

No. \_\_\_\_\_

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In the  
Supreme Court of the United States

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JOEL TENENBAUM,  
*Petitioner,*

v.

SONY BMG MUSIC ENTERTAINMENT;  
WARNER BROS. RECORDS, INC.;  
ATLANTIC RECORDING CORP.; ARISTA  
RECORDS, LLC; AND UMG RECORDINGS, INC.  
*Respondents.*

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*On Petition for Writ of Certiorari to the United  
States Court of Appeals for the First Circuit*

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**PETITION FOR WRIT OF  
CERTIORARI**

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## QUESTIONS PRESENTED

1. Do statutory damages under § 504(c) of the Copyright Act apply to noncommercial individuals without requirement of nexus with actual damages?

2. Did the *Feltner* Court redraft § 504(c) to authorize juries to set statutory damages which Congress had authorized only judges to impose?

3. Should instructions to juries charged with awarding statutory damages against noncommercial copyright infringers quote the statutory maximum, clearly intended for commercial infringers?

4. Does the Seventh Amendment require a judge who remits an excessive statutory damage award to offer the plaintiff a new trial as an alternative to accepting the remitted award?

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## PETITION FOR A WRIT OF CERTIORARI

Petitioner Joel Tenenbaum respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the First Circuit in this case.

### OPINIONS BELOW

The order of the court of appeals denying defendant's motion for rehearing and rehearing en banc (App., *infra*, 1a to 2a) is unreported. The court of appeals' order regarding defendant's motion for clarification (App., *infra*, 3a to 7a) is unreported. The opinion of the court of appeals (App., *infra*, 8a to 69a) is reported at 660 F.3d 487. The opinion of the district court granting in part and denying in part petitioner's motion for new trial or remittitur (App., *infra*, 70a to 148a) is reported at 721 F. Supp 2d 85.

### JURISDICTION

The court of appeals entered final judgment on the issues before this Court on September 16, 2011 and denied a timely motion for rehearing en banc on November 17, 2011. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

### CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The Seventh Amendment provides that “[i]n Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no *fact tried by a jury*, shall be otherwise reexamined in any Court of the United

States, than according to the rules of the common law.” U.S. Const., amend. VII (emphasis added).

The relevant provisions of the Copyright Act 17 U.S.C. § 504 are:

§ 504. Remedies for infringement:  
Damages and profits

(a) IN GENERAL. — Except as otherwise provided by this title, an infringer of copyright is liable for either —

(1) the copyright owner’s actual damages and any additional profits of the infringer, as provided by subsection (b); or

(2) statutory damages, as provided by subsection (c).

(b) Actual Damages and Profits. — The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages . . . .

(c) Statutory Damages. —

(1) Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits,

an award of statutory damages for all infringements involved in the action, . . . in a sum of not less than \$750 or more than \$30,000 as the court considers just. . . .

(2) In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than \$150,000. . . .

### STATEMENT OF THE CASE

This case challenges the constitutionality of Plaintiffs' (the "RIAA") litigation/education campaign against non-commercial individuals who engaged in peer-to-peer filesharing of copyrighted songs. The RIAA's lawsuits against individual consumers are totally unprecedented, a fact which neither the RIAA nor the Government as Intervenor disputes. Through nine years of litigation no plaintiff, defendant, judge, amicus, or government representative has uncovered a *single* case prior to the RIAA campaign in which a non-commercial individual who copied for personal enjoyment rather than profit, has been the target of a copyright infringement action. In the only other RIAA filesharing case to go to trial, the district court judge noted:

The myriad of copyright cases cited by Plaintiffs and the Government, in which

courts upheld large statutory damages awards far above the minimum, have limited relevance in this case. All of the cited cases involve *corporate* or *business* defendants and seek to deter future illegal *commercial* conduct. *The parties point to no case in which large statutory damages were applied to a party who did not infringe in search of commercial gain.*

*Capitol Records, Inc., v. Thomas*, 579 F. Supp. 2d 1210, 1227 (D. Minn. 2008) (emphasis added).

Joel Tenenbaum was a 20-year-old college student when the RIAA first contacted him for downloading and sharing 30 popular songs using popular filesharing software. He was just one target out of many thousands sued in the RIAA's litigation campaign. By their own admission, Plaintiffs "contacted over 18,000 people." Declaration of Matthew J. Oppenheim dated June 24, 2009, in *Anderson v. Atlantic Recording Co.* (D. Or. No. 07-934).<sup>1</sup> Of that group, over 5,000 received "Presuit Notification Letters" that strongly "encouraged" settlements of several thousand dollars. Over 12,500 people were directly sued. *Id.*

Only two defendants have had sufficient stamina and courage to assume the radically asymmetric litigation burden that has been imposed upon them as a condition to their raising challenge. Joel Tenenbaum, from the outset of his defense,

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<sup>1</sup> Available at [http://bit.ly/Oppenheim\\_6-24-09](http://bit.ly/Oppenheim_6-24-09).

challenged as unconstitutional the use of § 504(c) to threaten outlandish statutory damages. At the urging of the Government as intervenor, the trial court deferred Tenenbaum's challenge to wait and see what the jury returned. *See* Order of June 15, 2009, NR. 847. At the close of the evidence at trial, the trial judge directed verdicts against Tenenbaum for infringing copyrights on thirty songs, and instructed the jury to return statutory awards between \$750 and \$150,000 for each one, thus authorizing a total possible award of \$4,500,000.

The jury awarded the plaintiffs \$22,500 for each of the thirty songs, for a total award of \$675,000. The trial judge subsequently declared this award to be unconstitutionally excessive and reduced it to \$67,500.

On appeal, the First Circuit reinstated the jury's \$675,000 award. The Court ruled that it made no difference under the statute that Tenenbaum was a noncommercial infringer; that there had been no error and no prejudice in the jury instructions and verdict form; and that the jury's award need have no nexus with actual damages.

The First Circuit held that the trial judge should not have reached the constitutional question of excessiveness, and it remanded the case to the trial court with directions to consider remittitur instead. "If, on remand, the court allows any reduction through remittitur, then plaintiffs *must be given the choice of a new trial* or acceptance of remittitur." App., *infra*, 69a (emphasis added).

The case is presently on remand under this mandate in the district court. In its filings and in court, Plaintiffs have indicated that if the jury's award is remitted, they will most likely choose a new trial rather than accept the remitted award. App., *infra*, 73a. This will force the defendant into yet another trial in what could be a never-ending process. It will assure that the constitutional question of excessiveness and the propriety of the jury instructions that authorize an unconstitutionally excessive award may never be faced.

## **REASONS FOR GRANTING THE PETITION**

- 1. Interpreting § 504(c) to apply to noncommercial infringers with no requirement of nexus between actual injury and the statutory award distorts the trial process and ensures bad results.**

The First Circuit refused to treat Tenenbaum as a noncommercial infringer and rejected any recognition in the statutory scheme of distinction between commercial and noncommercial infringers. The panel asserted that (1) *all* filesharers who download and share files for personal enjoyment are to be treated as commercial infringers although they are not making and selling copies for profit; (2) *all* infringements, from the largest to the smallest could equally merit the entirety of the statutory range. App., *infra*, 27a–37a; and (3) *all* copying is actionable without regard to injury. App., *infra*, 29a–32a. This pernicious interpretation of the Copyright Act

transforms every bit in cyberspace into a potentially exploding lawsuit and is sparking the development of a spam litigation industry.

This interpretation of the Copyright Act is wrong and profoundly distorts the intent of the statute. All of the errors that are asserted herein follow from this misinterpretation. Section 504(c) was enacted not to expand the scope of § 504(b) but merely to deal with the evidentiary difficulty that sometimes arises in cases of commercial infringement of proving actual damages and infringer profits. *Douglas v. Cunningham*, 294 U.S. 207, 209 (1935). Section 504(c) was never intended to and should not be interpreted to have created statutory damage actions in cases to which § 504(b) would not have applied.<sup>2</sup> The ruling by the Court of appeals that statutory damages require no “nexus” with actual damages and are available even for “uninjurious” invasions of copyright by noncommercial actors extends liability way beyond

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<sup>2</sup> See Draft Bill S. 1361, reprinted in Cambridge Research Institute, *Omnibus Copyright Revision: Comparative Analysis of the Issues* 143 (1973) (making it the duty of the trial judge, “after weighing the equities,” to make an award that “is justified by the proof, and which most closely reflects the extent of the plaintiff’s injury.” (emphasis added)); Stephanie Berg, *Remedying the Statutory Damages Remedy for Secondary Copyright Infringement Liability: Balancing Copyright and Innovation in the Digital Age*, 56 J. Copyright Soc’y U.S.A. 265, 295 (2009) (starting in 1955, the Copyright Office commissioned studies about comprehensive copyright reform and respondents “most often proffered” justification for retaining statutory damages “was that [they] were necessary to protect the copyright owner who may have suffered damages but was unable to prove them.”).

the ambit of § 504(b) to literally millions of noncommercial consumers for literally trillions in damages.<sup>3</sup>

As an example of the kind of liability thus established, consider that in 2008 the average teenager had 800 illegally downloaded songs on his iPod, which means exposure to statutory damages between \$600,000 and \$120,000,000. See Dan Sabbagh, *Average Teenager's iPod Has 800 Illegal Music Tracks*, Times Online (June 16, 2008).<sup>4</sup> Multiplied across only the number of people sued in the RIAA's litigation campaign, their liability would total between \$7.5 billion and \$1.5 trillion. In this case alone, the defendant was found guilty of infringing on thirty songs, yet the jury was instructed that he was liable for between \$22,500 and \$4,500,000 in damages. An award of \$675,000 — that shocked the conscience of the district judge — was, in this context, not only predictable but on the moderately low end of what a jury so instructed might do. For example, for the 24 songs at issue in *Thomas-Rasset*, the jury in the first trial awarded \$222,000; in the second trial awarded \$1,920,000;

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<sup>3</sup> Several cases have required some nexus. Justice Sotomayor, then a district judge, opined that “[s]tatutory damages should bear some relationship to the actual damages suffered [by copyright infringement].” *Peer Int’l Corp. v. Luna Records, Inc.*, 887 F. Supp. 560, 568 (S.D.N.Y. 1995); see also *Capitol Records, Inc. v. Thomas-Rasset*, 799 F. Supp. 2d 999, 1008 (D. Minn. 2011) (accepting that statutory damages should bear “some relation to actual damages suffered”).

<sup>4</sup> Available at [http://technology.timesonline.co.uk/tol/news/tech\\_and\\_web/personal\\_tech/article4144585.ece](http://technology.timesonline.co.uk/tol/news/tech_and_web/personal_tech/article4144585.ece).

and in the third trial awarded \$1,500,000. *Thomas-Rasset*, 799 F. Supp. 2d at 1002–03.

**2. This Court in *Feltner* did not authorize juries to set the statutory awards that Congress authorized only judges to impose.**

*Feltner v. Columbia Pictures Television*, 523 U.S. 340 (1998), in an eight-to-one majority opinion, states unequivocally: “§ 504(c) does not grant a right to have a jury assess statutory damages.” *Id.* at 345. Congress, when it passed the statute, affirmatively chose *not* to authorize juries to award statutory damages because of the discretion required to set a just statutory damage award within the wide range Congress set. The statute’s authorization to determine what award would be “just” within its all-encompassing range was only to the “court,” and “court” meant “judges.”

Having decided unequivocally that Congress intended only judges to determine the appropriate amount of § 504(c) statutory damage awards, the *Feltner* declared the statute unconstitutional under the Seventh Amendment because Congress may not impose statutory damages on infringers in a manner that denies them their Seventh Amendment right to jury trial.

At this point, having declared § 504(c) unconstitutional as written, the *Feltner* Court should have addressed the issue of remedy. Should the statute simply be voided? Or should the unconstitutionality of the statute be repaired by

expansive interpretation? See Ruth Bader Ginsburg, *Some Thoughts on Judicial Authority to Repair Unconstitutional Legislation*, 28 Clev. St. L. Rev. 301 (1979). As Justice (then Professor) Ginsburg put it, whether repair by expansion should be considered requires assessment of “the strength of the legislature’s commitment to the residual policy or program in question and the disruption a solution one way or the other would entail.” *Id.* at 319. This Court has expanded a congressional statute to provide for jury trial “where there is obviously no functional justification for denying the jury trial right,” *Curtis v. Loether*, 415 U.S. 189, 267 (1974), but never, except as *Feltner* has been mistakenly construed, when extension is disruptive and contrary to Congressional intent. But instead of considering this important question, the *Feltner* opinion simply concluded without further discussion by saying: “[T]he Seventh Amendment provides [that a defendant must be given] a right to a jury trial on all issues pertinent to an award of statutory damages under § 504(c) of the Copyright Act, including the amount itself.” 523 U.S. at 355.

In context, the limited meaning of this concluding sentence should have been clear to lower courts: Section 504(c) as written was unconstitutional because Congress may not impose statutory damages on infringers in a manner that denies them their Seventh Amendment right to jury trial. The lower federal courts have, however, treated *Feltner*’s concluding sentence as if it is an authorizing statute, and have assumed that by it, *Feltner* meant affirmatively to authorize juries to make the § 504(c) statutory awards.

This conclusion is unwarranted and plain wrong. Not only does the Supreme Court have neither right nor lawful power to radically redraft a statute of Congress, the Court has no power to expand a statute in a manner that directly flouts congressional intent.<sup>5</sup> Moreover, the exercise of such power in this instance calls upon juries to perform a function to which the jury's institutional fact-finding function is not suited. The setting of monetary awards within a wide statutory range unmoored from any factual base is not a jury fact-finding function.<sup>6</sup>

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<sup>5</sup> See, e.g., *United States v. Nat'l Treasury Employees Union*, 513 U.S. 454, 456 (1995) (“[I]n light of this Court’s obligation to avoid judicial legislation and its inability to correctly identify [an intent of Congress to adopt a certain provision], the Court refuses to modify the remedy further by crafting such . . . .”); *Blockburger v. United States*, 284 U.S. 299, 305 (1932) (“The plain meaning of the provision is that each offense is subject to the penalty prescribed; and, if that be too harsh, *the remedy must be afforded by act of Congress, not by judicial legislation . . . .*” (emphasis added)); *Ebert v. Poston*, 266 U.S. 548, 554 (1925) (“The judicial function to be exercised in construing a statute is limited to ascertaining the intention of the Legislature therein expressed. A *casus omissus* does not justify judicial legislation.”); *Standard Oil Co. of New Jersey v. United States*, 221 U.S. 1, 88 (1911) (Harlan, J., dissenting) (“[W]e are asked to read into the act *by way of judicial legislation an exception that is not placed there by the lawmaking branch of the government . . . . This we cannot and ought not to do. . . . Congress is the body to amend it, and not this court, by a process of judicial legislation wholly unjustifiable.*” (emphasis added)).

<sup>6</sup> See David Nimmer & Jason Sheasby, *After Feltner, How Will Juries Decide Damages?*, Nat’l L.J., Feb. 8, 1999. Nimmer noted that because setting statutory damages “often involves extensive analysis of precedent so as to create a statutory damages regime consistent across a spectrum of cases[,] . . . [i]t is not clear how a jury *ever* can perform this type of analysis.” *Id.* at C19 (emphasis added). He concluded that “[i]t is daunting, to say the least, to imagine how a judge could craft jury instructions that replace the type of analysis the court

and invites arbitrary and excessive awards bearing no relationship whatever to actual damage caused by the defendant.

*Nimmer on Copyright*, in § 14.04 dealing with statutory damages, pointedly expresses this leading commentator's bewilderment in response to *Feltner's* aftermath in the lower courts. Nimmer's only explanation for it is that Seventh Amendment law is "topsy-turvy."

Given that the core of statutory damages under Section 504(c) is that Congress authorized judges to exercise their discretion, partially in light of precedent as reflected in other cases, on what basis is such "discretion" to be transferred to a jury, which unlike the judge has no institutional mechanism for distinguishing and relying on precedent from other cases? The core of what Section 504(c) statutory damages mean, viewed from this perspective, is the concept of judicial determination. To do away with this feature is to alter drastically the character of the statute.

Nimmer on Copyright § 14.04[C][2] (2011).<sup>7</sup>

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itself would undertake." *Id.*

<sup>7</sup> The Ninth Circuit actually cited Nimmer's topsy-turvy critique as authority for doing exactly what he decried, *Columbia Pictures Television, Inc. v. Krypton Broad. of Birmingham, Inc.*, 259 F.3d 1186, 1191 (9th Cir. 2001), a result followed without analysis by *Segrets, Inc. v. Gillman Knitwear Co.*, 207 F.3d 56, 63 (1st Cir. 2000), and by this case.

Had the *Feltner* Court addressed the issue of expanding § 504(c) rather than voiding it, the Court might have considered a narrow expansion of the statute. The statute might have been read to provide statutory damages only against commercial infringers, or to require some base in actual determinable damage, or, in the absence of any required proof of actual damages, to limit jury awards to the minimum. Such limited authorization to juries would honor congressional wisdom in not giving juries a highly discretionary task. It would provide copyright holders a significant statutory remedy even without proof of actual damages. Yet it would avoid the application to noncommercial individuals of a damage range meant for commercial infringers.

The point here is not that the *Feltner* Court should have adopted any of these narrow expansions instead of the radical expansion attributed to it, but rather that it is unconscionable for lower courts to have simply assumed that the *Feltner* Court radically redrafted the statute. The patently excessive results in this case and in *Thomas-Rasset* make it necessary that this Court clarify instructions to the lower courts as to how to administer statutory damage cases under the Copyright Act.

**3. Instructions to the juries being called upon to award statutory damages against noncommercial copyright infringers should not quote the statutory maximum.**

The instructions and verdict form that was used to guide the jury in this case, and which have now been explicitly approved by the First Circuit Court of Appeals, direct jurors for each infringement to fill in a number within a stated range. For each of the thirty separately listed songs, the verdict form in Tenenbaum’s case directed the jury to fill in a blank answering the question, “[W]hat damages do you award the Plaintiff for this copyrighted work, from \$750 to \$150,000?”:

|   | SOUND RECORDING              | PLAINTIFF            | With respect to this sound recording, was his infringement committed willfully? | Statutory Damages Award   |           |
|---|------------------------------|----------------------|---|---|-----------|
| 5 | Nirvana<br>"Come as You Are" | UMG Recordings, Inc. | NO  | If you answered "NO", what damages do you award the Plaintiff for <b>this</b> copyrighted work, from \$750 to \$30,000?   |           |
|   |                              |                      | YES   | If you answered "YES", what damages do you award the Plaintiff for <b>this</b> copyrighted work, from \$750 to \$150,000? | 33,500.00 |

This instruction invited the jury to return an excessive verdict. \$150,000 for downloading one song, times 30 or as many instances as the RIAA chooses to complain for, with no requirement whatever of proof of actual damage, is excessive. Only by vacating the trial judge’s ruling that the jury’s award was unconstitutionally excessive and “avoiding” the issue itself could the Court of Appeals conclude, as it did, that there was neither error nor prejudice in the way this case was put to the jury. App., *infra*, 45a.

The First Circuit’s validation of this mode of jury instruction, unless reviewed, will assure that

this mode of instruction will be used in future statutory damage cases and, in this case and any others, the predictable result will be further unconscionably large awards. As noted above, the Tenenbaum jury no doubt believed that its award — only 15% of the maximum — was relatively moderate.

**4. The Seventh Amendment does not require a judge who remits an excessive *statutory* damage award for copyright infringement to offer the plaintiff the option of a new trial against the defendant.**

The remittitur procedure mandated by the First Circuit thwarts finality by inviting an endless cycle of retrials at the behest of corporate plaintiffs whose tactic has been to overwhelm and bankrupt noncommercial individual defendants with the asymmetric burden of federal litigation.<sup>8</sup> In fact, the option of retrial is not required by the Seventh Amendment. Unlike cases of compensatory damages, a statutory award of damages is not, in the words of the amendment, “a fact tried by a jury.” Whether a *statutory* award under the Copyright Act is a “fact tried by a jury” within the purview of the Seventh Amendment is, as the court below recognized, a question of first impression, app., *infra*, 64a, as well as a question of great importance.

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<sup>8</sup> In supporting their cause for remittitur, the Government’s opening brief on appeal states, “The defendant, possessed of concrete knowledge of his potential liability, and the plaintiffs, faced with the prospect of another expensive trial, would have new incentives to settle.” at 25.

A new trial option is given to plaintiffs when a trial judge remits an excessive *compensatory* award because the Seventh Amendment mandates that “no fact tried by a jury shall be otherwise reexamined in any court of the United States.” *Compensatory* awards are facts tried by the jury because they constitute a jury’s determination of actual damages actually proved. Unless the plaintiff waives the Seventh Amendment’s bar to revising this “fact tried by a jury,” a judge may not revise the jury’s award. By contrast, jury awards of *punitive* damages *may* be revised by judges without offense or constraint of the Seventh Amendment, and therefore without giving the plaintiff a new trial option, because setting a punitive award is not the trial of a “fact.” The Supreme Court articulated this distinction in *Cooper Indus. v. Leatherman Tool*, 532 U.S. 424, 437 (2001) (citations omitted):

Unlike the measure of actual damages suffered, which presents a question of historical or predictive fact . . . the level of punitive damages is not really a ‘fact’ ‘tried’ by the jury. . . . Because the jury’s award of punitive damages does not constitute a finding of “fact,” appellate review of the District Court’s determination that an award is consistent with due process does not implicate the Seventh Amendment . . . .

Statutory awards for copyright infringement under § 504(c) require *no proof of actual damage whatsoever*. App., *infra*, 37a–39a. Therefore, the jury’s determination of the amount of the award is

not a determination of any fact. As with an excessive punitive damage award, the Seventh Amendment imposes no requirement on a judge who remits an excessive statutory damage award to give the plaintiff a new trial option. To give such an option to the plaintiffs unjustifiably prejudices the defendant and undermines the finality of the judicial process.

### CONCLUSION

For the foregoing reasons, Joel Tenenbaum asks this Court to grant his petition.

Respectfully Submitted,



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February 13, 2012



**APPENDIX**

UNITED STATES COURT OF APPEALS  
FOR THE FIRST CIRCUIT

Nos. 10-1883, 10-1947 & 10-2052

SONY BMG MUSIC ENTERTAINMENT,  
a Delaware general partnership;  
WARNER BROS RECORDS INC,  
a Delaware Corporation;  
ARISTA RECORDS, LLC,  
a Delaware Limited Liability Company;  
UMG RECORDINGS INC.,  
a Delaware corporation; UNITED STATES,  
Plaintiffs-Appellants/Cross-Appellees,  
ATLANTIC RECORDING CORPORATION,  
a Delaware Corporation,  
Plaintiff

v.

JOEL TENENBAUM,  
Defendant-Appellee/Cross-Appellant

Before  
Lynch, Chief Judge,  
Torruella, Lipez, Howard and Thompson,  
Circuit Judges.

ORDER OF COURT

Entered: November 17, 2011

The petition for rehearing having been denied by the  
panel of judges who decided the case, and the

petition for rehearing en banc having been submitted to the active judges of this court and a majority of the judges not having voted that the case be heard en banc, it is ordered that the petition for rehearing and the petition for rehearing en banc be denied.

By the Court:

/s/ Margaret Carter, Clerk

cc:

Jeffrey S. Bucholtz, Eve G. Burton, Paul D. Clement, Dnaiel J. Cloherty, Erin E. Murphy, Matthew Oppenheim, Jennifer L. Pariser, Timothy M. Reynolds, Victoria L. Steinberg, Michelle Bennett, Jeffrey A. Clair, Scott R. McIntosh, Matthew H. Feinberg, Matthew A. Kamholtz, Charles R. Nesson, Julie A. Ahrens, Michael Barclay, Mary T. Sullivan, Mark A. Walsh, Diane Cabell, John Palfrey, Theodore G. Fletcher

UNITED STATES COURT OF APPEALS  
FOR THE FIRST CIRCUIT

Nos. 10-1883; 10-1947; 10-2052

SONY BMG MUSIC ENTERTAINMENT,  
a Delaware general partnership;  
WARNER BROS RECORDS INC,  
a Delaware Corporation;  
ATLANTIC RECORDING CORPORATION,  
a Delaware Corporation;  
ARISTA RECORDS, LLC,  
a Delaware Limited Liability Company;  
UMG RECORDINGS INC.,  
a Delaware corporation;  
UNITED STATES,  
Plaintiffs-Appellants/Cross-Appellees,  
v.  
JOEL TENENBAUM,  
Defendant-Appellee/Cross-Appellant.

Before  
Lynch, Chief Judge,  
Torruella and Thompson, Circuit Judges.

ORDER OF COURT

Entered: October 7, 2011

On September 16, 2011, this Court published its opinion in *Sony BMG Music Entertainment v. Tenenbaum*, Nos. 10-1883, 10-1947, 10-2052, 2011 WL 4133920 (1st Cir. Sept. 16, 2011). This Court affirmed the district court's finding of liability against Tenenbaum, but reversed the district court's reduction of damages on constitutional grounds,

determining that the canon of constitutional avoidance controlled this case, and remanded for consideration of remittitur, which could result in avoiding several constitutional issues. *Id.* at \*25.

On September 29, 2011, Defendant-Appellant Tenenbaum filed a Motion for Clarification of Judgment and Conditional Motion to Withdraw Motion for Remittitur or New Trial. His motion contains two requests. First, he asks this Court to clarify its order to the district court to consider what the opinion says was “plaintiff’s motion for common law remittitur based on excessiveness.” *Sony BMG Music Entm’t*, 2011 WL 4133920, at \*25 (emphasis added). This Court has issued an errata sheet correcting the word “plaintiff’s” to “defendant’s”. Thus, Tenenbaum’s request for clarification is now moot.

Second, in light of the above noted correction, he requests leave to withdraw the Motion for New Trial or Remittitur that he filed in district court, and which was the basis of this Court’s decision in *Sony BMG Music Entertainment*, 2011 WL 4133920.

We deny Tenenbaum’s motion to withdraw his motion for remittitur or new trial.

Tenenbaum first filed his motion for remittitur or new trial after the district court entered judgment against him for his infringement of the copyrights of thirty music sound recordings and the jury awarded plaintiffs statutory damages of \$22,500 per infringed recording. Tenenbaum moved for a new trial or common law remittitur based on what he argued was

an excessive jury-award of statutory damages. *See Sony BMG Music Entm't v. Tenenbaum*, 721 F. Supp. 2d 85, 88 (D. Mass. 2010). The district court granted Tenenbaum's motion to reduce the award on constitutional grounds, but declined to reach his request for remittitur. *Id.* at 121.

We reject Tenenbaum's motion to withdraw his motion for remittitur or new trial, which he has filed after we have decided this case. Among other reasons for this denial, Tenenbaum is judicially estopped from withdrawing his motion for remittitur at this stage of the case, and he may not undercut the basis of this Court's decision.

Judicial estoppel is appropriate when a party, who has persuaded the court to accept a position in one phase of the case, turns around in a later phase, and invokes an inconsistent and mutually exclusive position. *Alt. Sys. Concepts, Inc. v. Synopsys, Inc.*, 374 F.3d 23, 32-33 (1st Cir. 2004); see also, 18B Wright & Miller, *Federal Practice and Procedure* § 4477 (2d ed. 2002) (noting, under the dominant approach to judicial estoppel, courts disallow a party from adopting an inconsistent position where there has been reliance by an adjudicating tribunal on the party's earlier position).

