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Understanding the Copyright Act's limitations and restrictions on the availability of statutory damages is key to the successful prosecution or defense of copyright litigation.

Statutory Damages in Copyright Litigation: Clearing Up Some Common Misunderstandings

BY ANDREW BERGER

Statutory damages, although a potent weapon in copyright litigation, are often a trap for the unwary.[1] The Copyright Act of 1976 imposes limitations on the availability of statutory damages, the number of grants of statutory damages to be awarded and the parties against whom those grants will be individually assessed.[2] The act also impacts on the availability of actual damages when the copyright owner elects statutory damages before the entry of final judgment.[3]

Litigants on both side of the fence sometimes misunderstand these limitations. Copyright owners mistakenly seek statutory damages for post-registration infringements of a work that continue the pattern of pre-registration infringement of the same work.[4] Where

[1] See *Lowry's Reports Inc. v. Legg Mason Inc.*, 302 F. Supp. 2d 455, 69 USPQ2d 1837 (D. Md. 2004) (67 PTCJ 343, 2/20/04) (Jury award of statutory damages of $19.7 million); *Columbia Pictures Television Inc. v. Krypton Broadcasting Inc.*, 259 F.3d 1186, 1189, 59 USPQ2d 1321 (9th Cir. 2001) (62 PTCJ 249, 7/20/01) (Statutory damages award of more than $31 million).

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[2] 17 U.S.C. § 412(2) limits the availability of statutory damages. This section requires registration of the work before it is infringed or within three months after its initial publication. 17 U.S.C. § 504 (c)(1) provides for one grant of statutory damages where multiple infringers acting in concert infringe one work multiple times. That last sentence of this section also provides for one grant of statutory damages where a plaintiff-created compilation or derivative work is infringed by defendant.

[3] Courts construing 17 U.S.C. § 504 (c)(1) hold that, once plaintiff elects to receive statutory damages at any time before the entry of final judgment, all appellate issues regarding actual damages are mooted. *See, e.g.*, *Jordan v. Time Inc.*, 111 F.3d 102, 104, 42 USPQ2d 1570 (11th Cir. 1997) .

[4] *See, e.g., Silverman v. Innovative Luggage Inc.*, 67 USPQ2d 1489 (S.D.N.Y. 2003) ("[A]s long as infringement commenced *before* the date of registration, statutory damages . . . are barred even if infringement continued *after* the date of registration.") (emphasis in original); *Fournier v. Erickson*,

multiple infringers acting in concert infringe one work multiple times, some copyright owners wrongly believe they are entitled to multiple awards of statutory damages individually assessed against each infringer.[5]

Further, defendants sometimes incorrectly assert that the unauthorized infringing compilations they create from plaintiff's separate, copyrightable works are subject to only one award of statutory damages.[6] Finally, copyright owners who elect to receive an award of statutory damages mistakenly believe they can still raise issues on appeal regarding actual damages.[7]

This article attempts to clear up these misunderstanding to enable all parties to appropriately assess their exposure to statutory damages in copyright litigation.

No Entitlement to Statutory Damages for the Continuation of Post-Registration Infringing Conduct That Commenced Pre-Registration

Section 412(2), with one exception not relevant here, prohibits recovery of statutory damages for infringements of a work that commence before the work is registered.[8]But this section is silent whether a copyright owner may recover statutory damages for infringements of that work that continue after registration.

Courts usually say no. The majority hold that the copyright owner is not entitled to statutory damages for the continuation of post-registration infringements that commenced pre-registration.[9] Copyright owners who attempt to avoid this result argue that the post-registration infringements are new, different and separate and thus are wholly divorced from the pattern of pre-registration infringements of the same work.

This argument usually fails. Courts interpret the words ''infringement . . . commenced after the first publication'' in Section 412(2) to mean ''the first act in a series of acts.''[10] Further, *Mason v. Montgomery Data Inc.* adopted a bright-line rule which most circuits have followed.[11] *Mason* prohibited claims for statutory damages for any post-registration infringements of a work by a defendant ''if the same defendant commenced an infringement of the same work prior to registration.''[12]

Mason relied on the legislative history of Section 412 which revealed ''Congress' intent that statutory damages be denied not only for *the particular infringement* that a defendant commenced before registration, but for all of that defendant's infringements of a work if one of those infringement commenced prior to registration.''[13] *Mason* stated that the purpose of Section 412 was to encourage early registration and that '' '[t]he threat of such a denial [of statutory damages] would hardly provide a significant motivation to register early if the owner of the work could obtain those remedies for acts of infringement taking place after a belated registration.' ''[14]

