No. 12-2146

UNITED STATES COURT OF APPEALS
FOR THE FIRST CIRCUIT

SONY BMG MUSIC ENTERTAINMENT, et al.,

Plaintiffs-Appellees,

v.

JOEL TENENBAUM,

Defendant-Appellant.

On Appeal from the United States District Court
for the District of Massachusetts

District Court No. 07-11446-RWZ

BRIEF OF THE MOTION PICTURE ASSOCIATION OF AMERICA, INC., AS *AMICUS CURIAE* IN SUPPORT OF PLAINTIFFS-APPELLEES AND AFFIRMANCE

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Rules 26.1 and 29(c)(1) of the Federal Rules of Appellate Procedure:

The Motion Picture Association of America, Inc. certifies that it has no parent corporation, and that no publicly held corporation owns 10% or more of its stock.

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IDENTITY AND INTEREST OF *AMICUS CURIAE*[1]

The Motion Picture Association of America, Inc. (MPAA) is a not-for-profit trade association founded in 1922 to address issues of concern to the U.S. motion picture industry. Its members include Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Twentieth Century Fox Film Corporation, Universal City Studios LLC, Walt Disney Studios Motion Pictures, and Warner Bros. Entertainment Inc. MPAA members and their affiliates are the leading producers and distributors of filmed entertainment in the theatrical, television, and home entertainment markets. They depend heavily upon the protection afforded by the U.S. Copyright Act to ensure the continued creation and availability of their works.

Section 504(c) of the Copyright Act, 17 U.S.C. § 504(c), accords copyright owners the option of electing either actual damages *or* statutory damages in copyright infringement actions. Given the significant difficulties typically inherent in measuring and proving actual damages from copyright infringement, MPAA members have a strong interest in preserving the viability of their alternative right under Section 504(c) to obtain statutory damages.

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[1] No party's counsel authored this brief in whole or in part. No party or a party's counsel made a monetary contribution intended to fund the preparation or submission of this brief, and no person other than *amicus curiae* or its counsel made such a monetary contribution. MPAA submits this brief, with the consent of all parties, pursuant to Rule 29(a) of the Federal Rules of Appellate Procedure.

A central issue raised by this appeal is whether the Due Process Clause requires a relationship between statutory damages and actual damages, thus requiring copyright owners who elect statutory damages to establish actual damages. Such a requirement would significantly alter well-established ground rules for copyright litigation as reflected in decades of jurisprudence; it would add substantial practical burdens and unreasonably increase the costs of pursuing such litigation; and it would defeat Congress' legitimate goal of providing copyright holders with an alternative, and meaningful, form of relief to enforce their copyrights. MPAA therefore urges the Court to make clear that the Due Process Clause does not require any relationship between statutory damages and actual damages—and that copyright owners who elect statutory damages are not required to prove actual damages from copyright infringement.

INTRODUCTION AND SUMMARY OF ARGUMENT

In his initial appeal, Tenenbaum argued that "statutory damages, as a matter of Congressional intent, cannot be awarded absent a showing of actual harm . . . ." *Sony BMG Music Entm't v. Tenenbaum*, 660 F.3d 487, 496 (1st Cir. 2011), *cert. denied*, 132 S. Ct. 2431 (2012) (*Tenenbaum I*). The Court rejected this argument, concluding that "statutory damages are an independent and alternative remedy that a plaintiff may elect 'instead of actual damages.'" *Id.* at 502. Tenenbaum also claimed the district court erred when it failed to instruct the jury that "as a matter

of law statutory damages cannot be awarded unless reasonably related to actual damages." *Id.* at 506. The Court rejected this argument too, noting that "Congress drew a plain distinction between actual damages and statutory damages . . . the availability of statutory damages is not contingent on the demonstration of actual damages." *Id.* at 507.

In this appeal, Tenenbaum has recast his argument that there must be some relation between statutory damages and actual damages. Tenenbaum now contends that the Due Process Clause mandates such a relationship. According to Tenenbaum, courts must assess the constitutionality of statutory damages awards under *St. Louis, Iron Mountain & Southern Railway Co. v. Williams*, 251 U.S. 63 (1919), "considered in light of [*BMW of N. Am., Inc. v. Gore*, 517 U.S. 559 (1996)] and the other punitive damages cases." Tenenbaum Br. 3. The punitive damages cases require courts to use as one "guidepost," for assessing the constitutionality of a punitive damages award, the ratio of that award to actual damages. *See, e.g.*, *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 418 (2003); *Gore*, 517 U.S. at 580-83.