The doctrine is designed "to protect the integrity of the judicial process," *New Hampshire v. Maine*, 532 U.S. 742, 749 (2001), by preventing parties from "playing fast and loose with the courts," *Patriot Cinemas, Inc. v. Gen. Cinemas Corp.*, 834 F.2d 208, 212 (1st Cir. 1987), and from wasting "valuable judicial resources" adjudicating claims that

parties later withdraw, *Yniguez v. Arizona*, 939 F.2d 727, 739 (9th Cir. 1991); *cf. United States v. Krankel*, 164 F.3d 1046, 1053 (7th Cir. 1998) (applying doctrine where defendant’s motion to exclude a videotape was granted in part by the district court by admitting a redacted version of the tape, but, at trial, defendant withdrew his motion and failed to object to introduction of the complete tape, and, on appeal, defendant changed positions yet again, and argued that the admission of the tape was plain error).

Judicial estoppel is particularly appropriate where, as here, a party seeks to change its position after not only the district court has adjudicated that position, but an appeal has been taken, *see, e.g., Asociación de Suscripción Conjunta del Seguro de Responsabilidad Obligatorio v. Juarbe-Jiménez*, No. 10-2167, 2011 WL 4488380, at \*5 (1st Cir. Sept. 29, 2011), and, even further, decided. Judicial estoppel will be applied to “ensure that parties proceed in a fair and aboveboard manner, without making improper use of the court system.” *InterGen N.V. v. Grina*, 344 F.3d 134, 144 (1st Cir. 2003) (citing *New Hampshire v. Maine*, 532 U.S. at 750).

Tenenbaum’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 Tenenbaum’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.

So ordered.

By the Court:  
/s/ Margaret Carter, Clerk

cc:

Charles Nesson, Daniel Cloherty, Diane Cabell, Erin Murphy, Jeffrey Clair, Eve Burton, Jeffrey Bucholtz, Jennifer Pariser, John Palfrey, Julie Aherns, Laurie Rust, Mark Walsh, Mary Thomas Sullivan, Matthew Oppenheim, Matthew Kamholtz, Matthew Feinberg, Paul Clement, Michelle Bennett, Theodore Griswold Fletcher, Timothy Reynolds, Victoria Steinberg, Michael Barclay

SONY BMG MUSIC ENTERTAINMENT, et al.,  
Plaintiffs, Appellants/Cross-Appellees,

v.

Joel TENENBAUM, Defendant, Appellee/Cross-  
Appellant.

Nos. 10–1883, 10–1947, 10–2052. | Heard April 4,  
2011. | Decided Sept. 16, 2011.

**Opinion**

LYNCH, Chief Judge.

Plaintiffs, the recording companies Sony BMG Music Entertainment, Warner Brothers Records Inc., Arista Records LLC, Atlantic Recording Corporation, and UMG Recordings, Inc. (together, “Sony”), brought this action for statutory damages and injunctive relief under the Copyright Act, 17 U.S.C. § 101 *et seq.* Sony argued that the defendant, Joel Tenenbaum, willfully infringed the copyrights of thirty music recordings by using file-sharing software to download and distribute those recordings without authorization from the copyright owners.

The district court entered judgment against Tenenbaum as to liability. The jury found that Tenenbaum’s infringement of the copyrights at issue was willful and awarded Sony statutory damages of \$22,500 for each infringed recording, an award within the statutory range of \$750 to \$150,000 per infringement that Congress established for willful conduct. *See* 17 U.S.C. § 504(c).

Upon Tenenbaum's motion for a new trial or remittitur, the district court skipped over the question of remittitur and reached a constitutional issue. It reduced the damage award by a factor of ten, reasoning that the award was excessive in violation of Tenenbaum's due process rights. *See Sony BMG Music Entm't v. Tenenbaum*, 721 F. Supp. 2d 85 (D. Mass. 2010).

The parties have cross-appealed. Sony argues the district court erred, for a number of reasons, in reducing the jury's award of damages and seeks reinstatement of the full award. It defends the liability and willfulness determinations.

Tenenbaum challenges both liability and damages. He challenges the Copyright Act's constitutionality and the applicability of the Copyright Act and its statutory damages provision to his conduct. Tenenbaum also argues that the district court committed various errors that require a new trial, and that a further reduction of the damage award is required by the due process clause.

The United States, intervening to defend the constitutionality of the Copyright Act, argues that the district court erred in bypassing the question of common law remittitur to reach a constitutional issue.

We reject all of Tenenbaum's arguments and affirm the denial of Tenenbaum's motion for a new trial or remittitur based on claims of error as to the application of the Copyright Act and error as to the jury instructions. However, the court erred when it

bypassed Tenenbaum's remittitur arguments based on excessiveness of the statutory damages award and reached the constitutional due process issue. We agree with the United States that the doctrine of constitutional avoidance requires consideration of common law remittitur before consideration of Tenenbaum's due process challenge to the jury's award. We reverse the reduction in damages, reinstate the original award, and remand for consideration of the common law remittitur question. We comment that this case raises concerns about application of the Copyright Act which Congress may wish to examine.

## I.

### *Background*

#### *A. District Court Proceedings*

Sony brought this action against Tenenbaum in August 2007, seeking statutory damages and injunctive relief pursuant to the Copyright Act. Sony pursued copyright claims against Tenenbaum for only thirty copyrighted works, even though it presented evidence that Tenenbaum illegally downloaded and distributed thousands of copyrighted materials.

Sony's complaint elected to seek statutory, not actual damages, pursuant to 17 U.S.C. § 504(c). For each act of infringement, § 504(c) establishes an award range of \$750 to \$30,000 for non-willful infringements, and a range of \$750 to \$150,000 for willful infringements.

Tenenbaum filed several pre-trial motions, including a motion to dismiss Sony's complaint on the ground that the Copyright Act is unconstitutional<sup>5</sup>. After the United States intervened to defend the constitutionality of the Act, the district court rejected Tenenbaum's motion without prejudice to allow Tenenbaum to challenge the constitutionality of any award ultimately issued by the jury. The district court also considered and rejected a fair use defense put forth by Tenenbaum.

A five-day jury trial was held from July 27 to July 31, 2009. Following the conclusion of testimony, the district court partially granted Sony's motion for judgment as a matter of law, holding that Sony owned the thirty copyrights at issue and that Tenenbaum infringed those copyrights through his downloading and distribution activities. The court left to the jury the questions of (1) whether Tenenbaum's infringement was willful and (2) the amount of statutory damages to be awarded. In instructing the jury, the court informed it of the statutory range Congress had established for willful and non-willful infringements and articulated a non-exhaustive list of factors it could consider in determining the damage award.

The jury found that Tenenbaum had willfully

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<sup>5</sup> Tenenbaum argued that the statutory damages available under 17 U.S.C. § 504(c) are excessive so as to violate due process, and that the Copyright Act effectively creates an unconstitutional delegation of prosecutorial functions by creating a private right of action to enforce copyright protections. The second argument is not made on appeal.

infringed each of Sony's thirty copyrighted works. The jury returned a damage award, within the statutory range, of \$22,500 per infringement, which yielded a total award of \$675,000.

Tenenbaum filed a post-trial motion seeking a new trial on various grounds<sup>6</sup> or a reduction of the jury's award. Tenenbaum argued that although the jury's award fell within the statutory range prescribed by Congress, (1) common law remittitur was both available to the court and appropriate in this case, and (2) the award was excessive such that it violated due process. The court rejected Tenenbaum's arguments for a new trial.

Regarding the size of the award, the court declined to decide the common law remittitur issue, based on its assumption that Sony would not agree to a reduction of the 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 would arise, so, in its view decision on the issue was inevitable. The court itself then found that the award violated due process,

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<sup>6</sup> He argued a new trial should be granted on the grounds that the court had erred in rejecting Tenenbaum's fair use defense; that the court erred in its evidentiary ruling to exclude portions of a November 2005 letter from Tenenbaum in which he offered to destroy any illegally downloaded files as part of settlement negotiations; that the court's jury instructions were improper, primarily because they informed the jury of the statutory range for damages; and that statutory damages should not be available to Sony because Sony never offered evidence that they suffered more than nominal damages.

over objections that it utilized an impermissible standard, and reduced the award from \$22,500 per infringement to \$2,250 per infringement for a total award of \$67,500.

## **B. *Factual Background***

We recite the underlying facts in the light most favorable to the jury's verdict. *Analysis Grp., Inc. v. Cent. Fl. Invs., Inc.*, 629 F.3d 18, 20 (1st Cir. 2010).

### **1. *The Music Recording Industry and Peer-to-Peer Networks***

Plaintiffs are several of the largest recording companies in the United States, and engage in discovering, developing, and marketing music recording artists and distributing the musical works those artists record. They hold exclusive rights to copy and distribute various music recordings under United States copyright law, including the thirty recordings at issue in this case, and their primary source of revenue is the sale of those recordings.

Plaintiffs only sell copies of their copyrighted recordings for profit. They never sell licenses to their copyrighted works that include rights to upload recordings to the internet for public consumption. The value of such a blanket license would be enormous, as the grant of such a license would deprive the companies of their source of income and profits and essentially drive them out of business.<sup>7</sup>

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<sup>7</sup> A representative of Universal Music Group testified,

In the late 1990s, copyrighted music recordings, including those held by the plaintiffs, began to appear on file-sharing software called “peer-to-peer networks” without the authorization of the copyright holders.

Peer-to-peer networks enable individuals both to make digital files stored on their own computers available to other network users and to download such files from the computers of others. Files shared between users of these networks do not pass through a central computer, but are instead exchanged directly from one user’s computer to another. Through the use of these peer-to-peer networks, the unauthorized and illegal downloading and distribution of copyrighted materials—especially music recordings—became commonplace. *See Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 919–20, 923 (2005) (describing operation of peer-to-peer networks and noting that their advent has likely resulted in copyright infringement on a “staggering” scale). Because music recordings are loaded onto peer-to-peer networks in digital form, recordings downloaded from peer-to-peer networks are virtually indistinguishable from recordings purchased through lawful means, making enforcement difficult.

The proliferation of these networks from 1999

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“If the suggestion is that we could somehow give these [recordings] to people and tell them, do with them what you will, we lose complete control over our assets, we cannot make money off those assets, and that defeats the whole purpose of our existence.”

onward and the piracy they enable has had a significant negative impact on the recording industry. Between 1999 and 2008, the recording industry as a whole suffered a fifty percent drop in both sales and revenues, a figure plaintiffs attribute to the rise of illegal downloading. This reduction in revenues has, in turn, diminished recording companies' capacities to pursue, develop and market new recording artists. It also affected the companies' employees. The loss in revenues has resulted in a significant loss of industry jobs. Sony BMG Music Entertainment and Warner Music Group, for example, each have suffered a fifty percent reduction in workforce since 2000.

Shortly after peer-to-peer networks first appeared, plaintiffs acknowledged the threat they posed to their industry and initiated a broad campaign to address the illegal infringement of copyrighted materials. They started educating the public that downloading and distributing copyrighted songs over peer-to-peer networks constituted illegal copyright infringement. Plaintiffs also brought legal actions as part of their campaign, and initially targeted the proprietors of peer-to-peer networks, not the individuals who actually used those networks to illegally procure and distribute copyrighted materials. *See, e.g., id.* at 940 (holding network may be held liable for copyright infringement undertaken by third party network users where network promotes such infringements even if network has other, legal uses). Although these litigation efforts succeeded at shutting down particular networks, individual infringers continued to engage in illegal conduct by finding new peer-to-peer networks

through which to download copyrighted songs.

Consequently, record companies began to identify and pursue legal actions against individual infringers. The industry identified Internet Protocol (IP) addresses of users known to be engaged in a high volume of downloading and distributing copyrighted materials, and initiated lawsuits against those users. *See Atl. Recording Corp. v. Heslep*, No. 06–CV–132, 2007 WL 1435395 at \*1–3 (N.D. Tex. May 16, 2007) (detailing recording industry’s litigation efforts). These suits began in 2002 and were widely publicized.<sup>8</sup>

## **2. Tenenbaum’s Conduct**

Tenenbaum was an early and enthusiastic user of peer-to-peer networks to obtain and distribute copyrighted music recordings. He began downloading and distributing copyrighted works without authorization in 1999. In that year, he installed the Napster peer-to-peer network on his desktop computer at his family’s home in Providence, Rhode Island. He used Napster both to download digital versions of copyrighted music recordings from other network users and to distribute to other users digital versions of copyrighted music recordings already saved on his own computer.

Because it enabled copyright infringement, *see*

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<sup>8</sup> We are aware of only one other action against an individual that has proceeded to trial. *See Capitol Records, Inc. v. Thomas–Rasset*, No. 06–1497, 799 F. Supp. 2d 999 (D. Minn. July 22, 2011).

*A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001), the Napster network was shut down in 2001. This did not stop Tenenbaum from downloading and distributing copyrighted works; he instead began using other peer-to-peer networks for the same illegal purposes. These networks included AudioGalaxy, iMesh, Morpheus, Kazaa, and Limewire. Tenenbaum shifted to these other networks after Napster's termination despite his knowledge that Napster was forced to close on account of a lawsuit brought against it for copyright infringement.

Tenenbaum continued to download and distribute copyrighted materials through at least 2007. During that time span he accessed a panoply of peer-to-peer networks for these illegal purposes from several computers. From 1999 until 2002, he primarily downloaded and distributed copyrighted works to and from his desktop computer at his family's home in Providence. He left home to attend Goucher College in Baltimore, Maryland, in 2002, at which point he began using a laptop to download and distribute copyrighted works. Following his graduation from Goucher in 2006, he began using a second laptop for these purposes in tandem with his other computers. Over the duration of Tenenbaum's conduct, he intentionally downloaded thousands of songs to his own computers from other network users. He also purposefully made thousands of songs available to other network users. He did this in the period after lawsuits were brought, and publicized, against individuals who downloaded and distributed music without authorization. At one point in time in 2004 alone, Tenenbaum had 1153 songs on his

“shared-directory” on the Kazaa network.<sup>9</sup> Any of those files within Tenenbaum’s shared directory could be easily downloaded by other Kazaa users. Although there was no way to determine the exact number of times other users had downloaded files from Tenenbaum’s shared directory, it was frequent. Most of the networks Tenenbaum used had a “traffic tab” that informed him of the frequency with which other users were downloading his shared files. Tenenbaum regularly looked at the traffic tab, and he admitted it “definitely wasn’t uncommon” for other users to be downloading materials from his computer.

Tenenbaum knew that his conduct, both his downloading and distribution, was illegal and received warnings the industry had started legal proceedings against individuals. He received several warnings regarding the potential liability his actions carried with them. While Tenenbaum was at Goucher College in 2002, his father, Dr. Arthur Tenenbaum, called him to warn him that his use of peer-to-peer networks to obtain and distribute music recordings was unlawful. Dr. Tenenbaum knew that his son was illegally downloading music because, prior to leaving for college, Tenenbaum had showed

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<sup>9</sup> MediaSentry, the third party firm that Sony retained to identify individuals engaged in the illegal downloading and distribution of copyrighted recordings, discovered the 1153 songs in Tenenbaum’s Kazaa shared-directory on August 10, 2004. MediaSentry then downloaded portions of 1148 of the 1153 files and verified that the files were the actual songs identified in each file’s title, and that Tenenbaum had actually made copyrighted materials available for unauthorized copying.

his father the array of songs that could be downloaded from the Kazaa network. After Dr. Tenenbaum became aware that lawsuits were being brought against individuals who used file-sharing programs to download and distribute music, he instructed Tenenbaum not to continue to engage in such conduct. Dr. Tenenbaum testified that, during their conversation, Tenenbaum did not appear concerned about the consequences of his actions. Despite his father's request, Tenenbaum continued his illegal activity.

Tenenbaum also received direct warnings from Goucher College. Each year Tenenbaum received a Goucher student handbook warning that using the college's network to download and distribute copyrighted materials was illegal, but he did so anyway. The handbook also warned that illegally downloading and distributing music files could subject the copyright infringer to up to \$150,000 of liability per infringement, alerting Tenenbaum to his potential exposure for violating the law. The Fall 2003 handbook issued to Tenenbaum at the start of his sophomore year cautioned:

To avoid the risk of potential lawsuits due to copyright infringement, the college is advising students to carefully restrict the use of file sharing applications to material that is legal to share. . . . Persons found to be infringed may be held liable for substantial damages and attorneys fees. The law entitles a plaintiff to seek statutory damages of \$150,000 for each act of

willful infringement. . . . In addition, if you violate copyright law by engaging in file sharing, you may be subject to discipline and other applicable college policy.

Tenenbaum received handbooks containing similar language during each of his four years at Goucher, but was unfazed and continued.

Tenenbaum also knew the college took this seriously and had itself acted to stop this illegal activity. By the end of his undergraduate studies at Goucher, the school had implemented so many technological restrictions on its network—which he knew were designed to prevent illegal downloading of music files—that peer-to-peer programs “wouldn’t work at all.”

The Tenenbaums’ internet service provider at home in Providence, Cox Communications, also warned against using the internet to illegally infringe copyrighted materials. In 2003, for example, the terms of service they offered to their customers prohibited customers from using the internet service “to post, copy, transmit or disseminate any content that infringes the patents, copyrights, trade secrets, trademarks or proprietary rights of any party.” It further provided that “Cox assumes no responsibility, and you assume all risks regarding the determination of whether material is in the public domain or may otherwise be used by you for such purposes.”

In a September 2005 letter, plaintiffs

themselves informed Tenenbaum that he had been detected infringing copyrighted materials and notified him that his conduct was illegal. The letter stated: “We are writing in advance of filing suit against you in the event that you have an interest in resolving these claims.”<sup>10</sup> The letter urged Tenenbaum to consult with an attorney immediately, and explained that the recording companies were prepared to initiate a legal action against Tenenbaum because of the severe impact of his actions on the industry:

Copyright theft is not a victimless crime. People spend countless hours working hard to create music—not just recording artists and songwriters, but also session players, backup singers, sound engineers and other technicians. In addition, the music industry employ thousands of other people, such as CD-plant workers, warehouse personnel, record store clerks and developers of legitimate online music services. They all depend on sale of recordings to earn a living. So do record companies, which routinely invest millions of dollars to discover and sign promising artists, and then to produce and market their recordings. In addition, piracy eats away at the investment dollars

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<sup>10</sup> Tenenbaum contacted Sony as a result of the letter. While there were some settlement discussions, the parties were unable to resolve the matter.

available to fund new music and, in effect, erodes the future of music.

The letter also instructed Tenenbaum to preserve any relevant evidence including “the entire library of recordings that you have made available for distribution as well as any recordings you have downloaded . . . .”<sup>11</sup>

The letter from Sony resulted in a conversation between Tenenbaum and his mother regarding his use of peer-to-peer networks. During that conversation, Tenenbaum claimed that it was “impossible . . . to know” who was responsible for the infringements referenced in Sony’s letter.

Despite these warnings and his knowledge that he was and had been engaging in illegal activity which could subject him to liability of up to \$150,000 per infringement, Tenenbaum continued the illegal downloading and distribution of copyrighted materials until at least 2007—a full two years after receiving the letter from Sony. He stopped his activity only after this lawsuit was filed against him.

Strong evidence established that Tenenbaum lied in the course of these legal proceedings in a number of ways. In his initial responses to Sony’s

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<sup>11</sup> After receiving this letter, Tenenbaum nonetheless took his laptop computer for repairs and had its operating system reinstalled and its hard drive reformatted. At trial, Tenenbaum maintained that he only had work done on the computer because “the thing wouldn’t run,” and that he instructed the computer repairman not to tamper with the music files stored on his computer.

discovery requests, Tenenbaum represented he “had no knowledge or recollection of online media distribution systems used or any dates” of such use. He also denied creating or using the “subliméguy14@kazaa” account name that he had used to access various peer-to-peer networks, and he denied any knowledge of whether a peer-to-peer network had been installed on his computer.

At trial, however, Tenenbaum admitted that each of these statements he had made was false. He made numerous admissions in his testimony as to the scope of his conduct from 1999 until 2007. He admitted to installing peer-to-peer networks on his computer, including Kazaa, Limewire, Audio Galaxy, iMesh, and Morpheus, so that he could download and upload music with “the least amount of wasted effort.” He admitted that he created the “subliméguy14@kazaa” user account, downloaded songs from the networks using that account, and placed materials in shared folders on those networks so that other users could download the materials onto their own computers. On some occasions, he believed he was the first person to upload a particular music recording onto the network. He testified that he placed between 600 and 5,000 songs on the Goucher College peer-to-peer network for others to download. He further testified that he also copied illegally downloaded songs onto CDs and USB drives, both for personal use and to give to other individuals. He also explicitly admitted liability for downloading and distributing the thirty sound recordings at issue in the case.

Before the trial, Tenenbaum also attempted to

shift responsibility for his conduct to other individuals by claiming they could have used his computer in order to illegally download and distribute the copyrighted works. These individuals included a foster child living in his family's home, burglars who had broken into the home, his family's house guest, and his own sisters. His sisters and others he blamed testified that they had never illegally downloaded music and had no knowledge of who installed the file sharing software on Tenenbaum's computer.

Finally, when asked at trial about his efforts to attribute the blame for his actions to others, Tenenbaum admitted his own responsibility: "I used the computer, I uploaded, I downloaded music, this is what I did, that's how it is, I did it."

## II.

### *Tenenbaum's Challenges to the Constitutionality and Applicability of the Copyright Act*

Tenenbaum presents three arguments that he is not subject to the Copyright Act. First, Tenenbaum argues that the Copyright Act is unconstitutional under *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, (1998). *Feltner* held that the Seventh Amendment entitles a defendant to have a jury determine the amount of statutory damages under § 504(c), although Congress had provided that judges, not juries, would render statutory damage awards. He argues that *Feltner* somehow renders the statutory damages provision unconstitutional until Congress chooses to amend the statute.

Second, Tenenbaum argues that Congress did not intend the Act to impose either liability or statutory damages where the copyright infringements at issue amount to what he calls “consumer copying.”

Third, Tenenbaum argues that statutory damages are unavailable to Sony because, in his view, statutory damages, as a matter of Congressional intent, cannot be awarded absent a showing of actual harm, and he claims there was no harm.

We review such legal and constitutional questions de novo. *United States v. S. Union Co.*, 630 F.3d 17, 24 (1st Cir. 2010). None of these arguments has merit.

**A. *Constitutionality of the Copyright Act After Feltner***

Tenenbaum did not clearly make the argument that *Feltner* renders 504(c) unconstitutional to the district court, and so it is waived. See *Dillon v. Select Portfolio Servicing*, 630 F.3d 75, 82 (1st Cir. 2011).

Even were the argument not waived, it is both wrong and foreclosed by our circuit precedent. In *Segrets, Inc. v. Gillman Knitwear Co.*, 207 F.3d 56 (1st Cir. 2000), we considered *Feltner*’s impact on a claim for statutory damages under § 504(c). We held that *Feltner* required remand to the district court so that a jury could determine both whether the infringements at issue were willful and the proper

measure of statutory damages, necessarily rejecting any notion that statutory damages under § 504(c) were no longer available after *Feltner*. *Id.* at 63. We followed the same reasoning in *Venegas–Hernandez v. Sonolux Records*, 370 F.3d 183, 191–94 (1st Cir. 2004) (interpreting and applying § 504(c) after *Feltner*).

Our sister circuits have likewise concluded that *Feltner* did not render § 504(c) unconstitutional. *See, e.g., BMG Music v. Gonzalez*, 430 F.3d 888, 892–93 (7th Cir. 2005) (upholding statutory damages award under § 504(c) despite claim that *Feltner* rendered such an award unconstitutional); *Columbia Pictures Television, Inc. v. Krypton Broad. of Birmingham, Inc.*, 259 F.3d 1186, 1192 (9th Cir. 2001) (rejecting argument that *Feltner* rendered “statutory damages provision of the Copyright Act . . . unconstitutional in its entirety” and concluding *Feltner* “in no way implies that copyright plaintiffs are no longer able to seek statutory damages under the Copyright Act”).

This conclusion is also required by Supreme Court precedent. Where the Court has found a particular federal statute to deprive defendants of jury rights in violation of the Seventh Amendment,<sup>12</sup>

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<sup>12</sup> It is also clear that Congress continues to intend that the Copyright Act be fully operational as to statutory damages after *Feltner*. Congress amended § 504(c) after the Supreme Court had decided *Feltner*. *See* Digital Theft Deterrence and Copyright Damages Improvement Act of 1999, Pub. L. No. 106–160, 113 Stat. 1774 (amendment increasing the statutory damage boundaries). “Congress is presumed to be aware of . . . [a] judicial interpretation of a statute and to adopt that

the Court has deemed the offending portions of the statute inoperative while leaving the statute otherwise intact. *See, e.g., Tull v. United States*, 481 U.S. 412, 417 n. 3 (1987) (upholding enforceability of Clean Water Act even though “[n]othing in the language of the . . . Act or its legislative history implies any congressional intent to grant defendants the right to a jury trial” and the Seventh Amendment required that defendants be given such a jury trial right).

**B. *The Copyright Act and “Consumer–Copier” and Publisher–Copier Copyright Infringement***

Tenenbaum argues to us that Congress never intended for the Copyright Act to impose liability or statutory damages against what he calls “consumer copiers.” That argument was not presented to the district court and is waived.<sup>13</sup>

Even were the argument not waived, it must fail. We start with the inaccuracy of the labels that Tenenbaum’s argument uses. Tenenbaum is not a “consumer-copier,” a term he never clearly defines. He is not a consumer whose infringement was merely

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interpretation if it re-enacts a statute without change.” *Forest Grove Sch. Dist. v. T.A.*, 557 U.S. 230 (2009) (quoting *Lorillard v. Pons*, 434 U.S. 575, 580, (1978)).

<sup>13</sup> Although in the district court Tenenbaum raised the argument that the Copyright Act does not extend to consumer conduct as a reason why the jury’s statutory damage award should be reduced, he did not present the argument, as he does here, as a basis to exempt his actions from liability altogether.

that he failed to pay for copies of music recordings which he downloaded for his own personal use. Rather, he widely and repeatedly copied works belonging to Sony and then illegally distributed those works to others, who also did not pay Sony. Further, he received, in turn, other copyrighted works for which he did not pay. Nor can Tenenbaum assert that his was merely a “non-commercial” use and distribution of copyrighted works as those terms are used elsewhere in the Act.<sup>14</sup> His use and distribution was for private gain and involved repeated and exploitative copying.

