

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

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IN THE UNITED STATES COURT OF APPEALS  
FOR THE FIRST CIRCUIT

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SONY BMG MUSIC ENTERTAINMENT, ET AL.,

*Plaintiffs-Appellants / Cross-Appellees,*

*v.*

JOEL TENENBAUM,

*Defendant-Appellee / Cross-Appellant.*

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On Appeal From The United States District Court  
For The District Of Massachusetts

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**OPENING BRIEF FOR THE  
DEFENDANT-APPELLEE/CROSS-APPELLANT**

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## **INTRODUCTION**

This is a civil action against a single individual, not against the millions of others who acted similarly. It is an action for redress of damage caused to Plaintiffs by this single individual, not for damage to others or caused by others. The challenged judgment is directed toward someone who downloaded free music knowing it was illegal. What the law has done in response is too extreme to be defended. This use of federal judicial authority is vastly out of proportion to the harm yet nominally in keeping with the text of the statute supposedly supporting it. Thus, the very foundation of the statute comes into question. The fundamental issue before this Court is whether the lower court's judgment against Defendant Joel Tenenbaum — levied without evidence of any harm directly attributable to him — should stand. This result is unconstitutional, unauthorized by statute, and imposed by a judicial process riven with error.

## **STATEMENT OF JURISDICTION**

Defendant adopts the Statement of Jurisdiction given by the Government at Gov't Br. 1–2.

## STATEMENT OF THE ISSUES

1. Is the award of damages against the defendant unconstitutionally excessive?
2. Was the jury properly guided by the trial judge's instructions?
3. Does the statute under which the defendant was prosecuted apply to individual noncommercial consumers?
4. Does 17 U.S.C. § 504(c) remain operative in the wake of *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998)?

## STATEMENT OF THE CASE

When the acts in question began, Joel Tenenbaum was a teenager. At the time, no one knew precisely what the legal status of filesharing was. This was the “interregnum” that the district court referenced in its opinion denying a Fair Use defense. *See Sony BMG Music Entm't v. Tenenbaum*, 672 F. Supp. 2d 217, 221 (D. Mass. 2009). The Recording Industry Association of America (“RIAA”) changed that. RIAA President Cary Sherman described the 2003 decision to sue individual filesharers:

The time had come to shift over to a strategy that would be more effective. The lawsuits were obviously controversial in the media, but the reality was that most people had no idea that what they were doing was illegal at the time of those lawsuits . . . . That completely flipped overnight when we started the lawsuits . . . . So we think it had a tremendous impact by very clearly searing in the minds of the public that

maybe getting all of this stuff for free isn't legal after all . . . .  
As unpopular as that was going to be, we were prepared to  
take it on.

Rocco Castoro, *Downloading Some Bullshit*, Viceland Online (August  
2010), <http://www.viceland.com/int/v17n8/htdocs/downloading-some-bullshit-484.php#ixzz192OKfxhi>.

Joel received a letter in September 2005 from an unknown law firm informing him for the first time that he had been detected infringing copyright and that he had only two options: settle or be sued. Tr. Exh. 24. There was no prior notification, no cease and desist, only a note from a stranger telling him “pay up or be sued.” He sent back a letter offering to settle for \$500. Tr. Exh. 23; *see also* J.A. 336 (redacted version). Plaintiffs rejected his offer and demanded \$12,000 in settlement. The litigation strategy at the heart of the RIAA campaign against individual noncommercial filesharers thus takes advantage of the difficulty and cost of litigating in federal court. So overwhelming is the asymmetry that no one can rationally defend. Accordingly, defense here is to some degree economically irrational, but otherwise this court would never have occasion to hear the issues presented by this case.

Alleging the unauthorized download and distribution of 30 songs, Plaintiffs filed a copyright infringement action in federal court demanding injunctive relief and statutory damages. Along with a crowd of others, he stood — at the time unrepresented — before the court with his mother by his side when the following transpired:

JUDGE: I can't say this is a situation that is a good situation or a fair situation, it is, however, the situation . . . if you really wish to stand and fight, you need to have legal representation because otherwise all you're going to do is stand in place, their fees go up and we'll end this case with the higher end of the statutory damages rather than the lower end. Really these cases have been resolved anywhere from \$3,000 to \$10,000.

MRS. TENENBAUM: My son was offered \$12,000, your Honor, and every time we appear that goes up. We've offered it time and time again since this very inception. They won't—

JUDGE: Is that right? . . . . (Turning to RIAA counsel) You know it seems to me that counsel representing the record companies have an ethical obligation to fully understand that they are fighting people without lawyers, to fully understand that, more than just how do we serve them, but just to understand that the formalities of this are basically bankrupting people, and it's terribly important that you stop.

Tr. of Mot. Hr'g of June 17, 2008 at 9:19–11:7 (Consol. Doc. No. 614).

Later, Plaintiffs asserted that § 504(c) allows any award between \$750 and \$150,000 per infringement, multiplied across unlimited

infringements, even against a noncommercial defendant engaged in individual filesharing for personal use. Here, that range could have yielded an award ranging from \$22,500 up to \$4,500,000 for 30 songs, which have a total retail value of approximately \$30. On Plaintiffs' theory, Joel's total liability could have run into the *billions* had they merely chosen to sue on more songs.

Defendant moved to dismiss the complaint, challenging the application of § 504(c) on Due Process and 8th Amendment grounds. *See* J.A. 318–21. The United States intervened to defend the statute. Denying the motion to dismiss as premature, the district court postponed constitutional concerns, noting the inability to compare actual damages to statutory damages in the absence of a factual record, and reserved Defendant's right to file the challenge contingent on the outcome. *See id.*

At trial, Plaintiffs presented multiple experts testifying to the aggregate harm to the entire recorded music industry<sup>1</sup> purportedly

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<sup>1</sup> Plaintiffs represent about 70% of recorded music sales. *See* "American Association of Independent Music," <http://a2im.org/mission/> (accessed Dec. 26, 2010) (website of a trade group that represents the independent music sector comprising 30% of music industry marketshare and 38% of digital music sales).

resulting from millions of non-party filesharers worldwide. Defendant's efforts to present issues of fairness involving Plaintiffs' contributory behavior to the filesharing problem were blocked, as were Defendant's experts describing fairness and the difficulties facing the Digital Generation in understanding copyright and its application to songs freely floating on the Internet. Defendant testified forthrightly that he had downloaded and shared the 30 songs, and he was impeached with his unwillingness to say so beforehand.<sup>2</sup> Joel's \$500 money order and accompanying letter were not only excluded but redacted in a manner that turned the evidence against him. *See* J.A. 336.

No evidence of actual harm caused by Defendant was ever introduced.

At the conclusion of evidence, the trial judge directed a verdict on 30 infringements. She instructed the jury only on damages giving them a broad and non-exhaustive list of eight factors that might bear on damages. *See* J.A. 66–69. She then instructed the jury of the statutory range but conveyed none of the context pertaining to the diversity of

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<sup>2</sup> Plaintiffs attempted to further impeach him by introducing evidence that, in addition to listening to free music, Joel had looked at free pornography. This effort was rebuffed. *See* Trial Tr. of July, 29, 2009, at 70–79 (Doc. No. 55).

infringements that the Copyright Act covers nor how this determination fits into a larger scheme of copyright jurisprudence. Instead, she said simply, “The Copyright Act entitles a plaintiff to a sum of not less than \$750 and not more than \$150,000 for an act of infringement that you find to be willful as you consider just.” *Id.* at 68.

The verdict form listed the 30 songs, provided the jury with a choice on willfulness, and a box in which to assign an award for each song.

	SOUND RECORDING	PLAINTIFF	With respect to this sound recording, was his infringement committed willfully?	Statutory Damages Award	
5	Nirvana “Come as You Are”	UMG Recordings, Inc.	NO	If you answered “NO”, what damages do you award the Plaintiff for <u>this</u> copyrighted work, from \$750 to \$30,000?	
			<input checked="" type="radio"/> YES	If you answered “YES”, what damages do you award the Plaintiff for <u>this</u> copyrighted work, from \$750 to \$150,000?	\$22,500.00

See J.A. 73–79.

The jury awarded \$22,500 for each of the 30 songs, for a total award of \$675,000. The district court subsequently reduced this amount to what the court considered the constitutional maximum, entered judgment against the defendant for \$67,500 and permanently enjoined him from further copyright violation.

This is the first filesharing case to reach a federal court of appeals following a trial.

## SUMMARY OF ARGUMENT

The district court's reduced award of \$67,500 for thirty infringements remains excessive. As an initial matter, the court below was correct that the reasoning of the Supreme Court's recent punitive damages jurisprudence is relevant to the issue of whether a particular award of statutory damages under the Copyright Act is excessive. The very same concerns that have animated that line of cases — lack of fair notice, arbitrariness, and substantive fairness — apply with equal force to the highly punitive and unpredictable award here.

But while it applied the proper standard, the district court did not reduce the award to a constitutionally acceptable level. The award itself must be examined in the aggregate, not on a per infringement basis, and a \$67,500 award for the minimal harm Tenenbaum caused Plaintiffs by infringing thirty songs remains unreasonable. By any measure of harm, such an award vastly exceeds the presumptive constitutional maximum of a “single-digit ratio” between the jury's award and the harm caused by a defendant that was announced by the Supreme Court in *State Farm*.

Moreover, the jury's award was tainted by jury instructions that were inadequate in several respects. First, Congress never intended for juries to set statutory damages, but the Supreme Court found a jury trial right in *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998). Yet *Feltner* gave no hint of how juries could be properly instructed to operate within a complicated statutory scheme. The district court's instructions failed to grapple with the problem: by simply reciting to the jury the minimum and maximum of the range with no context, the jury was improperly primed to award an unconstitutionally excessive amount.

Second, while the trial was littered with testimony of harm *flowing to* parties not in the litigation and *caused by* parties other than Joel Tenenbaum, the district court's instructions did nothing to inform the jury that its award may not implicate these "strangers to the litigation." In so doing, the instructions ran afoul of Due Process principles outlined by the Supreme Court most recently in *Philip Morris USA v. Williams*, 549 U.S. 346 (2007).

Third, statutory damages were never "intended to provide the plaintiff with a windfall recovery," *Warner Bros., Inc. v. Dae Rim*

*Trading, Inc.*, 677 F. Supp. 740, 769 (S.D.N.Y. 1988); instead, courts are nearly unanimous that statutory awards should meaningfully relate to the damage caused by the defendant. The district court’s failure to inform the jury of this was also prejudicial error.

Correcting the foregoing errors is critical, and would result in meaningful relief for Tenenbaum. But their correction does not fully address the systemic problems that produce unconscionable awards. At bottom, this case presents a gross distortion of the traditional understanding of copyright law. The damages are so disproportionate to the offense because the statute was never meant to apply to not-for-profit individual consumers like Tenenbaum. Statutory damages exist to solve problems of proving significant harms difficult to quantify — not to authorize *in terrorem* punishment for “venial offenders” like Tenenbaum. Pl. Add. 54. Thus, this Court should hold that the § 504(c) remedy is unavailable.

