

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

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CAPITOL RECORDS, INC., et al.,	)	
Plaintiffs,	)	Civ. Act. No. 03-cv-11661-NG
	)	(LEAD DOCKET NUMBER)
v.	)	
	)	
NOOR ALAUJAN,	)	
Defendant.	)	
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SONY BMG MUSIC ENTERTAINMENT,	)	
et al.,	)	Civ. Act. No. 07-cv-11446-NG
Plaintiffs,	)	(ORIGINAL DOCKET NUMBER)
	)	
v.	)	
	)	
JOEL TENENBAUM,	)	
	)	
Defendant.	)	
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**PLAINTIFFS’ OPPOSITION TO DEFENDANT’S MOTION TO DISMISS**

**INTRODUCTION**

Defendant’s Motion to Dismiss (“Motion”) is premised on the notion that, because Defendant has been sued for and is being held accountable for his knowing and willful copyright infringement, he has somehow been wronged. Only in Defendant’s imaginary world are the record company Plaintiffs the wrongdoers and Defendant the victim. To be certain, it was Defendant who took from Plaintiffs, not the other way around.

Plaintiffs sued Defendant based on substantial evidence that Defendant used the KaZaA file sharing program to upload (distribute) more than 800 sound recordings—including many of Plaintiffs’ copyrighted sound recordings—to potentially millions of other users on the file sharing network. Plaintiffs also allege that Defendant used KaZaA to download Plaintiffs’

copyrighted sound recordings from other KaZaA users. Although Defendant's Answer denies liability, Defendant has largely admitted Plaintiffs' allegations in his deposition, in pleadings, in the press, and in his letter to the Attorney General asking the government to intervene in the case.

Indeed, Defendant concedes that Exhibit B to Plaintiffs' Complaint is a copy of his KaZaA shared folder and that he created and used the "sublimeguy14@KaZaA" username. Defendant further admits that he used similar file sharing programs for years before Plaintiffs caught him, starting with the infamous Napster file sharing program, and that he continued to engage in file sharing, switching from using KaZaA at home to using LimeWire when he was away at school. The evidence also shows that Defendant's conduct was willful, and that Defendant knew what he was doing was wrong but did it anyway thinking he would not be caught.

In an effort to escape liability for his infringement, Defendant's Motion seeks to overturn copyright law altogether, arguing that Congress somehow exceeded its authority by (1) creating a private right of enforcement and (2) allowing the victims of copyright infringement to seek statutory damages in lieu of actual damages. While Defendant and his counsel may be on a crusade to redraft the law to permit copyright infringement of music on the Internet, Plaintiffs are seeking to apply long-standing and well-grounded copyright law to address a real-life case with real-life economic and cultural consequences.

As demonstrated below, the Copyright Clause of the U.S. Constitution gives Congress the power "to determine the intellectual property regimes that, overall, in that body's judgment, will serve the ends of the Clause." *Eldred v. Ashcroft*, 537 U.S. 186, 222 (2003). The private enforcement of copyright laws by copyright holders and the availability of statutory damages are

fundamental aspects of the intellectual property regime established by Congress. They reflect Congress' rational decisions about how to achieve the goals of the Copyright Clause and Defendant has not and could not provide any factual or legal basis for challenging Congress' decisions.

## ARGUMENT

### **I. CONGRESS PROPERLY EXERCISED ITS CONSTITUTIONAL AUTHORITY TO GIVE VICTIMS OF COPYRIGHT INFRINGEMENT A PRIVATE RIGHT OF ENFORCEMENT.**

#### **A. Congress Has The Power To Pass Statutes, Including The Copyright Act, That Allow Private Enforcement As A Means To Deter Unlawful Conduct.**

Defendant first challenges the Copyright Act by arguing that it is as an unauthorized delegation of "prosecutorial power to private enforcers." (Motion at 3.) This argument is without merit.

"A facial challenge to a legislative Act is, of course, the most difficult challenge to mount successfully, since the challenger must establish that no set of circumstances exists under which the Act would be valid." *United States v. Salerno*, 481 U.S. 739, 707 (1987) (emphasis added); *Dutil v. Murphy*, 550 F.3d 154, 160 (1st Cir. 2008) ("To mount a successful facial challenge to a statute, the challenger must establish that no set of circumstances exists under which the Act would be valid.") (quotation omitted).