Our analysis begins with the language of the Act, which we “construe . . . in its context and in light of the terms surrounding it.” *Succar v. Ashcroft*, 394 F.3d 8, 23 (1st Cir. 2005) (quoting *Leocal v. Ashcroft*, 543 U.S. 1, 9, (2004)) (internal quotation marks omitted). “It is well established that, when the

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<sup>14</sup> In the criminal infringement context, Congress has extended liability to, inter alia, those who infringe “for purposes of commercial advantage or private financial gain.” 17 U.S.C. § 506. Congress has made it clear, however, that this designation applies even absent direct monetary profit. *See* 17 U.S.C. § 101. It has defined “financial gain” to include “receipt, or expectation of receipt, of anything of value, including the receipt of other copyrighted works.” *Id.*

Under the “fair use” exception, which is not available to Tenenbaum, what constitutes a commercial use has also been interpreted broadly. *See A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1015 (9th Cir. 2001) (“Direct economic benefit is not required to demonstrate a commercial use. Rather, repeated and exploitative copying of copyrighted works, even if the copies are not offered for sale, may constitute a commercial use.”).

statutory language is plain, we must enforce it according to its terms.” *Jimenez v. Quarterman*, 555 U.S. 113, 118 (2009).

In addition to the factual inaccuracy of his labels, Tenenbaum’s argument that the Copyright Act immunizes his conduct from liability is contradicted by the plain language of the statute. The Copyright Act does not make the distinctions he urges between “consumer” and “non-consumer” infringement of copyrighted materials by copying and distribution. Instead, the Act renders those, like Tenenbaum, who use or distribute a copyrighted work without authorization liable in copyright. Indeed, the Act does not use the term “consumer” at all, much less as a term excluded from the category of infringers. Rather, the statute refers to “anyone” as potential infringers. 17 U.S.C. § 501(a).

The Act explicitly grants owners of “works of authorship”<sup>15</sup> exclusive rights to, inter alia, “reproduce the copyrighted work in copies or phonorecords” and “distribute copies or phonorecords of the copyrighted work to the public by sale or other

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<sup>15</sup> Sound recordings constitute “works of authorship” that receive copyright protection. See 17 U.S.C. § 102(a)(7).

Tenenbaum implies that digital media should be treated differently than conventional music recordings. However, 17 U.S.C. § 102(a) makes no such distinction, and in fact explicitly provides that copyright protection exists “in original works of authorship fixed in *any* tangible medium of expression, *now known or later developed*, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” (Emphasis added).

transfer of ownership, or by rental, lease, or lending.” 17 U.S.C. § 106. By the plain language of § 106, copyright owners, like Sony, have the exclusive right to reproduce copyrighted works in copies or phonorecords and to distribute those copies or phonorecords.

The Copyright Act contains no provision that could be interpreted as precluding a copyright owner from bringing an action against an infringer solely because the infringer was a consumer of the infringed products or acted with a so-called noncommercial purpose in his distribution of the works to others. Apart from the reality that the facts of record support neither characterization, 17 U.S.C. § 501(a) provides that “*anyone* who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 . . . is an infringer of the copyright.” (Emphasis added). Further, under 17 U.S.C. § 501(b), “the legal or beneficial owner of an exclusive right under a copyright is entitled . . . to institute an action for *any* infringement of that particular right committed while he or she is the owner of it.” (Emphasis added). Had Congress intended to limit copyright actions against so-called “consumer infringers” as Tenenbaum hypothesizes, it easily could have done so. See *Ali v. Fed. Bureau of Prisons*, 552 U.S. 214, 227–28, (2008). Instead, subject to exceptions not relevant here, it extended liability to “*anyone*” who violates a copyright owner’s exclusive rights and allowed those owners to pursue actions against “*any* infringement.” 17 U.S.C. § 501 (emphasis added).

Moving from liability to damages,

Tenenbaum's argument that statutory damages are not available here is also refuted by the plain statutory language. Section 504 provides that "*an infringer of copyright* is liable for either . . . the copyright owner's actual damages and any additional profits of the infringer . . . or statutory damages." (Emphasis added). The statute does not condition the availability of either set of damage calculations on whether the offending use was by a consumer or for commercial purposes or not.

Congress drew distinctions in the Copyright Act where it meant to do so. For example, it distinguished between willful and non-willful infringements, subjecting willful infringers to a higher cap on statutory damage awards. *See* 17 U.S.C. § 504(c).

Where Congress wanted the Act to draw distinctions based on the nature of the use it also did so explicitly, such as with the fair use defense. *See* 17 U.S.C. § 107 (providing for fair use limitation on owner's exclusive rights and identifying the "purpose and character of the use" including "whether such use is of a commercial nature or is for nonprofit educational purposes" as a factor to consider in determining applicability of fair use limitation).<sup>16</sup>

Further, where Congress intended to create other exceptions for solely personal or non-commercial use, it did so expressly. In two amendments which do not apply here, it drew such

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<sup>16</sup> Tenenbaum does not claim on appeal that his conduct falls under the fair use doctrine.

distinctions: (1) the Sound Recording Act of 1971, Pub. L. No. 92–140, 85 Stat. 391, which fully extended federal copyright protections to sound recordings but exempted certain reproductions of sound recordings made for personal use, and (2) the Audio Home Recording Act of 1992 (AHRA), Pub. L. No. 102–563, 106 Stat. 4237, codified at 17 U.S.C. § 1001 *et seq.*, which provided some exemptions in other situations from copyright liability for infringements “based on the noncommercial use by a consumer.”<sup>17</sup> 17 U.S.C. § 1008.<sup>18</sup> These statutes refute Tenenbaum’s argument.

Because Congress has enumerated a set of express exceptions, rules of statutory interpretation instruct that Congress intended to make no other exceptions than those specified. *See Tenn. Valley Auth. v. Hill*, 437 U.S. 153, 188 (1978) (finding under *maxim expressio unius est exclusio alterius* that enumerated exceptions are the sole exceptions intended within the Endangered Species Act); *see*

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<sup>17</sup> *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 430 n. 11 (1984) (declining to express an opinion on scope of 1971 Act’s exceptions for noncommercial uses).

<sup>18</sup> To take the point further, although the AHRA created immunity for some unauthorized, noncommercial uses of copyrighted materials, Congress explicitly declined to extend immunity to individuals who use home computers to copy copyrighted materials. *See* 17 U.S.C. § 1001(3); *see also Recording Indus. Ass’n of Am. v. Diamond Multimedia Sys., Inc.*, 180 F.3d 1072, 1078 (9th Cir. 1999) (“Under the plain meaning of the [AHRA’s] definition of digital audio recording devices, computers (and their hard drives) are not digital audio recording devices because their ‘primary purpose’ is not to make digital audio copied recordings.”).

also *Russello v. United States*, 464 U.S. 16, 23 (1983) (“[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.”) (quoting *United States v. Wong Kim Bo*, 472 F.2d 720, 722 (5th Cir. 1972)) (internal quotation marks omitted).

The clarity of the statutory text compels the rejection of Tenenbaum’s arguments. When a statute speaks with clarity to an issue, “judicial inquiry into the statute’s meaning, in all but the most extraordinary circumstance, is finished.” *Estate of Cowart v. Nicklos Drilling Co.*, 505 U.S. 469 (1992). It is not within the province of the courts to rewrite Congressional statutes: that task is “for Congress to accomplish by further legislation.” *United States v. Harriss*, 347 U.S. 612, 620 (1954); see also *Logan v. United States*, 552 U.S. 23, 26–27 (2007) (refusing to stray from statutory text).

Asking us to ignore the text and the plain meaning of the statute, Tenenbaum argues Congress was unaware that suits like this could be brought and so could not have intended the statute to apply here. The argument is wrong both on the law and on the facts.

Congress did contemplate that suits like this were within the Act. Congress last amended the Copyright Act in 1999 to increase the minimum and maximum awards available under § 504(c). See Digital Theft Deterrence and Copyright Damages Improvement Act of 1999, Pub. L. No. 106–160, 113

Stat. 1774. At the time, Congress specifically acknowledged that consumer-based, noncommercial use of copyrighted materials constituted actionable copyright infringement. Congress found that “copyright piracy of intellectual property flourishes, assisted in large part by today’s world of advanced technologies,” and cautioned that “the potential for this problem to worsen is great.” H.R. Rep. No. 106–216, at 3 (1999), 1999 WL 446444, at \*2. Indeed, the legislative history directly addresses this concern:

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. The advent of digital video discs, for example, will enable individuals to store far more material than on conventional discs and, at the same time, produce perfect secondhand copies. . . . 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. 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.*<sup>19</sup>

Even earlier, in 1997, Congress had explicitly amended the criminal component of the Copyright Act to make clear that criminal liability for copyright infringement can be imposed even if an infringer's use of a copyrighted material is noncommercial. *See* No Electronic Theft Act (NET Act), Pub. L. No. 105–147, 111 Stat. 2678. The NET Act was enacted in response to *United States v. LaMacchia*, 871 F. Supp. 535 (D. Mass. 1994), in which a court had barred prosecution of a student charged with wire fraud because even though he enabled others to download copyrighted software applications at no cost, he received no commercial gain from his activities and the criminal statute precluded prosecution where there was no commercial benefit conferred.

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<sup>19</sup> Tenenbaum argues that the 1999 Amendment predated the widespread use of peer-to-peer networking sites, and observes that the 1999 Digital Theft Deterrence Act was first introduced in May 1999, a full month before the launch of Napster's file sharing network. Again, the factual premise is wrong. The Act was not signed into law until December 1999, at which point Napster was itself operational.

Moreover, Congress had in 1997 already acknowledged the advent of "audio-compression" technologies that "permit[ ] infringers to transmit large volumes of CD-quality music over the internet" in enacting the No Electronic Theft Act, Pub. L. No. 105–147, 111 Stat. 2678. *See* H.R.Rep. No. 105–339, at 4 (1997), 1997 WL 664424, at \*4.

Congress made clear that it enacted the NET Act to “criminalize[ ] computer theft of copyrighted works, whether or not the defendant derives a direct financial benefit from the act(s) of misappropriation, thereby preventing such willful conduct from destroying businesses, especially small businesses, that depend on licensing agreements and royalties for survival.” H.R. Rep. 105–339, at 5 (1997), 1997 WL 664424, at \*5.

Tenenbaum’s argument that we may ignore the plain language of the statute and Congressional intent because relatively few lawsuits were brought against those in his position also goes nowhere. Again, both the factual and legal contentions are wrong.

Even if we assume that copyright owners have historically chosen first to litigate against the providers of new technologies of reproduction and dissemination rather than the users of those new technologies, see Tussey, *Technology Matters: The Courts, Media Neutrality, and New Technologies*, 12 J. Intell. Prop. L. 427 (2005), that may best be explained by the owners using a cost-benefit analysis, and says nothing about Congressional intent. Historically, the costs of prosecuting infringement actions against individual users could be thought by owners to have exceeded the benefits. That the copyright owners have turned to litigation against individual infringers only underscores that the balance of the copyright holder’s cost-benefit analysis has been altered as peer-to-peer networks and digital media become more prevalent.

In any event, the argument is legally irrelevant. The Supreme Court has expressly instructed that courts apply the Copyright Act to new technologies. In *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), the Court instructed that courts must “[a]pply[ ] the copyright statute, as it now reads, to the facts as they have been developed” even though Congress might ultimately “take a fresh look at this new technology, just as it so often has examined other innovations in the past.” *Id.* at 456.

The Supreme Court has made clear that it is particularly important for courts to take this tack when faced with novel Copyright Act issues. “[F]rom its beginning, the law of copyright has developed in response to significant changes in technology,” and as “new developments have occurred in this country, it has been the Congress that has fashioned the new rules that new technology made necessary.” *Id.* at 430–31. We reject Tenenbaum’s invitation to usurp Congress’s legislative authority and to disregard binding Supreme Court precedent.

**C. *Statutory Damages under 17 U.S.C. § 504 and Actual Harm***

Tenenbaum next argues that the statutory damages provision is nonetheless inapplicable because, in his view, as a matter of law there can be no statutory damages where “harm caused by a particular defendant has not been proved.” Again, he is wrong both as a matter of law and on the facts of record.

The district court properly rejected Tenenbaum’s proffered interpretation of § 504. Section 504 clearly sets forth two alternative damage calculations a plaintiff can elect: actual damages and statutory damages. *See* 17 U.S.C. § 504(a) (providing that “an infringer of copyright is liable for *either* . . . the copyright owner’s actual damages and any additional profits of the infringer . . . *or* statutory damages”) (emphasis added).

Under § 504(b), a plaintiff may elect to receive “the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages.”

Alternatively, under § 504(c), “the copyright owner may elect, at any time before final judgment is rendered, to recover, *instead of actual damages and profits*, an award of statutory damages for all infringements involved in the action, with respect to any one work.” (Emphasis added). The statute makes clear that statutory damages are an independent and alternative remedy that a plaintiff may elect “instead of actual damages.”

Section 504’s text reflects Congress’s intent “to 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.” *Douglas v. Cunningham*, 294 U.S. 207, 209 (1935). The Supreme Court explained that before statutory damages were available, plaintiffs, “though proving infringement,” would

often be able to recover only nominal damages and the “ineffectiveness of the remedy encouraged willful and deliberate infringement.” *Id.* The Supreme Court has since reaffirmed that “[e]ven 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.” *F.W. Woolworth Co. v. Contemporary Arts*, 344 U.S. 228, 233 (1952) (upholding statutory damage award of \$5,000 for infringement even when actual damages of only \$900 were demonstrated); *see also L.A. Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 100, 106 (1919) (finding the language chosen by Congress “shows that something other than actual damages is intended—that another measure is to be applied in making the assessment”).<sup>20</sup>

Tenenbaum’s argument also rests on the faulty assertion that Sony did not offer evidence of the harm it suffered as a result of Tenenbaum’s conduct. Tenenbaum downloaded the thirty copyrighted works at issue and distributed those works to innumerable network users. Sony presented extensive testimony regarding the loss in value of the copyrights at issue that resulted from Tenenbaum’s conduct, and the harm of Tenenbaum’s actions to itself and the recording industry, including reduced income and profits, and consequent job loss to employees.

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<sup>20</sup> The statute at issue in *L.A. Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 100 (1919), contained the phrase “in lieu of actual damages.” By contrast, 17 U.S.C. § 504(c) provides that statutory damages are available “instead of actual damages and profits.” The point is the same.

**III.**  
***Tenenbaum’s Challenges to the Jury***  
***Instructions***

Tenenbaum challenges the district court’s jury instructions on several grounds, all but one of which were not preserved for appeal, and all of which fail.

We review preserved challenges to jury instructions de novo, and “look to the challenged instructions in relation to the charge as a whole, ‘asking whether the charge in its entirety—and in the context of the evidence—presented the relevant issues to the jury fairly and adequately.’ ” *Kennedy v. Town of Billerica*, 617 F.3d 520, 529 (1st Cir. 2010) (quoting *Goodman v. Bowdoin Coll.*, 380 F.3d 33, 47 (1st Cir. 2004)). Even if the instructions were erroneous, we reverse only if the error “is determined to have been prejudicial based on a review of the record as a whole.” *Mass. Eye & Ear Infirmary v. QLT Phototherapeutics, Inc.*, 552 F.3d 47, 72 (1st Cir. 2009).

Absent adequate objections to the instructions, our review is for plain error, which requires that Tenenbaum show (1) that there was error, (2) that it was plain, (3) that it likely altered the outcome, and (4) that it was sufficiently fundamental to threaten the fairness, integrity or public reputation of the judicial proceedings. *Gray v. Genlyte Grp., Inc.*, 289 F.3d 128, 134 (1st Cir. 2002); *Estate of Keatinge v. Biddle*, 316 F.3d 7, 16 (1st Cir. 2002). “The standard is high, and ‘it is rare indeed for a panel to find plain

error in a civil case.” *Diaz–Fonseca v. Puerto Rico*, 451 F.3d 13, 36 (1st Cir. 2006) (quoting *Chestnut v. City of Lowell*, 305 F.3d 18, 20 (1st Cir. 2002) (en banc) (per curiam)).

**A. *Tenenbaum’s Preserved Challenge to the District Court’s Instruction as to the Statutory Damage Range Under § 504(c)***

Tenenbaum’s only preserved instructional challenge is that the district court erred by instructing the jury about the range of statutory damages available to Sony under § 504(c).<sup>21</sup> The district court instructed the jury that “[t]he Copyright Act entitles a plaintiff to a sum of not less than \$750 and not more than \$30,000 per act of infringement (that is, per sound recording downloaded or distributed without license) as you consider just.” The court further instructed: “If you find that the defendant’s infringement of a copyrighted work was willful, the Copyright Act entitles a plaintiff to a sum of not less than \$750 and not more than \$150,000 per act of infringement (that is, per sound recording downloaded or distributed without license), as you consider just.” The court

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<sup>21</sup> The statutory damage range was also set forth on the jury verdict form. “District courts have ‘considerable discretion about the formulation, nature, and scope of the issues’ on a special verdict form.” *Uphoff Figueroa v. Alejandro*, 597 F.3d 423, 434 (1st Cir.2010) (quoting 9B Wright, Miller & Kane, *Federal Practice and Procedure* § 2506, at 119 (2d ed. 1995)). Because we conclude that the district court did not err in instructing the jury of the statutory damage range under § 504(c), Tenenbaum’s like challenge to the jury verdict form also fails.

then instructed as to a set of non-exhaustive factors that the jury might wish to consider in issuing its award, including:

the nature of the infringement; the defendant's purpose and intent, the profit that the defendant reaped, if any, and/or the expense that the defendant saved; the revenue lost by the plaintiff as a result of the infringement; 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 and other potential infringers.

Tenenbaum does not object to that portion of the instructions.

Tenenbaum argues that the statutory damage range should not have been disclosed to the jury and that the instructions presented the statutory damage range "unmoored from the overall statutory scheme and the context of other cases." Tenenbaum proposes that instead the district court should only have instructed the jury to return an award the jury deemed "just" and then the court should have adjusted the award to fall within the statutory range after the jury made its determination. This argument is, of course, at considerable tension with Tenenbaum's argument that damages within the statutory range are unconstitutional.

The instruction given as to the statutory

damage range was an accurate statement of the law and clearly informed the jury of the range of damages it could award under § 504(c). As such there was no error. *See United States v. Mardirosian*, 602 F.3d 1, 10 (1st Cir. 2010) (upholding jury instructions because they “provided a clear, accurate description of the substantive law”).

It is commonplace for courts to explicitly instruct juries of the maximum and minimum statutory damage awards permitted under § 504(c). *See, e.g., In re Frye*, No. 08–1055, 2008 WL 8444822, at \*3 (B.A.P. 9th Cir. Aug. 19, 2008) (noting jury awarded the statutory maximum under § 504(c)); *Yurman Design, Inc. v. PAJ, Inc.*, 93 F. Supp. 2d 449, 462 (S.D.N.Y. 2000) (noting plaintiff elected to seek statutory damages, “and the jury was provided instructions concerning such damages”), *rev’d in part on other grounds*, 262 F.3d 101 (2d Cir. 2001). Several model federal jury instructions also explicitly enumerate the range of statutory damages under 504(c). *See, e.g.,* 3B K. O’Malley, J. Grenig & W. Lee, *Federal Jury Practice and Instructions—Civil* § 160.93 (5th ed. 2011) (including within model the instruction that “plaintiff . . . has elected to recover ‘statutory damages’ instead of plaintiff’s actual damages and profits” and that “[u]nder the Copyright Act, plaintiff . . . is entitled to a sum of not less than \$750 or more than \$30,000 as you consider just”); *Ninth Circuit Manual of Model Civil Jury Instructions* § 17.25 (including within model the instruction that the “amount you may award as statutory damages is not less than \$750, nor more than \$30,000 for each work you conclude was infringed”); Holbrook & Harris, *ABA Model Jury*

*Instructions: Copyright, Trademark, and Trade Dress Litigation* § 1.7.7 (2008) (same). Each set of model jury instructions also notes that the maximum statutory damage award under § 504(c) is increased if the defendant's copyright infringement is determined to be willful. *Cf. Fraser v. Major League Soccer, L.L.C.*, 284 F.3d 47, 62 (1st Cir. 2002) (noting that district court's instructions tracked ABA model jury instructions in rejecting objection to instructions).

There is no viable argument that the instruction violated Congressional intent. Where Congress has sought to prevent juries from knowing that their awards will be reduced to be within statutory caps, it has explicitly said so in the relevant statute. *See, e.g.*, 42 U.S.C. § 1981a(c)(2) (providing that "the court shall not inform the jury of the limitations" on awards of damages in intentional employment discrimination cases under Title VII). There is no such prohibition here.

Tenenbaum nonetheless argues that because Congress initially enacted the statute on the understanding that judges, not juries, would award statutory damages, it must be error to tell the jury what the limits are.<sup>22</sup> He also argues that the Supreme Court "failed to provide any structure for guiding the jury's use of the wide power shifted to it" within its holding in *Feltner* that the Seventh

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<sup>22</sup> Citing psychological studies but not law, Tenenbaum argues that informing the jury of the statutory damage range was reasonably likely to have had an "anchoring effect" that erroneously skewed the jury's award determination.

Amendment entitles a defendant to have a jury determine the amount of § 504(c) damages. *Feltner*, however, raises no objection to a jury's being informed of the statutory range. In any case, this argument is simply a variant of Tenenbaum's claim that *Feltner* somehow renders § 504(c) inoperable, which we have already rejected.

Moreover, after *Feltner*, had Congress wished to prevent juries from being informed of the bottom and top ranges of permissible statutory damages, it easily could have done so. Instead, Congress amended the statute after *Feltner* to expand the range of damages, and did so without placing any limitation as to how courts should instruct juries in such cases. See Digital Theft Deterrence and Copyright Damages Improvement Act of 1999, Pub. L. No. 106–160, 113 Stat. 1774.

The district court's instructions on the range of statutory damages were not erroneous, let alone prejudicial.

## **B. *Tenenbaum's Remaining Challenges to the Jury Instructions***

Tenenbaum raises a series of unreserved additional objections to the jury instructions which we review for plain error.

- 1. *The Unreserved Challenge that the District Court Should Have First Determined then Instructed the Jury on the Court's Assessment of Constitutional Limits on the Award***

Tenenbaum argues that the district court erred by only instructing the jury as to the statutory boundaries for the damages award and failing, sua sponte, to inform the jury of the constitutional boundaries for the award. Tenenbaum asked for no such instruction, and the argument is waived. Even had the argument not been waived, there was no error.

Inherent in his argument is the proposition that before a case goes to the jury, the trial court must make its own assessment of the constitutional limits on damages and so instruct the jury. That is exactly backwards. *See St. Louis, I.M. & S. Ry. Co. v. Williams*, 251 U.S. 63, 66–67 (1919) (considering constitutional limits on statutory damage award after jury issued award). Tenenbaum’s proposal itself could raise Seventh Amendment concerns about judicial usurpation of the jury’s function. There was no error.

***2. The Unpreserved Argument that the District Court Was Required to Instruct the Jury Not to Consider Injury Suffered by Other Recording Companies or Injuries Caused by Copyright Infringers Other Than Tenenbaum***

The district court properly instructed the jury on Tenenbaum’s conduct and the plaintiffs’ harms the jury could consider in making its determination. It specifically listed the nature of Tenenbaum’s infringement, Tenenbaum’s purpose and intent, the “revenue lost by the plaintiff as a result of the infringement,” the duration of the infringement, and

the defendant's continuation of infringement after learning of the copyright claims.

Tenenbaum argues that the district court sua sponte should have provided additional instruction to focus the jury. Again, the argument is waived. Even were it not waived, the court did not err. Tenenbaum appears to be arguing that the jury also had to be told it could not consider damages resulting from the illegal downloading and distribution of copyrighted materials suffered by other recording companies besides the named plaintiffs or from other unrelated filesharing by others.<sup>23</sup> This is a hypothetical concern, not a real one in this case.

Tenenbaum purports to rely on language in *Philip Morris USA v. Williams*, 549 U.S. 346, 357 (2007), that where there is a significant risk that the jury might take into account harm caused to non-party victims by the defendant, “a court, *upon request*, must protect against that risk.” (Emphasis added). Tenenbaum made no such request to the trial court.<sup>24</sup> Nor does he point to any authority that

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<sup>23</sup> He argues that because Sony offered testimony regarding the harmful effects all filesharing, not just Tenenbaum's infringements, has had on the recording industry at large, and not only the named plaintiffs, the court was required to instruct the jury sua sponte to “consider only harms by the named defendant that flowed *to* the named plaintiffs.”

<sup>24</sup> Tenenbaum has twice waived this argument. First, we reject his assertion that he preserved it by offering the following proposed jury instructions: “While there may be evidence relating to other downloading and sharing, the only issue of infringement or fair use that is before you concerns these . . . songs. . . [Y]ou may only award damages, if any, as to those . . . songs.” This did not inform the court that Tenenbaum

requires a court to provide a *Philip Morris*-type instruction sua sponte.

*Philip Morris* does not help him, in any event. There was not a substantial risk of the jury's going astray. The court's entirely correct instruction foreclosed that risk. The jury was never urged to consider damages (1) caused by other copyright infringers or (2) suffered by other recording companies. Indeed, in his closing argument, Tenenbaum's counsel made clear that "it's what Joel did that is here in issue and [the question is] what's appropriate in response to what Joel did," and Sony's counsel likewise stated that applying damages for "what Joel did" was "exactly what we want you to do." The court's jury instructions as a whole focused exclusively on Tenenbaum's actions and the resulting harm to the plaintiffs.

### **3. *The Unpreserved Argument that the***

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sought an instruction regarding harm done by other infringers or suffered by other recording companies given that *Tenenbaum* engaged in other downloading and sharing beyond the thirty songs at issue. See *Linn v. Andover Newton Theological Sch., Inc.*, 874 F.2d 1, 5 (1st Cir. 1989) ("If there is a problem with the instructions, the judge must be told *precisely* what the problem is, and as importantly, what the attorney would consider a satisfactory cure.")

Moreover, after the court gave the jury its instructions, Tenenbaum raised no objection on these grounds whatsoever. "[E]ven if the initial *request* is made in detail, the party who seeks but did not get the instruction must object *again* after the instructions are given but before the jury retires for deliberations." *Gray v. Genlyte Grp., Inc.*, 289 F.3d 128, 134 (1st Cir. 2002).

***District Court Was Sua Sponte Required to Additionally Instruct that Statutory Damages Could Not Be Awarded Unless They Were Related to Actual Damages***

The district court did instruct the jury to issue an award within the statutory range that it deemed to be just, and highlighted a number of factors it could use for guidance. Tenenbaum argues that the district court erred by failing, sua sponte, to add an additional instruction that as a matter of law statutory damages cannot be awarded unless reasonably related to actual damages.

Tenenbaum's argument fails the first step of the plain error analysis. His proposed instruction itself would have been error. In § 504, Congress drew a plain distinction between actual and statutory damages, making it clear that the availability of statutory damages is not contingent on the demonstration of actual damages. *See* 17 U.S.C. § 504. Statutory damages are available even for "uninjurious and unprofitable invasions of copyright." *F.W. Woolworth Co.*, 344 U.S. at 233.

We join our sister circuits, who have rejected similar objections to jury instructions. *See New Form, Inc. v. Tekila Films, Inc.*, 357 Fed.Appx. 10, 11–12 (9th Cir. 2009) ("There is no required nexus between actual and statutory damages under 17 U.S.C. § 504(c)."); *Superior Form Builders, Inc. v. Dan Chase Taxidermy Supply Co.*, 74 F.3d 488, 496–97 (4th Cir. 1996); *see also Lowry's Reports, Inc. v. Legg Mason, Inc.*, 302 F. Supp. 2d 455, 460 (D. Md. 2004) (rejecting argument that court should have

instructed the jury “that the amount of statutory damages should bear a reasonable relationship to actual damages”).

