IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

SONY BMG MUSIC ENTERTAINMENT, et al., Plaintiffs, v. JOEL TENENBAUM, Defendant.	Civil Action No. 07-cv-11446-RWZ

INTERVENOR UNITED STATES' MEMORANDUM ON REMAND

INTRODUCTION

The First Circuit determined that the district court erred in this case when it reached out to decide constitutional questions before considering a non-constitutional ground of decision – common law remittitur. The court remanded the case with specific instructions to the district court to consider whether the jury's award of statutory damages should be reduced under this non-constitutional doctrine. This Court cannot disregard the appellate court's mandate merely because Defendant and Plaintiffs ask it to. Nor can this Court side-step the mandate because Defendant would prefer to have the Court decide what he views as an important constitutional question. This Court must follow the appellate court's specific instructions and address the issue of common law remittitur. If the Court finds that the jury's award is excessive under the remittitur standard, the Court must offer Plaintiffs a choice between a reduced judgment or a new trial. If Plaintiffs reject the reduced judgment, the Court must conduct a new trial; the Court may not enter a reduced judgment over Plaintiffs' objection, or proceed to address Defendant's

constitutional due process challenge, because doing the former would violate the Seventh Amendment and doing the latter would violate the First Circuit's mandate.

The Court may reach Defendant's constitutional challenge only if it first determines that the jury's statutory damages award is *not* excessive under the common law remittitur standard. If the Court makes such a determination and then proceeds to address the constitutional issue, the Court should assess the jury's award of statutory damages under the standard articulated by the Supreme Court in *St. Louis, I.M. & S. Railway Co. v. Williams*, 251 U.S. 63, 66–67 (1919), not the standard courts use for assessing punitive damages awards. The *Williams* standard focuses on the underlying purposes of a statutory damages regime and instructs courts to grant wide latitude to legislative judgments about what damages are necessary to address the public wrong as well as the private injury.

The Copyright Act's statutory damages provision satisfies *Williams*. In enacting the current statutory damages range, Congress gave due regard to the public's interests, the opportunity to repeatedly commit this statutory violation, and the need to ensure adherence to the law. The current damages range provides compensation for copyright owners because, *inter alia*, there exist situations in which actual damages are hard to quantify. And the range takes into account the need to deter the millions of users of new media from infringing copyrights in an environment where many violators believe they will go unnoticed. Accordingly, Defendant's due process claim should be rejected.

BACKGROUND

I. STATUTORY BACKGROUND

The remedy of statutory damages for copyright infringement dates back to the Statute of Anne in 1710. *See Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 349 (1998). "In

1783, the Continental Congress passed a resolution recommending that the States secure copyright protections for authors." *Id*. at 350. Three of the twelve States that responded to this resolution "specifically authorized an award of damages from a statutory range, just as § 504(c) does today." *Id*. at 350–51.

An award of statutory damages for copyright infringement was first authorized under U.S. federal law almost immediately following the adoption of the Constitution. Under the Copyright Act of 1790, enacted by the First Congress, each infringer of a copyright was liable for "the sum of fifty cents for every sheet which shall be found in his or their possession." 1 Stat. 124, 125 (1790). Each subsequent modification of the Copyright Act has maintained a statutory damages provision.

The statutory damages provision at issue in this case was first enacted as part of the Copyright Act of 1976, and the amounts have been adjusted twice since that time, most recently in 1999. *See* Digital Theft Deterrence and Copyright Damages Improvement Act of 1999, Pub. L. No. 106-160, § 2 (1999). Under the Copyright Act of 1976, and the law in effect today, "an infringer of copyright is liable for either – (1) the copyright owner's actual damages and any additional profits of the infringer" or (2) "statutory damages." 17 U.S.C. § 504(a). The copyright owner may elect to recover statutory damages instead of actual damages and profits at any time before final judgment is rendered. *Id*. § 504(c)(1).

Under the 1976 law, if the copyright violation was not willful, the copyright owner was entitled to recover statutory damages of between $250 and $10,000 per infringed work. Pub. L. No. 94-553, § 22 (1976). If the violation was willful, the maximum statutory damages award increased to $50,000 per work. *Id*. In the 1999 amendment, Congress increased the statutory damages range to its current level: between $750 and $30,000 per infringed work in cases

involving non-willful violations, with a maximum of $150,000 per infringed work for a willful violation. *See* Pub. L. No. 106-160, § 2; *see also* 17 U.S.C. 504(c).[1] Congress explained that the increase was necessary because "copyright piracy of intellectual property flourishes, assisted in large part by today's world of advanced technologies" and "the potential for this problem to worsen is great." H.R. Rep. 106-216, at 2 (1999).

II. PROCEDURAL BACKGROUND

Plaintiffs brought suit against Defendant, alleging Defendant infringed on their copyrights in various sound recordings by using file-sharing software to download and distribute those recordings without authorization. Defendant filed a motion to dismiss the Complaint, asserting, *inter alia*, that the Copyright Act's statutory damages provision violates the Due Process Clause. With the Court's permission, the United States intervened in the action under Federal Rule of Civil Procedure 5.1 and 28 U.S.C. § 2403(a) to defend the constitutionality of the Copyright Act's statutory damages provision,17 U.S.C. § 504(c). The Court subsequently determined Defendant's due process challenge was premature and deferred deciding the issue unless and until a jury awarded statutory damages against Defendant. *Capitol Records, Inc. v. Alaujan*, 626 F. Supp. 2d 152, 154 (D. Mass. 2009).