"The Constitution's central mechanism of separation of powers depends largely upon common understanding of what activities are appropriate to legislatures, to executives, and to courts." *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 559-560 (1992). As the Legislative branch, Congress determines when private parties are to be given causes of action under legislation it adopts. *Cannon v. Univ. of Chicago*, 441 U.S. 677, 730 (1979) "As countless

statutes demonstrate, [ . . . ] Congress recognizes that the creation of private actions is a legislative function and frequently exercises it.” *Id.*

Here, the Constitution grants Congress broad authority to regulate copyright law. Specifically, “the Copyright Clause empowers Congress to determine the intellectual property regimes that, overall, in that body’s judgment, will serve the ends of the Clause.” *Eldred*, 537 U.S. at 222. In exercising its authority under the Copyright Clause, Congress has provided copyright owners with a right of action against infringers that includes injunctive relief, impoundment and destruction of unauthorized reproductions, recovery of actual or statutory damages, and costs and attorney’s fees. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 433-34 (1984) (citing 17 U.S.C. §§ 502-505). In doing so, Congress, not Plaintiffs or any other private party, set the standards for what constitutes a violation of the Copyright Act and what the damages would be. Similarly, a judge or jury, not the copyright plaintiff, decides whether an infringement has occurred and what the measure of damages should be, within the limits set by Congress. Thus, there has been no delegation of legislative or adjudicative power.

Defendant’s suggestion that deterrent objectives, “if they are to be achieved at all,” should only be undertaken “by public entities acting under public authority” (Motion at 3) is folly and must be rejected.

First, none of the cases Defendant cites support such a proposition. Defendant’s cases all involve delegations of legislative and adjudicative powers to private parties. None involves the creation of a private remedy against a tortfeasor. In *Carter v. Carter Coal Co.*, 298 U.S. 238, 311 (1936), for example, the Court held it was unconstitutional to delegate power to a private entity to set taxes and wages for an entire industry. Similarly, both *Bennett v. Cottingham*, 290 F. Supp. 759 (N.D. Ala. 1968), and *Callahan v. Wallace*, 466 F.2d 59 (5th Cir. 1972),

involved delegations of adjudicative powers to interested parties. And in *Suss v. American Society for the Prevention of Cruelty to Animals*, 823 F. Supp 181, 199 (S.D.N.Y. 1993), the court held that a warrantless search directed by a non-neutral private party fails constitutional muster.<sup>1</sup> Here, unlike the cases Defendant relies on, Congress has not delegated any adjudicative power to private parties; rather, it merely created a private cause of action for victims of wrongdoing, which it has appropriately done in many contexts. See *Cannon*, 441 U.S. at 730 (citing “countless statutes” where Congress exercised its legislative function to create private enforcement actions.)

Indeed, pursuant to its legislative function, Congress routinely supplements federal enforcement with private causes of action designed to encourage compliance with federal law and to address injury resulting from violations of federal law. See, e.g., *Newman v. Piggie Park Enters., Inc.*, 390 U.S. 400, 402 (1968) (“When the Civil Rights Act of 1964 was passed, it was evident that . . . the Nation would have to rely in part upon private litigation as a means of securing broad compliance with the law.”); *Cannon*, 441 U.S. at 709 (Title IX of the Education Amendments of 1972 includes a private right of action to provide individual citizens effective protection against discrimination); *Agency Holding Corp. v. Malley-Duff & Assocs., Inc.*, 483 U.S. 143, 152 (1987) (Congress adopted civil enforcement remedy for violations of the Clayton Act); *Day v. Staples, Inc.*, 555 F.3d 42, 53 (1st Cir. 2009) (federal civil cause of action for whistleblowers under Sarbanes-Oxley); *Colon v. BIC USA, Inc.*, 136 F. Supp. 2d 196, 202 (S.D.N.Y. 2000) (CPSA provides for civil and criminal penalties, as well as private enforcement of consumer product safety standards and a private right of action for injuries resulting from a

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<sup>1</sup> The cases surveyed in *Suss* likewise primarily involved federal and state delegation of adjudicative powers. See *id.* (citing *Gibson v. Berryhill*, 411 U.S. 564 (1973); *Commonwealth Coatings v. Cont'l Cas. Co.*, 393 U.S. 145 (1968); *Steele v. Louisville & Nashville R. Co.*, 323 U.S. 192 (1944); *Tumey v. Ohio*, 273 U.S. 510 (1927)).

violation of such a standard). As these cases illustrate, Congress creates private remedies in order to allow private parties to seek redress for harm and to encourage compliance with federal law. If accepted, Defendant's suggestion that only "public entities" should undertake actions to deter violations of federal law would effectively strike down all statutes in which Congress intended to create a private enforcement action. This untenable and unsupported argument fails as a matter of law.