***4. The Unpreserved Argument that the District Court Erred in Instructing the Jury that Finding Willful Infringement Under § 504 Only Requires a Finding that a Defendant Knowingly Infringed Copyrighted Materials***

Finally, Tenenbaum challenges the district court’s instruction that “willful infringement” “means that a defendant had knowledge that his actions constituted copyright infringement or acted with reckless disregard for the copyright holder’s rights.” The argument is wrong and is based on a misreading of the statute.

Tenenbaum argues that, as used in § 504, a “willful infringement” must require more than a showing that the defendant had knowledge his actions constituted copyright infringement. He argues this must be so because non-willful infringement itself requires the defendant to have had such knowledge. As a result, merely requiring that an infringement be “knowing” to be “willful” would eliminate the distinction between non-willful and willful infringements that Congress sought to create in enacting § 504.

Tenenbaum’s argument rests on the false premise that knowledge is an element of non-willful copyright infringement under the Copyright Act. To the contrary, the Act contains no requirement that a

particular violation of copyright be knowing to constitute a non-willful infringement.<sup>25</sup> See 17 U.S.C. § 501; see also *Fitzgerald Publ'g Co. v. Baylor Publ'g Co.*, 807 F.2d 1110, 1113 (2d Cir. 1986) (“Under § 501(a) intent or knowledge is not an element of infringement.”).

We join our sister circuits who have unanimously and routinely found that an infringement is willful under § 504 if it is “knowing.” See, e.g., *Bridgeport Music, Inc. v. UMG Recordings, Inc.*, 585 F.3d 267, 278 (6th Cir. 2009) (rejecting challenge to jury instruction that, under § 504(c), “[a]n infringement is willful when a defendant engaged in acts that infringed a copyright and knew that those actions may infringe the copyright”) (alteration in original); *Zomba Enters., Inc. v. Panorama Records, Inc.*, 491 F.3d 574, 584 (6th Cir. 2007); *Lyons P’ship, L.P. v. Morris Costumes, Inc.*, 243 F.3d 789, 799–800 (4th Cir. 2001). Cf. *Yurman Design, Inc.*, 262 F.3d at 111 (finding plaintiff is “not required to show that the defendant had knowledge that its actions constitute[d] an infringement” for

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<sup>25</sup> 17 U.S.C. § 504(c)(2)’s so-called “innocent infringement” provision does not lend support to Tenenbaum’s theory that knowledge is an element for non-willful infringement under the Act. A defendant cannot prove that he or she qualifies for a reduction of damages under § 504(c)(2) merely by showing that he or she lacked knowledge that his or her actions constituted copyright infringement. Rather, a plaintiff may still recover the full measure of statutory damages available for non-willful infringement even against an *unknowing* infringer if the infringer had “*reason to believe* that his or her acts constituted an infringement of copyright.” 17 U.S.C. § 504(c)(2) (emphasis added).

infringement to be willful under § 504(c) so long as defendant recklessly disregarded the risk of infringement) (citation omitted) (internal quotation marks omitted).

The district court correctly instructed the jury. There was no error as to the finding of liability against Tenenbaum.

#### IV.

#### *The District Court's Bypassing of Common Law Remittitur and Reducing the Award on Disputed Constitutional Grounds*

After handling the trial with great skill, the district court committed reversible error when, after the jury awarded statutory damages, it bypassed the issue of common law remittitur, and instead resolved a disputed question of whether the jury's award of \$22,500 per infringement violated due process, and decided itself to reduce the award. The court declined to adhere to the doctrine of constitutional avoidance on the ground that it felt resolution of a constitutional due process question was inevitable in the case before it. A decision on a constitutional due process question was not necessary, was not inevitable, had considerable impermissible consequences, and contravened the rule of constitutional avoidance. That rule had more than its usual import in this case because there were a number of difficult constitutional issues which should have been avoided but were engaged.

Facing the constitutional question of whether the award violated due process was not inevitable.

The district court should first have considered the non-constitutional issue of remittitur, which may have obviated any constitutional due process issue and attendant issues. Had the court ordered remittitur of a particular amount, Sony would have then had a choice. It could have accepted the reduced award. Or, it could have rejected the remittitur, in which case a new trial would have ensued. *See* 11 Wright, Miller & Kane, *Federal Practice and Procedure* § 2815, at 160 (2d ed. 1995).

In reaching and deciding that due process constitutional question, the district court also unnecessarily decided several related constitutional issues. The court determined that the statutory damage award was effectively a punitive damage award for due process purposes and applied the factors set forth in *BMW v. Gore*, 517 U.S. 559 (1996), to assess its constitutionality. The court declined to apply the *Williams* standard the Supreme Court had previously applied to statutory damage awards. *See Tenenbaum*, 721 F. Supp. 2d at 103. The district court's tack also led to unnecessary resolution of Seventh Amendment issues. The decision to reduce the jury's award without offering Sony a new trial implicitly presupposed that, in reducing a statutory damage award issued by a jury, a court need not offer plaintiffs the option of a new jury trial in order to comport with the Seventh Amendment.

The United States, concerned with defending the constitutionality of the Copyright Act and its statutory damage provision, argues that the district court erred by unnecessarily reaching *Tenenbaum's*

constitutional challenge to the award and bypassing the question of common law remittitur.<sup>26</sup> The United States alternatively argues that, if the due process issue were reached, the district court was required to apply the *Williams* due process standard. The United States points out an inferior federal court may not displace the Supreme Court's on point holding. The United States also raises Seventh Amendment concerns.

We agree with the position of the United States that the district court erred when it prematurely reached a constitutional question of whether the jury's award was excessive so as to violate due process. We reverse the reduction of the award, reinstate the original jury verdict and award, and remand for consideration of the common law remittitur question.

**A. *District Court Damages Proceedings***

We provide a more detailed review of the relevant district court proceedings.

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<sup>26</sup> On appeal, both Tenenbaum and Sony argue error, but neither challenges the district court's decision to bypass the question of common law remittitur. They instead focus on whether the court chose the correct due process standard to evaluate whether the award was so excessive as to violate the constitution. Tenenbaum argues the *Gore* factors provide the correct due process analysis and that even the reduced award violates due process under that standard. Sony argues that the *Williams* due process standard must apply, that under it the original award issued by the jury never violated due process, and that the district court erred in reducing the award.

After the jury verdict awarding Sony \$22,500 per infringement, Tenenbaum filed a motion for a new trial or remittitur pursuant to Federal Rule of Civil Procedure 59. Absent a grant of a new trial, he sought remittitur to the statutory minimum. Tenenbaum argued the court should use the standard that remittitur is appropriate where the result of the 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.” *Correa v. Hosp. S.F.*, 69 F.3d 1184, 1197 (1st Cir. 1995) (quoting *Segal v. Gilbert Color Sys., Inc.*, 746 F.2d 78, 81 (1st Cir. 1984)) (internal quotation marks omitted). Tenenbaum separately argued the award was unconstitutionally excessive under the standard for reviewing punitive damage awards articulated in *Gore*.

Sony opposed, arguing there was no factual basis for a remittitur given both the evidence and that the evidence had to be taken in the light most favorable to the prevailing party. See *E. Mountain Platform Tennis, Inc. v. Sherwin-Williams Co.*, 40 F.3d 492, 502 (1st Cir. 1994). It also argued that the district court lacked authority to displace a jury verdict which was in the statutory range set by Congress and that to hold otherwise would violate the Seventh Amendment. With regard to Tenenbaum’s due process arguments, Sony argued that *Williams* set forth the proper standard, and not *Gore*. Sony also argued that under either the *Williams* or *Gore* standards, the award was not unconstitutionally excessive.

The United States took a different approach. It

took no position on whether Tenenbaum had met the standard for remittitur (or a new trial). Rather, the United States stated that the canon of constitutional avoidance required the district court to first consider the question of common law remittitur, regardless of whether the award merited remittitur or not. If the court did address the constitutional question, the United States argued that the standard set forth in *Williams* was appropriate and that the court should reject the *Gore* guideposts for assessing punitive damages because punitive damages are a distinct remedy from statutory damages. The United States also took the position that an award within the Copyright Act's statutory damage range comported with due process.

At the hearing on Tenenbaum's motion, the court asked counsel for plaintiffs to hypothesize as to what his clients' position would be if the court were to order a reduction or remittitur of the award. Understandably, plaintiffs' counsel did not take a firm position; he said his clients would have to consider the amount and other factors but thought it unlikely such a remittitur would be acceptable. If there were a remittitur, then, he said, the court could not reach the due process question of an excessive award because to do so would deprive plaintiffs of their Seventh Amendment right to a jury trial. Plaintiffs also argued that on the evidence, there was no basis for remittitur.

At that hearing, the United States repeated its position that the court was required to decide the remittitur question first in order to avoid any constitutional issues and that if plaintiffs rejected

remittitur, the remedy was a new trial; the court could not go on to decide a constitutional due process issue as to the award. If the court did decide a constitutional due process issue as to the excessiveness of the award, the government argued, it was required to apply *Williams*, which had not been overruled.

Rejecting the position of the United States, the court bypassed remittitur, reached a constitutional due process issue, and ruled the award excessive under *Gore*. It reduced the award from \$675,000 to \$67,500 and did not give plaintiffs the option of a new trial.

The court stated its reason for bypassing the decision on common law remittitur. It treated plaintiffs' statements at the hearing as foreclosing any possibility of plaintiffs accepting remittitur, regardless of what amount the court might set for the award and despite plaintiffs' stated and careful reservations on the point. *See Tenenbaum*, 721 F. Supp. 2d at 88. From this, the court reasoned that a new trial was inevitable; it then assumed that a jury would inevitably award a damages sum which would lead Tenenbaum to again raise a constitutional excessiveness challenge, and that the court which heard the new trial would then have to consider those and other objections again.<sup>27</sup> *Id.* From these

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<sup>27</sup> These reasons are based on assumptions, not facts. Sony could not have decided its course of action if remittitur were allowed unless it knew the amount. Further, if Sony chose a new trial on damages, no one knows what sum a new jury would award, or whether that award would be challenged as excessive.

assumptions, the court reasoned it might as well decide those issues then and there.<sup>28</sup> *Id.*

**B. *The District Court Erred by Unnecessarily Reaching and Deciding the Question of Whether the Jury’s Award Was Unconstitutionally Excessive***

The principle of constitutional avoidance, rooted in Article III as well as in principles of judicial restraint, and in this case implicating the Due Process Clause and the Seventh Amendment right to jury trial, governs both this court and the district court and requires that we vacate and remand.

It is bedrock that the “long-standing principle of judicial restraint requires that courts avoid reaching constitutional questions in advance of the necessity of deciding them.” *Lyng v. Nw. Indian Cemetery Protective Ass’n*, 485 U.S. 439, 445 (1988); *see also Camreta v. Greene*, — U.S. —, 131 S.Ct. 2020, 2031 (2011) (noting rule that courts must avoid resolving constitutional questions unnecessarily). “[P]rior to reaching any constitutional questions, federal courts must consider nonconstitutional grounds for decision.” *Buchanan v. Maine*, 469 F.3d 158, 172 (1st Cir. 2006) (quoting *Gulf Oil Co. v.*

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<sup>28</sup> The district court also attempted to justify its decision to bypass remittitur by making certain rulings on the merits of the constitutional issue. For example, the district court reasoned that the “differences between the [*Gore* and *Williams*] approaches are, in practice, minimal[.]” a disputed issue. *Sony BMG Music Entm’t v. Tenenbaum*, 721 F. Supp. 2d 85, 101 (D. Mass. 2010).

*Bernard*, 452 U.S. 89, 99 (1981)) (internal quotation marks omitted). No valid reason justified abandonment of this doctrine in this case. The abandonment of the rule instead thrust the case into a thicket of constitutional issues it was not necessary to enter.

It was not necessary for the district court to reach the constitutional question of whether the jury's award of \$22,500 per infringement was so excessive as to violate due process. If the district court had ordered remittitur, there would have been a number of possible outcomes that would have eliminated the constitutional due process issue altogether, or at the very least materially reshaped that issue.

The issue of whether the award violated due process and the Seventh Amendment issue would both have been eliminated if remittitur had been ordered and Sony had accepted the remitted award. Alternatively, if remittitur had been ordered but Sony had declined the remitted award, a new trial would have ensued. The jury could have issued an award that would not have led Tenenbaum to again seek a reduction on either common law remittitur or due process grounds.

Even if Sony had declined any remitted award given and opted for a new trial, even if a different jury issued a comparable award, and even if Tenenbaum 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. A new trial could

have materially reshaped the nature of the constitutional issue by altering the amount of the award at issue or even the evidence on which to evaluate whether a particular award was excessive.

In this way, reaching the constitutional question before ordering remittitur not only contravened the doctrine of constitutional avoidance, it also led the court to address questions that had not yet been fully developed. Federal courts do not answer such hypothetical questions. *See Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 241 (1937) (Under Article III, judicial power is constrained to “real and substantial controvers[ies] admitting of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts”); *see also Bisbal–Ramos v. City of Mayaguez*, 467 F.3d 16, 27 (1st Cir. 2006) (vacating district court’s reduction of compensatory damages, remanding so that court may issue remittitur, and refusing to address constitutionality of punitive damage award because, upon remand, plaintiff might opt for a new trial and “it would be premature . . . to approve a punitive damages award based on the compensatory award from the first trial”).

The path the court chose unnecessarily embroiled it in several issues of a constitutional dimension. The first was whether the due process standard for statutory damage awards articulated by the Supreme Court in *Williams* was applicable. The next was whether, if there was leeway and reason to bypass the *Williams* standard, the *Gore* standard, some combination of *Williams* and *Gore*, or some

other standard should be used to evaluate whether the statutory damage award violated due process. We briefly describe the two due process standards to demonstrate the nature of the question to be avoided.

In *Williams*, the Supreme Court considered a challenge to an Arkansas statute that subjected railroads to penalties of “not less than fifty dollars, nor more than three hundred dollars and costs of suit,” for each offense of charging passengers fares that exceeded legal limits. *See Williams*, 251 U.S. at 64 (quoting Act April 4, 1887 (Laws 1887, p. 227; Kirby’s Digest, 1904, § 6620); Act March 4, 1915 (Laws 1915, p. 365; Kirby & Castle’s Digest, 1916, § 8094)) (internal quotation marks omitted). After the St. Louis, I.M. & S. Railroad collected a fare from two passengers of 66 cents more than the law allowed, the passengers brought suit pursuant to the statute. *Id.* at 63. Each passenger obtained a judgment of 75 dollars plus fees—an award, like the jury’s award at issue here, well within the statutory range. *Id.* The railroad challenged the statutory award as unconstitutionally excessive under the Due Process Clause. *Id.*

The Court acknowledged that the Due Process Clause “places a limitation upon the power of the states to prescribe penalties for violations of their laws,” but noted that “States still possess a wide latitude of discretion in the matter.” *Id.* at 66. This is so, the court reasoned, because “the power of the State to impose fines and penalties for a violation of its statutory requirements is coeval with government; and the mode in which they shall be enforced, whether at the suit of a private party, or at

the suit of the public, and what disposition shall be made of the amounts collected, are merely matters of legislative discretion.” *Id.* (quoting *Mo. Pac. Ry. Co. v. Humes*, 115 U.S. 512, 523 (1885)) (internal quotation marks omitted).

Given the latitude conferred upon legislatures to impose statutory penalties, the Court rejected the railroad’s due process argument. The Court articulated that a statutory damage award violates due process 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.

*Gore* and its progeny address the related but distinct issue of when a jury’s punitive damage award is so excessive as to violate due process. *See Gore*, 517 U.S. at 574. The Court, animated by the principle that due process requires that civil defendants receive fair notice of the severity of the penalties their conduct might subject them to, *id.*, identified three factors to guide a court’s consideration of whether a punitive damage award is so excessive as to deprive a defendant of due process: (1) the degree of reprehensibility of the defendant’s conduct, *id.* at 575–80, (2) the ratio of the punitive award to the actual or potential harm suffered by the plaintiff, *id.* at 580–83, and (3) the disparity between the punitive award issued by the jury and the civil or criminal penalties authorized in comparable cases, *id.* at 583–85.

In Copyright Act award cases, there are many questions regarding the relationship between *Gore*’s

guideposts for reviewing punitive damage awards and the *Williams* standard for reviewing statutory damage awards. One is the relationship between the purposes of statutory damages under the Copyright Act as opposed to the purpose of punitive damages. Another concerns the limits or contours of possible ranges of awards under the different standards. Further, both *Williams* and *Gore* concerned limitations on state-authorized awards of damages, and did not concern Congressionally set awards of damages, which Congress is authorized to do under its Article I powers. This fact in turn raises concerns about intrusion into Congress's power under Article 1, Section 8 of the Constitution.

We note that in *Gore*, the Supreme Court did not overrule *Williams*. See *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”). Nor has the Supreme Court to date suggested that the *Gore* guideposts should extend to constitutional review of statutory damage awards. 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 scope of the potential award. And the only circuit court of which we are aware to directly address the issue declined to apply *Gore* in this context and instead applied the *Williams* test. See *Zomba Enters., Inc. v. Panorama Records, Inc.*, 491 F.3d 574, 587 (6th Cir. 2007). Cf. *Parker v. Time Warner Entm't Co.*, 331 F.3d 13, 22

(2d Cir. 2003) (suggesting, in dicta, that *Gore* might govern due process review of statutory damage awards).

Had the district court ordered remittitur and not reached the constitutional question, it would not have needed to consider these issues or determine the relevant standard for assessing the constitutionality of a Copyright Act statutory damage award.

A decision based on remittitur, under which a new trial must be granted if plaintiffs do not accept the remitted award, also would have avoided another complicated constitutional question, which we describe briefly.

That issue arises under the Seventh Amendment, and is whether a statutory damage award under the Copyright Act may be reduced without offering the plaintiffs a new trial.<sup>29</sup> Neither this court nor the Supreme Court has directly addressed the issue, but the Court's *Feltner* decision must be taken into account.

The usual rule for a general damage award is that a court may not reduce a jury's verdict and effectively impose a remittitur without affording a plaintiff "the option of a new trial when it enter[s]

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<sup>29</sup> The Seventh Amendment provides that, "In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law." U.S. Const. amend. VII.

judgment for the reduced damages.” *Hetzel v. Prince William Cnty.*, 523 U.S. 208, 211 (1998); *see also Dimick v. Schiedt*, 293 U.S. 474, 486–87 (1935) (affirming remittitur power of courts but noting that where a verdict is set aside, the parties retain their right to have a jury determine the measure of damages); *Kennon v. Gilmer*, 131 U.S. 22, 29 (1889) (finding that under the Seventh Amendment a court has no authority to reexamine facts determined by a jury, or to enter “according to its own estimate of the amount of damages which the plaintiff ought to have recovered . . . an absolute judgment for any other sum than that assessed by the jury”). Citing *Hetzel*, we have held a trial court’s reduction in compensatory damages must, to avoid Seventh Amendment error, allow the plaintiff a new trial. *Bisbal–Ramos*, 467 F.3d at 26 (reversing and remanding for consideration of remittitur where trial court had reduced compensatory damages without offering plaintiffs new trial).

By contrast, there is law indicating that a *punitive* damage award may be reduced on due process grounds (without offering plaintiffs a new trial) without running afoul of the Seventh Amendment. The Supreme Court’s punitive damages jurisprudence suggests as much, but the question has not been directly addressed by the Court. *See State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408 (2003) (finding punitive damage award violated due process); *Gore*, 517 U.S. 559 (same). Some circuits, including our own, have found that “a court may reduce an excessive award of punitive damages without giving the plaintiff the option of a new trial.” *Bisbal–Ramos*, 467 F.3d at 27 (collecting cases); *see*

also *Mendez–Matos v. Municipality of Guaynabo*, 557 F.3d 36, 52 (1st Cir. 2009) (“If we find an award ‘grossly excessive,’ we may ascertain the amount of punitive award that is appropriate and order the district court to enter judgment in such amount.”). But neither *Bisbal–Ramos* nor *Mendez–Matos* decided the question as to a statutory damages award.<sup>30</sup>

In bypassing remittitur and reducing the jury’s award without offering Sony a new trial, the district court assumed that statutory damage awards should be treated largely as punitive, not compensatory, awards for Seventh Amendment purposes. But statutory damages, unlike punitive damages, have both a compensatory and punitive element. *See* 17 U.S.C. § 504(c); *Feltner*, 523 U.S. at 352 (“[A]n award of statutory damages [under § 504(c)] may serve purposes traditionally associated with legal relief, such as compensation and punishment.”); *F.W. Woolworth Co.*, 344 U.S. at 233 (“The statutory rule, formulated after long experience, not merely compels restitution of profit and reparation for injury but also is designed to discourage wrongful conduct.”).

Further, the Supreme Court’s analysis of a different Seventh Amendment issue in *Cooper Industries, Inc. v. Leatherman Tool Group, Inc.*, 532

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<sup>30</sup> Additionally, some courts have suggested that even under *Gore*, a court must give plaintiff the option of a new trial when it reduces a punitive damages award on due process grounds. *See S. Union Co. v. Irvin*, 563 F.3d 788, 790 (9th Cir. 2009); *Lee v. Edwards*, 101 F.3d 805, 813 (2d Cir. 1996).

U.S. 424, 437 (2001) suggests that punitive damage awards do not implicate the Seventh Amendment for reasons that do not apply to statutory damage awards. In *Cooper*, the Court observed that the Seventh Amendment provides only that “no *fact tried* by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law,” U.S. Const. amend. VII (emphasis added), and reasoned that “the level of punitive damages is not really a ‘fact’ ‘tried’ by the jury,” *Cooper Indus.*, 532 U.S. at 437 (quoting *Gasperini v. Ctr. for Humanities, Inc.*, 518 U.S. 415, 459 (1996) (Scalia, J., dissenting)) (internal quotation mark omitted). But statutory damage awards are different. In *Feltner*, the Supreme Court determined that “the Seventh Amendment provides a right to a jury trial on all issues pertinent to an award of statutory damages under § 504(c) of the Copyright Act, including the amount itself.” *Feltner*, 523 U.S. at 355.

The point here is not for us to decide these issues, but merely to describe them to show the importance of adherence to the doctrine of constitutional avoidance. The courts of appeals are likewise bound by that doctrine, and we are required to apply it here.<sup>31</sup>

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<sup>31</sup> Sony rather weakly asserts remittitur is not available where, as here, an award falls within a prescribed statutory range. We do not take as given the questionable proposition that in enacting the Copyright Act, Congress intended to eliminate the common law power of the courts to consider remittitur. Common law remittitur has roots deep in English and American jurisprudence. See *Honda Motor Co. v. Oberg*,

## V.

**Conclusion**

This was a difficult and contentious case and the parties received a fair trial from an admirably patient and able district judge.

We affirm the finding of liability against Tenenbaum and in favor of plaintiffs. We affirm the injunctive relief. We have, *inter alia*, rejected Tenenbaum's arguments that the Copyright Act is unconstitutional under *Feltner*, 523 U.S. 340, that the Act exempts so-called "consumer copying" infringement from liability and damages, that statutory damages under the Act are unavailable without a showing of actual harm, that the jury's

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512 U.S. 415, 424–26 (1994); *Dimick v. Schiedt*, 293 U.S. 474, 482–83 (1935) (citing *Blunt v. Little*, Fed. Cas. No. 1,578, 3 Mason 102 (1822) (Story, J.)). We see no reason to think Congress meant to override this aspect of the common law.

In the post-*Feltner* amendment of the Copyright Act, Congress said nothing evidencing an intent to eliminate remittitur. See Digital Theft Deterrence and Copyright Damages Improvement Act of 1999, Pub. L. No. 106–1060, 113 Stat. 1774. Congress is presumed to legislate incorporating background principles of common law unless it indicates to the contrary. See *Bd. of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, — U.S. —, 131 S. Ct. 2188, 2196, (2011) (rejecting statutory interpretation that conflicts with "two centuries of patent law"); *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 109 (1991) ("Congress is understood to legislate against a background of common-law adjudicatory principles."). Further, the principle of remittitur is embodied in Federal Rule of Civil Procedure 59. Thus, the district court's decision not to consider remittitur as requested appears to be contrary to Congressional intent.

instructions were in error, and his various trial error claims.

We vacate the district court's due process damages ruling and reverse the reduction of the jury's statutory damages award. We reinstate the jury's award of damages and remand for consideration of defendant's motion for common law remittitur based on excessiveness.<sup>32</sup>

If, on remand, the court allows any reduction through remittitur, then plaintiffs must be given the choice of a new trial or acceptance of remittitur.

So ordered.

Costs are awarded to plaintiffs.

Parallel Citations

2011 Copr.L.Dec. P 30,134, 100 U.S.P.Q.2d 1161

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<sup>32</sup> 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.

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721 F. Supp. 2d 85

United States District Court,

D. Massachusetts.

SONY BMG MUSIC ENTERTAINMENT; Warner Bros. Records Inc.; Atlantic Recording Corp.; Arista Records LLC; and UMG Recordings, Inc., Plaintiffs,

v.

Joel TENENBAUM, Defendant.

Civil Action No. 07cv11446-NG. | July 9, 2010.

## **Opinion**

### ***MEMORANDUM & ORDER RE: DEFENDANT'S MOTION FOR NEW TRIAL OR REMITTITUR***

GERTNER, District Judge:

#### **I. INTRODUCTION**

This copyright case raises the question of whether the Constitution's Due Process Clause is violated by a jury's award of \$675,000 in statutory damages against an individual who reaped no pecuniary reward from his infringement and whose individual infringing acts caused the plaintiffs minimal harm. I hold that it is.

Joel Tenenbaum ("Tenenbaum"), the defendant in this action, was accused of using file-sharing software to download and distribute thirty

copyrighted songs belonging to the plaintiffs. The plaintiffs are a group of the country's biggest recording companies.<sup>33</sup> Their lawsuit against Tenenbaum is one of thousands that they have brought against file sharers throughout the country. Tenenbaum, like many of the defendants in these suits, was an undergraduate when his file-sharing was detected.

Although the plaintiffs presented evidence that Tenenbaum illegally downloaded and shared thousands of recordings, the trial focused on his infringement of the plaintiffs' copyrights in thirty songs. As to these songs, Tenenbaum's liability for infringement was not seriously in question. Since he admitted engaging in conduct that clearly constituted copyright infringement at trial, I directed judgment in the plaintiffs' favor on this issue. The only questions for the jury were whether Tenenbaum's infringements were willful and what amount of damages was appropriate.

In Tenenbaum's case, the plaintiffs chose statutory damages over actual damages as the remedy. *See* 17 U.S.C. § 504(a), (c)(1). "Statutory damages" are damages specially authorized by Congress that may be obtained even in the absence of evidence of the harm suffered by the plaintiff or the profit reaped by the defendant. Under the relevant statute, the jury's award could be no less than \$750

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<sup>33</sup> In particular, the plaintiffs are Sony BMG Music Entertainment, Warner Bros. Records Inc., Atlantic Recording Corp., Arista Records LLC, and UMG Recordings, Inc.

for each work that Tenenbaum infringed and no more than \$30,000 or \$150,000, depending on whether the jury concluded that Tenenbaum's conduct was willful. *Id.* § 504(c)(1)-(2). The jury did find that Tenenbaum willfully infringed the plaintiffs' copyrights and imposed damages of \$22,500 per song, yielding a total award of \$675,000.