Tenenbaum contends that the statutory damages award against him must be set aside because his infringing activity did not cause copyright owners any "measurable harm." Tenenbaum Br. 9; *see id.* at 1, 8, 16, 17, 20, 23, 25. He suggests that, where there is no evidence of such harm and the infringement is both

noncommercial and willful, the court should instruct the jury to make a statutory damages award above the minimum by "draw[ing] on the hallowed standard of proportion for such conduct that is treble damage." *Id.* at 26.

The district court properly applied *Williams* alone in rejecting Tenenbaum's Due Process challenge to the jury's statutory damages award. As discussed below, the inquiry under *Williams* does not mandate that the statutory damages bear a relationship to actual damages; nor does it require proof of actual damages where the copyright owner has elected statutory damages. The *Williams* approach is consistent with Congressional intent underlying the Copyright Act as well as decades of decisions from the Supreme Court and other courts, including this Court, in copyright infringement cases. In addition, it makes sense given the important policy objectives of the Copyright Act's statutory damages provision and the substantial practical problems associated with demonstrating harm from copyright infringement.[2]

[2] The district court also held that the statutory damages award should not be reduced under common law remittitur. Tenenbaum has not challenged that holding on appeal.

ARGUMENT

THE DUE PROCESS CLAUSE DOES NOT REQUIRE A RELATIONSHIP BETWEEN STATUTORY DAMAGES AND ACTUAL DAMAGES IN COPYRIGHT INFRINGEMENT ACTIONS.

A. The Supreme Court In *Williams* Held That Due Process Does Not Call For A Comparison Of Statutory Damages To Actual Damages.

1. The district court's decision to apply *Williams*, rather than punitive damages decisions, in determining the constitutionality of a statutory damages award is sound and consistent with established authority. Most recently the U.S. Court of Appeals for the Eighth Circuit applied *Williams* to assess the constitutionality of a statutory damages award in another file-sharing copyright infringement action. *See Capitol Records, Inc. v. Thomas-Rasset*, 692 F.3d 899, 908 (8th Cir. 2012). The court concluded that the "guideposts" set forth in *Gore* and other punitive damages cases

> would be nonsensical if applied to statutory damages. It makes no sense to consider the disparity between "actual harm" and an award of statutory damages when statutory damages are designed precisely for instances where actual harm is difficult or impossible to calculate.

Id. at 907-08 (citation omitted); *see Zomba Enters., Inc. v. Panorama Records, Inc.*, 491 F.3d 574, 587 (6th Cir. 2007) (applying *Williams*, rather than *Gore*, in a copyright infringement case); *Lowry's Reports, Inc. v. Legg Mason, Inc.*, 302 F. Supp. 2d 455, 459-60 (D. Md. 2004) (same).

Furthermore, as the court below noted, the First Circuit "strongly suggested," without deciding, that "the standard for evaluating the constitutionality of statutory damages established in [*Williams*]—rather than the *Gore* standard—should govern analysis of the constitutional issue." Tenenbaum Br. Addendum at 34; *see Tenenbaum I*, 660 F.3d at 513 (noting that the "concerns regarding fair notice to the parties of the range of possible punitive damage awards present in *Gore* are simply not present in a statutory damages case where the statute itself provides notice . . . of the potential award"); *id.* (noting that the Supreme Court in *Gore* did not overrule *Williams*).

2. In *Williams*, the lower court awarded damages of $75 against a railroad company that had collected from the plaintiff passengers $0.66 more than allowed by law. 251 U.S. at 64. The statutory damage award fell within the range of $50 to $300 per violation allowed under the Arkansas statute. *Id*. at 64. The defendant in *Williams* (like Tenenbaum) argued that the statutory damages award "contravene[d] due process of law" because the award was "not proportionate to the actual damages sustained." *Id*. (internal quotation marks omitted). The Court, however, squarely rejected that argument.