Second, Defendant's attack challenging deterrence as an appropriate goal of private copyright enforcement conflicts directly with decades of case law. Deterrence is a well accepted goal of private copyright enforcement. In addressing the 1909 Copyright Act establishing minimum and maximum statutory damages for victims of copyright infringement, the Supreme Court held that, "[t]he statutory rule, formulated after long experience, not merely compels restitution of profit and reparation for injury but also *is designed to discourage wrongful conduct.*" *F. W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 233 (1952) (emphasis added); *see also Venegas-Hernandez v. Sonolux Records*, 370 F.3d 183, 195 (1st Cir. 2004) (range of statutory damage designed to deter willful infringement); *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 113-14 (2d Cir. 2001) (Statutory damages are "meant to discourage wrongful conduct."); *Chi-Boy Music v. Charlie Club, Inc.*, 930 F.2d 1224 (7th Cir. 1991) (fees awarded to deter others and to encourage enforcement); *Disney Enters., Inc. v Delane*, 446 F. Supp. 2d 402 (D. Md. 2006) (statutory damages necessary to deter future infringement). More recently, when passing the Digital Theft Deterrence and Copyright Damages Improvement Act of 1999, Pub. L. No. 106-160, 113 Stat. 1774, Congress reiterated the importance of statutory damages as a means to achieve "*a significant deterrent effect on copyright infringement.*" *See Report of the*

Committee on the Judiciary (“House Report”), H.R. Rep. No. 106-216, at 3 (1999) (Exhibit A hereto) (emphasis added).

Because Congress’ decision to grant individual authors “the limited monopoly of copyright is predicated upon the dual premises that the public benefits from the creative activities of authors, and that the copyright monopoly is a necessary condition to the full realization of such creative activities,” see 1-1 M. Nimmer & D. Nimmer, *Nimmer on Copyright* (“Nimmer”) § 1.03[A] (2008), a successful private suit to enforce copyrights involves more than just the vindication of private property rights, it promotes the very purpose of the Copyright Clause. Indeed, “if the Act were not enforced by private suits, the incentives Congress established to encourage authorship would have little effect.” *Quinto v. Legal Times of Wash., Inc.*, 511 F. Supp. 579, 581 (D.D.C. 1981). In the face of overwhelming judicial and legislative authority acknowledging deterrence as an important goal of copyright enforcement actions like this one, Defendant’s deterrence arguments make no sense.

**B. Defendant’s Arguments Concerning Other Cases Have No Basis In Fact And Are Irrelevant In Any Event.**

Apparently recognizing the weakness of his legal arguments, Defendant argues that Plaintiffs have “oppressed” thousands of individuals with cases like this one and have somehow prevented other defendants from having their day in court. (Motion at 2.) This argument is both patently false and irrelevant. There are literally hundreds of decisions from federal courts across the country in user enforcement actions like this one demonstrating the factual inaccuracy of Defendant’s argument. More importantly, however, this case is not about what Defendant claims happened or may have happened in other cases. This case is about Defendant’s infringement of Plaintiffs’ copyrights and Plaintiffs’ right to seek redress for Defendant’s infringement.

Defendant cannot escape liability for his own actions with misleading and irrelevant arguments about what he contends happened in “thousands” of other cases.<sup>2</sup>

## **II. THE STATUTORY DAMAGES SCHEME AT ISSUE IS CONSTITUTIONAL.**

Defendant’s Motion next argues that statutory damages under the Copyright Act are unconstitutional. (Motion at 8-10.) To support his argument, Defendant relies on two distinct lines of cases, one addressing the constitutionality of *statutory damages* set by Congress, *see St. Louis, I.M. & S. Ry. Co. v. Williams*, 251 U.S. 63 (1919), and another addressing the constitutionality of *punitive damages* determined by juries, *see State Farm v. Campbell*, 538 U.S. 408 (2003) and *BMW of North America, Inc. v. Gore*, 517 U.S. 559 (1996). Neither line of cases supports Defendant’s argument.

### **A. The Statutory Damages Set By Congress Are Consistent With And Proportionate To The Harm Congress Sought To Remedy Under The Copyright Act.**

Defendant contends that the statutory damages for copyright infringement set by Congress are unconstitutional under the Supreme Court’s decision in *Williams*. Rather than supporting Defendant’s position, however, *Williams* actually confirms the constitutionality of statutory damages under the Copyright Act. Specifically, *Williams* demonstrates that Congress exercises broad discretion to impose a range of damages in order to encourage compliance with the law in the face of rampant violation.