After a jury trial, the Court partially granted Plaintiffs' motion for judgment as a matter of law, concluding that Defendant had infringed thirty of Plaintiffs' copyrighted sound recordings through his downloading and distribution activities. The jury then returned a verdict on the issue of damages. The jury found that Defendant's infringement was willful and awarded $22,500 in statutory damages for each of the thirty sound recordings Defendant infringed, for a total of $675,000.

[1] An intermediate amendment of the 1976 Act set the range at $500 to $20,000, with a willfulness enhancement of up to $100,000. 102 Stat. 2853, 2860 (1988).

Defendant moved for a new trial or remittitur, arguing, *inter alia*, that the Court should exercise its common law power to remit the jury award and that the jury award is excessive in violation of the Due Process Clause. Judge Gertner granted the motion in part. *Sony BMG Music Entm't v. Tenenbaum*, 721 F. Supp. 2d 85 (D. Mass. 2010). Judge Gertner declined to decide the common law remittitur issue, based on her belief that Plaintiffs would not agree to a reduced award and that remittitur would only necessitate a new trial on the issue of damages, and that even after a new trial the same issue of constitutional excessiveness likely would arise. *Id*. at 93-94. Judge Gertner then found that the jury's award violated due process and reduced the award to $2,250 per infringed work, for a total award of $67,500. *Id*. at 121.

On appeal, the First Circuit reversed Judge Gertner's reduction in damages, reinstated the original jury award, and remanded the case for consideration of the common law remittitur question. *Sony BMG Music Entm't v. Tenenbaum*, 660 F.3d 487, 490, 509, 515 (1st Cir. 2011). The First Circuit determined the district court should have adhered to the principle of constitutional avoidance by first considering the issue of remittitur. *Id*. at 510-14 (citing *Lyng v. Northwest Indian Cemetery Protective Ass'n*, 485 U.S. 439, 445 (1988) ("A fundamental and longstanding principle of judicial restraint requires that courts avoid reaching constitutional questions in advance of the necessity of deciding them."). Skipping over remittitur, the court noted, "unnecessarily embroiled [the district court] in several issues of a constitutional dimension" that could have been avoided. *Id*. at 512. Specifically, it led the district court to decide what standard to apply in assessing the constitutionality of a jury's statutory damages award; whether the jury's award in this case was constitutional; and whether a court may, consistent with the Seventh Amendment, reduce a statutory damages award without offering the plaintiff a new trial. *Id*. at 512-15. The First Circuit determined the district court erred in

concluding – based on assumptions, not facts – that a decision on the constitutional due process question was inevitable. *Id*. at 510 n.23, 511. The court further explained that "[e]ven if [Plaintiffs] had declined any remitted award given and opted for a new trial, even if a different jury issued a comparable award, and even if [Defendant] once again moved to reduce the award on constitutional grounds, it was still premature for the court to reach the constitutional question before that process had been carried out." *Id*. at 511.

ARGUMENT

I. THIS COURT MUST FIRST ADDRESS WHETHER COMMON LAW REMITTITUR IS APPROPRIATE

The First Circuit remanded this case with specific instructions for the district court to consider common law remittitur. *Id*. at 490, 509, 515. This Court cannot ignore those instructions merely because neither Defendant nor Plaintiffs want the mandate implemented. *See In re Sanford Fork & Tool Co.*, 160 U.S. 247, 255 (1895) ("[A lower court] is bound by the decree [of an appellate court] as the law of the case, and must carry it into execution according to the mandate. [The lower court] cannot vary it, or examine it for any other purpose than execution; or give any other or further relief; or review it, even for apparent error, upon any matter decided on appeal; or intermeddle with it, further than to settle so much as has been remanded."); *Cohen v. Brown Univ.*, 101 F.3d 155, 168 (1st Cir. 1996) (the law of the case doctrine "requires a trial court on remand to dispose of the case in accordance with the appellate court's mandate"); *Litman v. Massachusetts Mut. Life Ins. Co.*, 825 F.2d 1506, 1508 (11th Cir. 1987) (appellate court mandates "cannot be ignored"); *CBS Broad., Inc. v. EchoStar Communications Corp.*, 472 F. Supp. 2d 1367, 1370 (S.D. Fl. 2006) (noting a district court "has an obligation to implement the mandate issued by the [appellate court] even without the request of any party").

Defendant asserts that he does not "desir[e]" a remittitur and that this Court should not "act on its own motion." Def.'s Opening Brief on Remand ("Def.'s Mem.") at 2. Defendant, however, omits any mention of the fact that the First Circuit has already rejected this argument as a basis for skipping the remittitur analysis. After the First Circuit issued its decision remanding this case for consideration of the common law remittitur question, Defendant filed a motion with that court seeking to withdraw his motion for remittitur. *See* Def.'s Mot. for Clarification and Conditional Mot. to Withdraw Mot. for Remittitur or New Trial (Sept. 29, 2011) (A copy is attached as Exhibit A). Defendant asserted that he did not make the motion for remittitur to allow the district court to avoid ruling on the constitutional due process question. Exh. A at 2. Defendant further urged that "[r]emand . . . to consider a motion that Plaintiffs oppose and Defendant withdraws makes no sense." Exh. A at 2.