The Supreme Court held that Due Process does not require statutory damages to "be confined or proportioned to [the plaintiff's] loss or damages[.]" *Id*. at 66. The "validity" of the award "is not to be tested" by its relationship to actual

damages. *Id*. at 67. The Court recognized that "[w]hen the penalty is contrasted with the [actual damage] possible in any instance it of course seems large . . . ." *Id*. However, Due Process permits statutory damages to be imposed as a punishment for the violation of a public law. *See id*. at 66. An award of statutory damages is unconstitutional only if the award prescribed by Congress is "so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable." *Id*. at 67.

B. Interpreting The Due Process Clause To Require A Relationship Between Actual Damages And Statutory Damages Would Radically Upend A System Of Copyright Protection That Has Existed For More Than A Century.

Longstanding and uniform historical practice informs the constitutional analysis in a variety of contexts, including Due Process. *See, e.g.*, *Washington v. Glucksberg*, 521 U.S. 702, 728 (1997) (declining to recognize a new Due Process liberty interest in light of a long history of contrary practice); *Williams v. Illinois*, 399 U.S. 235, 239-40 (1970) (Equal Protection) ("While neither the antiquity of a practice nor the fact of steadfast legislative and judicial adherence to it through the centuries insulates it from constitutional attack, these factors should be weighed in the balance."); *Jackman v. Rosenbaum Co.*, 260 U.S. 22, 31 (1922) (property rights) ("If a thing has been practiced for two hundred years by common consent, it will need a strong case for the Fourteenth Amendment to affect it."). Longstanding

and uniform historical practice supports the view that, as in *Williams*, statutory damages are not tied to a showing of actual harm in copyright infringement cases.

1. Over thirty-five years ago, in the Copyright Act of 1976, Congress determined that copyright owners should have the sole discretion to enforce their rights by "*either*" proving actual damages (with no cap on recovery) "*or*" electing statutory damages (with minimum and maximum limits). 17 U.S.C. § 504(a) (emphasis added). Congress accorded that choice to copyright owners, recognizing "the acknowledged inadequacy of actual damages and profits in many cases" because "actual damages are often conjectural, and may be impossible or prohibitively expensive to prove." Staff of H. Comm. on the Judiciary, 87th Cong., Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law 102 (1961); *see id.* ("The value of a copyright is, b[y] its nature, difficult to establish, and the loss caused by an infringement is equally hard to determine.").

Requiring copyright owners who seek statutory damages to show a relationship between the jury's statutory damages award and actual damages effectively mandates proof of actual damages and thereby strips copyright owners of the choice the Copyright Act affords. Such a requirement would defeat Congress' intent in fashioning statutory damages as an effective, and alternative, means to enforce copyright laws.

2. The Congressional policy determinations underlying Section 504(c) are consistent with Supreme Court precedent under the 1909 Copyright Act. For over a century the Supreme Court has recognized that there need not be any relationship between actual damages and statutory damages in copyright infringement cases.

- ***Brady v. Daly*, 175 U.S. 148 (1899).** The Court observed that Congress allowed statutory damages for copyright infringement "because of the inherent difficulty of always proving by satisfactory evidence what the amount is which has been actually sustained." *Id.* at 157. Statutory damages allows the copyright owner to avoid "the difficulty of proving with definiteness in all cases the amount of damages which plaintiff really had suffered." *Id.*
- ***L.A. Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 100 (1919).** The Court held that the Copyright Act of 1909 requires an award within the range of prescribed statutory damages, even when a plaintiff "does not show the amount of damages . . . to the effect that damages could not be estimated or stated 'in dollars and cents.'" *Id.* at 103. After observing that "any accurate proof of actual damages was obviously impossible" in the case, *id.* at 104 (internal quotation marks omitted), the Court concluded that the district court erred in departing from the statutory range. "The fact that

[statutory] damages are to be 'in lieu of actual damages' shows that something other than actual damages is intended—that another measure is to be applied in making the assessment." *Id*. at 106. Rather than tying a "just" statutory award to proof of actual damage, the Court instead directed courts to consider "the nature of the copyright . . . [and] the circumstances of the infringement . . . ." *Id*.

