per song or 3 times the minimum statutory damages amount)
- Judge, a "verdict of nearly \$2 million for stealing 24 songs" by "noncommercial individuals" "shocking"
- Judge gave record labels seven days to accept reduced award of \$2,250 per song or agree to a 3<sup>rd</sup> trial on damages
- Third verdict: **\$1.5 million**; reduced still again to \$54,000
- Judge: this verdict "appalling"
- Eight Circuit restored original verdict of \$220,000; *cert. denied*
- Jamie Thomas: "I can't pay a dime; I am a "download martyr"



6

---

---

---

---

---

---

---

---

### Why It's Difficult to Predict Amount of Statutory Damages To Be Awarded

- Not easy to predict during trial whether defendant will be found willful
- Each side at trial will paint a different picture
- Plaintiff will key on willfulness because it's a key damage driver
- Plaintiff: infringement willful because defendant knew or had reason know it was infringing or acted with reckless disregard for plaintiff's rights
- Defendant will argue
  - innocence (didn't know I was infringing)
  - unintentional infringement mistakenly taken in good faith
  - infringement done in reliance advice of others, including counsel
  - mistakenly used work pursuant to an ambiguous license agreement

7

---

---

---

---

---

---

---

---

### The Jury Has Discretion

- The jury has enormous discretion to assess damages within a broad statutory range
- Trial judge will ask the jury to consider a # of factors
- The jury weighs them any way they wish
- They may consider all, some or any but don't have to disclose their reasoning
- They will simply come back with a verdict which will be hard to overturn



8

---

---

---

---

---

---

---

---

### Why it's Difficult to Predict Statutory Damages

- The jury will be charged to consider the following
  - Revenues plaintiff lost as a result of infringement
  - Defendant's profits from infringement
  - Value or nature of infringed work
  - Need to deter infringement
  - Defendant's finances
  - Defendant's state of mind
  - If willfulness, need to punish
- All constitutional challenges to statutory damages awards as violating due process have been unsuccessful

9

---

---

---

---

---

---

---

---

### Difficulty in Predicting Statutory Damages

- If the court assesses statutory damages, some judges correlate them with actual damages awarding 2 to 4 x the amount of actual damages (usually the lost license fee) to avoid windfalls
- But *Psihoys v. Wiley*, 748 F.3d 120 (2d Cir. 2014), said there is no direct correlation between actual damages and a statutory award
- Two points keep in mind
  - No malice needed for willfulness. *Fitzgerald v. Baylor*, 807 F.2d 1110, 1115 (2d Cir. 1986), “a court need not find that an infringer acted maliciously to find willful infringement”
  - Because of difficulty of predicting what a jury will do, many defendants opt for settlement rather than risk a substantial award

10

---

---

---

---

---

---

---

---

### Some Case Examples of Willfulness

- Plaintiff a medical illustrator
- Defendant a global publisher with substantial revenues
- Defendant agreed to publish book written by doctor
- Defendant needed medical illustrations for book
- At doctor's suggestion, illustrator submitted a proposal to license illustrations for use in book
- The license fee was \$600 per image and a “buyout” or transfer of all rights of \$2,000 per image
- Publisher responded to illustrator:
  - “Please don't proceed; I have to take this through channels”
- Publisher internally wrote
  - “What is she smoking”
  - “She must think we print money not books”

11

---

---

---

---

---

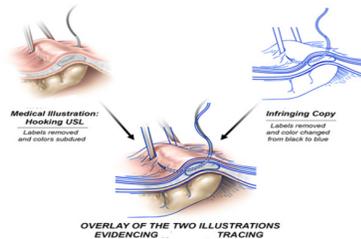
---

---

---

### Screen Shot of Complaint

Publisher enlists another to trace and copy the illustrations



12

---

---

---

---

---

---

---

---

### Another Page from Complaint

Medical Illustration Name	The Medical Illustration	The Infringing Derivative	The Book and Figure # Where the Infringing Derivative Appears
Midline Defect			page 220 Fig. 17.6
Normal Support in Pelvis			page 221 Fig. 17.9

13

---

---

---

---

---

---

---

---

---

---

### Book Containing Infringing Illustrations Goes Viral (Also from Complaint)

165. further authorized at least 49 e-commerce sites to make the Book available to the public through sale, license or rental.