The First Circuit denied Defendant's motion. *See* Order of Court, *Sony BMG Music Entm't v. Tenenbaum*, at 2 (1st Cir. Oct. 7, 2011) (A copy is attached as Exhibit B). It concluded Defendant was judicially estopped from withdrawing his motion for remittitur at this stage of the case – after both the district court and appellate court had considered the issue. Exh. B at 2. The court further explained:

> [Defendant's] motion appears to assume that if he were allowed to withdraw his motion for new trial or remittitur, the district court would be without authority on remand to consider remittitur, and would not do so. That assumption is false. As has been pointed out by the United States in its response to [Defendant's] motion, this Court has required the district court to consider common law remittitur under the doctrine of constitutional avoidance. Under 28 U.S.C. § 2106, this Court may "remand . . . [and] require such further proceedings to be had as may be just under the circumstances." Furthermore, Rule 59(d) of the Federal Rules of Civil Procedure permits the district court "on its own, [to] order a new trial for any reason that would justify granting one on a party's motion." As ordered by this Court, *the district court must consider remittitur on remand.*

Exh. B at 3 (emphasis added). The First Circuit's instructions could not be any clearer.

At the status conference on December 13, 2011, Plaintiffs suggested that common law remittitur is not available when a jury's award of statutory damages falls within the prescribed statutory range. But the First Circuit rejected this argument as well. The court noted that "Congress is presumed to legislate incorporating background principles of common law unless it indicates to the contrary." *Sony BMG Music Entm't*, 660 F.3d at 515 n.27; *see also United States v. Texas*, 507 U.S. 529, 534 (1993) ("In order to abrogate a common-law principle, the statute must 'speak directly' to the question addressed by the common law."). And the court saw no evidence in either Congress' original enactment of the Copyright Act or its post-*Feltner* amendments to the Copyright Act to indicate that Congress intended to eliminate or override the common law remittitur doctrine. *Sony BMG Music Entm't*, 660 F.3d at 515 n.27. The court also noted that "the principle of remittitur is embodied in Federal Rule of Civil Procedure 59," *id.*, which authorizes a court to grant a new trial for any of the reasons recognized at common law, Fed. R. Civ. P. (a)(1)(A).

The First Circuit expressly directed this Court to review the jury's award of statutory damages under the doctrine of common law remittitur, *Sony BMG Music Entm't*, 660 F.3d at 490, 509, 515, and that is what the Court must do. The first step in that review is to consider whether the jury's award is grossly excessive, inordinate, shocking to the conscience of the court, or so high that it would be a denial of justice to permit it to stand. *See Segal v. Gilbert Color Systems, Inc.*, 746 F.2d 78, 81 (1st Cir. 1984). The United States takes no position on whether the jury's award meets this standard, but only maintains that the Court must address this question first. If the Court finds that the jury award is excessive under the remittitur standard, the Court must offer Plaintiffs a choice between a reduced judgment (in an amount determined by the Court not to be excessive under the remittitur standard) or a new trial. *See Hetzel v.*

Prince William Cnty., 523 U.S. 208, 211 (1998); *Sony BMG Music Entm't*, 660 F.3d at 515. The Court cannot enter a reduced judgment over Plaintiffs' objection, because doing so would violate the Seventh Amendment's limitation on a court's power to determine matters that must be decided by a jury. *See Hetzel*, 523 U.S. at 211. If Plaintiffs reject the reduced award, the Court must proceed with a new trial on damages. *See id*.; *Sony BMG Music Entm't*, 660 F.3d at 515.

The parties' joint reluctance to accept a new trial does not enable this Court to skip the process outlined above and proceed to evaluate whether the jury's statutory damages award should be set aside on constitutional grounds. The point of the First Circuit's decision in this case is that the remittitur process must be exhausted—through a new trial if necessary—before the Court can consider the constitutional question. *Sony BMG Music Entm't*, 660 F.3d at 511, 515. Indeed, the First Circuit explicitly determined that Judge Gertner erred when she attempted to circumvent the remittitur process because neither party wanted a new trial. *Id*. at 511. The First Circuit explained, "[e]ven if [Plaintiffs] had declined any remitted award given and opted for a new trial, even if a different jury issued a comparable award, and even if [Defendant] once again moved to reduce the award on constitutional grounds, it was still premature for the court to reach the constitutional question before that process had been carried out." *Id*. If this Court were to consider the constitutional question after determining that remittitur is appropriate and prior to conducting a new trial on damages, it would violate the explicit mandate of the First Circuit – regardless of whether the parties would prefer to have the Court decide the constitutional issue now.

The only circumstance in which this Court could reach the constitutional question at this time is if the Court were to find that the jury's award is *not* excessive under the common law remittitur standard. The Court would then need to decide, as indicated by the First Circuit,

whether the Due Process Clause confers some extra measure of protection from excessiveness beyond what the remittitur doctrine provides. *Id*. at 515 n.28 ("If the district court determines that the jury's award does not merit common law remittitur, the court and the parties will have to address the relationship between the remittitur standard and the due process standard for statutory damage awards, should the issue continue to be raised."). As shown below, however, the constitutional and common law standards are similar and offer a commensurate level of protection from excessive damage awards, such that an award that does not meet the standard for remittitur is not likely to violate the due process standard.