- ***Jewell-LaSalle Realty Co. v. Buck*, 283 U.S. 202 (1931).** The Court held that statutory damages are appropriate where "[t]he infringement was proved, but there was no showing of actual damages." *Id*. at 203. The Court affirmed an award of $250 (the minimum statutory amount) for the defendant's single unauthorized orchestral performance of a copyrighted musical composition, and explained that a "primary purpose" of the remedial provision of the Copyright Act is to provide "statutory damages where actual proof was lacking." *Id*. at 206.
- ***Douglas v. Cunningham*, 294 U.S. 207 (1935)**. The Court affirmed a district court's award of *maximum* statutory damages for infringement of a story published in the Sunday edition of the Boston Post, even though "no actual damage had been shown." *Id*. at 208. The plaintiffs "admitted [their] inability to prove actual damages," but, as the Court explained, 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." *Id*. at 208-09.

- ***F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228 (1952).** The Court reaffirmed that statutory damages may be awarded when "the record is inadequate to establish an actually sustained amount" of damages suffered by a copyright holder. *Id*. at 230. The Court explained that evidence of actual damages, when available, "may aid the exercise of discretion" in fashioning an appropriate award within the statutory range. *Id*. at 231. Nevertheless, the Court made clear that statutory-based "recovery may be awarded without *any* proof of injury . . . ." *Id*. (emphasis added). "Even for uninjurious and unprofitable invasions of copyright the court may, if it deems it just, impose a liability within statutory limits to sanction and vindicate the statutory policy." *Id*. at 233.

3. The federal courts of appeals and district courts also have routinely held that statutory damages are available in copyright infringement actions without proof of actual damages. For example, the Eighth Circuit in *Thomas-Rasset* recently rejected the district court's conclusion that "statutory damages must still bear *some* relation to actual damages." 692 F.3d at 909 (emphasis in original). Citing *Williams*, the court of appeals explained that the Supreme Court

> disagreed that the constitutional inquiry calls for a comparison of an award of statutory damages to actual

> damages caused by the violation. 251 U.S. at 66. . . . The protection of copyright is a vindication of the public interest, and statutory damages are by definition a substitute for unproven or unprovable actual damages.

Id. at 909-10 (citations and internal quotation marks omitted). The district court below reached the same conclusion, noting that the "Supreme Court [in *Williams*] has instructed that the validity of a statutory damages award is 'not to be tested' by comparing it to the actual damages suffered." Tenenbaum Br. Addendum at 35 (citation omitted).

Other courts likewise have concluded that there need not be any relationship between statutory damages and actual damages. *See, e.g.*, *New Form, Inc. v. Tekila Films, Inc.*, 357 F. App'x 10, 11-12 (9th Cir. 2009) ("There is no required nexus between actual and statutory damages under 17 U.S.C. § 504(c). * * * [Defendant's] excessive-verdict claim turns on the incorrect premise that statutory damages must be tethered to actual damages. Because there is no such requirement, the jury's verdict cannot be deemed excessive on that basis."); *Columbia Pictures Television, Inc. v. Krypton Broad. of Birmingham, Inc.*, 259 F.3d 1186, 1194 (9th Cir. 2001) ("A plaintiff may elect statutory damages 'regardless of the adequacy of the evidence offered as to his actual damages and the amount of the defendant's profits.'") (quoting *Nimmer on Copyright* § 14.04[A]), *cert. denied*, 534 U.S. 1127 (2002); *Superior Form Builders, Inc. v. Dan Chase Taxidermy Supply Co.*, 74 F.3d 488, 496 (4th Cir. 1996) (rejecting the

argument that "statutory damages must bear some reasonable relationship to the amount of actual damages" and upholding an award of $400,000 even though the plaintiff copyright owner "was not able to identify any damages" from infringement), *cert. denied*, 519 U.S. 809 (1996); *Lowry's*, 302 F. Supp. 2d at 459 ("Because statutory damages are an alternative to actual damages, there has never been a requirement that statutory damages must be strictly related to actual injury.").

Moreover, this Court has correctly held that it "would have been error" to instruct a jury that "as a matter of law statutory damages cannot be awarded unless reasonably related to actual damages." *Tenenbaum I*, 660 F.3d at 506-07. Because a jury in a copyright infringement action need not consider whether there is any relationship between its statutory damages award and actual damages, it would be illogical to conclude that a Due Process assessment of a statutory damages award mandates such a relationship.