While that award fell within the broad range of damages set by Congress, Tenenbaum challenged it as far exceeding any plausible estimate of the harm suffered by the plaintiffs and the benefits he reaped. He filed a motion for new trial or remittitur, raising both common law and constitutional grounds.<sup>34</sup> In addition to the plaintiffs opposing Tenenbaum's motion, the United States government also intervened and filed a memorandum in support of the constitutionality of 17 U.S.C. § 504(c) as applied in this case. (Electronic Order Granting United States' Mot. to Intervene, March 25, 2009, Case No. 03-cv-11661-NG); *see also* 28 U.S.C. § 2403(a) (providing that the Attorney General of the United States must be notified of, and may intervene in, any case in which the constitutionality of a federal statute is questioned); Fed.R.Civ.P. 5.1.

Significantly, the common-law doctrine of

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<sup>34</sup> Tenenbaum raised a similar argument in a pretrial motion to dismiss under Federal Rule of Civil Procedure 12(b)(6). (Def.'s Mot. to Dismiss, Case No. 03-cv-11661-NG, document # 779.) I denied Tenenbaum's motion without prejudice to his right to file a post-trial motion challenging the constitutionality of any award the jury might return. (Order re: Def.'s Mot. to Dismiss, Case No. 03-cv-11661-NG, document # 847.)

remittitur would have enabled this Court to entirely avoid the constitutional challenge, always the better choice. Remittitur permits a court to review a jury's award to determine if it 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." *Correa v. Hosp. San Francisco*, 69 F.3d 1184, 1197 (1st Cir. 1995) (quoting *Segal v. Gilbert Color Sys., Inc.*, 746 F.2d 78, 81 (1st Cir. 1984)). If the court so finds, it may reduce the damages, but only if the plaintiffs accept the reduced amount; if they do not, the court is obliged to grant a new trial.

The plaintiffs in this case, however, made it abundantly clear that they were, to put it mildly, going for broke. They stated in open court that they likely would not accept a remitted award. And at a retrial on the issue of damages, I would again be presented with the very constitutional issues that the remittitur procedure was designed to avoid. I am thus obliged to deal with Tenenbaum's constitutional challenge.

For many years, businesses complained that punitive damages imposed by juries were out of control, were unpredictable, and imposed crippling financial costs on companies. In a number of cases, the federal courts have sided with these businesses, ruling that excessive punitive damages awards violated the companies' right to due process of law. These decisions have underscored the fact that the Constitution protects not only criminal defendants from the imposition of "cruel and unusual punishments," U.S. Const. amend. VIII, but also civil defendants facing arbitrarily high punitive awards.

While this body of law is not entirely clear or consistent, it has both a procedural and substantive component. It prevents the awarding of damages without adequate procedural protections, but it also seeks to define the outer limits of what excessive punishment is. Thus, the Supreme Court has held that punitive damages awarded against BMW were grossly excessive, and therefore unconstitutional, in a lawsuit claiming that the manufacturer failed to disclose that the plaintiff's new luxury car had been repainted prior to sale. *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559 (1996). More recently, the Court found unconstitutional damages awarded against the insurance company State Farm in a case claiming it had engaged in bad faith claim settlement practices. *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408 (2003).

To be sure, Tenenbaum's case is different in several respects from the Court's punitive damages jurisprudence. Since the jury's award fell within the range set by Congress, Tenenbaum was arguably on notice of the amount of damages that might be awarded to the plaintiffs. But that fact-notice-does not preclude constitutional review. While the parties disagree as to the content of the review of an award of statutory damages, they agree that some form of constitutional review is appropriate.

In reviewing the jury's award, I must "accord 'substantial deference' to legislative judgments concerning appropriate sanctions for" copyright infringement. *BMW*, 517 U.S. at 583 (quoting *Browning-Ferris Indus. of Vt., Inc. v. Kelco Disposal, Inc.*, 492 U.S. 257, 301 (1989) (O'Connor, J.,

concurring in part & dissenting in part)). There are plainly legitimate reasons for providing statutory damages in copyright infringement actions. They ensure that plaintiffs are adequately compensated in cases where the plaintiffs' actual damages are difficult to prove. They also deter copyright infringement and thereby encourage parties to procure licenses to use copyrighted works through ordinary market interactions.

But since constitutional rights are at issue, deference must not be slavish and unthinking. This is especially so in this case since there is substantial evidence indicating that Congress did not contemplate that the Copyright Act's broad statutory damages provision would be applied to college students like Tenenbaum who file-shared without any pecuniary gain.

I must also accord deference to the jury's verdict. As a general matter, damages are uniquely in the jury's competence. But unlike the Court, the jurors did not have access to data regarding the amount of statutory damages imposed in other copyright infringement actions. A comparison between the jury's award in this case and the statutory damages awards in other copyright cases demonstrates that the jury's award here was a serious outlier. The statutory provision under which the jurors imposed their award also did not offer any meaningful guidance on the question of what amount of damages was appropriate. It merely instructs the fact finder to select an amount within an extraordinarily broad range-which here went from \$22,500 to \$4,500,000 given Tenenbaum's willful

infringement of thirty works-that it “considers just.”  
17 U.S.C. § 504(c)(1)-(2).

Weighing all of these considerations, I conclude that the jury’s award of \$675,000 in statutory damages for Tenenbaum’s infringement of thirty copyrighted works is unconstitutionally excessive. This award is far greater than necessary to serve the government’s legitimate interests in compensating copyright owners and deterring infringement. In fact, it bears no meaningful relationship to these objectives. To borrow Chief Judge Michael J. Davis’ characterization of a smaller statutory damages award in an analogous file-sharing case, the award here is simply “unprecedented and oppressive.” *Capitol Records Inc. v. Thomas*, 579 F. Supp. 2d 1210, 1228 (D. Minn. 2008). It cannot withstand scrutiny under the Due Process Clause.

For the reasons I discuss below, I reduce the jury’s award to \$2,250 per infringed work, three times the statutory minimum, for a total award of \$67,500. Significantly, this amount is more than I might have awarded in my independent judgment. But the task of determining the appropriate damages award in this case fell to the jury, not the Court. I have merely reduced the award to the greatest amount that the Constitution will permit given the facts of this case.

There is no question that this reduced award is still severe, even harsh. It not only adequately compensates the plaintiffs for the relatively minor harm that Tenenbaum caused them; it sends a

strong message that those who exploit peer-to-peer networks to unlawfully download and distribute copyrighted works run the risk of incurring substantial damages awards. Tenenbaum's behavior, after all, was hardly exemplary. The jury found that he not only violated the law, but did so willfully.

Reducing the jury's \$675,000 award, however, also sends another no less important message: The Due Process Clause does not merely protect large corporations, like BMW and State Farm, from grossly excessive punitive awards. It also protects ordinary people like Joel Tenenbaum.<sup>35</sup>

## II. BACKGROUND

Peer-to-peer networks allow users to share with others digital files stored on their computers. *See A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1011-13 (9th Cir. 2001). Although such networks have legitimate uses, they are often used to share copyrighted works without authorization from the copyrights' owners. *See Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 922 (2005) (citing a study showing that nearly 90% of the files available for download on one peer-to-peer network were copyrighted works).

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<sup>35</sup> Although I grant Tenenbaum's motion for a new trial or remittitur insofar as it seeks a reduction of the jury's statutory damages award, I deny the motion in all other respects. In particular, I reaffirm my prior rejection of Tenenbaum's affirmative defense of fair use and deny his request for a new trial based on my admission of a redacted letter that Tenenbaum mailed to the plaintiffs soon after his file-sharing was detected.

In 1999, Tenenbaum began using the peer-to-peer network Napster to download copyrighted sound recordings from other users. He also made copyrighted songs saved on his computer available to other users through his “shared folder.” (See Tr. Tenenbaum Trial Testimony 41:13 to 42:3, 91:16-20, July 30, 2009, Case No. 07-cv-11446-NG, document # 20.) After Napster was forced to shut down for contributing to copyright infringement on a massive scale, see *A & M Records*, 239 F.3d 1004; Matt Richtel, *Napster Is Told To Remain Shut*, N.Y. Times, July 12, 2001, at C7, Tenenbaum transitioned to other peer-to-peer networks, including AudioGalaxy, iMesh, Morpheus, Kazaa, and LimeWire. (Tr. Tenenbaum Trial Testimony 41:13 to 47:9.) From 1999 to approximately 2007, he used these peer-to-peer networks to download and distribute thousands of songs for free and without authorization from the owners of the songs’ copyrights. (Tr. Tenenbaum Trial Testimony 41:13 to 42:3, 91:16-20; Trial Exs. 13, 35 & 43, attached as Exs. D, E & F to Pls.’ Opp’n to Def.’s Mot. for New Trial or Remittitur, Case No. 07-cv-11446-NG, document # 36.)

Tenenbaum was aware that his conduct was illegal. Before he began using Kazaa, he understood that Napster had closed because it was facilitating copyright infringement. (Tr. Tenenbaum Trial Testimony 42:9 to 43:11.) In addition, a student handbook published by Tenenbaum’s undergraduate institution clearly warned that the sharing of copyrighted works over peer-to-peer networks could subject a student to civil liability, criminal penalties, and academic disciplinary action. (Trial Ex. 26 at 11-

12, Ex. G to Pls.' Opp'n to Def.'s Mot. for New Trial or Remittitur.) He even continued to file-share after the plaintiffs sent him a letter demanding that he cease his infringing activities. (See Tr. Tenenbaum Trial Testimony 10:18 to 11:12, 49:5-7, 72:10-23.)

On August 7, 2007, the plaintiffs in this case-five major recording companies-brought suit against Tenenbaum for infringing their registered copyrights through his online downloading and distribution. Instead of accepting responsibility for his actions, Tenenbaum sought to shift blame to his family members and other visitors of his family's home by suggesting that they could have used the file-sharing software installed on his computer. (*Id.* at 17:18 to 21:19.) He admittedly lied in sworn responses to discovery requests. (*Id.* at 89:7-13, 98:12-15.) He also made several misleading or untruthful statements in his deposition testimony. For example, he suggested that a computer he used to download and distribute songs through Kazaa had been destroyed when in fact it had not. (*Id.* at 48:2 to 49:18, 73:12-24, 99:18 to 101:9.)

As explained above, Tenenbaum's liability to the plaintiffs for copyright infringement was never seriously in dispute at trial. In fact, I granted the plaintiffs' motion for judgment as a matter of law on the issue of infringement after Tenenbaum admitted to downloading and distributing the thirty sound recordings at issue in this case. (Electronic Order, July 31, 2009, Case No. 03-cv-11661-NG.) The only issues for the jury, then, were whether Tenenbaum's infringing conduct was willful and how much the plaintiffs should be awarded in damages.

The jury's damages award was governed by 17 U.S.C. § 504. Section 504 provides a copyright owner a choice as to the damages that she may recover from an infringer. The owner may select to recover her actual damages and the infringer's profits, or she may instead elect to recover statutory damages. 17 U.S.C. § 504(a), (c)(1). For an ordinary case of non-willful infringement, permissible statutory damages range from \$750 to \$30,000 per infringed work. *Id.* § 504(c)(1). For a case of willful infringement, the statutory damages range is \$750 to \$150,000. *Id.* § 504(c)(2). If the infringer can prove that she "was not aware and had no reason to believe that his or her acts constituted an infringement of copyright," statutory damages of not less than \$200 may be awarded. *Id.*

The plaintiffs in this case elected to receive statutory damages. As explained above, the jury found that Tenenbaum's infringements were willful and imposed damages of \$22,500 per song, for a total award of \$675,000.

### **III. TENENBAUM'S CHALLENGE TO THE DAMAGES AWARD**

#### **A. Tenenbaum's Constitutional Challenge to the Jury's Award must Be Addressed**

Tenenbaum contends that the jury's award of \$675,000 in statutory damages was grossly excessive and thus violated the Due Process Clause. He suggests, however, that I can avoid reaching the question of the award's constitutionality in a number

of ways. First, I could hold that section 504 does not permit the plaintiffs to receive statutory damages because they have not offered evidence that they suffered more than nominal actual damages. Second, I could order a new trial based on alleged errors in my jury instructions. Third, I could reduce the award under the common law doctrine of remittitur.<sup>36</sup>

Generally, courts prefer to avoid confronting constitutional questions when they can reasonably rest their holdings on other grounds. *See, e.g., Edward J. DeBartolo Corp. v. Fla. Gulf Coast Bldg. & Constr. Trades Council*, 485 U.S. 568, 575 (1988) (“[W]here an otherwise acceptable construction of a statute would raise serious constitutional problems, the Court will construe the statute to avoid such problems unless such construction is plainly contrary to the intent of Congress.”). In this case, however, I cannot easily evade Tenenbaum’s constitutional challenge.

First, his proffered interpretation of section 504 is implausible. Section 504(c)(1) clearly provides that a copyright owner suing for infringement “may elect, at any time before final judgment is rendered,” to recover statutory damages instead of actual damages and the infringer’s profits. 17 U.S.C.

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<sup>36</sup> I could also avoid Tenenbaum’s constitutional challenge by holding that I erred in granting the plaintiffs summary judgment on Tenenbaum’s affirmative defense of fair use or admitting into evidence the redacted text of a letter that Tenenbaum sent to the plaintiffs in November 2005. However, as I discuss in Part IV below, I reject each of these grounds for granting Tenenbaum a new trial.

§ 504(c)(1). The statute does not contain any provision requiring the copyright owner to prove that she suffered more than nominal damages before she may make this election. Tenenbaum does not cite any evidence from section 504's legislative history or any case law that supports his interpretation of the statute. Indeed, every authority confirms what the language of section 504 clearly indicates—statutory damages may be elected even if the plaintiff cannot, or chooses not to, prove that she incurred more than nominal damages. *See, e.g., L.A. News Serv. v. Reuters Television Int'l, Ltd.*, 149 F.3d 987, 996 (9th Cir. 1998); *Harris v. Emus Records Corp.*, 734 F.2d 1329, 1335 (9th Cir. 1984); H.R.Rep. No. 94-1476, at 161 (1976), 1976 U.S.C.C.A.N. 5659, at 5777 (“[T]he plaintiff in an infringement suit is not obliged to submit proof of damages and profits and may choose to rely on the provision for minimum statutory damages.”); 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 14.04[A], at 14-66 (2009). I cannot avoid a difficult constitutional question by adopting an interpretation of a statute that is “plainly contrary to the intent of Congress.” *Edward J. DeBartolo Corp.*, 485 U.S. at 575; *see also Boumediene v. Bush*, 553 U.S. 723, 128 S.Ct. 2229, 2271, 171 L.Ed.2d 41 (2008); *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 345-47 (1998) (refusing to adopt a proposed interpretation of 17 U.S.C. § 504(c) that would have averted the constitutional question of whether the Seventh Amendment protects a party's right to demand that a jury determine the amount of statutory damages to be imposed for copyright infringement).

Tenenbaum's challenge to my jury instructions

also fails. He argues that I should not have instructed the jury in the language of the statute, specifically that its damages award had to fall within the range of \$750 to \$150,000 per infringed work. Instead, he contends that I should merely have instructed the jury to return whatever award it considered “just” without mentioning the statutory minimum and maximum. If the jury’s award then fell outside of the permissible statutory range, I could have adjusted the wayward award to bring it within the bounds set by Congress. My instructions, however, correctly articulated the statutory damages ranges authorized by Congress and did so in a way that was neither confusing nor misleading. *See Davet v. Maccarone*, 973 F.2d 22, 26 (1st Cir. 1992) (“Our focus in examining jury instructions is to determine whether they adequately explained the law or ‘whether they tended to confuse or mislead the jury on the controlling issues.’” (quoting *Brown v. Trs. of Boston Univ.*, 891 F.2d 337, 353 (1st Cir. 1989))). Indeed, as the plaintiffs point out, several pattern jury instructions for copyright infringement cases refer to the minimum and maximum statutorily authorized awards. *See, e.g.*, 3B Kevin F. O’Malley, Jay E. Grenig & Hon. William C. Lee, *Federal Jury Practice and Instructions-Civil* § 160.93 (5th ed. 2001); *Ninth Circuit Manual of Model Civil Jury Instructions* § 17.25 (2007). Absent any evidence that Congress intended to shield jurors from knowledge of section 504(c)’s statutory damages ranges,<sup>37</sup>

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<sup>37</sup> While Congress has instructed courts not to inform juries in Title VII cases that their awards are subject to a statutory ceiling, *see* 42 U.S.C. § 1981a(c)(2); *Sasaki v. Class*, 92 F.3d 232, 236-37 (4th Cir. 1996), it has not compelled courts to take

informing them of the range in which the law requires their award to fall cannot be grounds for a new trial.<sup>38</sup>

Finally, I cannot easily avoid Tenenbaum's constitutional challenge through the remittitur procedure. Remittitur is a common law doctrine that permits a court to reduce an award by a jury that 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." *Correa*, 69

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a similar approach in copyright infringement actions. The fact that Congress spoke to this issue in the context of Title VII cases, while omitting any reference to it in the Copyright Act, suggests that it intended to permit judges to inform juries of section 504(c)'s statutory damages ranges.

<sup>38</sup> I instructed the jurors that they could consider the following non-exhaustive list of factors in awarding statutory damages:

- (a) The nature of the infringement;
- (b) The defendant's purpose and intent;
- (c) The profit that the defendant reaped, if any, and/or the expense that the defendant saved;
- (d) The revenue lost by the plaintiff as a result of the infringement;
- (e) The value of the copyright;
- (f) The duration of the infringement;
- (g) The defendant's continuation of infringement after notice or knowledge of copyright claims; and
- (h) The need to deter this defendant and other potential infringers.

(Jury Instructions 3, Case No. 03-cv-11661-NG, document # 909.) In addition, I informed them that if they found that Tenenbaum's infringements were willful, they could also consider this fact in arriving at a statutory damages award. (*Id.* at 4.)

F.3d at 1197 (quoting *Segal*, 746 F.2d at 81). As a doctrinal matter, the remittitur procedure is distinct from the Supreme Court's recent jurisprudence requiring the reduction of unconstitutionally excessive punitive awards in civil cases and can be employed even in the absence of constitutional concerns. Thus, the procedure in theory provides an avenue for me to avoid Tenenbaum's constitutional challenge while still reducing the jury's award.

Remittitur, however, requires the plaintiffs' cooperation. In deference to a civil litigant's Seventh Amendment right to trial by jury, a court employing the remittitur procedure must offer the plaintiff the option of rejecting the reduced award and instead proceeding to a new trial on the issue of damages. See 11 Charles Alan Wright, Arthur R. Miller & Mary Kay Kane, *Federal Practice and Procedure* §§ 2807, 2815 (2d ed. 1995 & Supp.2010). In contrast, when a court concludes that a jury's award is *unconstitutionally* excessive, it can simply reduce the excessive award without giving the plaintiff the option of a new trial. See *Bisbal-Ramos v. City of Mayaguez*, 467 F.3d 16, 27 (1st Cir. 2006); see also *Mendez-Matos v. Municipality of Guaynabo*, No. 3:05-cv-01599-JP-JA, slip op. at 12 & n. 1 (D.P.R. June 26, 2007) (reducing an excessive punitive damages award on constitutional grounds without giving the plaintiff the option of a new trial), *aff'd*, 557 F.3d 36, 56 (1st Cir. 2009).

The plaintiffs in this case have made it clear that they almost certainly would not accept a remitted award and would instead opt for a new trial. In an analogous file-sharing case in the District

of Minnesota, *Capitol Records Inc. v. Thomas-Rasset*, the recording-company plaintiffs-four of whom are also plaintiffs in this case-rejected a remitted damages award of \$2,250 per infringed work.<sup>39</sup> Notice of Pls.' Decision Re: Remittitur, *Capitol Records, Inc. v. Thomas-Rasset*, No. 06-cv-1497-MJD-RLE (D. Minn. Feb. 8, 2010). At the hearing on Tenenbaum's motion for new trial or remittitur, I specifically asked the plaintiffs' counsel whether they would also reject remittitur in this case. Their attorney answered that "in all likelihood" they would. (Hearing Tr. 4-5, Feb. 23, 2010, Case No. 07-cv-11446-NG, document # 42.)

Thus, it appears that I cannot avoid a new trial on the issue of damages through the remittitur procedure. And at the retrial of damages, I would be forced to confront the very constitutional question that the remittitur procedure was intended to avoid. In particular, I would have to decide whether to limit the range within which the jury could award damages in order to ensure that the jury's award was not constitutionally out-of-bounds. I would also have to consider Tenenbaum's objections to the constitutionality of any award that the new jury returned.

Since Tenenbaum's constitutional challenge appears unavoidable in light of the plaintiffs' stated reluctance to accept a reduced damages award, I will

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<sup>39</sup> The jury had originally awarded \$80,000 per song, for a total award of \$1,920,000. *Capitol Records Inc. v. Thomas-Rasset*, 680 F. Supp. 2d 1045, 1050 (D. Minn. 2010).

not enter an order of remittitur. Instead, I will proceed to consider whether the jury's award violated the Fifth Amendment's Due Process Clause.<sup>40</sup>

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<sup>40</sup> Although I do not employ the remittitur procedure, I reject the plaintiffs' contention that it is unavailable in cases where a jury has returned a statutory damages award under the Copyright Act. See *Thomas-Rasset*, 680 F. Supp. 2d at 1050-51. The Supreme Court's holding in *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 355 (1998), that the Seventh Amendment protects a party's right to a jury determination of statutory damages in a copyright infringement action does not mean that a jury's award of statutory damages is impervious to review for excessiveness under Federal Rule of Civil Procedure 59(a). The Supreme Court has explicitly held that a district court judge's review of a jury's verdict for gross excessiveness is compatible with the Seventh Amendment's guarantee of the right to trial by jury in civil cases. See *Gasperini v. Ctr. for Humanities, Inc.*, 518 U.S. 415, 433 (1996) (noting that the Seventh Amendment does not prohibit a district court from "overturning verdicts for excessiveness and ordering a new trial without qualification, or conditioned on the verdict winner's refusal to agree to a reduction (remittitur)"); *Dimick v. Schiedt*, 293 U.S. 474, 482-85 (1935) (recognizing the constitutionality of remittitur); *Ark. Valley Land & Cattle Co. v. Mann*, 130 U.S. 69, 74 (1889) (noting that remittitur "does not . . . impair the constitutional right of trial by jury" and that "[i]t cannot be disputed that the court is within the limits of its authority when it sets aside the verdict of the jury, and grants a new trial, where the damages are palpably or outrageously excessive"); see also *Blunt v. Little*, 3 F. Cas. 760, 761-62 (C.C.D. Mass.1822) (employing remittitur in an early opinion written by Justice Story, who was at the time sitting as a circuit justice). Since *Feltner* merely held that the Seventh Amendment right to trial by jury applies to the awarding of statutory damages, and since the Seventh Amendment does not prohibit district court judges from ordering a new trial or using the remittitur procedure when a jury's damages award is grossly excessive, *Feltner* does not preclude a court from policing the size of a jury's statutory

## **B. Tenenbaum's Due Process Challenge**

### **1. What standard should the Court employ in evaluating Tenenbaum's constitutional challenge?**

#### **a. *Williams***

Tenenbaum, the plaintiffs, and the U.S. government all agree that the jury's statutory damages award is subject to some form of review under the Due Process Clause. They simply disagree as to the standard that I should use in evaluating whether the jury's award is unconstitutionally excessive. The Supreme Court case most directly on point-and the only one that the plaintiffs and the

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damages award under 17 U.S.C. § 504(c).

Furthermore, if judicial review were not available, section 504(c) would arguably be unconstitutional. In *Honda Motor Co. v. Oberg*, 512 U.S. 415 (1994), the Supreme Court held that states must allow for judicial review of the size of punitive damages awards and thus struck down an amendment to the Oregon Constitution insofar as it had been interpreted by Oregon courts to prohibit judicial review of the amount of punitive damages awarded by a jury. Since statutory damages awards in copyright infringement cases are at least partly punitive because they are intended to deter future infringement, *Oberg* suggests that such awards must be subject to "meaningful and adequate review by the trial court" to satisfy the requirements of the Due Process Clause. *Id.* at 420 (quoting *Pacific Mut. Life Ins. Co. v. Haslip*, 499 U.S. 1, 20 (1991)).

government concede applies to this case-is *St. Louis, I.M. & S. Ry. Co. v. Williams*, 251 U.S. 63 (1919).

In *Williams*, the Supreme Court squarely considered the issue of whether a jury's award within a statutorily prescribed range violated the Due Process Clause. The plaintiffs in the case, two sisters, sued a railroad that charged them 66 cents more than the statutorily prescribed fare. *Id.* at 64. The Arkansas statute under which the sisters brought their suit allowed a jury to assess a penalty of \$50 to \$300 for each overcharge. *Id.* at 63-64. The sisters both obtained judgments of \$75, meaning that the total award was approximately 114 times greater than the 66 cents in damages each sister had incurred. *Id.* at 64. The railroad argued that the award was excessive and violated its right to due process. *Id.* at 66.

In rejecting this claim and upholding the constitutionality of the Arkansas court's awards, the Supreme Court noted that the awards' validity should not be tested merely by comparing the small amount of the overcharges with the magnitude of the judgments obtained by the sisters. *Id.* at 67. Instead, the Court also considered "the interests of the public, the numberless opportunities for committing the offense, and the need for securing uniform adherence to established passenger rates" in assessing the awards' constitutionality. *Id.* The Court ultimately concluded that, when these factors were considered, the jury's awards were constitutionally permissible since they were not "so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable." *Id.*

**b. *The Supreme Court's Punitive Damages Jurisprudence***

Although *Williams* upheld the constitutionality of the Arkansas jury's awards, it recognized the possibility that civil damages may in some instances be so excessive as to violate the Constitution. Over the past two decades, the Supreme Court has built on this insight by constructing a rather elaborate doctrinal framework for testing the constitutionality of punitive damages awards.

The Court's recent punitive damages jurisprudence, which I survey in detail below, is animated by the basic premise that "[t]he touchstone of due process is protection of the individual against arbitrary action of government." *Browning-Ferris Indus. of Vt., Inc. v. Kelco Disposal, Inc.*, 492 U.S. 257, 281 (1989) (Brennan, J., concurring) (quoting *Daniels v. Williams*, 474 U.S. 327, 331 (1986)). By the late 1980s, several Justices were voicing their concern that "skyrocketing" punitive damages awards, especially at the state level, smacked of arbitrariness. *Id.* at 282 (O'Connor, J., concurring in part & dissenting in part). In responding to this perceived problem, the Court has developed standards for evaluating a jury's punitive damages award.