Compounding the problem is that § 504(c) was actually declared unconstitutional by the Supreme Court in *Feltner*. But rather than amending the statute to incorporate the jury trial right, Congress has left the scheme entirely untouched. The “shocking” result in this case

testifies to the present unconstitutional scheme and requires congressional action. Thus, this Court should take this unintended and unconstitutional application of the § 504(c) remedy off the table.

## ARGUMENT

### I. THE AWARD, EVEN AS REDUCED, IS EXCESSIVE.

#### A. *The Gore Standard Applies In This Case.*

The threshold question is what standard courts should apply when reviewing a jury’s award of statutory damages. Both Plaintiffs and the Government maintain that the governing standard is that articulated in *St. Louis, I.M. & S. Ry. Co. v. Williams*, 251 U.S. 63 (1919), with no subsequent refinement. In *Williams*, a railroad challenged a jury’s assessment of a \$150 statutory award to two sisters the railroad had overcharged by 66 cents each. *Id.* at 63–64. The Supreme Court held that such an award was permissible because it was not “so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable.” *Id.* at 67. Plaintiffs claim that “[t]here is no question” that, under this standard, a \$675,000 award for copying 30 songs — without personal gain and where direct harm to Plaintiffs was minimal — is not “obviously unreasonable.” Pl. Br. 22.

Amazingly, Plaintiffs call the massive award a “reasonable and proportioned response” to Tenenbaum’s conduct. *Id.*

The district court properly rejected Plaintiffs’ legal theory and, even assuming *arguendo* that *Williams* governed, rejected its application to these facts. As to the theory, the district court held that “the due process principles articulated in the Supreme Court’s recent punitive damages case law are relevant to Tenenbaum’s case.” Pl. Add. 28. The district court also found that the original damages award would have failed anyway under *Williams* because the award, according to *both* the court below and the court in *Capitol Records Inc. v. Thomas-Rasset*, 680 F. Supp. 2d 1045 (D. Minn., 2010), is “unprecedented and oppressive.” Pl. Add. 8.

Moreover, the district court found that the Supreme Court’s more recent damages jurisprudence “aim[s] 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.” *Id.* at 28. That is why *Williams* is in fact of a piece with the modern line of punitive damages cases, such as *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559 (1996), and

*State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408 (2003). Those cases demonstrate that the analysis of a damages award pursuant to a statute and one awarded under the common law of torts must be similar.<sup>3</sup>

In *Gore*, the Court did not draw a bright line between statutory and punitive damages. The Court explicitly relied on *Williams* for the principle that a non-compensatory award may not be wholly “disproportioned to the offense.” 517 U.S. at 575 (quoting *Williams*, 251 U.S. at 66–67). Later, in *State Farm*, the Court demonstrated its recognition that *Gore*’s very underpinning is the jurisprudence of *statutory* damages:

[I]n practice, few awards exceeding a single-digit ratio between punitive and compensatory damages, to a significant degree, will satisfy due process . . . . *The [Gore] Court further referenced a long legislative history, dating back over 700 years and going forward to today, providing for [statutory] sanctions of double, treble, or quadruple damages to deter and punish. Id.*, at 581, and n.33. While these ratios are not binding, they are instructive. They demonstrate what should be obvious: Single-digit multipliers

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<sup>3</sup> Moreover, the line between “statutory damages” awards and “punitive damages” awards continues to blur, as more and more states regulate by statute when punitive damages may be awarded, and in what amounts. *See, e.g., Gore*, 517 U.S. at 614 (Appendix to Dissenting Opinion of Ginsburg, J., regarding “State Legislative Activity Regarding Punitive Damages”).

are more likely to comport with due process, while still achieving the State's goals of deterrence and retribution, than awards with ratios in range of 500 to 1, *id.*, at 582, or, in this case, of 145 to 1.

538 U.S. at 425 (emphasis added).

Appellate courts, including this Court, have followed the Supreme Court's lead in connecting the dots between *Williams* and *Gore*. In *Romano v. U-Haul Int'l*, 233 F.3d 655 (1st Cir. 2000), an employment discrimination case, the plaintiff won an award of *statutory damages* under 42 U.S.C. § 1981a. Not only did the Court view *Gore* as applicable, but it explicitly "subject[ed] the \$285,000 award to the *Gore* three-guidepost analysis." *Id.* at 673.

The Second Circuit has also indicated that *Gore* should apply to cases involving statutory damages. *Parker v. Time Warner*, 331 F.3d 13 (2d Cir. 2003), involved statutory damages under the Cable Communications Policy Act of 1984, 47 U.S.C. § 521 *et seq.*, and the court held that the interplay between two statutes:

[M]ay expand the potential statutory damages so far beyond the actual damages suffered that the statutory damages come to resemble punitive damages . . . [S]uch a distortion could create a potentially enormous aggregate recovery for plaintiffs, and thus an *in terrorem* effect on defendants, which may induce unfair settlements. And it may be that in a sufficiently serious case the due process clause might be

invoked . . . to nullify that effect and reduce the aggregate damage award.

331 F.3d at 22 (citing *State Farm* and *Gore*).

Moreover, the Supreme Court itself in *Exxon Shipping Co. v. Baker* extended many of the teachings of *Gore* and *State Farm* beyond the context of tort law punitive damages and into the world of maritime common law. 128 S. Ct. 2605, 2626–27 (2008). Even if those cases “provide[d] no occasion to consider a ‘common-law standard of excessiveness’” at issue in *Exxon*, the Court drew extensively on these and related cases to give content to the idea that “the common sense of justice would surely bar penalties that reasonable people would think excessive for the harm caused in the circumstance.” *Id.* Thus, in contrast to Plaintiffs’ misguided idea that *Gore* and *State Farm* “reflect[] entirely different concerns that have no relevance in the statutory damages context,” Pl. Br. 38, those and other related cases in fact form the very core of the “sense of justice” that must guide this Court’s review.

***B. Even A \$67,500 Award Violates Due Process.***

Applying the proper legal standard is the beginning and not the end of the analysis. Though the district court was correct in holding

that the Court’s recent punitive damage jurisprudence is relevant to the instant case, it erred in allowing an award of \$67,500 despite the unprecedented ratio of damages to harm caused. Because Plaintiffs refused to offer a definitive measure of their harm — as they still do — the district court articulated a number of different metrics. On the low end of the *reduced* award, the ratio of damages to harm was 45:1. Pl. Add. 51. At the high end, the ratio remains an an astounding 3,214:1. See Pl. Add. 47. Whatever the final tally, even the reduced award is not in the ballpark of the “single-digit ratio” that the Supreme Court in *State Farm* said is the lodestar of Due Process. See Pl. Add. 23.

1. *The district court did not consider the effects of aggregating individual violations.*

The district court recognized that, under *Gore*, courts must ensure that an award of damages tracks the defendant’s reprehensibility and the harm caused to the Plaintiff.<sup>4</sup> But as the district court noted, “the reprehensibility of a file sharer’s conduct does not increase linearly with

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<sup>4</sup> Defendant does not seek to minimize the third *Gore* guidepost which compares an award to comparable fines to gauge legislative intent. But this factor has less relevance because “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.” Pl. Add. 32; see also Sec. III, *infra*.

the number of songs he downloads and shares.” Pl. Add. 52.

Accordingly, “the aggregation of statutory damages awarded under section 504(c) may result in unconscionably large awards.” *Id.*

Yet, despite these correct observations, the district court erred when it held that the Constitution permits a *per infringement* maximum. Pl. Add. 55 (“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.”). Even in cases that do not analyze statutory damages under *Gore*, it is the *aggregate* damage award that is analyzed to determine whether they pass constitutional muster. See *Zomba Enters., Inc. v. Panorama Records*, 491 F.3d 584, 588 n.11 (6th Cir. 2007) (referring to the “statutory-damage award” as the aggregate amount of \$806,000); *Lowry’s Reports, Inc. v. Legg Mason, Inc.*, 302 F. Supp. 2d 455, 457 (D. Md. 2004) (examining whether the “\$19 million dollar verdict” should stand).

The aggregate amount is the only appropriate way to analyze the damage award lest this Court give plaintiffs free reign to elicit virtually any amount of money from any of millions of noncommercial infringers

who have downloaded songs on peer-to-peer networks. As Plaintiffs take great pains to stress, literally millions of users have downloaded thousands of songs. Thus, a ruling that damages of \$2,250 *per song* for knowing infringements are constitutional without analyzing the fairness of the aggregate amount would give plaintiffs license to extract arbitrarily high damages from millions of users based on nothing more than the number of songs they choose to sue on.

To put the problem into stark relief, consider the following scenario. In 2008, one study reported that the average British teenager had 800 illegal songs on his iPod. Dan Sabbagh, *Average Teenager's iPod Has 800 Illegal Music Tracks*, Times Online (June 16, 2008), [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). If \$2,250 per infringement were constitutional, this would mean the average teenager is exposed to a \$1.8 million judgment. If Plaintiffs then got judgments of \$1.8 million from 30,000 teenagers — approximately the number of lawsuits they filed against American consumers through the end of 2008 — they would obtain outstanding judgments of \$54 *billion*. This is more than the *total revenue* the *entire* recording industry would earn over six years

at its current size of \$8.5 billion per year. *See* J.A. 130–31. Indeed, given Plaintiffs’ theory of the stratospheric penalties they are entitled to recover for even harmless infringements, one wonders why they do not simply abandon the business of making records for the business of suing filesharers.

Plaintiffs no doubt recognize that they would provoke immediate and harsh congressional and judicial action if they actually decided to pursue this option. In response, they have carefully cultivated a “Goldilocks” strategy to sweep the aggregation problem under the rug: suing on thirty infringements resulted in a verdict high enough to send a message but low enough so that they can defend the aggregate award without being immediately laughed out of court. But constitutional analysis cannot turn on litigation strategy. Instead, this Court must set an upper limit on the overall damages that Joel Tenenbaum can face. Under the *Gore* analysis, \$67,500 is too much for his conduct.

Further, in the absence of careful legislative calibration, an initially plausible statutory scheme can go awry through the unrestrained stacking of statutory damages. This is because “the initial decision to engage in illegal file-sharing, by itself, comprise[s] some

significant part of the defendant’s overall reprehensibility.” J. Cam Barker, *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, 550 (2004).

Thus, “[t]o the extent that the defendant’s reprehensibility is not wholly proportionate to the number of illegally downloaded songs, [the current] imposition [of aggregated statutory damages] is inappropriate.” *Id.*

Barker likens this situation to the single larceny rule in criminal law, where a series of property crimes are often considered a single count of larceny if done as part of a general fraudulent scheme.<sup>5</sup> Most of a defendant’s reprehensibility stems from the decision to undertake a larcenous course of conduct, not from the decision to take five items instead of one.

