

The Copyright Lottery

OBTAINING AN AWARD OF STATUTORY DAMAGES UNDER THE COPYRIGHT ACT

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The U.S. Copyright Act establishes a wide range of statutory damages, which give a knowledgeable practitioner an important tool in a copyright infringement case. A copyright owner may elect to recover statutory damages from an infringed work so long as a timely registration has been made. The Copyright Act gives the trier of fact¹ wide discretion to determine the amount of statutory damages, based on a number of factors. But, it is not a Lottery. This article will analyze the distinction in the factors set forth in the model jury instructions adopted by the American Bar Association and in other circuits from established case precedent in the 11th Circuit and set forth the importance of proving actual damages in order to get a large amount of statutory damages.

GENERAL PURPOSES OF STATUTORY DAMAGES IN A COPYRIGHT CASE

A Plaintiff with a timely registered copyright may elect between actual damages under section 504 (b) and statutory damages under section 504 (c)². This article assumes that the election for statutory damages has been made. Section 504 (c) of the Copyright Act provides the general purposes of statutory

damages. Statutory damages were intended to relieve copyright owners from the difficult task of proving actual damages and the determination of the defendants profits (attributable to the infringement) which are otherwise recoverable pursuant to section 504 (b): Statutory damages was to provide adequate compensation to the copyright owner while also creating a deterrent and punishment to infringers. Nevertheless, under precedent in 11th Circuit, actual damages still must be reasonably related to the amount of statutory damages, which cannot be deemed to give plaintiff an unintended “windfall”. For that reason, this article will focus upon the importance of proving actual damages in order to support a determination of statutory damages.

PREREQUISITES TO CLAIM STATUTORY DAMAGES

The Copyright Act requires that a copyright owner have timely registration of his Copyright in question. Registration is considered timely if made prior to the infringement or after the work was published and registration was made within three months of the first publication of the work. The plaintiff has the burden of proof to show that the registration was timely.³

ONE STATUTORY DAMAGE AWARD PER “WORK”

Each timely registered infringed work is entitled to but one award of statutory damages--within the range specified by the copyright act. Practitioners sometimes confuse multiple copies of a single work or multiple methodologies of distribution as creating multiple awards of statutory damages. That is not case. A

plaintiff is only entitled to a single award of statutory damages, no matter how many infringing copies of the work is made, no matter how many methodologies of distribution are used and no matter the number of defendants who jointly participate in the infringement. Sometimes, compilation works may lead to multiple awards of statutory damages. A compilation is a work of collective or assembled pre-existing materials or data that are selected and arranged in such a way such that the final product and resulting work is considered to be a new work, taken as a whole and given a new copyright for the compilation. The most common example of a compilation is a collage of copyrighted photographs. If the plaintiff's works were part of a compilation that was infringed, the plaintiff is still only entitled to a single award of statutory damage for each compilation infringed. However if the defendant committed independent acts of infringement of individual and particular works within the compilation, rather than the compilation as a whole, the plaintiff is entitled to individual awards of statutory damages for each of the infringing works in the compilation.

THE RANGE OF STATUTORY DAMAGES

A trier of fact must make a determination of a defendant's state of mind, considering whether the infringer was: a) an innocent infringer b) a willful infringer; or c) an infringer who was neither innocent nor willful. The range of damages per work for innocent infringement is \$200 - \$30,000 willful infringement

is the range from \$750 - \$150,000 and where infringement is either innocent or willful, the range of damages is \$750 - \$30,000 for each work infringed.⁴

An innocent infringer is one who was not aware and had no reason to believe that his/her/its' acts constituted an infringement of a copyright. It is a defendant's burden to prove that the acts of infringement were innocent. The ABA Model Jury Instructions on copyright suggest that the level of sophistication of the defendant in business is a factor for the trier of fact to consider in determining the defendant's state of mind. A willful infringer is one with actual knowledge that he was infringing a plaintiff's copyright or who acted in a reckless disregard of that right. It is the plaintiff's burden to prove by a preponderance of the evidence that the defendant's actions were willful. Many cases in the 11th circuit, discuss multiple cease-and-desist letters and other notices of infringement that were ignored by a defendant, as supporting a finding that a defendant acted willfully.⁵

DETERMINING DAMAGES WITHIN THE APPROPRIATE STATUTORY RANGE

Once the trier of fact determines whether an infringer is willful or innocent or somewhere in between, the trier of fact must then consider various factors to arrive at the award within the range. It is here, where the law in the 11th Circuit appears to vary from that in the 1st, 2nd and 7th and 9th Circuits, ABA Standard Jury Instruction 1.7.8., within the appropriate range; Courts have wide discretion to set

an amount of statutory damages.⁶ Further, some courts have determined the appropriate amount of statutory damages on a Summary Judgment Motion.⁷

The ABA suggests that the Jury should be instructed on 10 factors as follows:

- (1) Revenues lost by the plaintiff as a result of the defendant's acts of infringement;
- (2) Expenses saved or profits reaped by the defendant in connection with the infringement;
- (3) Other benefits that infringement may have provided to the defendant;
- (4) The value and nature of the plaintiff's copyrights;
- (5) The duration and scope of infringement;
- (6) The need for deterring the defendant and others;
- (7) The defendant's financial situation;
- (8) The number of statutory awards;
- (9) The defendant's state of mind; and,
- (10) In the case of willfulness, the need to punish a defendant.