In *Williams*, a railroad charged two sisters sixty-six cents apiece more than the maximum rate permissible by regulation. 251 U.S. at 64. A state statute sought to deter such overcharges by providing for statutory damages of between \$50 and \$350 when a railroad charged more than

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<sup>2</sup> Similarly, Defendant’s repeated accusation that Plaintiffs have “threaten[ed] Joel with \$1,050,000 in damages” is simply false. Plaintiffs have offered to settle this matter with Defendant for far less than even the *minimum* statutory damages Plaintiffs could seek.



the permissible rate. *Id.* The sisters sued separately, and received statutory damage awards of \$75 apiece—more than 113 times the amount they were overcharged. *Id.* In upholding the statutory damages, the Supreme Court held:

When it is considered with due regard for *the interests of the public*, the *numberless opportunities for committing the offense*, and *the need for securing uniform adherence to established passenger rates*, we think it properly cannot be said to be so severe and oppressive as to be wholly disproportioned to the offense or obviously unreasonable.

*Id.* at 67 (emphasis added).

Congress considered precisely the same factors in setting the current range of statutory damages under the Copyright Act, including specifically the harm to the public caused by rampant online copyright infringement, the unlimited opportunities for millions of Internet users to engage in online infringement, and the need to secure uniform compliance with copyright laws. *See* House Report at 2-6; *see also* Digital Theft Deterrence and Copyright Damages Improvement Act of 1999, Pub. L. No. 106-160, 113 Stat. 1774; 17 U.S.C. § 504.

The House Report explained that the 1999 increases were needed to achieve “*more stringent deterrents* to copyright infringement and *stronger enforcement of the laws.*” House Report at 2. The House Report specifically anticipated the Internet’s “potential” to create “additional incentive” and opportunity for hundreds of millions of Internet users to engage in online piracy. *Id.* at 3. The Report then elaborated in a way that resonates with Plaintiffs’ allegations in this case:

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. Also, many infringers do not consider the current copyright penalties a real threat and *continue infringing even after a copyright owner puts them on notice . . . .* In light of this disturbing trend, it is *manifest that Congress respond appropriately with updated penalties to dissuade such conduct.* H.R. 1761 increases copyright penalties to have a *significant deterrent effect* on copyright infringement.

*Id.* Congress' decision to set the range of statutory damages it did in light of these factors is entitled to extreme deference, *see Zomba Enters. v. Panorama Records, Inc.*, 491 F.3d 574, 587 (6th Cir. 2007), and Defendant has provided no basis for upsetting Congress' decision. Indeed, Defendant has cited no case—and Plaintiffs are not aware of any such case—where *Williams* has been applied to strike down a statutory damages regime established by Congress.

Notwithstanding these findings by Congress, Defendant contends that statutory damages under the Copyright Act are “so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable.” (Motion at 7-8, quoting *Williams*, 251 U.S. at 66-67). Judicial review of Congressional action under *Williams*, however, “is extraordinarily deferential—even more so than in cases applying abuse-of-discretion review.” *Zomba Enters.*, 491 F.3d at 587 (citing *Douglas v. Cunningham*, 294 U.S. 207, 210 (1935) (Congress' purpose in enacting the statutory-damage provision of the 1909 Copyright Act and its delineation of specified limits for statutory damages “take[] the matter out of the ordinary rule with respect to abuse of discretion”)); *Broad. Music, Inc. v. Star Amusements, Inc.*, 44 F.3d 485, 487 (7th Cir. 1995) (interpreting the modern Copyright Act and noting “that the standard for reviewing an award of statutory damages within the allowed range is even more deferential than abuse of discretion”). As noted in *Williams*, one reason for such extreme deference is that Congress must be able to adjust the amount of damages to address “the public wrong rather than [simply] the private injury.” *Williams*, 251 U.S. at 66 (citing *Marvin v. Trout*, 199 U.S. 212, 225 (1905)).

Here, Defendant has not shown, and could not show, that the statutory damages set by Congress are “so severe and oppressive as to be wholly disproportioned” to Defendant's offense and “obviously unreasonable.” Plaintiffs have alleged, and will prove with substantial evidence, that Defendant used the KaZaA file sharing program to download (copy) and upload (distribute)

more than 800 sound recordings—including many of Plaintiffs’ copyrighted sound recordings—to potentially millions of other users on the file sharing network. Exhibit B to Plaintiffs’ Complaint shows that Defendant offered these 800 plus files to millions of users at the time he was caught. Defendant’s contention that he inflicted only a “*de minimis*” injury on Plaintiffs ignores the fact that Defendant not only took copies that he did not pay for, he then distributed those copies for free to millions of other users on the Internet without authorization over a period of several years. The harm to Plaintiffs from such unauthorized copying and distribution of their copyrighted works is incalculable.