Since *Mason*, courts bar statutory damages for post-registration infringements even if they differ from the infringements pre-registration. See *Shady Records Inc. v. Source Enterprises Inc.*, ''[t]he clear rule announced in *Mason* which is easily applied to preclude statutory damages . . . where any infringement occurs before the effective date of the work's copyright registration is preferable.''[15] See also *Whelan Associates Inc. v. Jaslow Dental Laboratory Inc.* holding that post-registration infringing software that was ''different'' because it contained ''improvements'' was found to be part of a ''series of infringements'' that began with the pre-registration software.[16]

Nimmer suggests that a plaintiff might be able to recover statutory damages if a ''qualitative new infringement occurs after registration'' along with ''a large lapse of time between the first bout of infringement and its post-registration successor.''[17] But no case has been found that has adopted this view.

One Award for Multiple Infringements Against Multiple Infringers Who Act in Concert

Another misconception concerns the number of awards of statutory damages to which a copyright

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202 F. Supp. 2d 290, 298, 63 USPQ2d 1094 (S.D.N.Y. 2002) (64 PTCJ 155, 6/14/02) (''Each subsequent appearance [of plaintiff's photograph after its registration] was part of the continuous, ongoing advertising campaign. Because the effective date of the alleged infringement commenced before the effective date of his registration, Fournier is not entitled to statutory damages.'').

[5] See *Walt Disney Co. v. Powell*, 897 F.2d 565, 569, 14 USPQ2d 1160 (D.C. Cir. 1980) (39 PTCJ 393, 3/15/90) (''Both the text of the Copyright Act and its legislative history make clear that statutory damages are to be calculated according to the number of works infringed, not the number of infringements.'').

[6] See *WB Music Corp. v. RTV Communication Group Inc.*, 2004 WL 964247 (S.D.N.Y. 2004), *rev'd*, 445 F.3d 538, 78 USPQ2d 1637 (2d Cir. 2006) (71 PTCJ 722, 4/28/06), where the district court awarded statutory damages based on the number of defendant-created compilations.

[7] See footnote 3.

[8] 17 U.S.C. § 412 (2) sets forth the exception, which applies to published works only. The exception permits an award of statutory damages for a post-infringement registration of a published work if the work is registered within three months of its first publication.

[9] See cases cited in footnote 4; see also *Johnson v. University of Virginia*, 606 F. Supp. 321, 324-25, 226 USPQ 356 (W.D. Va. 1985) (''[T]he alleged post-registration infringements involve only photographs which were first used by defendants prior to registration. Consequently, those alleged post-registration infringements 'commenced' prior to registration, and thus pursuant to § 412 they provide no basis for allowing statutory damages.'').

[10] See *Dyer v. Napier*, 79 USPQ2d 1794 (D. Ariz. Mar. 16, 2006) (71 PTCJ 594, 3/31/06). See also *Troll Co. v. Uneeda Doll Co.*, 483 F.3d 150, 158, 82 USPQ2d 1464 (2d Cir. 2007) (73 PTCJ 730, 4/20/07) (''[A] plaintiff may not recover statutory damages and attorney's fees for infringement occurring after registration if that infringement is part of an ongoing series of infringing acts and the first act occurred before registration.'').

[11] 967 F.2d 135, 23 USPQ2d 1676 (5th Cir. 1992) (44 PTCJ 319, 8/6/92). Cases following *Mason*'s bright-line rule include *Derek Andrew Inc. v. Poof Apparel Corp.*, 528 F.3d 696, 701, 87 USPQ2d 1044 (9th Cir. 2008) (76 PTCJ 273, 6/20/08); *Bouchat v. Bon-Ton Department Stores Inc.*, 506 F.3d 315, 330, 84 USPQ2d 1289 (4th Cir. 2007) (75 PTCJ 18, 11/2/07); and *Qualey v. Caring Center of Slidell*, 942 F. Supp. 1074, 1076-77 (E.D. La. 1996).

[12] 967 F.2d at 144.

[13] *Id.* at 143 (emphasis in original).

[14] *Id.* at 144.

[15] 2004 U.S. Dist. LEXIS 26143, * 71, 73 USPQ2d 1954 (S.D.N.Y. Jan. 3, 2005) (69 PTCJ 319, 2/4/05).

[16] 609 F. Supp. 1325, 1331, 225 USPQ 156 (E.D. Pa. 1985).

[17] Melville B. Nimmer and David Nimmer, *Nimmer on Copyright* § 7.16[C][1] at 7-181 (2008).