166. Those sites were as follows:

1. lww.com;
2. LWW Medical Book Collection - 2013 - Perpetual Access;
3. LWW Medical Book Collection - 2013 Bridge - Perpetual Access;
4. LWW Surgery and Transplantation Book Collection 2013;
5. Ovid;
6. OvidMD;
7. abebooks.com;\*
8. allibris.com;\*
9. amazonbook.com;
10. amazon.com;
11. amazon.ca;\*
12. amazon.cn;\*
13. amazon.de;\*
14. amazon.es;\*
15. amazon.fr;\*

14

---

---

---

---

---

---

---

---

---

---

### Alleging Willfulness

- The complaint spelled out details of willfulness
  - Publisher **knew** Illustrator was copyright owner
  - Publisher **knew** Illustrator required payment before work was used
  - Publisher also **knew** it could not copy Illustrator's work and exploit it without permission
  - Publisher had **another** illustrator trace and copy the illustrations;
  - Publisher never informed Illustrator of the unauthorized derivatives; and
  - Publisher made extensive use of copyrighted works, including posting book containing the illustrations on at least 47 web sites

15

---

---

---

---

---

---

---

---

---

---

### Complaint & Post-Complaint Proceedings

- Complaint long and detailed
- Sent draft complaint to publisher with cease & desist letter
- Publisher initially offered to settle for a low figure
- Publisher slow to remove the book from its own web sites
- With parties at impasse, we served/ filed complaint
- Complaint listed hyperlinks to the 49 web sites where book still being sold
- Publisher agreed to have all sites stop selling book but in some cases was unable to accomplish result
- Some third party sites not under Publisher's control ignored the request to stop



16

---

---

---

---

---

---

---

---

### Post-Complaint Proceedings

- We agreed to go into private mediation
- Court postponed the initial pre-trial conference for 4 months
- We voluntarily agreed to exchange documents re facts underlying infringement and Illustrator's creation and ownership of illustrations
- The documents Publisher produced did not aid its defense
- Publisher also unable to find other documents responsive to Illustrator's requests authored by employees involved in infringement
- I raised spoliation also suggested a further settlement discussion
- In first negotiation session we made some progress

17

---

---

---

---

---

---

---

---

### Settlement Negotiations

- We agreed during our negotiations we would immediately respond to the offer made by the other party to keep process moving
- Before the 2<sup>nd</sup> negotiating session I wrote two letters to Publisher focusing on weak spots in its defense:
  - its inability to produce key documents; and
  - Publisher's assertion in its answer that it had "all rights" to the unauthorized derivatives
- Knew there was little chance these letters would backfire and cause them to end negotiations
- I also believed the letters would increase leverage
- Here is an excerpt from one dealing with possible spoliation:

18

---

---

---

---

---

---

---

---

Spoliation?  
My Letter to Publisher's Counsel

---

- [To my adversary] I sent you a letter on December 17 that sought to confirm our conversation regarding non-production
- Because you stated in that conversation that Publisher had been unable to find the documents even in "backup tapes," the December 17 letter concluded that Publisher had destroyed the 10 categories of documents
- In response, you asserted, "[t]o be direct and clear on this point Publisher has not destroyed **any** documents related to Illustrator's claims." (emphasis in original)
- You added that "[d]espite extensive search efforts Publisher was unable to locate Ms. \_\_\_ files or those of the other employees referenced" in my letter of December 17
- If Publisher has not destroyed any documents (even through routine retention practices or otherwise) then they must still exist

19 

---

---

---

---

---

---

---

---

---

---

Spoliation?  
My Letter to Publisher's Counsel

---

- I then asked for explanation why the documents have not been produced
- No explanation was offered, except they still could not find them
- No further explanation expected
- Tone of letter important:
  - no threats
  - no personal attacks

20 

---

---

---

---

---

---

---

---

---

---

Case Ends

---

- Final negotiating session took place shortly thereafter
- Again client not present
- Publisher asked whether in view of letters we still wanted to settle.
- When we said yes, agreement reached in about an hour
- It took a month to draft settlement agreement
- The case ended five months after it began