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<sup>5</sup> See, e.g., Mo. Ann. Stat. § 570.050 (West 1999) (“Amounts stolen pursuant to one scheme or course of conduct, whether from the same or several owners and whether at the same or different times, constitute a single criminal episode and may be aggregated in determining the grade of the offense.”); *United States v. Billingslea*, 603 F.2d 515, 520 n.6 (5th Cir. 1979) (“We note with approval the position adopted by a number of state courts that a series of larcenies may be properly charged in a single larceny where ‘there was a continuing impulse, intent, plan, or scheme actuating the several takings.’”).

So too here. With filesharing, at least some amount of reprehensibility logically originates from the decision to install software and engage in downloading illegally, rather than how many songs are downloaded from that activity. This is especially salient considering that hundreds of songs can be queued for download by a few mouse-clicks and completed in a matter of hours.

2. *The ratio of damages to harm still far exceeds the standard announced by the Supreme Court in State Farm.*

The district court's discussion of the second *Gore* guidepost is thoughtful and comprehensive. Yet, after an excellent analysis, the court erred by not following the very standard so aptly articulated. The court, quoting *State Farm*, noted that "few awards exceeding a single-digit ratio between punitive and compensatory damages, to a significant degree, will satisfy due process." Pl. Add. 23. Yet even the reduced award exceeds the *State Farm* standard by a country mile: depending on the metric used to determine harm, the ratio could be as high as 3,214:1 or as low as 45:1. *See supra* p.16.

Plaintiffs do not dispute that these ratios would be presumptively impermissible under the Constitution. Instead, they claim that the district court's "formulaic" invocation of ratios of damages to harm

“gave no consideration to such difficult-to-quantify losses as diminution in value of each copyright infringed, an ever-increasing diminution in the value of all sound recording copyrights, and a resulting loss in [Plaintiffs’] ability to find new artists and music to record.” Pl. Br. 27. But the “formulaic” use of such ratios is *precisely* what the Supreme Court endorsed in *State Farm* and *Gore*. Even *Williams* implies at least an estimate of this: how can a judge know if an award is “wholly *disproportioned* to the offense,” *Williams*, 251 U.S. at 67 (emphasis added), without some sense of *proportion*? Moreover, Plaintiffs’ parade of unquantifiable harms demonstrates the overall harm suffered because of worldwide filesharing. *See infra* Sec. II.B. They do not attempt to define what portion of that harm was caused by the defendant *in this action* — presumably because the result is so embarrassingly low.

Ultimately, Plaintiffs’ theory rests on little more than clever wordplay. They argue that Tenenbaum’s actions “deprived [them] of literally *immeasurable* profits.” Pl. Br. 55 (emphasis added). According to the Oxford English Dictionary, “immeasurable” has multiple definitions: “not measurable” or “immense.” *Oxford English Dictionary*

(2d ed. 1989). This Court should not accept Plaintiffs' invitation to conflate the two. On the contrary: in this case, Plaintiffs' lost profits due to Joel Tenenbaum's filesharing are, if anything, immeasurably *small*.

3. *Plaintiffs grossly overstate the harm caused by Tenenbaum's "distribution" of sound recordings.*

Responding to the district court's conclusion that Tenenbaum caused "relatively minor harm," Pl. Add. 8, 57, Plaintiffs now attempt to portray Tenenbaum as equivalent to a commercial bootlegger, claiming that he "obtained thousands of copyrighted songs and intentionally distributed those songs and others that he personally uploaded to millions of other users of peer-to-peer networks." Pl. Br. 21. This is false. Their unfounded allegation of the scale of Tenenbaum's distribution flies in the face of the fact that they have submitted no evidence of how many other users actually obtained songs from him. Even the Government rejects the theory that Tenenbaum "distributed" Plaintiffs' songs to "millions of other users," noting that "there is no ready way to determine the number of times the defendant infringer has violated the copyright holder's distribution rights." Gov't Br. 51. Though the number of other users Tenenbaum may have distributed the songs to is unknown, this number surely did not run into the

millions — especially with so many copies of the same song available from other users. *See* Pl. Add. 47.

Indeed, Plaintiffs’ disingenuous theory of the scope of the harm Tenenbaum caused — which equates “mak[ing] song[s] available for millions of other peer-to-peer network users” with actually “distribut[ing] those songs . . . to millions of other users,” Pl. Br. 21, 25 — runs counter to this Court’s copyright jurisprudence. This Court has made clear that “[m]ere authorization of an infringing act is an insufficient basis for copyright infringement.” *Latin Am. Music Co. v. Archdiocese of San Juan of Roman Catholic & Apostolic Church*, 499 F.3d 32, 46 (1st Cir. 2007); *see also Arista Records LLC v. Does 1-27*, 584 F. Supp. 2d 240, 249 (D. Me. 2008) (“[T]here is considerable authority for the proposition that storage of copyrighted recordings and making them available on a network does not amount to copyright infringement.”). “Distribution” is a right reserved to a copyright holder, and one that could result in significant harm when infringed. On the other hand, “making a song available” to other users on a network where millions of other users are doing the same is not infringement and does not in and of itself result in substantial harm. This is partially

because, in contrast to affirmative distribution, “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.” Pl. Add. 47.

Plaintiffs make plain their exaggerated theory of the harm Tenenbaum caused them when they claim that “[t]he district court’s opinion considerably understates the serious harms file-sharing causes.” Pl. Br. 25. But *filesharing* was not on trial in this case — Joel Tenenbaum was. This Court must not countenance Plaintiffs’ repeated attempts to equate the harm caused by individuals with harm caused by global filesharing.

## II. THE JURY INSTRUCTIONS FAILED TO GUIDE THE JURY PROPERLY.

### ***A. The District Court Improperly Assumed That Juries Should Be Made Aware Of the Entire Statutory Range.***

“The language of § 504(c) does not grant a right to have a jury assess statutory damages.” *Feltner* 523 U.S. at 345; *see also* 4 Nimmer on Copyright § 14.04(C)(1) (2010) (the “dominant view” before 1998 was that “it is for the judge, in the exercise of his discretion, to award statutory damages”). In 1998, reversing centuries of congressional intent, the Supreme Court in *Feltner* held that “the Seventh

Amendment provides a right to a jury trial on all issues pertinent to an award of statutory damages . . . including the amount itself.” 523 U.S. at 355 (1998). The *Feltner* opinion, however, did not consider how juries could be instructed so that they fit into a complicated framework that Congress intended to be the sole domain of judges. The district court’s solution was to recite to the jury a non-exhaustive list of factors that bear on damages supplemented by an open invitation to the jury to consider any other factors the jury might think relevant and appropriate. The court then directed the jury to set awards for each infringement within the bounds of the stated statutory range. This was error.

1. *It was error to instruct the jury of the entire statutory range with no context.*

With *Feltner*, the Supreme Court apparently shifted the determination of the amount of statutory damages from judge to jury rather than simply declaring the statute unconstitutional and then leaving it to Congress to formulate a new and constitutional mode of administering its statutory damage scheme.<sup>6</sup> In so doing, it failed to

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<sup>6</sup> We here say “apparently” because the Court in *Feltner* “failed to attempt any analysis” of whether the courts should continue to apply

provide any structure for guiding the jury’s use of the wide power shifted to it. The power to set statutory damages within an exceedingly wide range was therefore unanchored from the wisdom and experience of judges and turned over to a jury uninformed of context, precedent, or legal principle.

A colloquy at oral argument in *Feltner* reveals that the Court itself had no answer to whether juries should be instructed regarding the statutory range. Justice Stevens told the counsel for the petitioner,<sup>7</sup> who was arguing in favor of the jury trial right, that “a problem that [he had] that runs through the whole case” is “what the judge tells the jury.” Tr. of Oral Arg. at 6, *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998) (No. 96-1768). Justice Stevens asked: “Would it suffice if the jury is told, ‘render such damages as you consider to be just?’” Petitioner’s counsel did not give an on-point answer, instead responding that he thought “the jury would be instructed according to

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the statutory damages scheme with the word “jury” replacing the word “court” in 504(c) or whether Congress would need “to amend the Copyright Act if it wanted to retain within the copyright owner’s arsenal a meaningful device of securing an award of statutory damages.” 4 Nimmer on Copyright § 14.04 (2010); *see also infra* Sec. IV.

<sup>7</sup> Petitioner’s counsel was Chief Justice John Roberts, then a partner at Hogan & Hartson.

the factors it's supposed to consider, as juries are, for example, in awarding punitive damages.” *Id.* Justice Stevens replied that he remained skeptical: “I’m just not sure what the judge tells the jury.” *Id.*

The district court, like Justice Stevens, noted the imperfect fit between the scheme created by 504(c) and the use of a jury. *See* Pl. Add. 39 n.12. Yet it did nothing to mitigate the problem.

Plaintiffs argue that “[a]lthough Congress may not have originally envisioned that juries would award damages under § 504(c), if Congress thought juries were not up to this task, it presumably would have circumscribed the jury’s role, not expanded the jury’s discretion by expanding the damages range when it amended § 504(c) one year after *Feltner*.” Pl. Br. 53. But when Congress raised the maximum statutory damages from \$100,000 to \$150,000 for willful infringement, there was no indication that that the amendment’s drafters were even aware of *Feltner* or its impact. Senator Hatch, a sponsor, said “[w]hat this bill does is give *courts* wider discretion to award damages that are commensurate with the harm caused and the gravity of the offense.” 145 Cong. Rec. S7452-04 (Sen. Hatch) (1999) (emphasis added). A search of the Congressional Record reveals that *Feltner* has never been

contemplated in the context of any copyright legislation.<sup>8</sup> And, despite *Feltner*'s holding, Congress has not amended § 504(c) to replace the word “court” with “jury.” The evidence thus reveals that Congress thought it was giving this expanded discretion to judges, not juries.

Injecting a jury into a complicated framework where a judge was the expected decisionmaker poses a serious problem. David Nimmer wrote in 1999 that because the setting of 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.” David Nimmer & Jason Sheesby, *After Feltner, How Will Juries Decide Damages?*, Nat'l L.J., Feb. 8, 1999, at C19. His conclusion was 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 itself would undertake.” *Id.* Thus, this Court must decide whether it was consistent with the goals of the Copyright Act, as modified by *Feltner*, for the jury

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<sup>8</sup> This is the result of a search for “FELTNER” in the Westlaw databases for the Congressional Record (CR) and U.S. Code Congressional and Administrative News (USCCAN) (as of Dec. 21, 2010).

to be instructed as to the range of damages but not to any larger context. This appears to be an issue of first impression for this Court.

Since *Feltner*, at least two sets of model jury instructions tell judges to make the jury aware of the statutory range, but they do so without any comment from the authors or courts. See 3B Fed. Jury Prac. & Instr. § 160.93 (5th ed. 2010); 9th Cir. Model Civil Jury Instr. § 17.25. Such instructions are impermissible. Instead, juries should be asked to award an amount that it considers “just,” and then have potential awards situated in specific contexts. At minimum, a jury instruction should be limited to stating the *constitutional* maximum for the particular harm. Either way, the court’s instruction to the jury that it could award an unconstitutionally high amount of damages necessitates a new trial. Moreover, this Court must face this question even if it believes that the constitutional maximum is higher than \$2,250 per infringement. If the constitutional maximum is less than \$150,000 per infringement — or, put another way, if a total award of \$4.5 million would be constitutionally impermissible for this conduct — then the Court must still answer whether a judge may affirmatively instruct the jury that it can award an unconstitutionally high amount.