C. Requiring Copyright Owners To Demonstrate A Relationship Between Statutory Damages And Actual Damages Would Be Inconsistent With The Sound Congressional Policies Underlying Statutory Damages.

Copyright owners, including MPAA's members, face substantial hurdles in attempting to quantify the harm caused by the type of illegal P2P file-sharing involved in this case. When a movie or television program or other copyrighted work is "shared" over a P2P network by an individual, the ensuing illegal

distribution is exponential. The recipients of the illegal download from that individual may redistribute that work to several additional computer users, who in turn redistribute to countless others, and so on. What begins as one distribution quickly results in hundreds, thousands, or millions of digital copies distributed throughout the world—without the knowledge, consent, or remuneration of the copyright owner. The copyright owner has no way of determining precisely how many people downloaded that movie or TV show down the redistribution chain after the first act of infringement. Thus, the copyright owner cannot estimate accurately the magnitude of actual harm caused by a specific distribution of a work because such harm is inexorably tied to the actual number of subsequent distributions of that work.

The difficulty with proving actual damages is not limited to cases involving unlawful P2P file-sharing. The Supreme Court decisions discussed above, dating back to 1899, illustrate the wide variety of historic contexts in which quantifiable proof of actual harm from copyright infringement is difficult or impossible. Modern technology also has brought new methods of infringement beyond file-sharing—such as unauthorized real-time streaming of television programming to millions of Internet users around the globe. Proving the amount of actual damages in such cases (including the impact upon licensed outlets) also can be exceedingly difficult. *See, e.g.*, *WPIX, Inc. v. ivi, Inc.*, 691 F.3d 275, 286 (2d Cir. 2012)

(damages from unauthorized streaming of television programming over the Internet "may be difficult or impossible to quantify") (citation omitted).

Requiring plaintiffs to prove actual damages when seeking statutory damages—or otherwise making actual damages relevant in every copyright infringement case—would likely open the door for infringers to increase substantially the costs of litigation, thereby depriving many copyright owners of an effective means of enforcing their rights and would undermine the public interest. As the United States has observed,

> [A]n award of statutory damages under the Copyright Act does not simply redress a private injury, but also serves to vindicate an important public interest. . . . That public interest cannot be realized if the inherent difficulty of proving actual damages leaves the copyright holder without an effective remedy for infringement or precludes an effective means of deterring further copyright violations.

Brief for the United States in Opposition at 9-10, *Thomas-Rasset v. Capitol Records, Inc.*, No. 12-715 (U.S. filed Feb. 2013).

Plaintiffs may choose, in appropriate cases, to provide evidence of the harm, and even the actual damages and profits, from copyright infringement; nothing in the Copyright Act precludes courts and juries from considering such evidence. But there is no statutory, Due Process, or other requirement that plaintiffs provide such evidence. Imposing such a requirement would, as explained above, unjustifiably disrupt a system of copyright protection that has existed for more than a century.

The jury's primary focus belongs, and must remain, on the defendant's infringing conduct. *See L.A. Westermann*, 249 U.S. at 106.

CONCLUSION

For the reasons set forth above, MPAA urges the Court to make clear that the Due Process Clause does not require any relationship between statutory damages and actual damages—and that copyright owners who elect statutory damages are not required to prove the actual damages from copyright infringement.

Respectfully submitted,

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Dated: April 1, 2013

CERTIFICATE OF COMPLIANCE

This brief complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B) because the brief contains 3,497 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii). This brief complies with the typeface and type style requirements of Fed. R. App. P. 32(a)(5) and 32(a)(6), respectively, because this brief has been prepared in a proportionately spaced typeface using Microsoft Word 2007 in Times New Roman 14-point font.

/s/ Robert Alan Garrett
Robert Alan Garrett

CERTIFICATE OF SERVICE

I hereby certify that on April 1, 2013, I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the First Circuit via the Court's appellate Case Management/Electronic Case Files (CM/ECF) system. I certify that all parties are registered CM/ECF users and that they will be served by the CM/ECF system.

/s/ Robert Alan Garrett
Robert Alan Garrett