Entry #	Filing Date	Action	Description
<a href="#">1</a>	Sept 30, 2015	<a href="#">View</a>	COMPLAINT
<a href="#">29</a>	Feb 16, 2016	<a href="#">View</a>	ORDER OF DISCONTINUANCE: It having been reported to this Court that this case has been settled, it is hereby ORDERED that the above-captioned action is hereby discontinued without costs to any party and without prejudice to restoring the action to this Court's calendar if the application to restore the action is made within thirty days. (Signed by Judge Denise L. Cote on 2/16/2016) (gr) (Entered: 02/16/2016)

21 

---

---

---

---

---

---

---

---

---

---

## Lessons Learned

- Stars aligned in our favor on this one



- Publisher knew best settle early to avoid significant exposure and legal fees
- Ironically, book sold a few hundred copies generating little revenue
- Take what the other side gives you
- Publisher gave us, in addition to infringing conduct
  - Damaging documents we had not anticipated
  - Possible spoliation which can have serious consequences and
  - Publisher's "full rights" allegation in its answer which it could not defend
- Careful preparation/investigation helps as does maintaining good relations with other side
- But most copyright cases not as easy as this one

22

---

---

---

---

---

---

---

---

## More Lessons Learned

- Insurance policy is implicated if defendant offers infringing product on a web site accompanied by advertising copy
- Keep the client informed but don't oversell only to have to justify a lesser result later.
- Better to lower expectations and happily surprise the client with more.

23

---

---

---

---

---

---

---

---

## It's a Small World

- A few years before this case settled had a similar case against same publisher represented by same counsel
- It worked out well
- Having had good relations with my adversary in earlier case helped Illustrator this time
- No confidentiality provision was contained in this earlier settlement agreement

Incoming Wire Transfers	
Date Received	Dec 12, 2011
Posted	Dec 2, 2011 at 4:00 PM EST
Account	
Amount	250,000.00
Beneficiary	TANNENBAUM HALPERN SYRACUSE
Sending Bank	BANK OF AMERICA N.A. NY
Originator	WOLTERS KLUWER HEALTH INC
Global Reference #	C001345054101
Other Reference #	0213153367129050541021315
Additional Information	MCDERMOTT SETTLEMENT

24

---

---

---

---

---

---

---

---

1<sup>st</sup> Limitation  
Can Plaintiff Recover Statutory Damages For Infringements that Continue After It Registers?

- 17 U.S.C. § 412 provides:
  - no award of statutory damages or of attorney's fees, as provided by sections 504 and 505, shall be made for—
  - ...
  - (2) any infringement of copyright **commenced** after first publication of the work and before the effective date of its registration, unless such registration is made within three months after the first publication of the work
- A recent case raising this issue involves video game featuring animated versions of NBA players as they appear in real life
- The game replicates their physical features, including their tattoos.
- Case is *Solid Oak Sketches v. 2K Games* 120 U.S.P.Q.2d 1226 (S.D.N.Y. 2016)

31

---

---

---

---

---

---

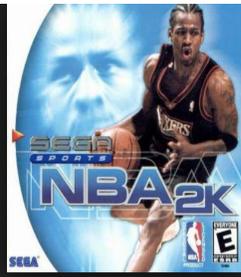
---

---

---

---

Are Tattoos Copyrightable?



32

---

---

---

---

---

---

---

---

---

---

Can You Recover Statutory Damages For Infringements that Continue After You Register?

- The first two versions of game appeared in 2013 and 2014
- Plaintiff registered tattoo designs with Copyright Office in July 2015
- Third version released in September 2015 after plaintiff's registration
- Plaintiff: third version was a separate instance of infringement because of gap between release of earlier games and latest
- Court, no, one to two year gap not enough
- Court, "under section 412, infringement 'commences' when the first act of infringement in a series of on-going discrete infringements occurs"
- There is a **bright-line** rule under Section 412 that prevents plaintiff from recovering statutory damages where first act of infringement in a series of ongoing infringements occurred **before** plaintiff registers work
- Why the **bright line**? Easier to enforce

33

---

---

---

---

---

---

---

---

---

---

Can You Recover Statutory Damages For Infringements that Continue After You Register?