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owner may be entitled. Copyright owners often believe they merit multiple awards of statutory damages for multiple infringements by multiple parties acting in concert.[18] But Section 504(c)(1) of the act limits a copyright owner to one grant of statutory damages in that circumstance.

The section provides that a copyright owner ''may elect . . . to recover . . . *an award* of statutory damages for all infringements involved in the action with respect to any one work. . . . for which any one infringer is liable individually or for which any two or more infringers are liable jointly or severally'' (emphasis added).

The copyright owner is restricted to one award of statutory damages regardless of the number of acts of infringement, whether they are separate, isolated or occurring over many years.[19] As Goldstein aptly states, ''an infringer will be liable for a single statutory award whether it makes one copy of a copyrighted painting or one thousand and whether it performs the copyrighted work once or nightly over a period of months.''[20]

The copyright owner remains restricted to one award of statutory damages against multiple infringers where they act in concert and are therefore jointly and severally liable.[21] Section 504(c)(1) relies on the common law to define joint or several liability. Those principles do not depend on whether defendants engaged in the same act or exhibited the same level of willfulness.[22] The act ''is unconcerned about gradations of blameworthiness.''[23]

[18] Sometimes courts make the same mistake. See *Antenna Television A.E. v. Aegean Video Inc.*, 1996 WL 298252, * 11 (E.D.N.Y. 1996) (''Since the prevailing plaintiff is entitled to a separate statutory damage award for each infringement committed by the Defendants, the court must determine the total number of infringements and their distribution between the parties.'').

[19] H.R. Rep. No. 94-1476 at 162 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5778, states ''[a] single infringer of a single work is liable for a single amount . . . no matter how many acts of infringement are involved in the action and regardless of whether the acts were separate, isolated, or occurred in a related series.''

[20] Paul Goldstein, *Goldstein on Copyright* § 14.2.2.2 at 14:63 (2009). It makes no difference that a defendant infringes two separate rights of the copyright owner such as the right to reproduce and the right to distribute. The copyright owner is still entitled to one grant of statutory damage because only one work has been infringed. *Id.*

[21] *See, e.g.*, *Smith v. NBC Universal*, 86 USPQ2d 1579 (S.D.N.Y. February 28, 2008) .

[22] See *Fitzgerald Publishing Co. v. Baylor Publishing Co.*, 807 F.2d 1110, 1117, 1 USPQ2d 1261 (2d Cir. 1986) (33 PTCJ 230, 1/15/86) (''Consideration of these factors in setting the statutory damage award sometimes results—on account of their several and joint liability—in a less culpable defendant being held liable in an amount greater than otherwise would be the case had it appeared in the action alone. This possibility is not a fatal obstacle. . . . [T]he relative faults of the defendants are irrelevant.'').

[23] *Id.* On remand in that case, the district court awarded statutory damages jointly and severally against two willful defendants even though one had victimized the other. See 670 F. Supp. 1133 (S.D.N.Y. 1987), *aff'd mem.*, 862 F.2d 304 (2d Cir. 1988).

Multiple Awards of Statutory Damages Where Defendant Creates Unauthorized Compilations of Plaintiff's Separately Copyrighted Works

Confusion also surrounds the limitation on the number of statutory damages awards that may be assessed for infringement of a compilation or a derivative work. The limitation is contained in the last sentence of Section 504(c)(1), which provides that ''all the parts of a compilation or derivative work constitute one work.''[24]

The confusion arises from the ''facial'' ambiguity in this limitation.[25] It is unclear whether the phrase ''compilation or derivative work'' refers to the copyrighted work that the plaintiff creates, which is then infringed, or the infringing work defendant creates from multiple, separately copyrightable works of plaintiff.

Most courts assume, without extensive discussion, that the one-work limitation refers to a plaintiff-created compilation or derivative work.[26] Thus, where record labels made CDs containing multiple copyrighted songs that defendant infringed, courts awarded the labels one grant of statutory damages.[27] Where defendant infringed a plaintiff-crafted compilation of clip-art images, a court reached the same conclusion.[28] Similarly, where defendant copied 122 photographs from a catalogue that plaintiff put together, plaintiff was limited to one grant of statutory damages.[29]

But in *Greenberg v. National Geographic Society*, the district court found that the ''compilation'' referenced in Section 504(c)(1) was the infringing work defendant created from multiple, separately copyrightable works of plaintiff. There, defendant took 64 of plaintiff's copyrighted photographs and published them in four magazine compilations defendant created. The court nevertheless limited Greenberg to only four awards of statutory damages.[30]

WB Music has now resolved the ambiguity, at least in the Second Circuit. The court found that the phrase ''compilation or derivative work'' in the last sentence of Section 504(c)(1) refers to a work created by plaintiff.[31] Thus, the court held that the one-work limitation is inapplicable if the defendant creates the infringing com-

[24] The Copyright Act, 17 U.S.C. § 101, defines a compilation as ''a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. The term 'compilation' includes collective works.'' That section also defines a collective work to include one ''in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole.''