There is no question that these standards have both substantive and procedural components. In other words, while the Supreme Court requires

courts imposing punitive damages to afford defendants certain procedural protections, procedural regularity is not alone sufficient for a punitive damages award to survive scrutiny under the Due Process Clause. Instead, the amount of the award produced by proper procedures must also not be “ ‘grossly excessive’ in relation to [the] legitimate punitive damages objectives” of deterring and punishing misconduct. *BMW*, 517 U.S. at 586 (Breyer, J., concurring); *see also* Blaine Evanson, *Due Process in Statutory Damages*, 3 Geo. J.L. & Pub. Pol’y 601, 602 (2005) (arguing that the “core” of the Court’s punitive damages jurisprudence is a mandate of “ ‘narrow tailoring’ of the award to the state’s *only* legitimate interests: punishing and deterring wrongful conduct”).

In *Browning-Ferris Industries of Vermont, Inc. v. Kelco Disposal, Inc.*, 492 U.S. 257 (1989), one waste-disposal business in Burlington, Vermont, sued another in federal district court for allegedly engaging in anti-competitive practices to monopolize the local market and interfering with the plaintiff’s contractual relations. The jury returned a verdict of \$51,146 in compensatory damages and \$6 million in punitive damages, which corresponds to a ratio of punitive to compensatory damages of approximately 117:1. *Id.* at 262; *see also id.* at 282 (O’Connor, J., concurring in part & dissenting in part). The Court rejected the defendant’s challenge to the award under the Eighth Amendment’s Excessive Fines Clause, holding that the Eighth Amendment “does not constrain an award of money damages in a civil suit when the government neither has prosecuted the action nor has any right to receive a share of the

damages awarded.” *Id.* at 263-64. The Court refused to entertain the defendant’s alternative argument that the jury’s award violated the Due Process Clause because it had failed to raise the argument before the district court or court of appeals. *Id.* at 276-77. Nevertheless, the majority opinion cited *Williams* for the proposition that “the Due Process Clause places outer limits on the size of a civil damages award made pursuant to a statutory scheme.” *Id.* at 276.

In *Pacific Mutual Life Insurance Co. v. Haslip*, 499 U.S. 1 (1991), the plaintiff sued her insurance company for damages she suffered when her health insurance lapsed because the insurance company’s agent misappropriated her premium payments instead of forwarding them to the insurer. *Id.* at 4-6. The Court explicitly subjected the state court’s award of punitive damages to scrutiny under the Due Process Clause and concluded that the award was constitutionally permissible even though it was more than four times the amount of compensatory damages and more than 200 times the plaintiff’s out-of-pocket expenses. *Id.* at 18-24. The Court noted that “unlimited jury discretion . . . in the fixing of punitive damages may invite extreme results that jar one’s constitutional sensibilities.” *Id.* at 18. The Court, however, concluded that the award did not violate the Due Process Clause because the jury that returned the award was given instructions sufficient to ensure that its discretion was “exercised within reasonable constraints” and the jury’s award was subject to thorough post-trial review. *Id.* at 19-23. Nevertheless, the Court noted that the jury’s award came “close to the line” separating constitutional

from unconstitutional awards, suggesting that a punitive damages award much more than four times a compensatory award might violate the Due Process Clause. *Id.* at 23.

*TXO Production Corp. v. Alliance Resources Corp.*, 509 U.S. 443 (1993), upheld the constitutionality of a \$10 million punitive damages award on a slander-of-title claim. Although Justice Stevens' plurality opinion noted that the jury awarded compensatory damages of only \$19,000 (for a punitive-to-compensatory ratio of approximately 526:1), it also observed that the title slanderer's conduct could potentially have inflicted millions of dollars in harm, thus making the jury's verdict appear more reasonable. *Id.* at 460-62 (plurality op.). Importantly, Justice Stevens, joined by Chief Justice Rehnquist and Justice Blackmun, observed that the Due Process Clause places substantive limits on the size of punitive damages awards. *Id.* at 453-54.

*Honda Motor Co. v. Oberg*, 512 U.S. 415, 432 (1994), held that the Due Process Clause requires courts to review juries' awards of punitive damages to ensure that they are not grossly excessive. Thus, Oregon's legal regime, which generally prohibited its courts from scrutinizing the amount of punitive damages awarded by juries, was unconstitutional. *Id.* at 418. Justice Stevens' majority opinion noted that the Court's "recent cases have recognized that the Constitution imposes a substantive limit on the size of punitive damages awards." *Id.* at 420.

In *BMW of North America, Inc. v. Gore*, 517 U.S. 559 (1996), the Court finally declared a jury's

award of punitive damages unconstitutional. The Alabama jury in *BMW* awarded the plaintiff \$4,000 in compensatory damages and \$4 million in punitive damages based on BMW's failure to disclose that the plaintiff's supposedly "new" car had been repainted before it was sold to him, thus reducing the car's value. *BMW*, 517 U.S. at 563-65. On appeal, the Alabama Supreme Court reduced the punitive damages award to \$2 million, representing a ratio of punitive to compensatory damages of 500:1. *Id.* at 567. Despite this reduction, the U.S. Supreme Court held that the award violated the Due Process Clause. *Id.* at 585-86.

The Court began its inquiry into the constitutionality of the jury's award using the language of substantive due process review. The Court noted that "[p]unitive damages may properly be imposed to further a State's legitimate interests in punishing unlawful conduct and deterring its repetition." *Id.* at 568. "Only when an award can fairly be categorized as 'grossly excessive' in relation to these interests," the Court observed, "does it enter the zone of arbitrariness that violates the Due Process Clause . . . ." *Id.* The Court was plainly concerned not only with the procedures that Alabama employed in assessing punitive damages, but also with the size of that award and its relationship to the state's interests in punishment and deterrence.

The Court's opinion, however, then took a turn for the procedural. In the introduction to the majority's discussion of the three famous *BMW* guideposts, the Court stated:

Elementary notions of fairness enshrined in our constitutional 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. Three guideposts, each of which indicates that BMW did not receive adequate notice of the magnitude of the sanction that Alabama might impose . . . , lead us to the conclusion that the \$2 million award against BMW is grossly excessive . . . .

*Id.* at 574-75 (footnote omitted).

The guideposts, however, seem to contemplate a highly substantive review of a jury's punitive damages award. They require a court reviewing the constitutionality of a jury's punitive damages award to consider "(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 the civil penalties authorized or imposed in comparable cases." *State Farm*, 538 U.S. at 418; *see also BMW*, 517 U.S. at 575.

In reviewing the reprehensibility of the defendant's conduct, a court should consider whether:

the harm caused was physical as

opposed to economic; the tortious conduct evinced an indifference to or a reckless disregard of the health or safety of others; the target of the conduct had financial vulnerability; the conduct involved repeated actions or was an isolated incident; and the harm was the result of intentional malice, trickery, or deceit, or mere accident.

*State Farm*, 538 U.S. at 419. “The existence of any one of these factors weighing in favor of a plaintiff may not be sufficient to sustain a punitive damages award; and the absence of all of them renders any award suspect.” *Id.*

The second guidepost’s ratio analysis requires a court to “consider whether punitive damages bear a reasonable relationship to the harm that the defendant’s conduct caused or is likely to have caused.” *Mendez-Matos v. Municipality of Guaynabo*, 557 F.3d 36, 54 (1st Cir. 2009). Although the Court has refused to identify a maximum, bright-line ratio between punitive and compensatory damages that is constitutionally tolerable, it has noted “that, in practice, few awards exceeding a single-digit ratio between punitive and compensatory damages, to a significant degree, will satisfy due process.” *State Farm*, 538 U.S. at 425. However, the Court has also observed that “low awards of compensatory damages may properly support a higher ratio than high compensatory awards.” *BMW*, 517 U.S. at 582. Thus, relatively high ratios may be permitted when “a particularly egregious act [results] in only a small amount of economic damages” or when an “injury is

hard to detect or the monetary value of noneconomic harm [is] difficult to determine.” *Id.*

The third guidepost instructs a court to compare the punitive damages award to civil penalties authorized or imposed for similar misconduct. *State Farm*, 538 U.S. at 428. This guidepost reflects the Court’s recognition that the judiciary should “accord ‘substantial deference’ to legislative judgments concerning appropriate sanctions for the conduct at issue.” *BMW*, 517 U.S. at 583 (quoting *Browning-Ferris*, 492 U.S. at 301 (O’Connor, J., concurring in part & dissenting in part)).

As noted above, these guideposts-although introduced with rhetoric regarding the Court’s procedural concern about “fair notice”-have a significant substantive bite to them. This tension in the language used by the Court in its punitive damages case law is of more than mere academic interest. The distinction between substantive and procedural due process is an important component of the plaintiffs’ and the U.S. government’s argument that the *BMW* guideposts do not apply to Tenenbaum’s case. If the Court’s major concern in *BMW* was ensuring that defendants have notice of the civil penalties that may be imposed upon them, *BMW*’s relevance to the case at bar may be minimal. Unlike in *BMW*, where the jury’s discretion to award punitive damages was not capped by any statutory maximum, the jury’s award in this case had to fall within the range of \$750 to \$150,000 per infringed work. Although I have doubts whether this extraordinarily broad statutory range afforded

Tenenbaum *fair* notice of the liability he might face for file-sharing, *see infra* note 13, it is indisputable that section 504(c) clearly set forth the minimum and maximum statutory damages available for each of his acts of infringement.

Cases decided after *BMW*, however, have reaffirmed that a court's review of a jury's punitive award under the Due Process Clause has a significant substantive component. *Cooper Industries, Inc. v. Leatherman Tool Group, Inc.*, 532 U.S. 424, 436 (2001), held that the constitutionality of a jury's punitive damages award is subject to de novo review on appeal, not merely abuse-of-discretion review as some circuits had held. In reaching this decision, the Supreme Court made it clear that the Due Process Clause imposes "substantive limits" on punitive damages awards insofar as it prohibits states and the federal government from "imposing 'grossly excessive' punishments on tortfeasors." *Id.* at 433-34.

*State Farm Mutual Automobile Insurance Co. v. Campbell*, 538 U.S. 408, 412, 429 (2003), held that a \$145 million punitive damages award in favor of plaintiffs who suffered \$1 million in compensatory damages (for a punitive-to-compensatory ratio of 145:1) was unconstitutionally excessive. The insurance company State Farm refused to settle a personal-injury suit brought against Curtis Campbell, a State Farm policyholder, even though the injured party offered to settle for an amount equal to Campbell's policy limit. *Id.* at 413. State Farm assured Campbell and his wife that they would bear no personal liability as a result of the lawsuit.

*Id.* When the jury returned a verdict against Campbell which exceeded his policy limit, however, State Farm initially refused to indemnify him for the excess liability. *Id.* The attorney hired by State Farm to represent Campbell even went so far as to instruct him and his wife to prepare their home for sale so that they could satisfy the portion of the verdict for which they were liable. *Id.*; *see also Campbell v. State Farm Mut. Auto. Ins. Co.*, 65 P.3d 1134, 1141-42, 1166 (Utah 2001).

The Campbells sued State Farm for its bad faith failure to settle for an amount within the policy limit, and during the damages phase of the trial, they introduced evidence that State Farm's conduct was part of a broader, nationwide policy to maximize profits by capping payouts on claims. *State Farm*, 538 U.S. at 414-15. They also produced evidence that "State Farm's actions, because of their clandestine nature, [would] be punished at most in one out of every 50,000 cases as a matter of statistical probability." *Id.* at 415 (quoting *Campbell*, 65 P.3d at 1153).

Significantly, the Supreme Court began its review of the constitutionality of the \$145 million punitive damages award by noting that "there are procedural and substantive constitutional limitations" on such awards. *Id.* at 416. It then subjected the award to the crucible of the *BMW* guideposts and concluded that it was unconstitutionally excessive. *Id.* at 418-29.

Finally, in *Philip Morris USA v. Williams*, 549 U.S. 346 (2007), plaintiff Mayola Williams sued

Philip Morris for causing the death of her husband, who died of lung cancer after many years of smoking Philip Morris cigarettes. *Id.* at 349-50. In closing arguments, Williams' lawyer urged the jury to punish Philip Morris not only for the harm caused to her husband, but also for the harm visited upon all of the thousands of other smokers in the state who had been injured by smoking Philip Morris cigarettes. *Id.* at 350. The jury apparently complied, awarding Williams \$79.5 million in punitive damages. *Id.* On appeal, the Oregon Supreme Court rejected Philip Morris' claim that "the Constitution 'prohibits [a] state, acting through a civil jury, from using punitive damages to punish a defendant for harm to nonparties.'" *Id.* at 356 (quoting *Williams v. Philip Morris Inc.*, 340 Or. 35, 127 P.3d 1165, 1175 (2006)).

The U.S. Supreme Court vacated the Oregon Supreme Court's judgment and remanded for reconsideration of the propriety of a jury instruction that Philip Morris offered at trial. *Id.* at 357-58. In its opinion, the Court made it clear that a jury may not use punitive damages to punish a defendant for his misconduct toward individuals who are not parties to the case at bar. However, a jury may consider harm to nonparties in evaluating the reprehensibility of the defendant's conduct toward the plaintiff. *Id.* at 355. The Court's opinion did not reach the question of whether the jury's \$79.5 million punitive damages award was unconstitutionally excessive. *Id.* at 352-53, 358.<sup>41</sup>

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<sup>41</sup> Although the Supreme Court relied on its common-law authority in maritime cases, not on the Due Process

***c. Is the Supreme Court’s recent punitive damages jurisprudence relevant to this case?***

The plaintiffs and the government argue that the Supreme Court’s recent punitive damages jurisprudence does not apply to statutory damages. Instead, they contend that the only standard applicable to this case is the one articulated in *Williams*. There is a split of authority on this issue,<sup>42</sup>

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Clause, in reducing the punitive damages award in *Exxon Shipping Co. v. Baker*, 554 U.S. 471 (2008), its decision emphasized the dangers of unpredictable punitive damages awards. In particular, the majority opinion noted that a bedrock principle of the rule of law is that like parties should be treated similarly. *Id.* at 2625 (“Courts of law are concerned with fairness as consistency. . . .”). “[E]ccentrically high” punitive awards violate this principle and thus are in conflict with fundamental notions of fairness underlying the legitimacy of our legal system. *Id.* at 2627.

<sup>42</sup> Compare *Zomba Enters., Inc. v. Panorama Records, Inc.*, 491 F.3d 574, 587 (6th Cir. 2007) (reviewing a total statutory damages award of \$806,000 for the infringement of twenty-six copyrighted works under *Williams* after noting that *BMW* and *State Farm*’s applicability to statutory damages was questionable); *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, No. C 07-03952 JW, slip op. at 25 n. 25 (N.D. Cal. Mar. 19, 2010) (holding that defendants’ reliance on *BMW* in challenging a statutory damages award was “misplaced”); *Verizon Cal. Inc. v. Onlinenic, Inc.*, No. C 08-2832 JF (RS), 2009 WL 2706393, at \*6-\*9 (N.D. Cal. Aug. 25, 2009) (concluding that “it is highly doubtful” that *BMW* and *State Farm* “apply to statutory damages awards” but admitting that certain principles announced in the Supreme Court’s recent punitive damages cases, such as the principle that a defendant should not be punished “for wrongful acts other than . . . those committed against the plaintiff,” might apply in statutory damages cases); *DirectTV, Inc. v. Cantu*, No. SA-04-cv-136-RF, 2004 WL 2623932, at \*4-\*5 (W.D. Tex. Sept. 29, 2004) (refusing to apply the *BMW* guideposts to a state statutory damages

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remedy since the civil penalties the defendant might face were capped by statute and thus did not implicate BMW's "fair notice" concerns); *Accounting Outsourcing, LLC v. Verizon Wireless Pers. Commc'ns, L.P.*, 329 F. Supp. 2d 789, 808-09 (M.D. La. 2004) (refusing to apply *BMW* and *State Farm* in reviewing the constitutionality of statutes providing statutory damages for plaintiffs who have received junk faxes because the statutes' provision of damages ranges obviated *BMW* and *State Farm's* "fair notice" concerns); and *Lowry's Reports, Inc. v. Legg Mason, Inc.*, 302 F. Supp. 2d 455, 460 (D. Md. 2004) (refusing to apply the *BMW* guideposts in evaluating the constitutionality of a statutory damages award in a copyright infringement case); with *Murray v. GMAC Mortgage Corp.*, 434 F.3d 948, 954 (7th Cir. 2006) (suggesting in dictum that statutory damages awarded under the Fair Credit Reporting Act would be subject to review under *State Farm* ); *Parker v. Time Warner Entm't Co.*, 331 F.3d 13, 22 (2d Cir. 2003) (suggesting in dictum that the aggregation of statutory damages in a class action under the Cable Communications Policy Act of 1984 might raise due process concerns under *BMW* and *State Farm* ); *Romano v. U-Haul Int'l*, 233 F.3d 655, 672-74 (1st Cir. 2000) (applying *BMW* to a punitive damages award in a Title VII employment discrimination action even though the award was subject to a statutory cap); *Centerline Equip. Corp. v. Banner Pers. Serv., Inc.*, 545 F. Supp. 2d 768, 778 n. 6 (N.D. Ill. 2008) (suggesting in dictum that *State Farm* might provide grounds for remitting statutory damages awarded under the Telephone Consumer Protection Act); *Leiber v. Bertelsmann AG (In re Napster, Inc. Copyright Litigation)*, No. C MDL-00-1369 MHP, C 04-1671 MHP, 2005 WL 1287611, at \*10-\*11 (N.D. Cal. June 1, 2005) (suggesting in dictum that the court would apply *BMW* and *State Farm* in considering whether statutory damages for copyright infringement were unconstitutionally excessive); Evanson, *supra*, at 601-02 (arguing for the application of the Supreme Court's recent punitive damages case law to statutory damages cases); Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 Wm. & Mary L. Rev. 439, 491-97 (2009) (arguing that statutory damages awards for copyright infringement should be subject to analysis

but as described below, the damages award in this case fails under either test.

While I conclude that the due process principles articulated in the Supreme Court's recent punitive damages case law are relevant to Tenenbaum's case, the differences between the two approaches are, in practice, minimal. At their root, the standards articulated in *Williams*, *BMW*, and *State Farm* all aim at providing defendants with some protection against arbitrary government action in the form of damages awards that are grossly excessive in relation to the objectives that the awards are designed to achieve. Indeed, early twentieth century cases such as *Williams* were the seedlings from which the Supreme Court's recent punitive damages jurisprudence sprouted. *Browning-Ferris*, the case that rejected a challenge to a punitive damages award under the Excessive Fines Clause, cited *Williams* as an example of a prior opinion in which the Court had expressed "the view that the Due Process Clause places outer limits on the size of a civil damages award pursuant to a statutory scheme." *Browning-Ferris*, 492 U.S. at 276. And *BMW* itself cites *Williams* for the proposition that "punitive award[s] may not be 'wholly disproportioned to the offense.'" *BMW*, 517 U.S. at

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under the *BMW* guideposts); and J. Cam Barker, Note, *Grossly Excessive Penalties in the Battle Against Illegal File-Sharing: The Troubling Effects of Aggregating Minimum Statutory Damages for Copyright Infringement*, 83 Tex. L. Rev. 525, 536-56 (2004) (arguing that the Supreme Court's punitive damages jurisprudence applies to the aggregation of multiple statutory damages awards in file-sharing cases).

575 (quoting *Williams*, 251 U.S. at 66-67).

Furthermore, *BMW* and *State Farm* are not irrelevant in a case involving statutory damages merely because the defendant arguably has “fair notice” of the amount of damages that might be imposed on him. As noted above, the Supreme Court has recognized that its punitive damages jurisprudence has both procedural and substantive components. *State Farm*, 538 U.S. at 416. Thus, the due process concerns articulated in *BMW* and *State Farm* are not obviated merely “because the defendant [could] see [the grossly excessive award] coming.” *Barker*, *supra*, at 542.

Lower courts have recognized as much by applying the *BMW* guideposts to punitive damages awards subject to statutory caps. For example, the First Circuit in *Romano v. U-Haul International*, 233 F.3d 655, 672-74 (1st Cir. 2000), applied the *BMW* guideposts to a punitive damages award in a Title VII employment discrimination case even though the punitive award was capped by statute and thus the defendants had notice of their potential liability.

Even the rigorous *BMW* guideposts, however, suggest that a district court judge should afford “substantial deference” to a jury’s award of statutory damages within the range set by Congress. *BMW*, 517 U.S. at 583 (quoting *Browning-Ferris*, 492 U.S. at 301 (O’Connor, J., concurring in part & dissenting in part)). As the First Circuit has stated, “[a] congressionally-mandated, statutory scheme identifying the prohibited conduct as well as the potential range of financial penalties goes far in

assuring that [the defendant's] due process rights have not been violated." *Romano*, 233 F.3d at 673.

In addition, when applying *BMW's* second guidepost, which looks at the ratio of punitive to compensatory damages, I must remain mindful of the fact that statutory damages in copyright infringement cases are not only, or even primarily, intended to punish copyright infringers. They are also intended to compensate copyright owners in instances where the harm imposed by the infringer's conduct is difficult to calculate. *See F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 231 (1952) (noting that 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") (quoting *Douglas v. Cunningham*, 294 U.S. 207, 209 (1935)); *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."). Indeed, in a highly influential 1961 report that served as the foundation for the Copyright Act of 1976, the Copyright Office noted that one of the reasons that statutory damages remedies are appropriate in copyright cases is because "[t]he 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." Staff of Copyright Office, 87th Cong., *Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* 102 (Comm. Print 1961)

[hereinafter *Register of Copyrights Report* ]; see also *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 462 n. 9 (1984) (Blackmun, J., dissenting) (discussing the report); Samuelson & Wheatland, *supra*, at 451.

Nevertheless, even in a copyright infringement action, there should be some nexus between the jury's statutory damages award and the actual damages suffered by the plaintiff and the profits, if any, obtained by the defendant. 4 Nimmer & Nimmer, *supra*, § 14.04[E][1][a], at 14-95; *id.* at 14-96 (“[S]tatutory damages . . . should be woven out of the same bolt of cloth as actual damages.”); see also *Thomas-Rasset*, 680 F. Supp. 2d at 1048 (“[A]lthough Plaintiffs were not required to prove their actual damages, statutory damages must still bear *some* relation to actual damages.”); *Webloyalty.com, Inc. v. Consumer Innovations, LLC*, 388 F. Supp. 2d 435, 443 (D. Del. 2005) (“[T]he amount of a statutory damages award must also take into account the actual profits earned by the defendant and revenues lost by the plaintiff.”); *Bly v. Banbury Books, Inc.*, 638 F. Supp. 983, 987 (E.D. Pa. 1986) (“[N]umerous courts have held that assessed statutory damages should bear some relation to the actual damages suffered.”); *RSO Records, Inc. v. Peri*, 596 F. Supp. 849, 862 (S.D.N.Y. 1984) (“Undoubtedly assessed statutory damages should bear some relation to actual damages suffered.”). In fact, Senator Orrin Hatch, a sponsor of the Digital Theft Deterrence and Copyright Damages Improvement Act of 1999, which increased section 504(c)'s statutory damages ranges to their current levels, stated in remarks regarding a predecessor of that bill, “In most cases, courts

attempt to do justice by fixing the statutory damages at a level that approximates actual damages and defendant's profits." 145 Cong. Rec. 13,785 (1999).

In summary, I conclude that it is appropriate to apply the three *BMW* guideposts to the jury's award in this case. However, in applying these guideposts, I will remain cognizant of two factors that distinguish this case from a typical case in which punitive damages are awarded: (1) the jury's award fell within a range authorized by Congress, and (2) the maximum and minimum amount of statutory damages that could be imposed for each of Tenenbaum's acts of infringement was clearly set forth in section 504(c). While the *BMW* guideposts are helpful aids, my ultimate task is to determine whether the jury's statutory damages award is "grossly excessive" in relation to the government's legitimate interests in prescribing such awards—namely, compensating copyright owners and deterring infringement. *BMW*, 517 U.S. at 568 ("Only when an award can fairly be categorized as 'grossly excessive' in relation to [a State's legitimate interests] does it enter the zone of arbitrariness that violates the Due Process Clause . . ."); see also *Register of Copyrights Report, supra*, at 103 ("[S]tatutory damages are intended (1) to assure adequate compensation to the copyright owner for his injury, and (2) to deter infringement.").

## 2. The *BMW* Guideposts

### a. *The Third BMW Guidepost*

Since the third *BMW* guidepost is arguably the

most troublesome for Tenenbaum's argument that the jury's award violated the Due Process Clause, I begin with it. On its face, this guidepost, which counsels courts to consider "the difference between [the jury's punitive award] and the civil penalties authorized or imposed in comparable cases," weighs heavily in the plaintiffs' favor. *BMW*, 517 U.S. at 575. Since the jury's award in this case fell within the range set forth in section 504(c), there is an identity between the damages authorized by Congress and the jury's award. Nevertheless, it is far from clear that Congress contemplated that a damages award as extraordinarily high as the one assessed in this case would ever be imposed on an ordinary individual engaged in file-sharing without financial gain. Just because the jury's award fell within the broad range of damages that Congress set for *all* copyright cases does not mean that the members of Congress who approved the language of section 504(c) intended to sanction the eye-popping award imposed *in this case*. In fact, a careful review of section 504(c)'s legislative history suggests that Congress likely did not foresee that statutory damages awards would be imposed on noncommercial infringers sharing and downloading music through peer-to-peer networks.

The most recent act of Congress addressing section 504(c)'s statutory damages provisions is the Digital Theft Deterrence and Copyright Damages Improvement Act of 1999 (hereinafter "Digital Theft Deterrence Act"), Pub.L. No. 106-160, 113 Stat. 1774, which increased the section's statutory damages

ranges to their current levels.<sup>43</sup> The timing of the Act suggests that legislators did not have in mind the problem of consumers sharing music through peer-to-peer networks when the Act was drafted. While the predecessor to the bill that eventually became the Digital Theft Deterrence Act was first introduced on May 11, 1999, *see* 145 Cong. Rec. 9233 (1999), Napster—the peer-to-peer network that brought file-sharing into the mainstream—was not released until June 1, 1999. Matt Hartley, *The Phenom That Launched a Billion Downloads*, *Globe & Mail* (Can.), May 11, 2009, at A7.

To be sure, the legislation’s timing does not unambiguously militate in Tenenbaum’s favor. As the plaintiffs note, the Digital Theft Deterrence Act was not signed into law until December 1999, at which point Napster had been up and running for six months. Furthermore, the House Judiciary

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<sup>43</sup> Before this bill was passed, the statutory damages range for ordinary non-willful infringement was \$500 to \$20,000 per infringed work and the maximum award for willful infringement was \$100,000. *See* Berne Convention Implementation Act of 1988, Pub.L. No. 100-568, § 10(b), 102 Stat. 2853, 2860.

Although Congress again revised section 504 in 2004, it merely added paragraph (3) of section 504(c), which creates a rebuttable presumption that an infringement was committed willfully if the infringer knowingly provided materially false contact information to a domain name registry “in registering, maintaining, or renewing a domain name used in connection with the infringement.” Intellectual Property Protection & Courts Amendments Act of 2004, Pub.L. No. 108-482, § 203, 118 Stat. 3912, 3916-17 (codified at 17 U.S.C. § 504(c)(3)). This provision is not implicated in this case.