The district court rejected Tenenbaum’s argument that the statutory range be omitted from the jury instructions on two grounds. The district court first noted that the jury instructions “correctly articulated the statutory damages ranges authorized by Congress and did so in a way that was neither confusing nor misleading.” Pl. Add. 13. This is wrong on multiple counts. First, as explained in greater detail below in Section II.A.2, instructing the jury as to the statutory range *was* confusing and misleading: mandating a specific range of punishment, unmoored from the overall statutory scheme and the context of other cases, left the jury out to sea and displaced their intuitive sense of a “just” award. Second, in light of the district court’s holding, the court’s instructions *did* misstate the law: a jury was *not* authorized to award \$150,000 per infringement, because that would exceed the court’s own determination of the constitutional limit.

The district court’s second rationale for stating the range fares no better. It noted that, while Congress has instructed courts not to inform juries in Title VII cases that their awards are subject to a statutory ceiling, the absence of such direction from Congress “suggests that it intended to permit judges to inform juries of section 504(c)’s statutory

damages ranges.” Pl. Add. 14 n.5. But this simply cannot be the case because Congress never contemplated that statutory damages would ever be submitted to juries in the first place. *Feltner*, 523 U.S. at 346 (“[T]he word ‘court’ in [§ 504(c)] appears to mean judge, not jury.”). Thus, unlike in the Title VII context, Congress cannot have been expected to affirmatively direct judges to shield the statutory range from a jury it never envisioned participating.

Before *Feltner*, judges were able to situate statutory damages in a spectrum of precedent and thereby had some guidance as to the meaning of what a “just” award would be. The jury instructions, however, contained no such context. Other than making the jury aware of damage awards in other cases,<sup>9</sup> the only possible way to come close to the congressional directive would therefore be to omit the statutory range altogether. Instead, the court instructed the jury of a dollar range that displaced the jury’s intuitive notion of what is “just” and instead mandated a number within an expansive range, covering the gammut of copyright infringements. This no doubt contributes to the staggering

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<sup>9</sup> This has in fact been suggested by some commentators. See Colleen P. Murphy, *Judicial Assessment Of Legal Remedies*, 94 Nw. U. L. Rev. 153, 198 (1999) (“If courts engage in comparative review, then the jury should be informed of the comparative data.”).

difference between statutory damages assessed by juries and those deemed reasonable by judges in filesharing cases.

The district court told the jury that “the Copyright Act entitles a plaintiff to a sum of not less than \$750 and not more than \$150,000 per act of infringement . . . as you consider just.” J.A. 68. For each song, the verdict form asked the jury: “If you answered ‘YES’ [to “willful” (defined as “knowing”)], what damages do you award the Plaintiff for **this** copyrighted work, from \$750 to \$150,000?” J.A. 73–79. Because the jury was given this range along with only a vague list of non-exhaustive factors,<sup>10</sup> the statutory maximum hangs in the air with no context for understanding it. In fact, the range gives the misleading suggestion that Congress intended this specific range to apply to this very kind of case, and not that the range applies to *all* possible copyright infringements.

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<sup>10</sup> The jury was instructed that it should consider the following non-exhaustive list of factors: “(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.” J.A. 68.

2. *Informing the jury of the statutory maximum sets an anchor predisposing the jury to award an unconstitutional amount.*

The key problem with this type of bounded instruction is rooted in what psychologists call “anchoring.” In such a scenario, a subject will “start with some anchor, the number [she] know[s], and adjust.”

Richard H. Thaler & Cass R. Sunstein, *Nudge: Improving Decisions About Health, Wealth, and Happiness* 23 (2008). Problems arise because “adjustments [from the anchor] are typically insufficient.” *Id.* Thus, when charities seek donations in mailings, “the particular suggested amounts have been shown to influence what people donate — when the suggestions are higher, the donations are as well.” *Id.*

Evidence shows that even arbitrary numbers can influence subjects’ evaluation of unrelated matters. In another experiment, subjects were asked if they’d be willing to pay the monetary equivalent of the last two digits of their social security number for a bottle of wine, and if not, how much they would be willing to pay. Dan Ariely, “*Coherent Arbitrariness: Stable Demand Curves Without Stable Preferences*,” 118 Q.J. Econ. 73, 75–77 (2003). Subjects whose last two digits were in the top quintile were willing to pay 323% more than those whose last two digits were in the bottom quintile. In other words, those

with broader ranges returned higher values — even when the initial suggestion was completely unrelated to anything about wine.

Thus, unlike most common law punitive damages cases, where no range is given to a jury, anchoring the damages range with a maximum that was *held to be unconstitutional* positively invites arbitrary and excessive jury awards. The impact of the \$150,000 upper limit with no instruction explaining that the higher end of the range is meant to apply to egregious infringers encourages jurors to set awards well beyond what is constitutionally permissible against a single non-commercial defendant who has made no profit and who individually caused minimal damage.

The outcomes from previous verdicts in filesharing cases bear this out. The juries in *Thomas-Rasset*, all three of which were informed of the \$150,000 statutory maximum, predictably returned wildly excessive and disparate awards for 24 songs with a total retail value of around \$24: in the first trial, \$9,250 per infringement for a total of \$221,500, 680 F. Supp. 2d at 1048; in the second, \$80,000 per infringement totaling \$1,900,000, *id.*; in the third, \$62,500 per infringement for a total of \$1,500,000. See Ben Sheffner, *Thomas-Rasset Verdict: \$1.5*

*Million*, Copyrights & Campaigns (Nov. 3, 2010), <http://copyrightsandcampaigns.blogspot.com/2010/11/third-thomas-rasset-verdict-15-million.html>. Here, with the jury likewise instructed, the jury awarded \$22,500 per infringement for a total of \$675,000. These cases have produced jury awards from three to *thirty-six* times the maximum the constitution is said to allow.

***B. The District Court's Instructions Failed To Mitigate The Risk That The Jury Would Consider Harm By Other Filesharers As Well As Harm Caused To Non-Parties.***

Tenenbaum's trial included extensive testimony about the alleged harm suffered by the *entire* recording industry due to *global* filesharing. But under *Philip Morris USA v. Williams*, the district court was required to instruct the jury that the defendant could not be sanctioned for harm involving "strangers to the litigation." 549 U.S. 346 (2007). This Court should remand this case for a new trial on damages to ensure "that the jury will ask the right question." *Id.* at 355. That question is what damages should *Joel Tenenbaum* pay — not the entire universe of filesharers.

1. *Testimony about filesharing by non-parties and its effects on non-parties permeated the trial and created a risk that Due Process would be violated.*

In *Philip Morris*, the Supreme Court held that a damages award based “in part upon [the] desire to punish the defendant for harming persons who are not before the court . . . would amount to a taking of ‘property’ from the defendant without due process.” *Id.* at 349. The idea that a defendant might be punished for harms against non-parties raises traditional Due Process concerns of lack of fair notice, arbitrariness, and caprice. *Id.* at 352–53. Accordingly, when testimony offered at trial introduces the risk that the jury’s deliberation could result in punitive awards that reflect damage to non-parties, “it is constitutionally important for a court to provide assurance that the jury will ask the right question, not the wrong one.” *Id.* at 355. The ideal method for ensuring that the jury addresses the appropriate question is the jury instruction. *Id.* at 357–58.

*Philip Morris* dealt specifically with the issue of punishment for harm to non-parties. The instant case also implicates that danger, because Plaintiffs represent only four specific record labels. Pl. Br. 2. Yet Plaintiffs’ witnesses consistently testified to harms allegedly

suffered by the *entire* recording industry — even though not all of this harm would have flowed to these four plaintiffs. Plaintiffs make the same mistake before this Court, referring to the “devastating effect *on the recording industry*,” Pl. Br. 8; “layoffs *within the industry*” Pl. Br. 13; and the fact that “file-sharing has cost *the industry* billions of dollars.” Pl. Br. 56 (emphases added). But the “big four” music labels are simply not the same as the *entire* music industry — they represent about 70% of it. *See supra* n.1.

More importantly, the same Due Process concerns that motivated the Court’s analysis in *Philip Morris* apply *a fortiori* when juries are encouraged to consider harm caused by non-parties. Despite this, the prosecution’s expert witness, Dr. Stanley Liebowitz, testified extensively about the overall financial effect that worldwide filesharing had on the entire recording industry. First, Dr. Liebowitz testified that between 1999 and 2008, record industry revenues (adjusted for inflation) declined from \$18.5 billion to \$8.5 billion. J.A. 130–31. When asked for the explanation of this decline in revenue and corresponding decline in sales, Dr. Liebowitz responded that “the [explanation] that jumps out right away is file sharing.” *Id.* at 132. The witness then

described another study of his and admitted that he was unable to discuss the harm caused by Tenenbaum in particular:

Q. What was your conclusion when you looked at that [other data]?

A. The conclusion was that file sharing was responsible for all of the decline in record sales.

Q. Can you identify the particular harm that Mr. Tenenbaum has caused as a result of his activities in this case --

A. No.

Q. -- with respect to file sharing, I should say?

A. No.

*Id.* at 140–41.

Under *Philip Morris*, such testimony posed a double risk of running afoul of Due Process: it was about the harm caused by filesharing worldwide — *not* Tenenbaum’s particular conduct — that flowed to the “record industry” in general — *not* these particular plaintiffs. Plaintiffs’ closing argument neatly summarizes the content and effect of this testimony:

You also heard from Mr. Leak, Ms. Cho and Ms. Palerm, they told you that online copyright infringement has real and significant impacts on everyone in the record business. When record companies lose sales to illegal downloaders, artists, musicians, songwriters, engineers, producers all lose royalties. Lost sales to free illegal downloads has also caused

significant layoffs and harmed my client's abilities to develop new artists and produce the music that we all enjoy.

*Id.* at 260. Such statements present a substantial risk of unduly prejudicing the defendant.

Indeed, the generalized, non-specific testimony was far more extensive here than in *Philip Morris* and in other cases where new trials were required in light of prejudicial testimony. The problem in *Philip Morris* arose solely because of argument made by the plaintiff's attorney in his closing argument about the number of people killed by cigarettes generally, not by defendant Philip Morris's cigarettes in particular. 549 U.S. at 350–51. The Ninth Circuit in *White v. Ford Motor Co.*, 500 F.3d 963 (9th Cir. 2007), then followed *Philip Morris* and remanded the case for a new trial because the plaintiff presented evidence that 54 other people had suffered a similar injury caused by defendant's truck. *Id.* at 971–73. Likewise, a remand was required in *Merrick v. Paul Revere Life Ins. Co.*, 500 F.3d 1007 (9th Cir. 2007), because of testimony by a single witness along with discussion by the attorney at closing argument that was not cabined by a limiting jury instruction. *Id.* at 1015–18.