The 1st, 2nd and 7th Circuits have quoted factors similar to factors 1, 2, 4, 5, and 6.

Under case law in the 11th circuit, statutory damages must reasonably relate to the amount of actual damages otherwise awardable under 17 U.S.C. § 504(b) but it cannot be so great to give the Plaintiff a "windfall". Courts in the 11th Circuit have held that there are but 7 factors⁸ for the trier of fact to consider:

- (1) the expenses saved and the profits reaped;
- (2) the revenues lost by the plaintiff;
- (3) the value of the copyright;
- (4) the deterrent effect on others besides the defendant;
- (5) whether the defendant's conduct was innocent or willful;

- (6) whether a defendant has cooperated in providing particular records from which to assess the value of the infringing material produced; and,
- (7) the potential for discouraging the defendant.

Some Courts have stated that the usual measure of recovery of actual damages is the injury to the market value of the copyrighted work;⁹ The court said, but because it is often difficult to determine the market value, courts generally measure the value by use of indirect evidence such as historical profits and using standard multiples or capitalization rates. Numerous courts within the 11th Circuit have held that statutory damages are not intended to provide a plaintiff with a windfall recovery, but rather they should bear some relationship to the actual damages suffered.¹⁰ This is a crucial factor that is not discussed in the ABA model instructions, although a few Courts have held that a plaintiff need not prove actual damages to get with this overriding concern, let's consider the 7 factors adopted in a plaintiff need not prove actual damages to get, an award of statutory damages; but clearly actual damages case relevant to the amount.¹¹

EXPENSES SAVED AND PROFITS RECEIVED: This factor (and the next one) is closely aligned to actual damages, otherwise awardable under section 504 (b). Hence, existing case law regarding the burdens and standards of proof of an infringer's gross revenues, direct expenses and overhead deductions must be considered. If a Plaintiff is to consider making an election of actual damages, then the Plaintiff will submit evidence on these subjects in any event. For this reason, a

expert testimony should be introduced on the subject of net profits, even if the plaintiff is only seeking an award of statutory damages.

REVENUE LOST BY THE PLAINTIFF: Often it is difficult for a plaintiff to prove (without reliance on utter speculation) his losses due to the infringement because a plaintiff may not know, nor will it be able to prove if it lost money as a result of (or attributable to) a defendant's infringement. This general rule may be overcome where a plaintiff can prove, with an established historical track record and expert testimony that revenue decreased as a result of the defendant's acts of infringement.¹²

VALUE OF THE COPYRIGHT: This factor is somewhat overlapping and it is subjective as to how this affects the ultimate award. This author could not find any decisions discussing this factor. Presumably, the more valuable the copyright (based upon a historical track record or annual income) the greater the award, even if the plaintiff's revenue is not affected by the infringement. The importance of this factor should be distinguishing from factor 1 and 2 where revenue and losses must be related to or be attributable to the acts of infringement.

DETERRENT EFFECT ON OTHERS--BESIDES THE DEFENDANT: Numerous cases in the 11th Circuit suggest that a plaintiff ought to be awarded a multiplier of the amount of licensing or royalties' money saved, as a deterrent effect. An award of statutory damages of 2-to-4 times the profits

derived by an infringing defendant is generally considered to have a sufficient deterring effect upon other infringers.¹³

DEFENDANTS' STATE OF MIND: The trier of fact will have already considered if a defendant is innocent, willful or somewhere in between. However, this factor suggests that within each category, the trier of fact must make a close analysis and consider the actions of the defendant within the appropriate range.¹⁴ While a finding of willful infringement justifies an award of heightened damages, such amount must still nevertheless be reasonably related to actual damages.

**HAS THE DEFENDANT COOPERATED IN
PRODUCING RECORDS**

Many cases within the copyright arena in this district are default cases, where a Plaintiff does not have access to records to show the amount of revenue it has earned from the infringement. This factor is intended to punish a defendant who does not produce records showing the extent of his profit from the infringement.

**NEED TO DETER FUTURE INFRINGEMENT
BY THE DEFENDANTS**

Here, the trier of fact will consider if the Defendants stopped all infringement, have stipulated to the entry of an injunction and whether there are other infringement claims against one particular defendant as being a habitual infringer and hence, the need to deter the defendant from future infringement.

CONCLUSION

The potential exists in the 11th Circuit for a large amount of statutory damages, in the right circumstances but it is not a lottery and cannot give a plaintiff an unreasonable windfall. However, counsels for both parties have to consider the factors relevant to the case, and consider precedent under section 504 (b) even when seeking only statutory damages.