- Plaintiff also argued updates to 2015 version, with improved graphics, smoother looking models and more individualized tattoo designs, made version separate from earlier iterations
- Court no, the pre-and post-registration versions are the same basketball video game; only material differences are updates to title and visual and graphical improvements
- Where the same defendant infringes same protected work in same manner as it did before work's registration, the post registration infringement constitutes the continuation of a series of ongoing infringements before registration



34

---

---

---

---

---

---

---

---

2<sup>nd</sup> Limitation  
How Many Grants of Statutory Damages

- Is plaintiff entitled to multiple awards of statutory damages where a single work has been infringed multiple times?



- No, section 504 (c)(1) of the Copyright Act limits a copyright owner to one grant of statutory damages
- The section provides a copyright owner "may elect ... to recover ... **an award** of statutory damages for all infringements involved in the action with respect to any one work
- Thus # of acts of infringement, whether separate, isolated or occurring over many years. makes no different
- But the more infringements, the more likely a jury is to increase the damages within the statutory range, adding to the case's settlement value

35

---

---

---

---

---

---

---

---

3<sup>rd</sup> Limitation  
How Many Grants Against Joint/Several Infringers

- Where multiple parties acting in concert infringe a work they are therefore jointly and severally liable
- Can a plaintiff recover separate awards of statutory damages against each infringer?



- No, section 504 (c)(1) again provides that a copyright owner "may elect ... to recover ... **an award** of award of statutory damages for all infringements involved in the action with respect to any one work.... for which any one infringer is liable individually or **for which any two or more infringers are liable jointly or severally**"

36

---

---

---

---

---

---

---

---

### More Limitations One Joint Infringer More Innocent Than the Other

- What if one joint infringer is more blameworthy than another; does the more innocent infringer get a break on damages?



- No, *Fitzgerald Publishing Co. v. Baylor Publishing Co.*, 807 F.2d 1110, 1117 (2d Cir. 1986), states
  - The relative faults of defendants are irrelevant
  - 504(c)(2) is unconcerned about gradations in blameworthiness.
  - The statute does not distinguish between those who maliciously infringe another's copyright or those who simply act knowing that they are **infringing upon the copyright**

37

---

---

---

---

---

---

---

---

### The One-Work Limitation: Whose Work Are We Talking About?

- The last sentence of section 504 (c)(1) of the Copyright Act provides:
  - all the parts of a compilation or derivative work constitute one work
- A compilation is one containing multiple copyrighted works such as a magazine where the works "are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship"



38

---

---

---

---

---

---

---

---

### The One-Work Limitation: Whose Work Are We Talking About?

- Whose compilation is the statute referring to: one created by plaintiff or defendant?
- Courts have now clarified
- If plaintiff created the compilation, the one-work limitation will apply
- Thus if plaintiff puts 5 of his or her songs on an album which is then infringed, plaintiff is limited to one grant of statutory damages



39

---

---

---

---

---

---

---

---

The One-Work Limitation: Whose Work Are We Talking About?

- But if defendant compiles, cases hold defendant cannot hide behind the one-work limitation; otherwise defendant will benefit from its wrongdoing
- But even if plaintiff created compilation plaintiff may be able to avoid the one-work limitation if plaintiff also issued, released or offered the work for sale individually
- *Arista Records, LLC v. Lime Group LLC*, 06 CV 5936, 2011 WL 1311771 at \*4 (S.D.N.Y. Apr. 04, 2011), stated:
  - Nothing in the Copyright Act bars a plaintiff from recovering a statutory damage award for a sound recording issued as an individual track, simply because that plaintiff, at some point in time, also included that sound recording as part of an album or other compilation
- In 2016 the 2d Circuit in *EMI Christian Music Grp. v. MP3tunes, LLC*, agreed with *Lime Wire*, stating:
  - But when a copyright holder or publisher issues material on an independent basis, the law permits a statutory damages award for each individual work. In other words, our 'focus[] [is] on whether the plaintiff—the copyright holder—issued its works separately, or together as a unit'

40

---

---

---

---

---

---

---

---

One-Work Limitation Can Make an Enormous Difference

- In the first willfulness case I mentioned Publisher had infringed 21 illustrations
- Publisher was therefore facing potential exposure of \$3,150,000 (21 x \$150,000)
- If the one-work limitation had been applied, the damage exposure would have been a maximum of \$150,000

41

---

---

---

---

---

---

---

---

Sometimes with Copyright

- You may not just have to think "out of the box"



Thanks

42

---

---

---

---

---

---

---

---