The same prejudice occurred here. Plaintiffs put Tenenbaum on trial for far more than the downloading and sharing of 30 songs. There was thus a risk that the jury implicitly deemed him responsible for an entire industry's \$10 billion loss in annual revenues, significant layoffs, and inability to develop new and better music.

2. *The trial court failed to alleviate Due Process concerns created by this testimony.*

It is plausible that Plaintiffs were allowed to introduce some of the aforementioned testimony to demonstrate the seriousness of filesharing. *Cf. Philip Morris*, 549 U.S. at 356–57 (acknowledging that a plaintiff may introduce evidence of harm to non-parties in order to establish the defendant's reprehensibility). Yet the *Philip Morris* Court recognized that introduction of such testimony “raises a practical problem” in light of the concern that the defendant would be punished for impermissible harms. *Id.* at 357. The Court therefore asked: “How can we know whether a jury, in taking account of harm caused others under the rubric of reprehensibility, also seeks to *punish* the defendant for having caused injury to others?” *Id.* It answered that “where the risk of that misunderstanding is a significant one — because, for instance, of the sort of evidence that was introduced at trial or the kinds of argument

the plaintiff made to the jury — a court, upon request, must protect against that risk.” *Id.*

Tenenbaum indeed requested that the district court “protect against that risk,” but the court failed to do so. Defendant’s proposed jury instructions clearly sought to ensure he would not be subject to punishment on the basis of conduct by other filesharers worldwide. The requested instruction regarding the scope of damages read:

The uses in question here are the defendant’s alleged downloading and sharing of five songs.<sup>11</sup> 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 five songs. If you find that the Plaintiffs have proved infringement, and if you find that the Plaintiffs have proved that Joel’s use was not fair, you may only award damages, if any, as to those five songs.

J.A. 329.

Yet instead of adopting this instruction or some variation thereof, the judge gave the jury a list of eight broad factors to consider including (d) “the revenue lost by the plaintiff as a result of the infringement” and (h) “the need to deter this defendant and other potential infringers.”

J.A. 68. The instructions then included a troubling statement of

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<sup>11</sup> The proposed instructions refer to five songs instead of thirty because of some confusion regarding the number of works at issue in this litigation.

residual authority to consider all of the evidence and argument presented at trial: “This list of factors is not exhaustive. . . . You may include any other considerations you believe relevant to a just and appropriate determination of damages.” *Id.* This residual instruction explicitly invited the jury to consider Plaintiffs’ extensive testimony regarding the alleged harmful effects that all filesharing had on the entire recording industry, but the jury was never instructed how to properly account for the extensive testimony about harms to and caused by non-parties to the litigation as required by *Philip Morris*. With such boundless discretion, it is no surprise that the result was a plainly unconstitutional award of \$675,000 for the noncommercial downloading and sharing of just 30 songs. A new trial with a jury instructed to consider only harms *by* the named defendant that flowed *to* the named plaintiffs is the minimum required.

***C. The District Court Failed To Convey To The Jury That Statutory Damages Must Reasonably Relate To The Harm Caused.***

When judges set the amount of damages, the nearly universal view has been that statutory damages should be woven “out of the same bolt of cloth as actual damages.” 4 Nimmer on Copyright

§ 14.04(E)(1)(a) (2010). *See also Venegas-Hernandez v. Peer*, 2004 WL 3686337, \*30 (D.P.R. 2004), *partially vacated on other grounds*, 424 F.3d 50 (1st Cir. 2005) (“When determining the exact amount of statutory damages to award to a copyright plaintiff, the court has discretion to award an amount that ‘the court deems just,’ however, statutory damages should be commensurate with the plaintiff’s actual damages.”) (*citing New Line Cinema Corp. v. Russ Berrie & Co.*, 161 F. Supp. 2d 293, 303 (S.D.N.Y. 2001)).<sup>12</sup>

The view that statutory damages should reasonably track actual damages is reinforced by the legislative history of both the 1999 increase in damages and the original 1976 Act. Speaking about the

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<sup>12</sup> Cases from within other circuits include *Yurman Studio v. Casteneda*, 2008 U.S. Dist. LEXIS 99849, \*4–\*5 (S.D.N.Y. 2008) (“At the end of the day, ‘statutory damages should bear some relation to actual damages suffered.’”); *Warner Bros., Inc. v. Dae Rim Trading, Inc.*, 677 F. Supp. 740, 769 (S.D.N.Y. 1988) (statutory damages are “not intended to provide the plaintiff with a windfall recovery”); *Davis v. E. I. Du Pont de Nemours & Co.*, 249 F. Supp. 329, 341 (D.C.N.Y. 1966) (“[T]he [copyright] cases neither minimize the compensatory statutory purpose nor indicate that deterrence should be carried to an extreme.”); *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.”).

1999 revision, Senator Hatch was satisfied with the increase in the maximum penalties because “[i]n 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) (Sen. Hatch).

The House Conference Report for the original 1976 Act shows that the drafters of the current Copyright Act likewise never envisioned damage awards above the minimum would be unmoored from the actual harm caused. The Conference Report reveals Congress’s belief that “the plaintiff in an infringement suit is not obligated to submit proof of damages and profits and may choose to rely on the provision for *minimum* statutory damages.” H.R. Rep. 94-1476, at 161 (1976) (emphasis added). Accordingly, one appellate court has held that “[i]f a copyright owner seeks only ‘minimum’ statutory damages, the record on damages need not be developed at all. If a greater amount of statutory damages is sought, the district court may make the appropriate award when the evidentiary record adequately supports that determination.” *Video Views, Inc. v. Studio 21, Ltd.*, 925 F.2d 1010, 1016–17 (7th Cir. 1991).

To be sure, much of this doctrine was developed in cases where the amount of damages was set by a judge. Yet this Court can give meaning to the text and purpose of the Copyright Act only by ensuring a jury is instructed of the centuries-long conclusion that statutory damages must be at least “woven out of the same bolt of cloth” as actual damages. The district court did no such thing.

***D. The District Court Erroneously Instructed That Knowing Infringement Is Sufficient To Warrant An Enhanced Award.***

Regardless of what “willful” might mean in other contexts, in the context of § 504(c) it cannot mean merely *knowing*. To invite enhanced damages based on merely *knowing* infringement defeats the three-level structure of the statute by collapsing ordinary and willful infringement together.

Such a reading of “willful” fails to give meaning to the language of § 504(c)(1). To give meaning to the text, the criteria for willfulness must be set higher than mere *knowledge*. As Nimmer says in describing the three-tiered structure of statutory awards, “For ease of terminology, intermediate between willful and innocent conduct lies the domain of

‘knowing infringement.’” 4 Nimmer On Copyright § 14.04 (2010).

Nimmer continues:

Predictably, the parties approach these limits from opposite poles, the plaintiff typically seeking heightened damages for willful infringement at the same time that the defendant proclaims itself to have behaved innocently and, hence, to be entitled to a downward remittitur. In most cases, the court is unmoved by those contrary pleas, and makes an award within *the normal range for knowing infringement*.

*Id.* (emphasis added). Moreover, in *Thomas-Rasset*, the same Plaintiffs make the outrageous argument that “the Copyright Act has only two levels of culpability.” Plaintiffs’ Response to *Amicus Curiae* Brief on the Issue of Jury Instruction at 5–6, *Capitol Records v. Thomas-Rasset*, No. 06-1497 (D. Minn. 2010), Doc. 419. If indeed this is the case, Plaintiffs have achieved the remarkable feat of taking a statute written by Congress with three distinct levels and collapsing it into a single class of infringements allowing only the maximum range. Such a result cannot be the intent of Congress.

### **III. SECTION 504(C) HAS BEEN MISINTERPRETED AND MISAPPLIED BECAUSE STATUTORY DAMAGES WERE NEVER MEANT FOR CONSUMER COPIERS.**

Statutory damages were conceived to solve an evidentiary problem arising from the very nature of commercial infringement, incident to providing compensation for significant harms not easily quantified.

They should be unavailable where harm caused by a particular defendant has not been proved and there is neither purpose nor fact of profit. Section 504(c) can and should be understood as allowing statutory damages only to those who have suffered actual damage and who could recover under § 504(b) but for the difficulty of proof. Such an interpretation is consistent with statutory history and enforcement prior to Plaintiffs' litigation campaign. Because Plaintiffs have never offered any evidence of any harm directly attributable to Joel Tenenbaum, applying § 504(c) flouts the purpose of statutory damages.

Moreover, statutory damages were never intended for consumer copying and were not applied in this fashion until Plaintiffs began their litigation campaign in 2003. Instead, whenever Congress has directly considered consumer liability it has shielded, not exposed them. Notwithstanding Plaintiffs' unsubstantiated assertions to the contrary, there is no support for the notion that individual, noncommercial consumer copiers had *ever* been the objects of infringement actions. Pl. Br. at 31 (claiming without citing any authority that “[f]rom the earliest days of the Republic, copyright statutes have prohibited infringement by both end-users and commercial enterprises and imposed civil

penalties for both.”). The instant case is part of a larger campaign representing an aberration from historical practice. Through seven years of litigation, Plaintiffs have not — presumably because they cannot — cited to a single case of a noncommercial consumer defendant against a corporate plaintiff initiated prior to their campaign.

Plaintiffs’ defense of this sea change is contingent upon superficially coherent readings of tangential amendments bereft of context. Legislatures should not be presumed to alter long-standing policies in such a vague way. In light of the weighty constitutional concerns raised in the opinion below and in this brief, simply maintaining the historic understanding that shunned liability for consumer copiers represents the optimal form of constitutional avoidance. *See Edward J. DeBartolo Corp. v. Fla. Gulf Coast Bldg. & Constr. Trades Council*, 485 U.S. 568, 575 (1988). This path to constitutional avoidance is surely better than the Government’s suggestion to resort to remittitur, Gov’t Br. 19–30, which solves none of

the legal problems in the case and simply hopes that the inevitable new trial will somehow result in a lower verdict.<sup>13</sup>

***A. The Historical Record Shows That Congress Never Meant To Place Consumer Copiers Under Copyright Law's Purview.***

*1. The 1909 Act.*

The process that led to the eventual federal protection of sound recordings began with the Copyright Act of 1909. In 1908, the Supreme Court held that the unlicensed production of piano rolls was not an infringement of copyright. *White-Smith Music Pub. Co. v. Apollo Co.*, 209 U.S. 1, 18 (1908). Despite technological innovations that allowed commercial mass production and distribution of mechanical music devices without permission of the copyright holder, the Court held that covering piano rolls would be a major change in copyright enforcement and therefore “such considerations properly address themselves to the legislative and not to the judicial branch.” *Id.* Congress took the Court up on its invitation when it passed an amendment that created compulsory licenses for mechanical reproductions of musical

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<sup>13</sup> Indeed, because the Plaintiffs have made very clear that they would not accept a remitted award and would instead opt for a new trial, the Government’s argument brings to mind Einstein’s famous definition of “insanity”: “Doing the same thing over and over again and expecting different results.”

compositions. Copyright Act of 1909 § 1(e) (repealed). This move began the long process of fully bringing sound recordings under the purview of federal copyright.