Defendant and Plaintiffs ask this court to, once again, "abandon[]" the rule of constitutional avoidance and "thrust the case into a thicket of constitutional issues it [is] not necessary to decide." *Sony BMG Music Entm't*, 660 F.3d at 511. For the reasons explained above, the Court must deny that request and instead follow the remittitur process outlined by the First Circuit. *See id*. at 511, 515.

II. THE COPYRIGHT ACT'S STATUTORY DAMAGES PROVISION SATISFIES DUE PROCESS

A. Should the Court Find It Necessary to Review the Constitutionality of the Copyright Act's Statutory Damages Provision, It Should Apply *Williams*, Not *Gore*

As explained above, the only circumstance in which the Court can reach Defendant's due process challenge at this time is if the Court first determines the jury's statutory damages award is *not* excessive under the common law remittitur standard. The United States, therefore, does not believe it is necessary at this juncture to address the merits of Defendant's constitutional claim. Nevertheless, at the status conference on December 13, 2011, the Court ordered the parties to address all issues, including the constitutional issue. The United States will address that issue now to comply with the Court's instructions.

If the Court determines the jury's award does not satisfy the remittitur standard and thus finds it necessary to reach Defendant's constitutional challenge, the Court should apply the deferential due process standard of review set forth in *St. Louis, I. M. & S. Railway Co. v. Williams*, 251 U.S. 63 (1919). In *Williams*, the Supreme Court upheld against constitutional attack a state penalty provision that permitted plaintiffs who were overcharged by railroads to recover an award of $50 to $300. Each of the plaintiffs successfully sued and won a penalty of $75. The Supreme Court agreed that the Due Process Clause limits a legislature's ability to impose penalties of this sort, but stated that "enactments transcend the limitation only where the penalty prescribed is so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable." *Id*. at 66-67. The Court held that the state penalty was permissible under this highly deferential standard, stressing that the proportionality of the penalty must be measured, not by comparing it to the actual private injury in the case, but rather to the "public wrong" the penalty was intended to redress. *Id*. at 66.

The "guideposts" articulated in *BMW of North Am., Inc. v. Gore*, 517 U.S. 559, 574 (1996), do not displace *Williams* and have no direct application to awards – like the jury's award here – entered pursuant to statutes specifying the permissible range of damages.[2] *Gore* is inapposite for several reasons. First, the *Gore* guideposts are tailored to review of a jury award of punitive damages under authority that typically places few constraints on the jury's discretion. Even before *Gore*, the Supreme Court noted that the wide discretion typically accorded juries in the award of punitive damages "pose[s] an acute danger of arbitrary deprivation of property." *Honda Motor Co., Ltd. v. Oberg*, 512 U.S. 415, 432 (1994). The *Gore* guideposts accordingly

[2] The *Gore* guideposts assess (1) the degree of reprehensibility of the defendant's misconduct; (2) the disparity between the actual or potential harm suffered by the plaintiff and the punitive damages award; and (3) the difference between the punitive damages awarded by the jury and civil penalties authorized or imposed in comparable cases. 517 U.S. at 575.

are addressed to the specific due process concerns arising out of vesting a jury with virtually unbridled discretion.

Statutory damages under the Copyright Act differ in that they are entered pursuant to a legislative determination expressly circumscribing the permissible range of damages. The presence of legislatively-specified limitations on an appropriate damage award is a crucial distinction. Such standards implicate the reviewing court's obligation to defer to the legislative judgment on an appropriate assessment. Moreover, they limit the jury's discretion by precluding awards beyond a limit the legislature has deemed reasonable. As Justice Brennan observed, "I should think that, if anything, our scrutiny of awards made without the benefit of a legislature's deliberation and guidance would be less indulgent than our consideration of those that fall within statutory limits." *Browning-Ferris Indus. v. Kelco Disposal, Inc.*, 492 U.S. 257, 281 (1989) (Brennan, J., concurring). He thus concluded, "I for one would look longer and harder at an award of punitive damages based on such skeletal guidance than I would at one situated within a range of penalties as to which responsible officials had deliberated and then agreed." *Id*.

Second, the fair notice concerns animating *Gore* do not pertain to an award of damages under statutes that specify in advance the permissible range of a damage award. *Gore* reasons that, where a jury has unfettered discretion to award punitive damages, the defendant, absent some limiting principle of proportionality, does not have fair, constitutionally sufficient notice of the magnitude of the sanction that may be imposed for misconduct. 517 U.S. at 574-75. The *Gore* guideposts, by requiring that punitive damage awards be proportional to the defendant's misconduct, are intended to remedy this defect. They thus ensure that defendants have adequate notice of possible sanctions. Where, however, Congress has specified in advance the range of permissible damage awards, potential defendants already have express notice of the magnitude

of the possible sanction, without need for a judicial gloss further constraining the jury's discretion.

Finally, *Gore*'s directive to consider the relation of the jury's damages award to civil or criminal penalties for similar conduct, *see id.*, 517 U.S. at 583-84, has no relevance to review of a damage award under a statute that already reflects a legislative determination of appropriate sanctions. *Gore* establishes this guidepost to aid the court in evaluating whether a jury's discretionary award of punitive damages is reasonably proportional to legislatively-imposed penalties for similar misconduct. The guidepost is thus a check on the jury's discretion, deemed necessary to ensure that the jury's otherwise unfettered power to fix punitive damages does not result in awards that are grossly disproportionate to the sanctions authorized by a responsible legislative body in comparable circumstances.