Moreover, Defendant’s exclusive focus on the harm to Plaintiffs is misplaced. As discussed above, the Copyright Clause gives Congress the power “to determine the intellectual property regimes that, overall, in that body’s judgment, will serve the ends of the Clause.” *Eldred*, 537 U.S. at 222. The copyright remedy of statutory damages is a central element in modern copyright law, and an award of statutory damages serves several purposes—it compensates a plaintiff for the infringement of its copyrights, it punishes and deters unlawful conduct, and it encourages vigorous enforcement of the law by copyright holders. *See F.W. Woolworth*, 344 U.S. at 233; *Yurman Design*, 262 F.3d at 113-14; *Los Angeles News Serv. v. Reuters Tele., Ltd.*, 149 F.3d 987, 996 (9th Cir. 1998); *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 886 F.2d 1545, 1554 (9th Cir. 1989). “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.” *Los Angeles News Serv.*, 149 F.3d at 996. Indeed, “[s]tatutory damages have been made available to plaintiffs in infringement actions precisely because of the difficulties

inherent in proving actual damages and profits, as well as to encourage vigorous enforcement of the copyright laws.” *Yurman Design, Inc. v. PAJ, Inc.*, 93 F. Supp. 2d 449, 462 (S.D.N.Y. 2000); *see also F.W. Woolworth*, 344 U.S. at 233 (statutory damages allow victims of infringement to obtain recovery where proof of actual damages is “difficult or impossible”).

The statutory damages provisions in the Copyright Act, thus, reflect a carefully considered and targeted legislative judgment intended not only to compensate the copyright owner, but also to punish the infringer, deter other potential infringers, and encourage vigorous enforcement of the copyright laws. Defendant offers no basis that would allow the courts to second-guess Congress’ considered judgment, and doing so would effectively nullify Congress’ carefully crafted remedial scheme. *Eldred*, 537 U.S. at 222 (“[The] wisdom of Congress’ action is not within our province to second-guess”).

**B. Statutory Damages Are Recoverable Regardless Of Whether An Infringer Seeks Commercial Gain.**

Throughout his Motion, Defendant contends in conclusory fashion that his infringement was somehow “noncommercial,” and that allowing recovery of statutory damages against noncommercial infringers creates “constitutional infirmities.” (*See, e.g.*, Motion at 8.) This contention is not only without merit, it ignores the true nature of Defendant’s infringement.

First, Defendant provides no basis for his assertion that a commercial vs. noncommercial distinction can or should determine the constitutionality of statutory damages. (Motion at 8-9.) This argument appears to be based on a single case, *Capitol Records, Inc. v. Thomas*, 579 F. Supp. 2d 1210 (D. Minn. 2008), which cites no authority for the distinction and remains pending and subject to appeal. The Supreme Court’s *Williams* decision suggests no such distinction, and focuses instead on the relationship between the specified damages and the need to stop illegal conduct. *Williams*, 251 U.S. at 66-67.

Second, Defendant ignores the fact that the Copyright Act does not require proof of commercial gain by the defendant to establish a claim of infringement. *See* 17 U.S.C. §§ 501, 504. With respect to statutory damages, a defendant's profit is just one factor among many to be considered. Others include "the expenses saved . . . by the defendants in connection with the infringements, the revenues lost by the plaintiffs as a result of the defendant's conduct, and the infringers' state of mind—whether wilful, knowing, or merely innocent." *N.A.S. Import, Corp. v. Chenson Enters., Inc.*, 968 F.2d 250, 252 (2d Cir. 1992) (quoting *Nimmer* § 14.04[B]); *see also Perfect Solutions v. Jereod, Inc.*, 974 F. Supp. 77, 84 (D. Mass. 1997) (listing factors). None of these factors, however, is dispositive, and it is well established that neither the plaintiff's actual damages nor the defendant's profit need be established. *See Jewell-LaSalle Realty Co. v. Buck* 175, 283 U.S. 202 (1931) (awarding statutory damages without evidence of actual damages to the plaintiff or gain realized by the defendant); *Los Angeles News Serv.*, 149 F.3d at 996 (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"); *Sony Pictures Home Entm't, Inc. v. Lott*, 471 F. Supp. 2d 716, 722-23 (N.D. Tex. 2007) (awarding \$6,000 in statutory damages for the defendant's illegal downloading and distribution of two motion pictures on the Internet); *Scanlon v. Kessler*, 23 F. Supp. 2d 413, 415 (S.D.N.Y. 1998) (plaintiffs recovered against non-profit defendant that infringed copyrights by posting photographs on the Internet). Thus, not only is there no basis for Defendant's effort to read a commercial/noncommercial distinction into every action for copyright infringement, but Congress has already determined when and how an infringer's profit should be considered in deciding the appropriate remedy available for victims of copyright infringement. Defendant has provided no logical basis for overriding Congressional intent. *See Pollara v. Seymour*, 344 F.3d 265, 270 (2d Cir. 2003)

(refusing to create a commercial vs. non-commercial distinction in the Visual Artists Rights Act amendment to the Copyright Act where no such distinction exists in the language of the statute).