Though unavailable to sound recordings, the 1909 Act provided specific levels of statutory damages for certain types of works. These statutory damages were not meant to be a penalty completely unrelated to actual damages but an alternate, if imprecise, means of compensation. Statutory damages ensured adequate compensation to copyright holders where proof of actual damage by a particular defendant was insufficient. For instance, George Haven Putnam of the American Publishers' Copyright League explained the inherent difficulty of calculating the lost value of a work due to infringement of an unpublished book and showing an infringer's profits. See 2 *Legislative History of the 1909 Copyright Act*, pt. D at 248 (Brylawski & Goldman eds., 1976) (hereinafter *Leg. His. of the 1909 Act*). By the third legislative session, there was no doubt that “[t]he clear intent of . . . the act is that damages not easily proven, and *yet which are real*, . . . should be recovered by the [copyright owner.]” Stenographic Report of the Proceedings of the Librarian's Conference on Copyright, 3d Session, at

Library of Congress, Washington, D.C., March 13–16, 1906, *reprinted in* 3 *Leg. His. of the 1909 Act*, pt. E at 236 (emphasis added).

At the same time, the statute and legislative history demonstrate an acute concern for potentially excessive liability through statutory damages. In response to concerns that liability could “run up into hundreds and thousands of dollars,” *id.* at 228 (Statement of Mr. Elder), the statute explicitly declared statutory damages “shall not be regarded as a penalty” and total statutory damages for a particular infringement were capped. S. 6330/H.R. 19853, 59th Cong. § 5(b) (1906), *reprinted in* 1 *Leg. His. of the 1909 Act*, pt. C at 41.

Moreover, the 1909 Act included a “statutory yardstick” to guide judges in determining the appropriate amount of compensatory statutory damages within the statutory range: for instance, \$10 for every infringing copy of a painting, statue, or sculpture; \$1 per infringing copy of other works; \$50 for every infringing performance of a lecture, sermon, or address; and \$10 for every infringing performance of a musical composition. *Id.* The President of the Print Publishers’ Association of America explained that the statutory yardstick was fundamental to effectuating the compensatory, non-penal purposes of

the statutory damages provisions—they provided “damages in a civil way” when “there is *considerable* damage included that you cannot actually get at by any known method of” proof. 3 *Leg. His. of the 1909 Act*, pt. E at 232 (emphasis added).

The House Report on the 1909 Act further illustrates Congressional concern that statutory damages should be capped to avoid crushing punitive liability. The report lamented the fact that “[t]here have been actions brought under existing law where the penalty would have been \$30,000” and explained that the \$5,000 limit was “a modification of existing law, *decreasing* instead of increasing the amount which may be obtained in this way.” H.R. Rep. No. 59-7083 (1907), *reprinted in 6 Leg. His. of the 1909 Act*, pt. N at 14 (emphasis added).

Faced with this clear legislative history, the Supreme Court found it obvious that “the [statutory damages] section was adopted to avoid the strictness of construction incident to a law imposing penalties, and 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). Thus, the seminal statutory damages section of the 1909 Act, the foundation for modern copyright law, was never intended to be more than an avenue for fair compensation. It was certainly not supposed to create a windfall.

2. *The official addition of sound recordings to federal copyright coverage.*

When federal copyright was fully extended to sound recordings in 1971, Congress evinced the same concerns regarding evidentiary problems and compensation. The Sound Recording Act of 1971 (“SRA”) was written to combat “music piracy,” defined as commercial, for-profit bootlegging. Individual, noncommercial consumer copying for private use belonged to a wholly different category called “home taping” — a category that Congress *exempted* from liability.

In June of 1971, the House Judiciary Committee held a hearing in support of the SRA. An excellent description of the mischief to be remedied was supplied by the RIAA itself. Stanley Gortikov, then-president of the RIAA, said:

Some pirate operations are small, strictly neighborhood ventures . . . . Other pirates are large, wholesaling and manufacturing operations. One such enterprise . . . had on hand stock totaling around \$450,000 at retail value. Blank cassettes . . . would have created additional tapes for

distribution valued at more than \$1 million. This plant occupied 15,000 square feet of space and employed 100 persons working in two shifts. The clandestine enterprise maintained armed guards at points of entry and an elaborate system of dummy names and dummy communications. With the most modern equipment available, the capacity of the plant could be as high as 80,000 finished cartridges a day at maximum. That same manufacturer had previously been enjoined by the California courts in at least five suits brought by five different manufacturers. This gives you a clear picture of what just one facility can do to a legitimate industry unless that industry has the reasonable protection of law that we seek today.

*Prohibiting Piracy of Sound Recordings: Hearings on S. 646 and H.R.*

*6927 Before Subcomm. 3 of the H. Comm. on the Judiciary, 92d Cong.*

26 (1971) (statement of Stanley Gortikov, President, RIAA). This is the type of “music piracy” operation that convinced Congress to grant federal copyright to sound recordings and informed both the SRA and the 1976 Act.

Like the 1909 Act, evidentiary and compensatory problems were prevalent with the SRA. The nature of “music piracy” made detection and enforcement difficult since large-scale music bootleggers can hardly be expected to keep detailed financial records. Melvin Halpern, *The Sound Recording Act of 1971: An End to Piracy on the High ©’s?*, 40 Geo. Wash. L. Rev. 964, 992 (1972). For example, business records from

Donald Gabor, a notorious music pirate, consisted of “a carton of some 1,000 or more miscellaneous, disorganized and unexplained pieces of paper” piled in a heap. *Id.* In *Shapiro, Bernstein & Co. v. Remington Records, Inc.*, 265 F.2d 263, 268 (2d Cir. 1959), the court found that Gabor and his pirate record company Remington Records “delayed and protracted” the litigation “relying on their own wrongful acts to prove a case by direct evidence.”

Lawsuits against Gabor’s companies served as evidence of inadequate statutory remedies under the 1909 Act. After being found liable in the previous case, Gabor simply formed a new pirate record company called Continental Record Co. and continued in the same manner. *See Shapiro, Bernstein & Co. v. Cont’l Records, Inc.*, 386 F.2d 426 (2d Cir. 1967). Statutory damages were attacked as inadequate since Gabor was not specifically deterred from continuing his infringing entrepreneurship and plaintiffs recovered only a fraction of the profits derived from Gabor’s unauthorized manufacture of more than 750,000 long playing phonograph records. Halpern, *supra*, at 992.

Despite the impetus to expand liability for pirating companies, Congress never attempted to find liability where private citizens copied

for personal enjoyment. In another hearing on the SRA, an exchange between two representatives underscored the difference between “music piracy” and consumer copying:

Mr. KAZEN. Am I correct in assuming that the bill protects copyrighted material that is duplicated for commercial purposes only?

Mr. KASTENMEIER. Yes.

Mr. KAZEN. In other words, if your child were to record off of a program which comes through the air on the radio or television, and then used it for his or her own personal pleasure, this use would not be included under the penalties of this bill.

Mr. KASTENMEIER. This is not included in the bill. I am glad the gentleman raises the point. On page 7 of the report, under “Home Recordings,” Members will note that under the bill the same practice which prevails today is called for; namely, this is considered both presently and under the proposed law to be fair use. The child does not do this for commercial purposes. This is made clear in the report.

117 Cong. Rec. 34,748–49 (1971). The House Report further affirmed the distinction between music piracy and consumer copying:

Specifically, it is not the intention of the Committee to restrain the home recording, from broadcasts or from tapes or records, of recorded performances, *where the home recording is for private use and with no purpose of reproducing or otherwise capitalizing commercially on it.*

H.R. Rep. 92-487 (1971) (emphasis added).

After the 1976 revision passed, there was some debate over whether consumer copying was still exempted. The absence of any explicit language in the 1976 Act led some to believe that home taping was suddenly actionable while others believed that the exemption still held. Although this debate went technically unresolved by Congress until 1992, no cases were ever heard against consumer copiers until the Plaintiffs began their litigation campaign in 2003.

### 3. *The 1976 Act.*

The statutory damage regime under the 1976 Copyright Act stayed true to its roots seeking to improve evidentiary and compensatory issues rather than scrap them entirely. Beginning in 1955, the Copyright Office commissioned studies for a comprehensive reexamination of copyright law. The respondents almost unanimously recommended retention of the statutory damages provisions, and “[t]he most often proffered justification was that statutory damages were necessary to protect the copyright owner who may have suffered damages but was unable to prove them.” 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).

The 1976 Act also did away with the detailed statutory yardstick because, in practice, it undermined the objective: “To some extent the fear of excessive awards under the present statute is founded on the possibility of a merely mathematical application of the schedule.”

Copyright Law Revision: Report of the Register of Copyrights on the Revision of the U.S. Copyright Law 106 (Comm. Print 1961), *reprinted in Omnibus Copyright Revision Legislative History* (George S. Grossman ed., 2001). Thus, Congress removed the yardstick, not to expand liability, but to *prevent* excessive awards through thoughtless aggregation by placing the entire decision in the judge’s discretion. The commentary accompanying a proposed version of the 1976 Act explains that “[by] eliminat[ing] the suggested schedule of amounts awardable, . . . [the new statute] would give the court broad discretion, after weighing the equities, to make an award which is *justified by the proof*, and which most *closely reflects the extent of the plaintiff’s injury*.” Draft Bill S. 1361, *reprinted in Cambridge Research Institute, Omnibus Copyright Revision: Comparative Analysis of the Issues* 143 (1973)

(hereinafter “Draft Bill S. 1361”) (emphasis added). In enacting the 1976 Act, Congress reaffirmed the proof-based, compensatory rationale of the 1909 Act with striking clarity.

#### 4. *The birth of the Digital Era.*

In 1982, ABBA’s *The Visitor* became the first commercial CD release. See generally *How the CD was Developed*, BBC News (Aug. 17, 2007), <http://news.bbc.co.uk/2/hi/6950933.stm>. In short order, the CD became the first widely adopted digital media format. The recording industry boomed, largely capitalizing on analog-to-digital conversion re-sales of music that consumers already owned. Because consumer reproduction was prohibitively expensive at the time, no attempt was made at digital rights management. Consequently, consumers began to build collections of unprotected digital audio seventeen years before the appearance of the first filesharing tools.

#### 5. *The Audio Home Recording Act of 1992.*

The last Congressional action that specifically addressed consumer copying was the Audio Home Recording Act of 1992 (“AHRA”), now codified as 17 U.S.C. § 1001 *et seq.* After the *Betamax* decision, debate erupted about consumer copying. The advent of Digital Audio Tape (“DAT”), the first viable means of digital consumer copying,

presented a new technological challenge that permitted unlimited generation of perfect digital copies. After years of negotiations between labels and electronics manufacturers, Samuel Cahn and four music publishers brought suit against Sony “in an effort to prevent the introduction of DAT technology into the United States.” Alex Allemann, *Note: Manifestation of an AHRA Malfunction*, 79 Tex. L. Rev. 189, 195 (2000). Before going to court, Sony settled and agreed to support the RIAA’s lobbying efforts for legislation to resolve the debate over consumer copying.