In the case of statutory damages under the Copyright Act, however, Congress has already imposed constraints on the jury's discretion and specified the range of permissible sanction. The *Gore* guidepost makes little sense in these circumstances, for the jury's damage award, if within the statutory limits, is itself the assessment imposed by the legislature for comparable cases. Applying *Gore* would mean comparing the statutory damage award to itself – a nonsensical result that underscores the extent to which the *Gore* guideposts are ill-suited to review of damages awarded under statutes that fix the minimum and maximum awards for defendant's misconduct.

Williams, in contrast, focuses on the fact that a legislative determination is at issue. Unlike *Gore*, *Williams* directs the trial court's attention to the underlying purposes of a statutory damages regime. Rather than focus on whether a jury has reasonably fitted the sanction to the defendant's misconduct, *Williams* recognizes that statutory assessments reflect the legislature's

judgment as to the amount necessary to redress and deter public harms caused by the defendant. It thus makes clear that the proportionality of the award to the plaintiff's injury is not the sole or even primary concern. It is rather the relation of the award to the gravity of the public wrong resulting from defendant's misconduct. Thus, where the award "is imposed as a punishment for the violation of a public law, the legislature may adjust its amount to the public wrong rather than the private injury, just as if it were going to the state." *Williams*, 251 U.S. at 66. And because the court in that instance is dealing with the considered determination of a coordinate branch of government, *Williams* further stresses that legislative judgments in this realm are entitled to "wide latitude of discretion," *id*. at 66, and may only be disturbed if they are "so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable," *id*. at 67.

Not surprisingly, the only appellate court to address a due process challenge to an award of statutory damages under the Copyright Act applied *Williams*. *See Zomba Enters., Inc. v. Panorama Records, Inc.*, 491 F.3d 574, 587 (6th Cir. 2007); *see also Capitol Records, Inc. v. Thomas-Rasset*, 799 F. Supp. 2d 999, 1003-06 (D. Minn. 2011) (applying *Williams* to assess the constitutionality of a jury's award under the Copyright Act's statutory damages provision); *Lowry's Reports, Inc. v. Legg Mason, Inc.*, 302 F. Supp. 2d 455, 459-60 (D. Md. 2004) (concluding *Gore* is inapplicable to statutory damages under the Copyright Act because "[t]he unregulated and arbitrary use of judicial power that the *Gore* guideposts remedy is not implicated in Congress' carefully crafted and reasonably constrained statute"). And courts have also repeatedly applied the *Williams* standard in assessing the constitutionality of other statutory damage regimes. *See Centerline Equip. Corp. v. Banner Pers. Serv., Inc.*, 545 F. Supp. 2d 768, 777-78 (N.D. Ill. 2008) (applying the *Williams* standard to uphold the statutory damages

provision of the Telephone Consumer Protection Act); *Accounting Outsourcing, LLC v. Verizon Wireless Pers. Commc'ns, LP*, 329 F. Supp. 2d 789, 808-10 (M.D. La. 2004) (same); *Texas v. Am. Blastfax, Inc.*, 121 F. Supp. 2d 1085, 1090-91 (W.D. Tex. 2000) (same); *Verizon California Inc. v. Onlinenic, Inc.*, No. 08-2832, 2009 WL 2706393 (N.D. Ca. Aug. 25, 2009) (due process review of statutory damages under Anti-Cybersquatting Consumer Protection Act governed by *Williams*).

Defendant contends that *Gore* and *Williams* "overlap" and suggests that the Court should apply an "amalgam of" the two decisions. Def.'s Mem. at 5-6, 8. But whatever the semantic similarities between the two standards, they serve fundamentally different purposes. *Gore* is designed to impose constraints on a jury's discretion in circumstances where the legislature has not prescribed the specific circumstances warranting a damage award or the range of permissible sanctions. *Williams*, in contrast, takes account of the appropriate relationship between the reviewing court and the legislature. Unlike *Gore*, it directs the trial court's attention to the deference owed a legislative judgment, the underlying purposes of a statutory damages regime, and the heavy burden a movant must carry before the court can set aside an award falling within the range specified by Congress.[3]

Moreover, contrary to Defendant's assertion, *see* Def.'s Mem. at 5 n.3, the mere fact that *Gore* cites *Williams* in support of the general proposition that punitive damages should be

[3] The purported "copious body of jurisprudence" that Defendant claims supports a melding of *Gore* and *Williams*, Def.'s Mem. at 5 & n.3, is simply non-existent. *Romano v. U-Haul Int'l*, 233 F.3d 655, 673 (1st Cir. 2000), involved a *punitive damages* award with a statutory cap and did not expressly consider whether *Williams* or *Gore* is controlling. It did, however, find, consistent with *Williams*' focus on deference to a legislative determination, that "a statutory cap provides strong evidence that a defendant's due process rights have not been violated." *Romano*, 233 F.3d at 673. And, as Defendant acknowledges, Def.'s Mem. at 5 & n.3, any mention of the applicability of *Gore* in the remaining cases cited by Defendant occurs in dicta.