Committee's report on the No Electronic Theft (NET) Act of 1997, Pub.L. No. 105-147, 111 Stat. 2678, which amended various statutory provisions governing the availability of criminal penalties for copyright infringement, noted that "an audio-compression technique, commonly referred to as MP-3, now permits infringers to transmit large volumes of CD-quality music over the Internet." H.R. Rep. No. 105-339, at 4 (1997). And well before 1999, recording companies had begun suing the operators of websites that provided users with unauthorized access to copyrighted sound recordings. (*See* Pls.' Opp'n to Def.'s Mot. for New Trial or Remittitur 31, Case No. 07-cv-11446-NG, document # 36 (listing cases).)

The plaintiffs also emphasize the following language from the House Judiciary Committee's report on an early version of the Digital Theft Deterrence Act:

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. . . . 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. In light of this disturbing trend, it is manifest that Congress respond appropriately with updated penalties to dissuade such conduct.

H.R.Rep. No. 106-216, at 3 (1999). According to the plaintiffs, this paragraph clearly indicates that Congress intended section 504(c)'s increased statutory damages ranges to deter individuals such as Tenenbaum from exploiting the Internet to engage in copyright violations.

Tenenbaum rejoins that this language from the committee report does not indicate that Congress intended for *file sharers* to face massive statutory damages awards. Much of the paragraph quoted by the plaintiffs was taken verbatim from the House Judiciary Committee's report on the 1997 NET Act. Compare H.R. Rep. No. 106-216, at 3, with H.R.Rep. No. 105-339, at 4. The NET Act was intended to "reverse the practical consequences of *United States v. LaMacchia*, 871 F. Supp. 535 (D. Mass. 1994)." H.R. Rep. No. 105-339, at 3. In *LaMacchia*, Judge Stearns dismissed an indictment charging an MIT student who created an electronic bulletin board through which users could share software programs with conspiracy to commit wire fraud. 871 F. Supp. at 536. In dismissing the indictment, Judge Stearns noted that *LaMacchia* could not be prosecuted under the criminal copyright statute, 17 U.S.C. § 506(a), because his infringements, though willful, were not carried out for the purpose of commercial advantage or private financial gain. *Id.* at 540, 542-43. The NET

Act reversed this decision by “criminaliz[ing] computer theft of copyrighted works, whether or not the defendant derives financial benefit from the act(s) of misappropriation.” H.R. Rep. No. 105-339, at 5. In addition, the Act instructed the U.S. Sentencing Commission to consider increasing the penalties set forth in the provisions of the U.S. Sentencing Guidelines applicable to copyright infringers. NET Act, sec. 2(g), 28 U.S.C.A. § 994 note.

Since the Digital Theft Deterrence Act of 1999 was passed only two years after the NET Act and explicitly renewed its call for the Sentencing Commission to reevaluate the guidelines provisions for criminal copyright infringement, *see* Digital Theft Deterrence Act, sec. 3, 28 U.S.C.A. § 994 note; H.R. Rep. No. 106-216, at 4 (indicating that the low sentences meted out to criminal infringers discouraged the Department of Justice from bringing such prosecutions), Tenenbaum argues that Congress passed the 1999 Act primarily to target “malicious large scale operations like LaMacchia’s,” not individual file sharers such as Tenenbaum. (Def.’s Mot. & Mem. for New Trial or Remittitur 21, Case No. 07-cv-11446-NG, document # 26.) While Tenenbaum’s account of the Act’s legislative history is interesting, I am skeptical whether there is as big a difference between Tenenbaum and LaMacchia as Tenenbaum claims. True, Tenenbaum did not create a software program that would allow users to share copyrighted materials. In this sense, he was more like a user of LaMacchia’s electronic bulletin board than he was like LaMacchia himself. In any event, Tenenbaum, like LaMacchia, not only downloaded copyrighted materials without authorization, he also

distributed them by putting them in his shared folder. Furthermore, like LaMacchia, Tenenbaum's conduct was willful, even though it was not carried out for commercial gain.

However, later statements by Senators Orrin Hatch and Patrick Leahy, two sponsors of the Digital Theft Deterrence Act, strongly suggest that Tenenbaum is correct; they did not anticipate that individuals such as Tenenbaum who engaged in noncommercial file-sharing would be subjected to liability for statutory damages under section 504(c). Hatch and Leahy presided over a Senate Judiciary Committee hearing titled "Music on the Internet: Is There an Upside to Downloading?" on July 11, 2000. *Music on the Internet: Is There an Upside to Downloading?: Hearing Before the S. Comm. on the Judiciary*, 106th Cong. (2000). During the hearing, the committee members demonstrated how the peer-to-peer system Gnutella is used by downloading and then playing a song by the band Creed. *Id.* at 7. As the committee was downloading the Creed song, Senator Leahy proudly proclaimed that he was doing some of his own downloading on his laptop. *Id.* at 7, 61. When one of the developers of Gnutella pointed out to the committee members that they might be engaging in copyright infringement, Senator Hatch responded that their downloading and public performance of the Creed song qualified as "fair use" since it was carried out for "educational and governmental purposes." *Id.* at 40. Nevertheless, the senators' willingness to download copyrighted sound recordings through a peer-to-peer network during a committee hearing suggests, at the very least, that they did not view such downloading as particularly

reprehensible.

And this inference from the senators' conduct is largely confirmed by their words. Although Senator Hatch noted that peer-to-peer technology had the capacity, "if misused, to rob [artists] of their livelihood," *id.* at 3, he also praised the development of Gnutella as "quite an accomplishment," *id.* at 8. And Senator Leahy added:

[W]hen I go on college campuses, as many of us do, to talk and everybody is talking about what they have downloaded, how they share, and so on, and when my kids pick up a "Black Muddy River," which happens to be one of my favorites of the Dead, and send it to me—they have heard a new version—and I log on in the morning while I am having my breakfast and there it is, I mean this is a whole different world, and I think we have to recognize that on where we go.

*Id.* at 62.

Senator Hatch's tolerance of, if not admiration for, peer-to-peer networks was even more on display at a special Judiciary Committee hearing held on October 9, 2000, at Brigham Young University ("BYU"). *See Utah's Digital Economy and the Future: Peer-to-Peer and Other Emerging Technologies: Hearing Before the S. Comm. on the Judiciary*, 106th Cong. (2000). Shawn Fanning, the founder of Napster, was the star witness at this hearing, and

Senator Hatch repeatedly praised Fanning, expressing how “proud” he was of Fanning and even suggesting that Fanning should become a professor at BYU or run for political office. *See id.* at 2-3, 29, 34. Obviously, Senator Hatch’s comments should be taken with a large grain of salt. They are not authoritative statements of Congress and certainly do not control how the copyright statutes should be interpreted. (Also, Senator Hatch’s effusive praise of Fanning may well have stemmed from his awareness that he was appearing before an audience of college students, a sizable portion of whom likely used Napster.) But his comments nevertheless suggest that he did not anticipate that the statutory damages scheme over which his committee had jurisdiction would be applied to users of Napster and other peer-to-peer networks.

My analysis here has used legislative history not to divine the meaning of an ambiguous statutory provision. The plain language of 17 U.S.C. § 504(c) authorized the jury’s award in this case. I must give effect to this clear statutory language, at least to the extent that the jury’s award does not run afoul of the Due Process Clause. *See Caminetti v. United States*, 242 U.S. 470, 485 (1917) (“[I]f [a statute’s language] is plain, and if the law is within the constitutional authority of the lawmaking body which passed it, the sole function of the courts is to enforce it according to its terms,” unless doing so would “lead[ ] to absurd or wholly impracticable consequences.”).

Rather, I have examined section 504(c)’s legislative history to better understand the types of defendants members of Congress had in mind when

they last increased the provision's statutory damages ranges. If Congress did not foresee that section 504(c) would be used to mulct individual file sharers such as Tenenbaum in damages, it makes no sense to say that I must defer to Congress' judgment that section 504(c)'s statutory damages ranges are appropriate in cases such as Tenenbaum's; section 504(c) does not embody any such judgment.

Congress undoubtedly intended for the Copyright Act to be flexible enough to account for the rise of new technologies. However, the fact that peer-to-peer file-sharing was just emerging when Congress passed the Digital Theft Deterrence Act suggests that I should not simply defer to Congress' statutory regime and assume that the jury's award, because it is within the statutorily authorized range, is sufficiently related to the government's legitimate interests in compensating copyright owners and deterring potential infringers to pass constitutional muster. Further inquiry is required.

Although *BMW's* third guidepost focuses on the magnitude of civil penalties authorized by legislators, it is also helpful to compare the jury's award in this case to the awards imposed in other copyright cases.<sup>44</sup> See *Zimmerman v. Direct Fed.*

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<sup>44</sup> I note that the jurors in this case could not perform a similar analysis. Congress originally intended for judges, not juries, to determine the appropriate amount of statutory damages in copyright infringement actions. See *Feltner*, 523 U.S. at 345-47. Unlike juries, judges can draw on their experience of setting awards in other copyright cases, as well as their research regarding the awards imposed by other judges, in settling on an appropriate figure. See, e.g., *Sailor Music v. IML*

*Credit Union*, 262 F.3d 70, 83 (1st Cir. 2001) (recognizing that awards in other cases “are relevant” to a court’s analysis under *BMW*’s third guidepost, even though “positive law-statutes and regulations-are even more critical”).<sup>45</sup> Presumably,

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*Corp.*, 867 F. Supp. 565, 570 (E.D. Mich. 1994) (noting that plaintiffs had provided the court “with a survey of statutory awards throughout the country”); 4 Nimmer & Nimmer, *supra*, § 14.04[C][3], at 14-92 (“[I]t is doubtful that juries can be meaningfully instructed to compare the facts at bar against those of prior cases in order to slot an appropriate award into the scheme of precedent.”). In 1998, however, the Supreme Court held that the Seventh Amendment accords parties the right to demand that a jury “determine the actual amount of statutory damages under § 504(c).” *Feltner*, 523 U.S. at 355. Congress has not responded to this decision by amending section 504(c)’s parsimonious text, which merely requires that a statutory damages award be “just,” to reflect that a different decision maker in need of additional guidance is now entrusted with the responsibility of awarding statutory damages.

<sup>45</sup> I recognize that *Zimmerman* stated that “a reviewing court should search for comparisons solely to determine whether a particular defendant was given fair notice as to its potential liability for particular misconduct, not to determine an acceptable range into which an award might fall.” 262 F.3d at 83. For the reasons I discussed above, I question whether this narrow focus on the issue of “fair notice” is faithful to the Supreme Court’s repeated assertion that there are *both* “procedural *and* substantive constitutional limitations” on punitive damages awards. *State Farm*, 538 U.S. at 416 (emphasis added). (I also note that *Zimmerman* preceded the Supreme Court’s decision in *State Farm*.)

But even under *Zimmerman*, my analysis of the statutory damages awards returned in other copyright cases is appropriate. Notice of section 504(c)’s extraordinarily broad statutory damages ranges, standing alone, does not in any meaningful sense constitute “fair notice” of the liability that an individual might face for file-sharing. In a case of willful infringement such as this one, the maximum damages per

courts impose statutory damages awards that they believe are sufficient to achieve the twin goals of compensating copyright owners and deterring infringement. If the award in this case is significantly out of line with other awards, that would suggest that the award is not reasonably related to these objectives and is thus unconstitutionally excessive.

The case most comparable to Tenenbaum's is that of Jammie Thomas-Rasset, the only other file sharer to go to trial. The first jury to hear Thomas-Rasset's case found her liable for willfully infringing twenty-four sound recordings and awarded the plaintiffs \$9,250 per song, for a total award of \$222,000. *Thomas*, 579 F. Supp. 2d at 1213. Although Chief Judge Davis, who presided over the case, ordered a new trial because of an error in the jury instructions, not because of the size of the award, he noted in dictum that "the award of

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infringed work-\$150,000-are 200 times greater than the statutory minimum of \$750. Since the jury found that Tenenbaum willfully infringed thirty copyrights, its award could have ranged from a low of \$22,500 to a high of \$4,500,000. For anyone who is not a multi-millionaire, such "notice" is hardly more illuminating than the notice that BMW and State Farm had that their fraudulent conduct might lead to the imposition of a punitive damages award ranging from \$0 to infinity.

Since section 504(c) failed to provide Tenenbaum with *fair* notice of the liability he could incur for file-sharing, it is imperative that I review other copyright cases to determine whether the jury's \$675,000 award here fell within a discernible pattern of awards of which Tenenbaum could have taken note, or was instead an unforeseeable outlier.

hundreds of thousands of dollars in damages” for file-sharing was “unprecedented and oppressive.” *Id.* at 1228. When the second jury returned a verdict of \$80,000 per song, for a total award of \$1,920,000, Chief Judge Davis required that the plaintiffs accept a remitted award of \$2,250 per song or submit to a new trial. *Thomas-Rasset*, 680 F. Supp. 2d at 1048, 1050. (As explained above, the plaintiffs rejected the reduced award.)

Tenenbaum’s culpability seems roughly comparable to that of Thomas-Rasset. Both knew that file-sharing was illegal but engaged in it anyway. Both refused to accept responsibility for their actions, trying to shift blame to others and even lying under oath. And both engaged in multiple acts of infringement. *See id.* at 1053. Thus, it seems that the awards in both cases should be about the same, suggesting that the jury’s award of \$675,000 in this case should be significantly reduced.

The jury’s \$675,000 award appears especially excessive when it is compared to the damages imposed on other file sharers whose cases have not made it to trial. Most individuals sued in the recording industry’s campaign against file-sharing have either settled with the recording companies or have allowed default judgments to be entered against them. When defendants have defaulted, the recording companies have generally asked courts to impose the statutory minimum damage amount of \$750 per infringed work, and courts have routinely granted these requests. *See, e.g., Elektra Entm’t Group, Inc. v. Carter*, 618 F. Supp. 2d 89, 94 (D. Me. 2009); *Interscope Recordings v. Tabor*, No. 08-03068,

2009 WL 708322, at \*1, 2009 U.S. Dist. LEXIS 25854, at \*2-\*3 (W.D. Ark. Mar. 16, 2009); *see also UMG Recordings, Inc. v. Alburger*, No. 07-3705, 2009 WL 3152153, at \*4, \*5, 2009 U.S. Dist. LEXIS 91585, at \*13, \*15 (E.D. Pa. Sept. 29, 2009) (granting an uncontested motion for summary judgment and imposing the minimum statutory damages per infringed work). If the minimum statutory damages of \$750 per infringed work are sufficient to compensate the plaintiff and deter potential infringers in an ordinary file-sharing case where the defendant defaults, it is hard to see how an award of thirty times this amount is appropriate in this case. Even if Tenenbaum is more blameworthy than the average file sharer, and thus should receive an award somewhere above the statutory minimum, it is absurd to say that he is *thirty times* more culpable.

The plaintiffs cannot reasonably rely on the argument that higher damages are appropriate in this case because Tenenbaum insisted on taking his case to a jury. Under 17 U.S.C. § 505, the plaintiffs may move for the court to award them the costs of their action and any attorneys' fees that they have reasonably incurred. The threat of bearing the opposing party's court costs and attorneys' fees should generally deter a defendant in a copyright infringement action from unduly prolonging the proceedings when his liability is clear. While the damages award should be sufficient to cover the plaintiffs' costs of *detecting* Tenenbaum's infringement, this cost is incurred by copyright owners even in cases where the defendant defaults. Recording companies' willingness to accept damages of only \$750 per infringed work in such cases

suggests that section 504(c)'s minimum damages provision is roughly sufficient to encourage the recording industry to ferret out copyright infringement. Since section 505 provides for the awarding of attorneys' fees and court costs, there is no reason to further inflate awards under section 504(c) to allow plaintiffs to recover their litigation expenses.

The jury's award in this case also appears egregious in light of the damages typically imposed on restaurants, bars, and other businesses that play copyrighted songs in their establishments without first acquiring the appropriate licenses. These defendants are arguably more culpable than Tenenbaum. Unlike Tenenbaum, who did not receive any direct pecuniary gain from his file-sharing, defendants in these cases play copyrighted music to create a more pleasurable atmosphere for their customers, thus generating more business and, consequently, more revenue. *See EMI Mills Music, Inc. v. Empress Hotel, Inc.*, 470 F. Supp. 2d 67, 70 (D.P.R. 2006) (noting that defendants derived financial benefit from the public performance of unlicensed musical works insofar as the performances "attract[ed] or entertain[ed] paying patrons" of their business). In addition, defendants accused of unlicensed public performances often receive several notices that their conduct is unlawful before they are sued. Thus, like Tenenbaum's file-sharing, their infringing conduct is generally willful. *See, e.g., Broadcast Music, Inc. v. It's Amore Corp.*, No. 3:08cv570, 2009 WL 1886038, at \*7-\*8, 2009 U.S. Dist. LEXIS 55721, at \*22-\*23 (M.D. Pa. June 30, 2009) (holding that infringing public performances by

defendants who ignored a cease-and-desist letter and other notices from plaintiffs were willful); *EMI Mills*, 470 F. Supp. 2d at 70, 72-73 (detailing the warnings that the defendants received that their conduct violated the Copyright Act and concluding that the defendants' "public performance . . . was deliberate and willful"). Nevertheless, the awards in such cases are generally no more than "two to six times the license fees defendants 'saved' by not obeying the Copyright Act"-a ratio of statutory to actual damages far lower than the ratio present in this case. *EMI Mills*, 470 F. Supp. 2d at 75; see also *Sailor Music*, 867 F. Supp. at 570 (stating that in cases involving bar and restaurant owners who have failed to purchase licenses to play copyrighted songs, "courts typically award three times the amount of a properly purchased license for each infringement"); Roger D. Blair & Thomas F. Cotter, *An Economic Analysis of Damages Rules in Intellectual Property Law*, 39 Wm. & Mary L. Rev. 1585, 1661, 1667 (1998) (concluding, based on a review of "every reported decision from 1992 to 1997 in which a court has awarded statutory damages," that "when (1) some basis [such as the cost of a standard licensing agreement] exists upon which to quantify the plaintiff's loss, and (2) detection costs are high, courts tend to award statutory damages roughly equal to double or treble damages"). The magnitude of the awards in public-performance cases is also often substantially-even shockingly-lower than the \$675,000 award at issue here. See *WB Music Corp. v. S. Beach Rest., Inc.*, No. CV-09-1528-PHX-LOA, 2009 WL 5128510, at \*4, \*6, 2009 U.S. Dist. LEXIS 119158, at \*9, \*15 (D. Ariz. Dec. 1, 2009) (awarding, in a report and

recommendation adopted by the district court, \$30,000 for the unauthorized public performance of four songs, where a license would have costed approximately \$3,345.88); *Broad. Music, Inc. v. Northern Lights, Inc.*, No. 1:07-CV-476 (GLS/RFT), 2009 WL 2319970, at \*2-\*3, 2009 U.S. Dist. LEXIS 64715, at \*4-\*6 (N.D.N.Y. July 27, 2009) (awarding \$40,000 for the unlicensed public performance of ten works, where a license would have cost approximately \$24,890.61); *It's Amore Corp.*, 2009 WL 1886038, at \*8, 2009 U.S. Dist. LEXIS 55721, at \*24 (\$34,500 for twenty-three works; license cost approximately \$9,753.75); *EMI April Music Inc. v. Jet Rumeurs, Inc.*, 632 F. Supp. 2d 619, 625-26 (N.D. Tex.2008) (\$21,000 for six works; license cost approximately \$12,421.46); *Charlie Deitcher Prods., Inc. v. Cuevas*, No. SA:06-cv-00601-WRF, 2008 WL 2571929, at \*3, 2008 U.S. Dist. LEXIS 50939, at \*8-\*9 (W.D. Tex. June 17, 2008) (\$6,750 for three works; license cost approximately \$3,725); *Broad. Music, Inc. v. Spring Mount Area Bavarian Resort, Ltd.*, 555 F. Supp. 2d 537, 545 (E.D. Pa.2008) (\$16,000 for eight works; license cost approximately \$10,340).<sup>46</sup>

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<sup>46</sup> These cases were not cherry picked to highlight the excessiveness of the jury's award. To get a better sense of the amount of statutory damages awarded in copyright actions, the Court ran a Lexis-Nexis search for all cases decided between January 1, 2008, and January 1, 2010, discussing statutory damages awards under section 504(c). The Court randomly selected approximately fifty of these cases to review; the cases included in the string cite above come from this list. Based on its independent review of the case law, the Court feels certain that these cases are not in any way abnormal.

I cannot conceive of any plausible rationale for the discrepancy between the level of damages imposed in public-performance cases and the damages awarded in this case. The disparity strongly suggests that the jury's \$675,000 award is arbitrary and grossly excessive.

### ***b. The Second BMW Guidepost***

The second *BMW* guidepost requires a court to consider the ratio between the actual or potential harm to the plaintiff and the punitive award assessed by the jury. 517 U.S. at 575. The plaintiffs argue that any such inquiry is inappropriate in this case. As noted above, one of the principal reasons that the Copyright Act allows copyright owners to recover statutory damages is that the actual or potential harm caused by infringing activity is often difficult to measure. *See Register of Copyrights Report, supra*, at 102. Furthermore, since the plaintiffs were not required to prove their actual damages at trial, any assessment of their damages at this stage in the litigation would necessarily be somewhat speculative. Nevertheless, numerous authorities indicate that there must be *some* relationship between the jury's verdict and the damages the plaintiffs incurred and the benefits Tenenbaum gained through his infringements. *See, e.g., Thomas-Rasset*, 680 F. Supp. 2d at 1049; *Webloyalty.com*, 388 F. Supp. 2d at 443; *Bly*, 638 F. Supp. at 987; *RSO Records*, 596 F. Supp. at 862; 4 *Nimmer & Nimmer, supra*, § 14.04[E][1][a], at 14-95 to 14-96. Without this requirement, the threat of

arbitrarily high statutory damages awards could unduly deter socially beneficial activities that run some risk of giving rise to liability for copyright infringement.<sup>47</sup> See Blair & Cotter, *supra*, at 1638, 1659 (discussing the problem of overdeterrence). In addition, an unscrupulous plaintiff could use the threat of an unpredictably high statutory damages award to extract an unfair settlement.

My analysis under the second *BMW* guidepost must focus squarely on Tenenbaum's individual conduct, the benefits that he derived from that conduct, and the harm that he caused. While the plaintiffs argue that they have lost billions of dollars in revenue due to file-sharing, the jury was not permitted to punish Tenenbaum for harm caused by other infringers. Cf. *Philip Morris*, 549 U.S. at 353-55 (holding that a jury may not award punitive damages to punish a defendant for harming nonparties). The jury could certainly have considered Tenenbaum's conduct more reprehensible, and thus

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<sup>47</sup> To be clear, I do not intend to suggest that the unauthorized sharing of copyrighted works over peer-to-peer networks is a socially beneficial activity. Aside from being illegal, such conduct may reduce demand for music from legitimate sources and thus dampen the monetary incentive for artists to create new works. See *Sony BMG Music Entm't v. Tenenbaum*, 672 F. Supp. 2d 217, 231 (D. Mass. 2009) ("It is difficult to compete with a product offered for free."). Nevertheless, if I were to adopt the plaintiffs' and the government's position that statutory damages awards within the range set by Congress are rarely, if ever, constitutionally suspect, my decision would threaten to unduly deter individuals from engaging in other activities that might confer greater benefits on society than file-sharing does.

assigned a higher level of statutory damages, because he chose to participate in a common practice that was causing great harm to the recording industry. But it was not allowed to compensate the plaintiffs for the harm caused by these other file sharers by taking money from Tenenbaum.

In assessing the plaintiffs' actual damages, it is helpful to ask the following question: Assuming that Tenenbaum was entitled to file-share, how much would the plaintiffs have been willing to pay Tenenbaum not to engage in the activity? Presumably, the plaintiffs would have been willing to pay an amount equal to the profits they lost as a result of Tenenbaum's conduct. Each of the songs that Tenenbaum illegally downloaded can now be purchased online from the iTunes Music Store and other retailers for approximately \$0.99 or \$1.29 a piece. And for each \$0.99 song sold on the iTunes Music Store, it appears that the recording companies only receive about \$0.70. *See Starr v. Sony BMG Music Entm't*, 592 F.3d 314, 319 (2d Cir. 2010) (noting that the major recording companies charge a wholesale price of approximately \$0.70 for every song sold through online retailers such as iTunes); Ed Christman, *The Price You Pay: Labels Deal with Digital Music Discounting*, *Billboard*, Jan. 31, 2009, at 12 (mentioning the \$0.70 figure, but recognizing that the market for digital music is in a state of flux); Jeff Leeds, *U.S. Inquiry on Online Music*, *N.Y. Times*, Mar. 3, 2006, at C6 ("The prices for songs from the major companies can run from 70 cents to 80 cents a song, executives say. Digital music services such as Apple Computer's iTunes then sell the songs for a retail price of 99 cents."). Finally,

even before the advent of online music retailers, the songs Tenenbaum downloaded could be obtained by purchasing the albums on which they were featured for approximately \$15 from a traditional brick-and-mortar store. *See Thomas-Rasset*, 680 F. Supp. 2d at 1052 (using the \$1.29 per song and \$15 per album figures).

If we use the \$0.70 wholesale price for music sold on the iTunes Music Store as a rough proxy for the plaintiffs' profits from each sale, then Tenenbaum's illegal downloading of the thirty sound recordings for which he was found liable deprived the plaintiffs of approximately \$21 in profit, for a ratio of statutory damages to actual damages of approximately 32,143:1. If we assume that the damages to plaintiffs equaled \$1 per song, then the ratio is 22,500:1, and if we assume damages of \$15 per song (because before individual songs were widely available online through services such as iTunes, Tenenbaum would have needed to purchase an entire album to obtain a song he desired), the ratio is 1,500:1.

The plaintiffs rejoin that Tenenbaum did not merely download the thirty songs listed on the jury's verdict form. He also downloaded thousands of other songs and distributed these songs to countless other file sharers through his shared folder. However, it is hard to believe that Tenenbaum's conduct, when viewed in isolation, had a significant impact on the plaintiffs' profits. He almost certainly would not have purchased all of the songs he downloaded if they were not available for free; thus, not all of his downloads represented lost sales for the plaintiffs.

Also, it seems likely that the individuals who downloaded songs from Tenenbaum's shared folder would simply have found another free source for the songs had Tenenbaum never engaged in file-sharing. While file-sharing may be very economically damaging to the plaintiffs in the aggregate, Tenenbaum's individual contribution to this total harm was likely minimal.

The harm suffered by the plaintiffs, however, is not the only factor relevant to my analysis under *BMW's* second guidepost. I must also consider the benefits that Tenenbaum reaped from file-sharing. We generally require individuals who wish to reproduce or distribute a copyrighted work to purchase a license from the copyright owner in a voluntary transaction. In this sense, copyrights are protected by what academics in the field of law and economics call a "property rule." See Guido Calabresi & A. Douglas Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 Harv. L. Rev. 1089, 1092 (1972); see also Blair & Cotter, *supra*, at 1614 ("[I]ntellectual property rights are a paradigm example of entitlements protected by property rules."). Property rules are distinguished from liability rules, which permit one party to deprive another party of something to which the law says he is entitled by paying an objectively determined value for it. Calabresi & Melamed, *supra*, at 1092. The quintessential example of a liability rule is a rule that permits a factory to pollute only if it compensates surrounding homeowners by paying them an amount of damages determined by a court. See *id.* at 1115-24; see also *Boomer v. Atl. Cement Co.*, 26 N.Y.2d 219 (1970).