The Author

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¹ The Supreme Court has determined that a Plaintiff can mandate a judgment determination of statutory damages. Feltmer v. Colombia Pictures, 532 US 340, 355 (1998).

² Section §410, 412 US Copyright Act.

³ 17 USC section 410, 412 17 USC 504C1 Latin American Music Inc. v. Spanish Broadcasting System 866 F. Supp. 780, 783 (SDNY) 1994.

⁴ Section §504(c) (1).

⁵ PetMed Express, Inc. v. MedPets Com. Inc., 336 F. Supp. 2d 1213, 1220 (S.D. Fla. 2004) (finding defendants willfully infringed plaintiff's work when they refused to cooperate with plaintiff's repeated requests to stop and continued operating websites); Arista Records, Inc. v. Beker Enterprises, Inc., 298 F. Supp. 2d 1310, 1313 (S.D. Fla. 2003) (finding willfulness when "Plaintiffs repeatedly contacted Defendants regarding their infringing conduct and Defendants ignored Plaintiff's communications").

⁶ Tiffany (NJ), LLC. V. Dongping, 2010 U.S. Dist. LEXIS 121232, 2010 WL 4450451, at *6 (S.D. Fla. 2010); Cable/Home Commc'n Corp. V. Network Prod. Inc., 902 F. 2d 829, 852 (11th Cir. 1990).

⁷ Broadcast Music Inc. v Bisla and Bisla LLC, 2012 U.S. Dist. Lexis 157980 (M.D. Fla. 2012).

⁸ Cable/Home Commc'n Corp. v. Network Prods, 902 F.2d 829, 850 (11th Cir. 1990), Quartet Music v Kissimmee Broadcasting, 795 F. Supp. 1100 (Fla. M.D. 1992); Rolex Watch U.S.A., Inc. v. Lynch, 2013 U.S. Dist. Lexis 82489, 2013 WL 2897939, at *5 (M.D. Fla. 2013).

⁹ In Kent v. Revere, 1985 US Dist. Lexis 14507 (M.D. Fla. 1985). citing *Nimmer on Copyright* at sec. 14.02.

¹⁰ Bait Productions v. Angelica Murray, 2013 US Dist. Lexis 120170 (M.D. FLA 2013) (citing Clever Covers Inc. v. S.W. Fla. Storm Def. LLC, 554 F Supp. 2d 1303, 1313 (M.D. FLA. 2008)); Peer Int'l Corp v Luna Records Inc., 887 F. Supp. 560, 568 (S.D. NY. 1995). Courts in other jurisdictions have analyzed the relationship between the award of statutory damages. Arlightz v. Video Palanie Inc., 303 F Supp. 2d 356, 363 (SD NY 2003), New Line Cinema v. Ross Berrie 161 F. Supp. 2d 293, 303 (SD NY 2001).

¹¹ BMG Music Entertainment v. Tenenbaum 2013, WL 318543 at 11th Cir. 2013).

¹² Nintendo of America, Inc. v. Ketchum, 830 F. Supp. 1443, 1445 (M.D. Fla. 1993) (where a plaintiff's actual damages were wholly speculative, an award of minimum damages of \$750.00 is appropriate); Pickett v. Executive Preference Corporation, 2006 U.S. Dist. Lexis 94651 (M.D. Fla. 2006) (holding where a plaintiff fails to provide any evidentiary proof for the determination of damages, no statutory damages are awardable). In Kent, the court found that an appropriate award of statutory damages was \$750.00 where the plaintiff could not demonstrate any personal losses beyond mere speculation.

¹³ Broadcast Music Inc. v. Bisla and Bisla LLC, 2012 U.S. Dist. Lexis 157980 (M.D. Fla. 2012) (an award of statutory damages equal to twice the amount the defendants would have been required to pay in licensing fees is a sufficient deterrent); Milk Money Music v Oakland Park Ent'm Corp., 2009 U.S. Dist. Lexis 121661 (S.D. Fla. 2009) ("Many courts make sure that statutory damages exceed the unpaid license fees in order to give defendants an incentive to obey copyright laws rather than violate them"). In Milk Money, the court awarded statutory damages equal to approximately 4 times the licensing fees. In Nick-O Val Music v P.O.S. Radio Inc., 656 F. Supp. 826 (M.D. Fla. 1987) the court awarded statutory damages of slightly greater than 2 times the licensing fees saved by the infringement. In Quartet Music, the court awarded statutory damages in the amount of 2 times the amount of actual losses, citing to Morley Music v Café Continental, 777 F. Supp. 1579 (S.D. Fla. 1991) where the court found the defendant ignored repeated requests for a license, thereby avoiding \$2,500.00 in licensing fees and the court awarded a total of \$1,500.00 in statutory damages.

¹⁴ Chanel, Inc. v. Italian Activewear of Florida, Inc., 931 F.2d 1472, 1476 (11th Cir. 1991); also see Broadcast, Milk Money, Nick O Val, Morey Music, Kent, Bait Productions, Clever Covers

and Peer Int'l *supra*. Within this category the trier of fact should consider if the defendant ignored the Plaintiff's demands.