proportionate to the offense, *see Gore*, 517 U.S. at 575, does not suggest that *Gore* has replaced *Williams*. Indeed, in its decision remanding this case, the First Circuit explicitly pointed out that the Supreme Court did not overrule *Williams* in *Gore*. *Sony BMG Music Entm't*, 660 F.3d at 513 (citing *Rivers v. Roadway Express, Inc.*, 511 U.S. 298, 312 (1994) ("hierarchical relationship of Supreme Court to lower courts mandates that where 'the court has spoken, it is the duty of other courts to respect that understanding of the governing rule of law'")). And the First Circuit indicated that "concerns regarding fair notice . . . in *Gore* are simply not present in a statutory damages case where the statute itself provides notice of the scope of the potential award." *Id*. In any event, *Gore* expressly holds that "a reviewing court engaged in determining whether an award of punitive damages is excessive should accord substantial deference to legislative judgments concerning appropriate sanctions for the conduct at issue." 517 U.S. at 583 (internal citation and quotation marks omitted). Further, nothing in *Gore* indicates that the Supreme Court has jettisoned *Williams*' holding that, in the context of statutory damages, proportionality is determined with reference to the public harms to be redressed by the legislation, not the private harm incurred by the plaintiff.

For these reasons, this Court should apply the *Williams* standard if it determines that the jury's award of statutory damages is not excessive under the common law remittitur standard.

B. The Copyright Act's Statutory Damages Provision Satisfies *Williams*

The *Williams* standard is extremely deferential and does not turn on a particular ratio between statutory and actual damages. *See Zomba*, 491 F.3d at 587 (describing the *Williams* standard as "extraordinarily deferential—even more so than in cases applying abuse-of-discretion review") (citing *Douglas v. Cunningham*, 294 U.S. 207, 210 (1935) ("[E]mployment of the statutory yardstick, within set limits, is committed solely to the court which hears the case,

and this fact takes the matter out of the ordinary rule with respect to abuse of discretion.")). Rather, "[t]he ultimate question" according to Williams is "whether a penalty" within the statutory range is "so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable." 251 U.S. at 66-67. To make such a determination, a court is to examine whether Congress has given "due regard for the interests of the public, the numberless opportunities for committing the offense, and the need for securing uniform adherence to [the law]." *Id*. at 67.

Dating back to the middle of the 17th century, "the common law recognized an author's right to prevent the unauthorized publication of his manuscript" because of "the principle that the manuscript was the product of intellectual labor and was as much the author's property as the material on which it was written." *Feltner*, 523 U.S. at 349. The first Congress recognized the need to protect this intellectual labor by enacting a federal statutory damages provision for copyright infringement in 1790. *See* Copyright Act of 1790, 1 Stat. 124, 125. Federal copyright law has authorized the awarding of statutory damages for copyright infringement in some form ever since, and the Court should defer to Congress' historical application of these provisions. *See* Staff of House Comm. On The Judiciary, 87th Cong., Report of the Register of Copyrights on The General Revision of The U.S. Copyright Law (Comm. Print 1961) ("Report of the Register of Copyrights"), at ix (tracing the federal copyright statute from 1790 to its general revisions in 1831, 1870, and 1909).

The Supreme Court has emphasized the weight to be afforded to the historical practices of Congress in copyright, especially the First Congress, in evaluating constitutional challenges to the Copyright Act. In *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 57 (1884), the Court upheld the extension of copyright protection to photographs under the Copyright Clause

and in so doing held that "[t]he construction placed upon the constitution by the first act of 1790 and the act of 1802, by the men who were contemporary with its formation, many of whom were members of the convention which framed it, is of itself entitled to very great weight, and when it is remembered that the rights thus established have not been disputed during a period of nearly a century, it is almost conclusive." More recently, the Court reaffirmed, in upholding the constitutionality of copyright term extensions, that "[t]o comprehend the scope of Congress' Copyright Clause power, a page of history is worth a volume of logic." *Eldred v. Ashcroft*, 537 U.S. 186, 199 (2003) (quotation omitted).

The Copyright Act's statutory damages provision serves both to compensate and deter. Congress established a scheme to allow copyright owners to elect to receive statutory damages for copyright infringement instead of actual damages and profits because of the difficulty of calculating and proving actual damages. *F.W. Woolworth Co. v. Contemporary Arts*, 344 U.S. 228, 231 (1952) (noting statutory damages are intended to allow "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"); *Lowry's Reports*, 302 F. Supp. 2d at 460 ("Statutory damages exist in part because of the difficulties in proving – and providing compensation for – actual harm in copyright infringement actions."). As the Copyright Office explained in its 1961 report to Congress, the need for statutory damages in the context of copyright infringement "arises from the acknowledged inadequacy of actual damages and profits in many cases:

- The value of a copyright is, by its nature, difficult to establish, and the loss caused by an infringement is equally hard to determine. As a result, actual damages are often conjectural, and may be impossible or prohibitively expensive to prove.
- In many cases, especially those involving public performances, the only direct loss that could be proven is the amount of a license fee. An award of such an amount would be an invitation to infringe with no risk of loss to the infringer.

- The actual damages capable of proof are often less than the cost to the copyright owner of detecting and investigating infringements.

- An award of the infringer's profits would often be equally inadequate. There may have been little or no profit, or it may be impossible to compute the amount of profits attributable to the infringement. Frequently the infringer's profits will not be an adequate measure of the injury caused to the copyright owner."

Report of the Register of Copyrights at 102–03.