Finally, Defendant is not a “noncommercial” infringer as he contends. The Copyright Act itself defines “financial gain” as the “expectation of receipt, of anything of value, including the receipt of other copyrighted works.” 17 U.S.C. § 101. Clearly, a person who engages in “file-sharing” does so with the expectation of receiving copyrighted works in return and, thus, does so for financial gain. In *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001), the Ninth Circuit specifically held that the file trading by Napster users constituted a “commercial use” for purposes of the fair use analysis. *Id.* at 1015 (“Repeated and exploitative copying of copyrighted works, even if the copies are not offered for sale, may constitute a commercial use.”). Because Defendant engaged with other file sharers in the unlawful copying and distribution of Plaintiffs’ works on the Internet, he is a commercial infringer.

Not only has Defendant avoided paying for the hundreds of copyrighted works he downloaded without permission, thus rendering him a commercial infringer as defined above, he has also distributed those works to others free of charge. These actions have two different commercial impacts: (1) Defendant is saving money by not paying for the copyrighted works, and (2) the record companies are denied sales both to Defendant and to others as a result of his infringement. *See BMG Music v. Gonzalez*, 430 F.3d 888, 891 (7th Cir. 2005) (a copy downloaded, played, and retained on one’s hard drive for future use is a direct substitute for a purchased copy). Under Defendant’s theory, a shoplifter or jewel thief would seem to warrant some type of relaxed treatment so long as they simply kept the stolen goods instead of selling them to others. From the retailers’ perspective, the impact of the theft is the same, they are denied the value of the goods.

**B. The Cases Cited By Defendant Addressing The Constitutionality Of Punitive Damages Awarded By Juries Are Wholly Inapposite To The Statutory Damages Set By Congress Under The Copyright Act.**

Defendant’s reliance on *Campbell* and *Gore* fares no better. The fundamental problem with Defendant’s suggested analogy to *Campbell* and *Gore* is that, unlike the *punitive damages* at issue in those cases, which are potentially unlimited and subject to the unbridled discretion of the jury, *statutory damages* under the Copyright Act are strictly limited to specifically defined ranges that have been established by Congress in the Copyright Act. *See* 17 U.S.C. § 504(c). The particular set of constitutional rules that the Supreme Court articulated in *Campbell* and *Gore* to govern *punitive damages* is based precisely on the concern that the award of such damages would otherwise rest on an “unregulated and arbitrary use of judicial power” that would violate due process. *See Pacific Mut. Life Ins. Co. v. Haslip*, 499 U.S. 1, 10 (1991). These concerns are simply inapplicable in the context of a system of *statutorily prescribed fixed damages* ranges as in section 504 of the copyright Act. In light of the “safeguards in the legislative process,” the Supreme Court has explicitly stated that there is a “significant[] differen[ce]”—*a constitutional difference*—between “review of a jury’s award for arbitrariness and the review of legislation.” *TXO Prod. Corp. v. Alliance Res. Corp.*, 509 U.S. 443, 456-57 (1993) (emphasis added).<sup>3</sup>

Contrary to Defendant’s arguments, the fundamental underpinning of *Gore* actually supports the constitutionality of statutory damages in this case. In conducting its due process analysis, *Gore* held that “[e]lementary notions of fairness enshrined in our constitutional

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<sup>3</sup> Defendant’s reliance on *Browning-Ferris Indus. v. Kelco Disposal*, 492 U.S. 257 (1989), also fails. In *Kelco*, the Court addressed “whether due process acts as a check on undue jury discretion to award punitive damages in the absence of any express statutory limit.” *Id.* at 277. The Court, however, declined to address the issue, as it had not been raised below. Moreover, none of these cases apply to Defendant, who has not been denied access to courts and who faces a carefully crafted statutory scheme to address and deter exactly his behavior.

jurisprudence dictate that *a person receive fair notice* not only of the conduct that will subject him to punishment, but also of the severity of the penalty that a State may impose.” 517 U.S. at 574 (emphasis added). Because statutory damages under the Copyright Act provide parties with clear and ample notice about their potential liability, this centerpiece of the *Gore* analysis is satisfied, thus supporting a finding that statutory damages here are constitutional.