Protecting copyrights with property rules rather than liability rules helps ensure that copyright owners reap the full benefit of their legally sanctioned monopoly power, which in turn provides an incentive for individuals to engage in creative endeavors. When copyrights are protected by property rules, the price of a license to use a copyright is determined through ordinary market interactions. If copyrights were protected by liability rules, however, the price of a license would effectively be determined by judges and juries, and their valuations might well be less than the price that would be established by market forces. *See Blair & Cotter, supra*, at 1589 & n. 16, 1615-16.

To avoid transforming the property rule protecting copyrights into a liability rule, the damages awarded in this case must be great enough to ensure that potential file sharers have an adequate incentive to purchase copyrighted songs from legitimate sources instead of downloading them from peer-to-peer networks. *See Calabresi & Melamed, supra*, at 1125 (“For us to charge the thief with a penalty equal to an objectively determined value of the property stolen would be to convert all property rule entitlements into liability rule entitlements.”). As a result, it would have been reasonable for the jury to return an award sufficiently high to disgorge the benefits Tenenbaum derived from file-sharing. The jury could also reasonably have increased its award to account for the fact that there was some probability—perhaps a significant one—that Tenenbaum’s file-sharing would go undetected. When there is some chance that infringing behavior will not result in civil liability,

damages awards must be greater than the benefit that the potential infringer expects to derive from his illegal activity in order to achieve adequate deterrence. See *Taylor v. Meirick*, 712 F.2d 1112, 1120 (7th Cir. 1983) (“[P]reventing infringers from obtaining any net profit . . . makes any would-be infringer negotiate directly with the owner of a copyright that he wants to use, rather than bypass the market by stealing the copyright and forcing the owner to seek compensation from the courts for his loss. Since the infringer’s gain might exceed the owner’s loss, especially as loss is measured by a court, limiting damages to that loss would not effectively deter this kind of forced exchange.”); *Rodgers v. Eighty Four Lumber Co.*, 623 F. Supp. 889, 892 (W.D. Pa.1985) (“The courts have applied many standards as a guideline in the imposition of statutory damages. Running through them as a common thread is the principle that defendant should not reap a benefit from its violation of the copyright laws . . . .”); Blair & Cotter, *supra*, at 1590-92, 1620; A. Mitchell Polinsky & Steven Shavell, *Punitive Damages: An Economic Analysis*, 111 Harv. L. Rev. 869, 947 (1998) (“[P]unitive damages may sometimes have appeal when it is possible for a potential injurer to communicate with a potential victim before causing harm, in order to encourage market transactions.”).

But even when these factors are considered, the jury’s award still appears grossly excessive. Tenenbaum did not derive any direct pecuniary gain from file-sharing. He did not, for example, sell the songs he illegally downloaded or charge for access to his shared folder. Instead, the “profit” that he reaped

from his activities was more amorphous; he gained the ability to access an essentially unlimited variety of music on demand. In theory, we could quantify this benefit of file-sharing by asking how much Tenenbaum would have been willing to pay to engage in his infringing conduct. Although the record does not contain sufficient evidence to calculate this figure with precision, it is instructive to consider how much consumers are now willing to pay to have unlimited access to a large library of music. Today, a number of services allow users to access millions of songs from their computers and certain portable devices such as iPhones for a flat monthly fee of less than \$15. *See* Brad Stone, *Now Selling Music Files, Not Sharing*, N.Y. Times, June 3, 2010, at B1; *see also* Napster, <http://www.napster.com> (last visited July 7, 2010); Rhapsody, <http://www.rhapsody.com/-discover> (last visited July 7, 2010). Although these services are not the same as Napster or Kazaa, they do provide users with a wide assortment of music on demand. Tenenbaum began file-sharing in 1999 and was sued in 2007. Ignoring inflation and similar considerations, the cost of using a subscription service such as Rhapsody or “Napster to Go” for eight years would be approximately \$1,440 or less.<sup>48</sup> Thus, it seems fair to say that the average consumer today would be willing to pay no more than \$1,500 to engage in conduct roughly similar to Tenenbaum’s between 1999 and 2007.

I emphasize that I am *not* offering a definitive estimate of the benefit that Tenenbaum derived from

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<sup>48</sup> \$15 per month for ninety-six months equals a total cost of \$1,440.

file-sharing. Again, I recognize that the legal subscription services available today are not perfect substitutes for peer-to-peer networks such as Napster and Kazaa. Also, as the supply of a new technology increases, one would expect its price to correspondingly decline. Thus, the amount that an average consumer would be willing to pay for a subscription service today is almost certainly not the same as the amount that Tenenbaum would have been willing to pay to engage in file-sharing several years ago. Nevertheless, there can be no doubt that the benefit Tenenbaum derived from file-sharing is far less than the \$675,000 in damages imposed in this case.

If we assume that Tenenbaum would have paid approximately \$1,500 to engage in file-sharing from 1999 to 2007, the ratio between the statutory damages awarded in this case and the benefit he derived from his infringing conduct is 450:1,49 far higher than the 114:1 ratio between the statutory damages awards approved in *Williams* and the profits reaped by the defendant railroad company from its overcharges. This shockingly high ratio between the jury's statutory damages award and Tenenbaum's non-pecuniary "profits" cannot be justified by the fact that there was some probability that Tenenbaum's file-sharing would not be detected. Since most individuals are risk averse, adequate deterrence can undoubtedly be obtained with an award that is much, much lower.<sup>50</sup> See Blair &

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<sup>49</sup> \$675,000/\$1,500 = 450/1.

<sup>50</sup> An individual is risk averse if she "prefer[s] a certain

Cotter, *supra*, at 1622; Polinsky & Shavell, *supra*, at 886-87, 913.

Two additional factors are relevant to my analysis under *BMW's* second guidepost. First, section 504(c)'s statutory damages ranges likely include some amount to compensate copyright owners for the costs entailed in investigating and detecting infringing behavior. See *Register of Copyrights Report, supra*, at 103 (discussing how statutory damages help ensure a recovery sufficient "to warrant the expense of detecting infringements"). However, the Copyright Act does not contain a provision to correct for the fact that once a recording company has decided to devote the resources necessary to detect one act of infringement by a file sharer, the marginal cost of detecting additional acts of infringement is likely low since the investigation of the file sharer's account on a peer-to-peer network will generally reveal a treasure trove of unlawfully downloaded works. As a result, the imposition of statutory damages in file-sharing cases where multiple copyrighted works have been infringed can produce awards much greater than necessary to provide copyright owners with an adequate incentive to investigate and detect infringement.

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income to a risky income with the same expected value." Robert S. Pindyck & Daniel L. Rubinfeld, *Microeconomics* 157 (5th ed. 2001). For example, a risk-averse individual would prefer a job with "a certain income of \$20,000" to "a job yielding an income of \$30,000 with probability .5 and an income of \$10,000 with probability .5 (so that the expected income is \$20,000)." *Id.* A risk-neutral individual, in contrast, would be indifferent between the two jobs because their expected incomes are equivalent. *Id.*

Similarly, section 504(c) is not attuned to what one author has called the issue of “proportionate reprehensibility.” Barker, *supra*, at 550, 552-53. Congress certainly had a legitimate interest in setting statutory damages ranges that would impose a measure of retribution on copyright infringers. However, the reprehensibility of a file sharer’s conduct does not increase linearly with the number of songs he downloads and shares. Someone who illegally downloads 1,000 songs may be more blameworthy than an individual who illegally downloads only one, but it seems odd to say that his conduct is 1,000 times more reprehensible. Section 504(c) ignores this issue entirely, providing the same statutory damages ranges for each infringed work no matter how many works are infringed. Consequently, the aggregation of statutory damages awarded under section 504(c) may result in unconscionably large awards.

In summary, the asymmetry between the relatively small harm suffered by plaintiffs and benefit reaped by Tenenbaum, on the one hand, and the jury’s extraordinarily high award, on the other, is so extreme as to “jar [the Court’s] constitutional sensibilities.” *Haslip*, 499 U.S. at 18. The award in this case is much higher than is reasonably necessary to further the legitimate interests of compensating the plaintiffs and deterring future infringement. It lacks any rational foundation and smacks of arbitrariness. The second *BMW* factor thus weighs heavily in Tenenbaum’s favor.

### ***c. The First BMW Guidepost***

The “degree of reprehensibility of the defendant’s conduct” is “[p]erhaps the most important indicium of the reasonableness” of a punitive award. *BMW*, 517 U.S. at 575. Several of the reprehensibility factors identified by the Supreme Court militate in Tenenbaum’s favor. The harm he caused was economic, not physical. *State Farm*, 538 U.S. at 419. His conduct did not “evince[ ] an indifference to or a reckless disregard of the health or safety of others,” and the large recording companies that he harmed are not financially vulnerable. *Id.*; cf. *Bridgeport Music, Inc. v. Justin Combs Publ’g*, 507 F.3d 470, 486-87, 490 (6th Cir. 2007) (reducing a punitive damages award in favor of a copyright holder that brought a state common-law claim of infringement and noting that the “defendants’ conduct, although willful, was not highly reprehensible”).

Other factors, however, militate against Tenenbaum. He willfully engaged in thousands of acts of copyright infringement, knowing his conduct to be illegal but acting anyway. See *State Farm*, 538 U.S. at 419 (instructing courts to consider whether the defendant’s “conduct involved repeated actions or was an isolated incident” and whether the harm to the plaintiffs “was the result of intentional malice, trickery, or deceit, or mere accident”). He even lied under oath and tried to shift blame to family members and others who had access to his computer in an effort to escape liability.

It seems fair to say that file-sharing, in general, is fairly low on the totem pole of reprehensible conduct. Although the activity is quite

pernicious in the aggregate, it regrettably is quite common, and most file sharers do not receive any direct pecuniary gain from their activity (although they do save money by avoiding the need to pay for the music they download). But among this group of comparatively venial offenders, Tenenbaum is one of the most blameworthy since he engaged in the activity for a long period of time, knowing it to be illegal, and then lied in a futile attempt to cover his tracks.

**3. What is the maximum constitutionally permissible damages award in this case?**

Based on my review of the *BMW* factors and the standard articulated in *Williams*, I conclude that the jury's award of \$675,000 violates the Due Process Clause. The award bears no rational relationship to the government's interests in compensating copyright owners and deterring infringement. Even under the *Williams* standard, the award cannot stand because it is "so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable." 251 U.S. at 66-67. In *Williams*, the Supreme Court upheld the constitutionality of a \$75 statutory damages award when the actual damages were 66 cents, for a statutory-to-actual-damages ratio of approximately 114:1. The nominal amount of damages that the plaintiffs suffered in this case was hardly much greater than the plaintiffs' damages in *Williams*. The plaintiffs here may have suffered approximately \$1 in actual damages for each song that Tenenbaum illegally downloaded, but the jury awarded the plaintiffs \$22,500 per song, for a

statutory-to-actual-damages ratio of approximately 22,500:1. Even when I take into account the benefits that Tenenbaum derived from file-sharing, as I should for the reasons given above, the punitive nature of the jury's award still dwarfs that in *Williams*. As explained above, even if we assume that Tenenbaum derived approximately \$1,500 in benefits from his file-sharing, the ratio of statutory damages to Tenenbaum's "profits" is 450:1, about four times the ratio approved by the Supreme Court in *Williams*.

And as Tenenbaum notes, a highly punitive award is likely less called for in his case than in *Williams*. Tenenbaum was an ordinary young adult engaging in noncommercial file-sharing, not a wealthy railroad bilking customers for its own profit. Furthermore, for the reasons set forth above, the egregiousness of the jury's award becomes even more apparent when it is analyzed in light of the Supreme Court's recent punitive damages jurisprudence. The amount of statutory damages imposed on Tenenbaum is simply "unprecedented and oppressive." *Thomas*, 579 F. Supp. 2d at 1228. Such an award cannot be constitutional.

I must reduce the jury's unconstitutional \$675,000 award to the maximum amount that is consistent with the dictates of the Due Process Clause. *See, e.g., Bach v. First Union Nat'l Bank*, 486 F.3d 150, 156-57 (6th Cir. 2007) (ordering that the district court remit a punitive damages award to an amount constituting "the outer boundary of what the Constitution will permit"); *Leatherman Tool Group, Inc. v. Cooper Indus., Inc.*, 285 F.3d 1146, 1152 (9th

Cir. 2002) (reducing excessive punitive damages to the “maximum award . . . consistent with due process on the facts of th[e] case”). Much like Chief Judge Davis in *Thomas-Rasset*, I conclude that an award of \$2,250 per song, three times the statutory minimum, is the outer limit of what a jury could reasonably (and constitutionally) impose in this case.<sup>51</sup> 680 F. Supp. 2d at 1048. As Chief Judge Davis notes, there is a long tradition in the law of allowing treble damages for willful misconduct. *Id.* at 1056-57. Chief Judge Davis also cites two federal statutes—the Digital Millennium Copyright Act, 17 U.S.C. § 1203(c)(4), and the Telephone Consumer Protection Act of 1991, 47 U.S.C. § 227(b)(3), (c)(5)—that explicitly “allow for an increase in statutory damages, up to triple statutory damages, when the statutory violation is willful or demonstrates a particular need for deterrence.” *Id.* at 1056; *see also Symantec Corp. v. Waszkiewicz (In re Waszkiewicz)*, Nos. 6:07-bk-03080-KSJ, 6:07-ap-169, 2009 WL 856344, at \*1-\*2, 2009 Bankr. LEXIS 582, at \*3-\*4 (Bankr. M.D. Fla. Mar. 16, 2009) (awarding damages of three times the statutory minimum for copyright

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<sup>51</sup> Although Chief Judge Davis reduced the jury’s award in *Thomas-Rasset* under the common-law doctrine of remittitur and thus did not reach the question of whether the award violated the Due Process Clause, I nonetheless find Chief Judge Davis’ decision on the remittitur issue instructive in determining the maximum constitutionally permissible award in Tenenbaum’s case. While Chief Judge Davis relied on different grounds in reducing the jury’s award in *Thomas-Rasset*, the question he confronted was essentially identical to the one I face: What is “the maximum amount a jury could reasonably award to both compensate Plaintiffs and address the deterrence aspect of the Copyright Act”? *Thomas-Rasset*, 680 F. Supp. 2d at 1057.

infringement). Of course, 17 U.S.C. § 504(c) does not, by its own terms, limit the statutory damages available in cases such as Tenenbaum's to three times the statutory minimum. However, capping the statutory damages range at \$2,250 in this case serves the objectives of compensating the plaintiffs and deterring illegal file-sharing while at the same time ensuring that the total award is not grossly excessive.

Some will undoubtedly murmur that my decision to draw the constitutional line at \$2,250 per infringed work is to some extent arbitrary. But this criticism applies to *any* line drawing process; it is always possible to argue that the line should have been drawn a bit differently. *Cf. Inter Med. Supplies, Ltd. v. EBI Med. Sys., Inc.*, 181 F.3d 446, 468 (3d Cir. 1999) (recognizing the difficulties involved in determining how much to reduce an unconstitutionally excessive punitive damages award). Given the record before me, I conclude that the most reasoned approach is to reduce the jury's award to three times the statutory minimum. Although this decision will not be entirely satisfactory to some, it at least has the virtue of finding some basis in the long history of courts and legislators sanctioning treble damages to deter willful misconduct.

I again emphasize that the total of the reduced award, \$67,500, is significant and harsh. It adequately compensates the plaintiffs for the relatively minor harm that Tenenbaum caused them and, even more importantly, should serve as a strong deterrent against unlawful file-sharing. The award is

higher than I might have awarded in my own independent judgment and is the maximum that the Constitution will permit given the facts of this case.

#### IV. MISCELLANEOUS ITEMS

The other issues raised in Tenenbaum's motion for a new trial or remittitur warrant little comment. I address them briefly below.

##### A. Fair Use

More than one and a half years after Tenenbaum filed his original answer to the plaintiffs' complaint, and well after his attorney entered an appearance in this case, he amended his answer to include an affirmative defense that his file-sharing constituted a "fair use" under the Copyright Act. *Sony BMG Music Entm't v. Tenenbaum*, 672 F. Supp. 2d 217, 219 (D.Mass.2009). Although I might have been willing to entertain a more limited fair-use defense, *id.* at 220-21, 238, Tenenbaum's argument was "completely elastic, utterly standardless, and wholly without support," *id.* at 221. He argued that every noncommercial use is "presumptively fair" and that the question of fair use in his case "belong[ed] entirely to the jury, which [was] entitled to consider any and all factors touching on its innate sense of fairness." *Id.* Faced with this "broadside attack" that threatened to "swallow the copyright protections that Congress created," *id.*, I granted the plaintiffs' motion for summary judgment on Tenenbaum's fair-use defense in an electronic order entered on July 27, 2009. I then issued a fuller opinion explaining my reasoning on December 7, 2009. *Id.* Tenenbaum's

motion for new trial or remittitur requests that I reconsider my denial of his fair-use defense.

In my December 2009 opinion, I hypothesized that “a defendant who used the new file-sharing networks in the technological interregnum before digital media could be purchased legally, but who later shifted to paid outlets,” might be able to rely on the defense of fair use. *Id.* I concluded, however, that Tenenbaum could not assert such a defense because the plaintiffs detected his file-sharing in August 2004, more than a year after the iTunes Music Store, which made authorized digital downloads widely available, debuted in April 2003. *Id.* at 222, 236.

Tenenbaum now argues that the “technological interregnum” recognized in dicta in my prior opinion actually extended to 2007, when the plaintiffs finally allowed consumers to purchase songs online that were not encrypted with digital rights management technologies (“DRM”). He also argues that I improperly rejected his argument that the plaintiffs created an “attractive nuisance” for young adults such as Tenenbaum by aggressively promoting their copyrighted works in a world in which file-sharing was prevalent. Finally, he claims that I erred by failing to afford sufficient weight to particular factors in my fair-use analysis, including the costs “borne by parents and schools charged with policing the online activities of children and students; costs on universities compelled to disclose the names of their own students using computers connected to their university network; and the intrusions upon the privacy of individuals entailed by forced inspections of their computers.” (Def.’s Mot. & Mem. for New

Trial or Remittitur 7.)

I reaffirm my prior ruling on Tenenbaum's fair-use defense. I considered both Tenenbaum's "attractive nuisance" argument and the "policing costs" required to crackdown on file-sharing in my December 7 opinion. *See Tenenbaum*, 672 F. Supp. 2d at 234-35, 236-37. Tenenbaum has not provided any persuasive reason for me to depart from my previous analysis.

Tenenbaum's argument about the length of the technological "interregnum" is also unavailing. Tenenbaum effectively blames the plaintiffs for his conduct because they did not make their copyrighted works available in the format he preferred. Even if a copyrighted work's commercial availability factors into the fair-use analysis, a consumer does not have a right to demand that a copyright owner make his work available in the exact format that the consumer desires. *Cf. Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539 (1985) (rejecting fair-use defense raised by a magazine that published quotes from President Gerald Ford's unpublished memoirs). Tenenbaum's argument is also disingenuous. There is no evidence that he turned to peer-to-peer networks because he wanted DRM-free music; he used Napster, Kazaa, and their brethren because he wanted free music. And as I have previously ruled, his efforts to thwart the plaintiffs' right to charge for the enjoyment of their copyrighted works did not constitute fair use.

## **B. Tenenbaum's Evidentiary Challenge**

At trial, Tenenbaum attempted to introduce into evidence the full text of a letter that he wrote on November 21, 2005, offering to settle the plaintiffs' claims against him for \$500 and tendering a money order in that amount. Tenenbaum wrote the letter in response to a letter that the plaintiffs sent him in September 2005 demanding that he cease his file-sharing activities. (See Tr. Tenenbaum Trial Testimony 10:18 to 11:12, 49:5-7, 72:10-23.) In addition to the settlement offer, the letter contained the following promise from Tenenbaum:

While I do not have access to the computer [on which Tenenbaum had saved illegally downloaded files] at college, I will be home on November 22nd. If there are any files existing in violation of copyrights, I will destroy them at that time.

(Def.'s Mot. & Mem. for New Trial or Remittitur 9 (quoting the full text of the letter).) I allowed the plaintiffs to introduce the above-quoted language from the letter but required that Tenenbaum's settlement offer be redacted.

Tenenbaum argues that this decision was erroneous in two respects: (1) his settlement offer need not have been excluded under Federal Rule of Evidence 408; and (2) shorn of its context in a letter offering settlement, the language quoted above appeared to the jury to be an unconditional promise to delete illegally downloaded music files, which provided fodder for the plaintiffs since evidence presented at trial showed that Tenenbaum did not in

fact delete the files.

Rule 408 provides that evidence of “offering . . . to furnish . . . valuable consideration in compromising or attempting to compromise [a] claim” is “not admissible on behalf of any party . . . to prove liability for, invalidity of, or amount of a claim that was disputed as to validity or amount.” Fed. R. Evid. 408(a). Such evidence, however, may be admissible for other purposes, such as “proving a witness’s bias or prejudice; negating a contention of undue delay; and proving an effort to obstruct a criminal investigation or prosecution.” *Id.* 408(b).

Tenenbaum argues that his offer of settlement was admissible to show that as early as November 2005, he was willing to take responsibility for his file-sharing.<sup>52</sup> He contends that this evidence could have been used to combat the plaintiffs’ attempts to portray him as an unrepentant, “hardcore” file

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<sup>52</sup> He also argues that Rule 408 does not apply when a party seeks to admit his own settlement offer. This seems to have previously been the prevailing view, see *Innovative Eng’g & Consulting Corp. v. Hurley & Assocs., Inc.*, No. 1:05CV0764, 2006 WL 2806387, at \*9, 2006 U.S. Dist. LEXIS 70502, at \*30 (N.D. Ohio Sept. 28, 2006), but a 2006 amendment to Rule 408 clarified that the rule applies even to a party’s own settlement offer, see Fed. R. Evid. 408 advisory committee’s notes (2006 amendment) (“The amendment makes clear that Rule 408 excludes compromise evidence even when a party seeks to admit its own settlement offer or statements made in settlement negotiations.”); see also *Pierce v. F.R. Tripler & Co.*, 955 F.2d 820, 828 (2d Cir. 1992) (case cited by the Advisory Committee that interpreted Rule 408 in this manner even before the 2006 amendment).

sharer. According to Tenenbaum, proof of his alleged acceptance of responsibility is not excludable under Rule 408 because he was not seeking to introduce it to “prove liability for, invalidity of, or amount of a claim.” Fed. R. Evid. 408(a); *see also id.* 408(b) (providing that Rule 408 “does not require exclusion if the evidence is offered for purposes not prohibited by subdivision (a)”).

Even if Tenenbaum was offering the redacted portion of the November 2005 letter for a purpose permitted by Rule 408, my ruling was nevertheless proper under Rule 403. *See* Fed. R. Evid. 403 (“Although relevant, evidence may be excluded if its probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury, or by considerations of undue delay, waste of time, or needless presentation of cumulative evidence.”). Admitting evidence of Tenenbaum’s settlement offer would have opened the door to further inquiry into the course of the parties’ settlement negotiations. Plaintiffs would have tried to show that Tenenbaum was intransigent in *subsequent* settlement discussions. This line of inquiry would have had little probative value, likely would have wasted the Court’s time, and potentially could have confused the jurors by inundating them with information that had little pertinence to the matters they were to decide. It also may have required the parties’ attorneys to take the stand as witnesses to testify about the course of the settlement discussions. This could have triggered a wave of disqualifications, a result that Rule 408 was intended to avert. *See* Fed. R. Evid. 408 advisory committee’s notes (2006 amendment) (“[P]roof of

statements and offers made in settlement would often have to be made through the testimony of attorneys, leading to the risks and costs of disqualification.”).

Tenenbaum’s argument that the plaintiffs improperly used the redacted letter as “damning evidence of perfidy” by showing that he failed to “destroy[ ] the offending files as he had apparently and unequivocally promised to do” is meritless. (Def.’s Mot. & Mem. for New Trial or Remittitur 9.) To start, the plaintiffs primarily used the November 2005 letter to impeach Tenenbaum’s credibility by showing that he had waffled on the issue of whether a computer he used to download and distribute copyrighted works had been destroyed. While his November 21, 2005, promise to delete any unlawfully downloaded files on the computer suggested that the computer was operational as of that date, Tenenbaum later appeared to take the position that the computer had been destroyed before his promise was made. (Tr. Tenenbaum Trial Testimony 52:1 to 53:6.) In fact, it was Tenenbaum’s own attorney, not the plaintiffs, who made explicit the fact that he had failed to fulfill his promise to delete the files.<sup>53</sup> (*Id.* at 73:12.)

But even if I ignore this serious hole in Tenenbaum’s argument, my ruling still stands. Despite Tenenbaum’s protestations to the contrary, a

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<sup>53</sup> The plaintiffs, however, did make a fleeting reference to Tenenbaum’s failure to delete the files in their closing argument. (Trial Tr. 77:6-9, July 31, 2005, Case No. 03-cv-11661-NG, document # 916.)

reasonable jury could not have construed his promise as contingent on the plaintiffs' acceptance of his settlement offer. Tenenbaum did not use conditional language; instead, he directly asserted: "I will be home on November 22nd. If there are any files existing in violation of copyrights, I will destroy them at that time." He also dated this letter November 21, 2005, and the date he set for the destruction of the files was November 22. It seems unlikely that the plaintiffs or their attorneys even received Tenenbaum's letter by November 22. Thus, it is hard to see how Tenenbaum's promise to destroy the files while home on a break from school could have been contingent on the plaintiffs' acceptance of his settlement offer by that date.

In addition, any harm caused by my rulings with regard to the November 2005 letter was mitigated by the parties' stipulation that they engaged in settlement negotiations that ultimately failed. (Joint Stipulation re Settlement Negotiations, Ex. J to Pls.' Opp'n to Def.'s Mot. for New Trial or Remittitur.) Thus, even if I erred by excluding Tenenbaum's settlement offer and admitting the redacted letter, the error was harmless because the jury was informed that the parties had attempted to resolve their dispute through a settlement agreement. *See* Fed. R. Civ. P. 61 (setting forth the harmless error standard).

## V. CONCLUSION

The jury's \$675,000 award is wholly out of proportion with the government's legitimate interests in compensating the plaintiffs and

detering unlawful file-sharing. No plausible rationale can be crafted to support the award. It cannot withstand scrutiny under the Due Process Clause.

The fact that I reduce this award, however, obviously does not mean that Tenenbaum's actions are condoned or that wholesale file-sharing in comparable circumstances is lawful. I have determined that Tenenbaum's conduct was not "fair use" and that it infringed the plaintiffs' copyrights. Furthermore, the jury's award, even as reduced, is unquestionably severe and is more than adequate to satisfy the statutory purposes and the plaintiffs' interests.

I **GRANT** Tenenbaum's Motion for a New Trial or Remittitur (**document # 26**) insofar as it seeks a reduction in the jury's award on the grounds that it is so grossly excessive as to violate the Constitution. I **DENY** the balance of Tenenbaum's motion for the reasons stated in this opinion. I will amend the judgment in this case to reduce the jury's award to \$2,250 for each of the thirty infringed works.

**SO ORDERED.**

Parallel Citations

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