[25] *WB Music*, 445 F.3d at 540.

[26] *See, e.g.*, *Eastern American Trio Products Inc. v. Tang Electronic Corp.*, 97 F. Supp. 2d 395, 419, 54 USPQ2d 1776 (S.D.N.Y. 2000) (60 PTCJ 55, 5/19/00).

[27] *See, e.g.*, *UMG Recordings Inc. v. MP3.com Inc.*, 109 F. Supp. 2d 223, 56 USPQ2d 1376 (S.D.N.Y. 2000); *Country Roads Music Inc. v. MP3.com Inc.*, 279 F. Supp. 2d 325 (S.D.N.Y. 2003).

[28] *Xoom Inc. v. Imageline Inc.*, 323 F.3d 279, 66 USPQ2d 1210 (4th Cir. 2003) (65 PTCJ 510, 4/4/03).

[29] *Stokes Seeds Ltd. v. Geo. W. Park Seed Co.*, 783 F. Supp. 104, 107, 21 USPQ2d 1934 (W.D.N.Y. 1991).

[30] 2003 WL 25841579 (S.D. Fla. Feb. 18, 2003).

[31] *WB Music*, 445 F.3d at 540-41.

pilation or unauthorized derivative work from multiple, separately copyrighted works of plaintiff.[32]

There, defendant copied thirteen of plaintiff's copyrighted songs onto seven CDs. The district court found that plaintiff was entitled to seven awards of statutory damages.[33]

The Second Circuit reversed, holding that the limitation is only triggered by an infringement of a plaintiff-created compilation or derivative work. The court stated, ''there is no evidence that any of [plaintiff's] separately copyrighted works [that were infringed] were included in a compilation authorized by the copyright owners. Rather, the [infringing] compilations were created by the defendants.''[34] Accordingly, the court held that plaintiff was entitled to an award of statutory damages for each of the thirteen songs that defendant infringed.[35]

The Election to Receive Statutory Damages Moots All Issues Regarding Actual Damages

There is another restriction that sometimes confuses copyright owners, the impact on actual damages on appeal arising from an election to receive statutory damages.

[32] *Id*. If a defendant were exposed to only one grant of statutory damages, defendant would have the perverse incentive to bundle an unlimited number of plaintiff's separately copyrighted works together into one unauthorized compilation.

[33] 2004 WL 964247, * 1 (S.D.N.Y. May 5, 2004).

[34] 445 F.3d at 541.

[35] *Id*.

Section 504(c) permits a copyright owner at any time before final judgment is entered to choose between two types of damages: actual damages or statutory damages. This means that a copyright owner may ask a jury to award actual damages and, if the copyright owner is dissatisfied with the award, then ask the court to assess statutory damages.[36] But once the election is made to accept statutory damages, copyright owners often do not realize they forfeit the right to seek actual damages on appeal. As *Jordan v. Time Inc.* holds, there are no two ''bites of the apple.''[37]

There, a jury awarded plaintiff actual damages of $5,000. Before the entry of final judgment, plaintiff requested the court, pursuant to Section 504(c), to assess statutory damages and was awarded $5,500. The Eleventh Circuit dismissed the appeal of the actual damage award, stating, ''[a] plaintiff is precluded from electing statutory damages and then appealing the award of actual damages.'' ''[O]nce a timely election is made to receive statutory damages all questions regarding actual and other damages are rendered moot.''[38]

In sum, understanding these limitations and restrictions may assist in the prosecution or defense of copyright litigation involving statutory damages.

[36] *See, e.g,*, *Branch v. Ogilvy & Mather Inc.*, 772 F. Supp. 1359, 1364, 20 USPQ2d 1928 (S.D.N.Y. 1991) (Jury awarded plaintiff nominal damages of $1; plaintiff asked the court to award statutory damages and received an award of $10,000).

[37] *Jordan v. Time* 111 F.3d at 104; *Twin Peaks Productions Inc. v. Publications International*, 996 F.2d 1366, 1382, 27 USPQ2d 1001 (2d Cir. 1993) (46 PTCJ 158, 6/17/93).

[38] *Id*.

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