Moreover, in articulating the “guideposts” for evaluating when an award of punitive damages is unconstitutionally excessive, the Court in *Gore* focused upon concerns that either have no application in the context of statutory damages or support the amount of statutory damages set by Congress.

The *Gore* Court held that the disparity between a punitive damages award and the “civil penalties authorized or imposed in comparable cases” is one of the key “guidepost[s]” for determining whether an award is excessive. *Id.* at 575 (emphasis added). Because “substantial deference’ [should be given] to legislative judgments concerning appropriate sanctions for the conduct at issue,” the Court reasoned that a common law punitive damages award that happens to fall within the range of a statutory penalty for a similar wrong is unlikely to violate due process. *Id.* at 583. Thus, a punitive damages award that exceeds such a range may still be permissible (depending upon a consideration of the other *Gore* factors), but an award within such a range is presumptively constitutional. This analytical framework articulated by *Gore* is obviously not intended to address the situation in which Congress has itself undertaken to prescribe the permissible ranges of damages. Moreover, to the extent this guidepost were to apply, it supports the constitutionality of statutory damages under the Copyright Act. Specifically, any statutory damage award in this case will necessarily fall within the range of a statutory penalty prescribed by Congress, and, therefore, is presumptively constitutional. *See id.*



Another *Gore* guidepost—*i.e.*, the disparity between the actual or potential harm suffered and the punitive damage award—also demonstrates why importing punitive damages case law into the context of statutory damages would be error. *Id.* at 575. The notion that a statutory damages award should bear some specified proportion to the “actual harm” suffered by the plaintiff was expressly rejected by Congress when it gave copyright holders the statutory right to elect either “*actual damages* and any additional profits of the infringer” or “instead . . . *statutory damages.*” 17 U.S.C. § 504 (emphasis added). Congress gave plaintiffs this choice “precisely because of the difficulties inherent in proving actual damages and profits.” *Yurman*, 93 F. Supp. 2d at 462; *see also F.W. Woolworth*, 344 U.S. at 233 (statutory damages allow victims recovery where proof of actual damages is “difficult or impossible”); *Krypton Broad. of Birmingham, Inc.*, 259 F.3d at 1194 (“A plaintiff may elect statutory damages ‘regardless of the adequacy of the evidence offers as to his actual damages and the amount of the defendant’s profits’”).

Defendant’s argument that statutory damages must be proportionate to actual damages (Motion at 8-9) has been considered, and rejected, by every court to consider the issue. In *Yurman Design*, for example, a jury found that the defendant had willfully infringed the plaintiff’s copyright in four pieces of jewelry and awarded statutory damages of “\$68,750 per work infringed,” two-thirds of the then-maximum amount of \$100,000 per work. *Yurman Design*, 262 F.3d at 113. The jury also found trade dress infringement and awarded traditional punitive damages under that claim. *Id.* at 107-08. Significantly, the district court vacated the punitive damages award because “the jury was not presented with any evidence concerning damages” and did not find “any . . . lost profits whatever.” *Yurman Design*, 93 F. Supp. 2d at 462-63. The district court, however, rejected defendant’s argument that statutory damages under the Copyright Act must be “reasonably related to the harm” and should not “give [plaintiff] an

undeserved windfall.” The district court instead held that the lack of any evidence concerning actual damages did “not preclude [plaintiff’s] recovery of statutory damages.” *Id.* at 462. As the district court noted, “[s]tatutory damages have been made available to plaintiffs in infringement actions precisely because of the difficulties inherent in proving actual damages and profits, as well as to encourage vigorous enforcement of the copyright law.” *Id.* The Second Circuit affirmed, noting that the award was “within the statutory range” and thus within the jury’s “discretion.” *Yurman Design*, 262 F.3d at 113-14.