The AHRA was hailed at the time as a landmark agreement between “record companies, hardware manufacturers, music publishers, songwriters and performing rights societies” that would ensure the robust progress of new technologies in the digital era in part by making explicit the historic consumer exemption. H.R. Rep. 102-873(I) at 10 (1992). All parties involved, including members of Congress, consumer groups, the Register of Copyrights, and even the Plaintiffs in this very lawsuit agreed that the AHRA immunized private consumer copying for

noncommercial purposes.<sup>14</sup> The provision was remarkable in its capaciousness — by making this exemption, Congress explicitly and unequivocally immunized *all* then-existing forms of consumer copying, digital *and* analog, for personal use.

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<sup>14</sup> See generally *Audio Home Recording Act of 1991: Hearing on S. 1623 Before the Subcomm. on Patents, Copyrights and Trademarks of the S. Comm. on the Judiciary*, 102d Cong. (1991). Examples include:

Sponsor Dennis DeConcini: “S. 1623 provides for an exemption from copyright infringement liability for a consumer for digital and analog audio taping for private, noncommercial use. This provision clears the way for the introduction of new improved recording technologies by eliminating any marketplace uncertainty over the legality of audio home taping.” *Id.* at 4.

Jay Berman, then-President of the RIAA: “[W]e are here today, united in purpose to urge enactment of S. 1623.” *Id.* at 109. “[The AHRA] removes the possibility of infringement lawsuits.” *Id.* at 110.

Register of Copyrights Ralph Oman: “Copying by a consumer for private, noncommercial use [after the AHRA] is not actionable.” *Id.* at 23.

Gary Shapiro, Vice President of the Home Recording Rights Coalition: “In my view, the [AHRA] is significant because it forever ends the debate over private, noncommercial audio home recording . . . .” *Id.* at 100.

Edward P. Murphy, President and CEO of the National Music Publishers Association, Harry Fox Agency and Chairman of the Copyright Coalition: “The coalition’s enthusiastic support for the [AHRA] stems from its comprehensive approach to audio home taping issues . . . and it provides immunity against infringement lawsuits not only in the area of digital audio copying, but also in the area of analog audio copying.” *Id.* at 84–85.

John Roach, Chairman of Tandy Corporation: “[The AHRA] provides immunity against infringement lawsuits not only in the area of digital audio copying, but also in the area of analog audio copying.” *Id.* at 226.

At the time, the burgeoning computer industry lobbied for exemption from the AHRA in order to avoid royalty and serial copy management obligations. This concession was innocent enough at the time because computers were not yet a significant means of copying, storing, or distributing music: when the AHRA was written, it would have cost \$210 to store a single song file on a typical hard drive.<sup>15</sup> Even writeable CD-R systems were prohibitively expensive, costing between \$10,000 and \$12,000.<sup>16</sup> In exempting computers from the AHRA's coverage, Congress simply did not foresee the centrality of the computer in the future music marketplace.

#### *6. The Digital Theft Deterrence Act of 1999.*

The last relevant amendment to Title 17 occurred in 1999 when Congress increased the maximum and minimum statutory awards. The Digital Theft Deterrence and Copyright Damages Improvement Act of 1999 ("DTDA") was initiated prior to the birth of Napster, so filesharing

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<sup>15</sup> See *The Cost of Hard Drive Space* (December 3, 2010), <http://ns1758.ca/winch/winchest.html> (showing the cost of hard drive space in 1991 was \$7/MB in 1991). MP3 technology was not publicly available until 1994. An uncompressed three-minute song file is approximately 30 MB.

<sup>16</sup> See Bob Starrett, *History of the CD-R* (Jan. 17, 2010), <http://web.archive.org/web/20030202233907/http://www.roxio.com/en/support/cdr/historycdr.html>

had not yet become a salient issue. Senator Hatch introduced the legislation as a “high-tech” bill meant “to protect the investment of the entrepreneurs, authors, and innovators” in industries ranging from “semiconductor chip technology to computer software, Internet and telecommunications technology to leading pharmaceutical and genetic research.” 145 Cong. Rec. 8,190 (1999). Nothing resembling consumer copying was even alluded to. Nor were “music,” “MP3,” “Napster,” or “file sharing.” Plaintiffs’ contentions notwithstanding, it is entirely consistent with the history of copyright statutes and their enforcement to read the DTDA with the assumption that consumer copying was not actionable, as indeed it had never been.

No authority originating from Congress exists to support the notion that consumer copying is actionable. Likewise, prior to Plaintiffs’ litigation campaign beginning in 2003, there existed no jurisprudential authority either. Plaintiffs have cited to no case where a company has brought a copyright infringement suit against a consumer copier.

#### *7. The introduction of Napster.*

CD sales finally peaked in 2000 with 2.455 billion units sold. After eighteen years of unprotected digital music purchases in the form of

CDs, American consumers possessed an ocean of open digital files. From the mid-1990s, inexpensive computer components coupled with technological innovations like MP3 compression created an unprecedented means of converting legitimately purchased, physical music libraries into computer-based ones.

Napster launched in June of 1999, and by February of 2001 had over 26 million users.<sup>17</sup> A flurry of peer-to-peer software development followed. By 2004, peer-to-peer network traffic represented a growing 60% of all Internet traffic,<sup>18</sup> and usage of filesharing programs continued throughout the decade.<sup>19</sup>

Plaintiffs' litigation efforts were initially directed at companies like MP3.com, Napster, Grokster, and KaZaA in a manner consistent with the history of holding commercial businesses liable for

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<sup>17</sup> Andrew Lipsman, *Global Napster Usage Plummetts, But New File-Sharing Alternatives Gaining Ground*, Reports Jupiter Media Matrix, ComScore Networks (July 20, 2001).

<sup>18</sup> Mary Meeker, *The State of the Internet, Part 3: The World's Information is Getting Organized + Monetized*, Morgan Stanley (November 8, 2006).

<sup>19</sup> See Eric Lai, *Study: LimeWire still top P2P Software; uTorrent #2*, PC World (April 18, 2008), [http://www.pcworld.idg.com.au/article/212759/study\\_limewire\\_still\\_top\\_p2p\\_software\\_utorrent\\_2/](http://www.pcworld.idg.com.au/article/212759/study_limewire_still_top_p2p_software_utorrent_2/).

infringement. However, in 2003 Plaintiffs made the unprecedented turn to consumer copying, precipitating the instant action.

***B. Statutory Damages Were Meant To Solve An Evidentiary Problem Incident To Compensating For Real Harm.***

Common-law copyright began with the principle that “it is just, that an Author should reap the pecuniary Profits of his own ingenuity and Labour.” See 1 W. Patry, *Copyright Law and Practice* 3 (1994) (quoting Lord Mansfield from 1767). Against this backdrop, copyright liability developed as a means to recover profits from those capitalizing on the work of another. Thus, a body of law evolved on the belief that all profits from an original work should inure to the author.

In the mid-1800s Congress became concerned with the difficulty of proving actual damages in copyright cases, since professional commercial infringers could not be expected to keep accurate business records. A statutory yardstick was created for the purpose of providing guidance in creating an equitable award when evidence was difficult or impossible to obtain, but where actual and substantial harm by the defendant was certain. *Supra* Sec. III.A. Moreover, the election of statutory damages was solely in the discretion of the judge, who would

be able to deny statutory damages when not merited. Berg, *supra*, at 291.

When the 1976 Act discarded the statutory yardstick it was with the intent to “give the court broad discretion, after weighing the equities, to make an award *which is justified by the proof*, and which most *closely reflects the extent of the plaintiff’s injury*.” Draft Bill S. 1361 (emphasis added). Thus, Plaintiffs assertion that a statutory award can be wholly unfettered to the actual harm so long as it is within the prescribed range of § 504(c) is off the mark. The 1976 Act was created with the understanding that a judge had internalized seventy years of copyright jurisprudence and would be well equipped to assess whatever proof was presented to craft an award loosely commensurate with a particular plaintiffs actual injury caused by the defendant. Moreover, until quite recently, the means of making copies was prohibitively expensive and largely concentrated in the hands of business interests. See Lawrence Lessig, *Free Culture: The Nature and Future of Creativity* 19 (2005). The damages regime was thus crafted with commercial pirates in mind, and not individual consumers.

1. *After Feltner, the 1976 Act cannot be “plainly read.”*

The 1976 Act was written with the understanding that judges would administer damages. *See supra* Sec. II.A. Congress’s deference to the expertise of federal judges precluded the necessity of enumerating specific actionable conduct by specific actors in the language of the act. Evincing this faith in the judiciary, the 1976 Act did away with the “statutory yardstick” from the 1909 Act, which was deemed counterproductive to establishing equitable relief through broad judicial discretion. When *Feltner* replaced judges with juries, it rendered the 1976 Act hopelessly indistinct, especially when judges fail to adequately guide the jury instruction beyond the statutory text, which was always meant to be the beginning and not the end of a judge’s analysis.

The mere fact that the statute authorizes an award within a specified range does not foreclose all other considerations. For example, the *de minimis* doctrine prevents copyright liability for trivial infringements. *See Ringgold v. Black Ent’mt*, 126 F.3d 70, 76 (2d Cir. 1997) (reasoning that “a copyrighted work might be copied as a factual matter, yet a serious dispute might remain as to whether the copying that occurred was actionable.”); *Vault Corp. v. Quaid Software Ltd.*, 847

F.2d 255, 267 (5th Cir. 1988) (copying 30 out of 50 pages of a source code fell below the threshold for actionable copying and held to be *de minimis*). While Tenenbaum is not invoking the *de minimis* doctrine, Plaintiffs’ “plain reading” of the statute cannot account for it. See Pierre N. Leval, *Nimmer Lecture: Fair Use Rescued*, 44 U.C.L.A. L. Rev. 1449, 1457 (1997) (describing insulation from infringement liability through *de minimis* doctrine when “waiters sing ‘Happy Birthday,’ or when someone makes a photocopy of a *New Yorker* cartoon to put up on the refrigerator.”).

Plaintiffs contend that copyright infringement is a simple application of plain text: if you copy, you are liable for any amount of § 504(c) damages. The nuances of copyright law are not nearly that simple. Ignoring the fact that the statute was written for judges in an analog world twice removes the application of copyright law from modern reality.

*2. Plaintiffs overstate the relevance of the NET Act.*

Plaintiffs’ attempt to conflate the conduct of Tenenbaum with that of LaMacchia also fails. Pl. Br. at 35. LaMacchia was the *creator* of an electronic bulletin board where copyright infringement occurred.

Tenenbaum was an *end-user*. Once again, congressional actions were directed to the entrepreneur of an infringing operation, not the consumer. The NET Act was targeted at “criminaliz[ing] *LaMacchia*-like behavior” but Plaintiffs grossly over generalize that statement. H.R. Rep. No. 105-339 at 8 (1997). The report states that the act targets defendants whose individual actions “substantially damage the market for copyrighted goods.” *Id.* In this manner, the target of the NET Act is someone who creates a website encouraging, facilitating, and inducing infringement from multifarious end-users. It is this creator who substantially damages the market, not the end-user.