Congress' reasons for permitting an award of statutory damages in lieu of actual damages apply with particular force in a case, like this one, involving unauthorized file sharing over a peer-to-peer network. It is exceedingly difficult to determine the harm caused by the unauthorized distribution of protected works over a peer-to-peer network. Given the decentralized nature of peer-to-peer networks, there is no ready way to determine the number of times the defendant infringer has violated the copyright holder's distribution rights by uploading a protected sound recording to other network participants. *See Atlantic Recording Corp. v. Anderson*, 2008 WL 2316551 at * 9 (S.D. Tex. March 12, 2008) ("there is no way to ascertain the precise amount of damages caused by Defendant's actions in not only improperly downloading Plaintiffs' Copyrighted Recordings himself but also subsequently distributing some or all of Plaintiffs' Copyrighted Recordings to a vast community of other persons on [the peer-to-peer network] KaZaA"). Nor is there a means of ascertaining the extent to which a defendant infringer has contributed to subsequent, unauthorized distributions by other network participants. *Cf. Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005) (under common law principles of secondary liability applicable to the Copyright Act, defendant may be liable for intentionally inducing or encouraging direct infringement by others). Moreover, even if it were possible to determine the number of unauthorized copies distributed by a particular network participant, it is exceedingly difficult to quantify the resulting economic harm to the

copyright holder.[4] *See, e.g.*, Raphael Rob and Joel Waldfogel, Piracy on the High C's: Music Downloading, Sales Displacement, and Social Welfare in a Sample of College Students, 49 J. L. & Econ. 29 (April 2006).

Defendant contends, without citation to any authority whatsoever, that the object of awarding statutory damages for copyright infringement ends once the copyright owner has been compensated for its private injury. According to Defendant, unlike the law at issue in *Williams*, the Copyright Act is not a public law and is not designed to deter a public wrong. Def.'s Mem. at 6-7. The Supreme Court, however, rejected Defendant's myopic view long ago. In *F.W. Woolworth v. Contemporary Arts*, the Court recognized that the Copyright Act's statutory damages provision, "formulated after long experience, not merely compels restitution of profit and reparation for injury but also is designed to discourage wrongful conduct." 344 U.S. at 233 (1952). A remedy that merely compensated for any private injury to the copyright holder, the Court noted, "would fall short of an effective sanction for enforcement of the copyright policy." *Id*. Thus, Congress set up a framework whereby, "[e]ven for uninjurious and unprofitable

[4] In this case, Judge Gertner previously recognized that, "[a]lthough the purpose of [Defendant's] file sharing may not have been 'commercial' in any classic sense, . . . from a consequential perspective the difference becomes harder to make out. The Court sees little difference between selling these works in the public marketplace and making them available for free to the universe of peer-to-peer users. If anything, the latter activity is likely to distribute even more copies – and therefore result in a bigger market impact – because there is no cost barrier at all. It is difficult to compete with a product offered for free. The [P]laintiffs provide evidence that the widespread availability of free copies of copyrighted works on the internet has decreased their sales revenue, a market reality that other courts have credited." *Sony BMG Music Entm't v. Tenenbaum*, 672 F. Supp. 2d 217, 231 (D. Mass. 2009).

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.*[5]

Defendant's suggestion that copyright infringement does not cause any public harm, moreover, is contradicted by Congress' explicit findings. In amending the Copyright Act's statutory damages provision in 1999, Congress found that infringement results in "lost U.S. jobs, lost wages, lower tax revenue, and higher prices for honest purchasers of copyrighted [sound recordings]." H.R. Rep. 106-216, at 3. "It is not just faceless corporations who pay the cost [of peer-to-peer file-sharing]. Local music retailers are also vulnerable to the allure of free music, and artists can lose economic incentive to create and distribute works." *In re Charter Commc'n, Inc.*, 393 F.3d 771, 779 (8th Cir. 2005) (internal citation omitted). These are clearly public harms.

Defendant also argues that it is somehow relevant, in the context of *Williams* and the Copyright Act, that this case involves a commercial corporation suing an individual as opposed to an individual suing a commercial corporation. Def.'s Mem. at 7. But *Williams* and the Copyright Act make no such distinction. Nothing in *Williams* indicates that its holding applies only when an individual is seeking statutory damages against a corporation. And nothing in the text of the Copyright Act suggests that Congress intended to preclude an award of statutory damages when a corporation owning a copyright brought suit against an individual infringer. Indeed, Defendant's argument is merely a repackaging of his assertion that the Copyright Act's statutory damages provision does not apply to consumer infringement – an argument the First Circuit has already rejected in this case. *Sony BMG Music Entm't*, 660 F.3d at 497-501. The

[5] Under the Copyright Act of 1790, the copyright owner received half of the statutory damages awarded for copyright infringement and the United States received the remaining half, further demonstrating the public nature of the Copyright Act. 1 Stat. 124 (1790).

First Circuit explained that the Copyright Act refers to "*anyone*" as a potential infringer, explicitly grants copyright owners the "exclusive right[]" to reproduce and distribute sound recordings, allows copyright owners to seek remedies for "*any* infringement," and authorizes an award of statutory damages against any "*infringer of copyright*." *Id*. at 498-99 (quoting 17 U.S.C. §§ 501, 504). The Court also noted that when Congress intended to create an exception for personal or non-commercial use, it did so expressly. *Id*. at 499 (referring to Sound Recording Act of 1971 and Audio Home Recording Act of 1992). The same reasoning demonstrates that Defendant's attempt to write a distinction between individuals and corporations into the statute is meritless.