The Ninth Circuit’s decision in *Columbia Pictures Television, Inc. v. Feltner*, No. CV 91 6847 ER (CTx) (C.D. Cal.), is also instructive. After the Supreme Court in *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 355 (1998), reversed the judge’s \$8.8 million award and held that the plaintiff was entitled to a jury determination of statutory damages, the case was retried, and the jury returned a verdict of \$31.68 million for 440 infringements. *See Columbia Pictures Television, Inc. v. Krypton Broad. of Birmingham, Inc.*, 259 F.3d 1186, 1190-91 (9th Cir. 2001). Feltner moved for a new trial, arguing that the damages were “excessive,” “shocked the conscience,” and “violated due process.” *Columbia Pictures Television, Inc. v. Feltner*, Case No. CV 91 6847 ER (CTx), slip op. at 2 (C.D. Cal. June 10, 1999) (attached as Exhibit B hereto). Denying the motion, the district court held that the defendant “cannot argue that the award was overly punitive, or violated due process, since the award amount fell squarely within the statutory range provided by the statutory damages provision of section 504(c).” *Id.* The court further held that, “[t]o receive statutory damages, the Plaintiff did not need to prove the damages actually suffered.” *Id.* On appeal, the Ninth Circuit affirmed the substantial discretion afforded to a jury’s determination of statutory damages. *Columbia Pictures*, 259 F.3d at 1195; *see also Superior Form Builders, Inc. v. Dan Chase Taxidermy Supply Co.*, 74 F.3d 488,

496 (4th Cir. 1996) (rejecting argument that damages within statutory range were “excessive,” did not “bear some reasonable relationship to the amount of actual damages” and would give the plaintiff a “windfall”); *Lowry’s Reports, Inc. v. Legg Mason, Inc.*, 302 F. Supp. 2d 455, 459 (D. Md. 2004) (holding that “[s]tatutory damages are ‘not fixed or readily calculable from a fixed formula,’” and that “there has never been a requirement that statutory damages be strictly related to actual injury”); *SESAC, Inc. v. WPNT*, 327 F. Supp. 2d 531, 532 (W.D. Pa. 2003) (“[I]t is Congress’ prerogative to pass laws intended to protect copyrights and to prescribe the range of punishment Congress believes is appropriate to accomplish the statutory goal.”).

For all of these reasons, the *Campbell* and *Gore* line of cases has no application here.

### **III. DEFENDANT’S SUGGESTED INTERPRETATION OF THE COPYRIGHT ACT IS BOTH UNNECESSARY AND WITHOUT ANY BASIS.**

Finally, Defendant argues that, to save the Copyright Act from “constitutional infirmity,” the Court should “interpret” the Act “to define three kinds of infringers”: (1) “the unaware infringer,” for whom minimum statutory damages would be \$200; (2) “the merely aware infringer” who is not willful in seeking commercial gain, for whom minimum statutory damages would be \$750 and maximum statutory damages \$30,000; and (3) “the willful infringer” who knowingly and intentionally infringes for commercial gain; maximum statutory damages would be \$150,000 per infringement. (Motion at 7.) This argument fails for multiple reasons.

First, and most importantly, such an interpretation is wholly unnecessary as Defendant has failed to demonstrate any “constitutional infirmity” at all in the Copyright Act. Thus, the Court need not even address Defendant’s novel ideas for interpreting the Copyright Act.

Second, Defendant’s interpretation would not solve the problem Defendant claims to exist. Defendant makes no attempt to explain how his interpretation would save the statute from any purported “infirmities” and concedes that punitive damages for Defendant’s

“noncommercial,” “merely aware infringer” would still be “vulnerable to attack” even under Defendant’s interpretation. (Motion at 7.)

Finally, Defendant’s interpretation has no legal or factual basis. As discussed above, there is no basis for Defendant’s suggested distinction between commercial and noncommercial infringers. Profit to a defendant is just one of several considerations in determining an appropriate amount of statutory damages. *See N.A.S. Import*, 968 F.2d at 252; *Perfect Solutions*, 974 F. Supp. at 84. Moreover, Congress has already carefully tailored and limited the remedy of statutory damages by building into the remedy several levels of fault, ranging from “innocent” infringement to “willful” infringement. 17 U.S.C. § 504(c). Congress has established ranges of permissible awards per work infringed, with higher ranges for greater culpability. *See id.* It is clear from the legislative history of the Copyright Act that Section 504 was designed, in part, “to provide the courts with reasonable latitude to adjust recovery to the circumstances of the case.” H.R. Rep. No. 1476, 94 Cong. 2d Sess. 161, reprinted in (1976) U.S.C.C.A.N. at 5659, 5777; *see also Raydiola Music v. Revelation Rob, Inc.*, 729 F. Supp. 369, 372 (D. Del. 1990). Thus, statutory damages under the Copyright Act constitute a carefully crafted scheme in which the court’s discretion is guided largely by the defendant’s culpability, regardless of any profit motive, and the need to deter wrongful conduct.

### CONCLUSION

For all of the foregoing reasons, Defendant’s Motion to Dismiss should be denied.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that on this 23rd day of March, 2009, a true and correct copy of the foregoing **PLAINTIFFS' OPPOSITION TO DEFENDANT'S MOTION TO DISMISS** was served via CM/ECF as follows:

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