Understanding the actions of Congress requires knowing the mischief they sought to remedy and the lengths they were willing to go to remedy it. In the NET Act, only *criminal* provisions were altered. Additionally, the authors went to great lengths to ensure that *de minimis* copying was not actionable. The Register of Copyrights expressed “concern” that “willful infringement through reproduction or distribution of a single copy of a copyrighted work could lead to criminal liability.” *No Electronic Theft (NET) Act of 1997: Hearing on H.R. 2265 Before the H. Comm. On the Judiciary, 105th Cong. (1997)* (statement of

Marybeth Peters). Specifically mentioning the previous revision which “made clear that *de minimis* copying would not be subject to new criminal penalties,” Peters offered recommendations for the NET Act, which were adopted in full, to prevent “new felony provisions” from applying to “children making copies for friends as well as other incidental copying of copyrighted works having relatively low retail value.” *Id.* These sentiments are also expressed in the committee report.

Moreover, it is incorrect to say that the NET Act erased the commercial requirement for criminal penalties. *See* Pl. Br. 36. The Act added a new definition to 17 U.S.C § 101 redefining “financial gain” to include bartering in addition to monetary compensation. Section 506(a)(1) still retains the same language requiring “commercial advantage or private financial gain,” thus demonstrating that the for-profit motive is extant, but expanded to include receipt of goods. The Act also added § 506(a)(2) at Peter’s request requiring reproduction or distribution beyond a threshold retail value of \$1000 over a 180-day period to bring charges.

Furthermore, *LaMacchia* originated from a governmental failure to convict a defendant on *criminal* charges, not the desire of private

industry to dramatically increase public exposure to *civil* liability. Congress specifically mentions that alterations to the criminal provisions were to have no bearing on the civil provisions. H.R. Rep. 105-339, at 3 (1997) (“Except as expressly provided in this Act, nothing in this Act or the Amendments made by this Act modifies liability for copyright infringement.”); *id.* at 10 (drawing the distinction between the NET Act and another bill saying “the bills are unrelated . . . since H.R. 2180 addresses *civil* infringement of copyrights, while H.R. 2265 deals with *criminal* misconduct.”). The NET Act was not intended to create parity between civil and criminal provisions. For example, the statute of limitations for criminal proceedings in § 507 increased from three to five years while the civil statute remains at three.

Despite Congress cabining the NET Act’s impact to criminal provisions, Plaintiffs make much of the change. They claim that “[g]iven Congress’s determination that noncommercial computerized copyright infringement should be subject to the same *criminal* penalties as infringement by profit, there can be no justification . . . for lesser penalties for noncommercial infringers upon the Act’s *civil* damages provision.” Pl. Br. 36. But this gloss not only draws a false analogy and

mischaracterizes “noncommercial,” it also ignores the fact that criminal penalties occupy an entirely different field from civil penalties. Any theoretical relationship between the two provisions should be scrutinized with more care than the Plaintiffs have given.

3. *Congress could not have had filesharing in mind when it passed the DTDA.*

Though Plaintiffs disparage the post-enactment legislative history of the DTDA, they wholly ignore the fact that the Act was introduced in May of 1999, a month *before* Napster launched. This error is compounded by the fact that the RIAA itself was not even aware of Napster’s existence until September of 1999.<sup>20</sup> Though the bill was passed in November, it contains no references to anything remotely related to filesharing and instead speaks only of “high-tech” industries such as semiconductors and pharmaceuticals.

Post-enactment legislative history, while not dispositive, is revealing in this case. Indeed, it is perverse to believe, as the Plaintiffs apparently do, that two of the bill’s co-sponsors would champion filesharing as a triumph only months after significantly increasing

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<sup>20</sup> See Antony Bruno, *Billboard.biz Q&A: Former RIAA CEO Rosen Talks Napster* (June 1, 2009), [http://www.billboard.biz/bbbiz/content\\_display/industry/news/e3i372a427229d39d581ad4aacb2a0eefb9](http://www.billboard.biz/bbbiz/content_display/industry/news/e3i372a427229d39d581ad4aacb2a0eefb9)

statutory damages that applied to its users. *See* Pl. Br. 32. An augmentation of the maximum and minimum statutory damages in 1999 is easily attributable to a false prediction about the trajectory of infringing activities, not the authorization of colossal damages against individuals who have caused minimal harm.

#### **IV. THE STATUTE WAS DECLARED UNCONSTITUTIONAL BY THE SUPREME COURT BUT NEVER AMENDED.**

Having declared section § 504(c) unconstitutional in *Feltner* because Congress had assigned the assessment of statutory awards exclusively to judges, the Supreme Court had no authority to amend the statute to shift this function to juries.

Guidance that existed prior to 1976 such as the statutory yardstick was discarded only with the faith that the discretion of a judge and judge-made doctrine would constrain § 504(c)'s application to a loosely commensurate and reasonable award. Thus, the plain text, which sufficed when a judge's experience gave definition to the statute's extraordinarily broad range, no longer suffices as it provides no useful means of guiding the jury.

The switch from judges to juries as arbiters of the statutory award is an outright rewrite that dramatically alters the statute. Inserting a

jury trial into a non-jury context is not merely a procedural alteration. 4 Nimmer On Copyright § 14.04 (2010) (noting that “the shift from judge-determined to jury-granted statutory damages may affect the substance of the statute”). By displacing the congressionally chosen mode for determining statutory awards with a radically different regime, the Supreme Court appears to have engaged in outright judicial legislation.

Nimmer writes:

Given that the core of statutory damages under Section 504(c) is that Congress authorized judges to exercise their discretion, in light of precedent reflected in prior 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? The core of what Section 504(c) statutory damages means, 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*.

*Id.* (emphasis added). The issue of the Supreme Court’s power to rewrite a congressional statute is addressed neither in the Court’s opinion, nor the briefs or oral arguments that led to it.

Nimmer describes the result as “topsy-turvy” and has no explanation for it:

Therefore, although the Court admits that Congress never authorized jury-determined statutory damages, the reality is that Seventh Amendment jurisprudence in general is

distinguished by its lack of concern for Congressional intent when it comes to supplying a right to a jury trial. Once the Court finds that the statute does not grant the right to a jury trial, the issue of whether Congress wanted to limit the cause of action it created to a non-jury context simply does not matter.

*Id.*

The Ninth Circuit, on the *Feltner* remand, is the only court to have squarely addressed this issue. See *Columbia Pictures Television, Inc. v. Krypton Broad. of Birmingham, Inc.*, 259 F.3d 1186, 1192–93 (9th Cir. 2001). It justified the rewriting of the statute by finding it “consistent with the Supreme Court’s interpretation of other federal statutes that provide a remedy but similarly fail to provide for a jury trial” and citing two cases in support. *Id.* at 1192. But the first citation was to a case that honored congressional intent by actually allowing *judges* to set the amount of statutory damages, see *Tull v. United States*, 481 U.S. 412, 425–27 (1987) (regarding civil penalties under the Clean Water Act), and the second was to a case in which congressional intent was unclear, *Curtis v. Loether*, 415 U.S. 189, 192 (1974) (holding that although it is not clear whether § 812 of the Civil Rights Act of 1968 provides for a jury trial, a jury trial is provided by the Seventh Amendment). The court also cites the Nimmer treatise for support, but, as mentioned

above, Nimmer actually found it “more than a little unsettling” that “a statute that is found unconstitutional under the Seventh Amendment can continue to operate.” 4 Nimmer on Copyright § 14.04 (2010).

The Ninth Circuit did not defend the rewriting of the statute on the merits — because it cannot be defended. The assumption of legislative power exercised by substituting “jury” into the statute instead of “court” defeats the congressional purpose, jettisons the congressional wisdom underlying it, makes a mockery of the legislative proceedings that would have attended such a change, and unleashes the very concerns that underlie the Court’s efforts in *Williams*, *Gore* and their progeny to limit arbitrary, excessive, and unmoored jury awards.

The Supreme Court lacked power to rewrite the statute in this manner. Its only power in the circumstance was to declare the statute unconstitutional and leave to Congress the creation of a constitutional statutory damage regime. *See, e.g., Atchison v. Collins*, 288 F.3d 177, 181 (5th Cir. 2002) (“[T]he duty to avoid constitutional questions is not a license to rewrite the statute.”). Rewriting the statute on the fly not only disparages Congress and congressional process but also demeans the institution of the jury by assigning it an arbitrary task. Judges

should strive to protect the institution of the jury by assigning juries only appropriate tasks and guiding them with sufficient instructions allowing them to act without arbitrariness.

The caprice of the statutory rewriting is manifest in the jury awards resulting from the only filesharing cases to go to trial, in which the resulting jury awards were described by the presiding judges as “shocking,” “oppressive,” and “unprecedented.” Pl. Add. 8. After slashing the award in the instant case by a factor of ten, the district judge remarked that even the reduced award was “harsh” and more than she would have awarded in her independent judgment. Pl. Add. 57. These awards underscore the judiciary’s inability or unwillingness to adequately direct the jury. The huge discrepancy between jury-awards and judge-awards, even those that exceed a judge’s independent assessments, is the result of a disparity in expertise not counterbalanced by any guidance in the text of the statute or the jury instructions.

Congress never approved this shift in function. It is unclear whether Congress was even aware of *Feltner*’s revision of the statutory scheme between the decision in 1998 and the latest amendment in

1999. *See supra* Sec. II.A. Thus, the theory of legislative acquiescence by silence has no force.

This issue should matter. Unquestioned judicial acceptance of statements in Supreme Court opinions as if they are statutes leads to bad law and very bad results. Recognition of this truth with respect to *Feltner* and the Seventh Amendment would be restorative and timely. Judicial recognition of the unconstitutionality of § 504(c) would provoke Congress to rethink copyright for the digital age.

Defendant demanded a jury trial on the expectation that it was a *protection* for the common man that the substance of the constitution held out for. But the jury trial he was afforded was so constrained as to disappoint, because the jury simply cannot be fully integrated into the scheme that Congress has created.

## CONCLUSION

For the reasons forgoing, Joel Tenenbaum asks this court to set aside the judgment and order of the District Court and dismiss the complaint, or to proceed with a remedy that satisfies Due Process.

December 27, 2010

Respectfully submitted,

/s/ Charles Nesson

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## **CERTIFICATE OF COMPLIANCE**

I certify that this brief has been prepared using a 14-point, proportionally spaced font (Century Schoolbook) and that, based on word processing software (Microsoft Word 2011), this brief contains 16,104 words.

December 27, 2010

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## **CERTIFICATE OF SERVICE**

I certify that on December 27, 2010, I caused the foregoing Brief to be electronically filed with the Court. As opposing counsel are registered with the Court's Electronic Case Filing System, the electronic filing of this brief constitutes service upon them under the Court's Administrative Order Regarding Electronic Case Filing (September 14, 2009).

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