Congress' 1999 amendment to the Copyright Act, moreover, evidences its particular concern with the harm that can result from copyright infringement by individuals. In explaining the need for an increase in the statutory damages range, Congress explicitly referred to the threat posed by "computer users." H.R. Rep. 106-216, at 2 (1999). Congress stated:

> By the turn of the century the Internet is projected to have more than 200 million users, and the development of new technology will create additional incentive for copyright thieves to steal protected works. . . . As long as the relevant technology evolves in this way, more piracy will ensue. 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 infringement penalties a real threat and continue infringing, even after a copyright owner puts them on notice that their actions constitute infringement and that they should stop the activity or face legal action.

H.R. Rep. 106-216, at 3 (1999); *see also* H.R. Rep. 105-339, at 4 (1997).[6] In sum, as the First Circuit determined, "Congress did contemplate that suits like this [one] were within the [Copyright] Act." *Sony BMG Music Entm't*, 660 F.3d at 500.

[6] Defendant exemplifies Congress' concern. *See Sony BMG Music Entm't*, 672 F. Supp. 2d at 237 ("[E]ven after his illegal file sharing came to light, [Defendant] continued to download

Defendant further attempts to distinguish this case from *Williams* by noting that the statutory damages provision in *Williams* was "narrowly drawn to apply only to the specific . . . act of railroads overcharging passengers for tickets," whereas the Copyright Act "applies to the entire universe of copyright infringement of every kind by every kind of infringer." Def.'s Mem. at 6. But the Court in *Williams* made no effort to draw the distinction Defendant urges; nor did it stress the alleged narrow scope of the statute at issue. Defendant seems to suggest that any statutory damages provision enacted by Congress that imposes liability for different means of violating the law and on a range of actors is unconstitutional. There is, however, absolutely no precedent for such a rule. Moreover, as explained above, the harms caused by copyright infringement do not differ uniformly based on the means of infringement or the identity of the infringer. And, even if they did, the Court's instructions to the jury in this case adequately guided the jury in arriving at a "just," 17 U.S.C. § 504(c)(1), award. Contrary to Defendant's assertion, Def.'s Mem. at 3, 7-8, the jury was not confronted solely with the statutory damages range and the number of infringements, devoid of any further factual considerations. On the contrary, the district court properly instructed the jury that, in considering the appropriate amount of the award, it may consider: the nature of the infringement, defendant's purpose and intent, defendant's profits or saved expenses, plaintiffs' lost revenue, the value of the copyright, the duration of the infringement, the defendant's continuation of infringement after notice or knowledge of copyright claims, and the need to deter this defendant or other potential infringers. *See Sony BMG Music Entm't*, 660 F.3d at 503-05.[7]

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and share music online for at least three more years. . . . He knew file sharing was illegal, yet persisted.").

[7] Defendant's conclusory assertion that Congress never intended juries, as opposed to judges, to determine the amount of a statutory damages award under the Copyright Act, Def.'s

Defendant contends the statutory damages award is unconstitutional because it "punish[es] [him] for the offenses of others." Def.'s Mem. at 7. But the First Circuit already determined that "[t]his is a hypothetical concern, not a real one in this case." *See Sony BMG Music Entm't*, 660 F.3d at 506. The court observed that the jury was never urged to consider damages caused by other copyright infringers or suffered by other recording companies and that both Plaintiffs' and Defendant's counsel made clear in closing arguments that the jury's award should be limited to providing redress for Defendant's conduct. *Id*.

Copyrights are of great value, not just to their owners, but to the American public as well. Congress has recognized this value from the first days of the Republic. The federal copyright statute, enacted by the First Congress and subject to numerous revisions since that time, has consistently authorized the awarding of statutory damages to ensure significant monetary awards in copyright infringement lawsuits that will make copyright owners whole and deter further infringement. This historical approach is followed in the current version of the Copyright Act's statutory damages provision; it provides compensation to copyright owners who have to invest resources into protecting property that is often unquantifiable in value and deters those infringing parties who think they will go undetected in committing this serious public wrong. Congress' expressed desire to increase deterrence, accompanied by congressional findings, demonstrates that Congress gave due regard to the public harm, opportunities to commit multiple violations, and the need to ensure compliance with the law in establishing its statutory range. The Court should defer to Congress' reasoned judgment. The proper place for any policy debate of what should be the level of deterrence resides in the halls of Congress.

Mem. at 8, has already been rejected by the First Circuit, *see Sony BMG Music Entm't*, 660 F.3d at 496-97 & n.8.

CONCLUSION

The United States respectfully requests that, in accordance with the First Circuit's mandate, this Court first consider whether the jury's award of statutory damages should be reduced under the common law remittitur doctrine. The Court should reach Defendant's due process challenge if, and only if, it determines the jury's award is not excessive under the remittitur standard. If the Court reaches the question of 17 U.S.C. § 504(c)'s constitutionality, it should conclude that the statutory damages provision satisfies the Due Process Clause.

Respectfully submitted this 27th day of January, 2012.

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CERTIFICATE OF SERVICE

I hereby certify that on January 27, 2012, I filed a true copy of the above document with the CM/ECF System, which will send an electronic notice to the attorney of record for each party.

/s/ Scott Risner