



# Statutory Damage Awards in Peer-to-Peer File Sharing Cases Involving Copyrighted Sound Recordings: Recent Legal Developments

Brian T. Yeh  
Legislative Attorney

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## Summary

Peer-to-peer (P2P) file sharing networks permit computer users to “share” with others digital files that are stored on their computers’ hard drives. While P2P file sharing technology could be used for legitimate purposes, P2P users most often copy and distribute digital files that contain copyrighted sound recordings, television shows, and motion pictures, without the permission of (or payment to) the copyright holders; as such, it is a violation of the copyright holders’ exclusive rights to control the reproduction and distribution of their works. P2P networks such as Napster, Grokster, Morpheus, Kazaa, and LimeWire have all been sued for copyright infringement or for inducing their users to commit copyright infringement, and most have shut down or changed their business models as a consequence of their adjudged legal liability. In addition, many users of P2P networks have been subjected to copyright infringement lawsuits filed by the motion picture and music recording industry associations that represent movie and sound recording copyright holders, respectively. The vast majority of these lawsuits have settled, with the file sharer agreeing to pay compensation to the copyright holders. However, a few of these cases have gone to trial, and two cases in particular resulted in substantial jury awards to the plaintiffs. These awards were based on the Copyright Act’s allowance of statutory damages of between \$750 to \$30,000 for each act of infringement, and up to \$150,000 in cases where the infringement is committed willfully. Congress granted the copyright owner the power to choose to recover either statutory damages or the owner’s actual damages plus additional profits of the infringer at any time before final judgment is rendered. Statutory damages serve both compensatory and deterrent purposes: they provide the copyright owner with restitution of profit and reparation for the harm suffered by the owner in situations where it may be difficult or impossible to submit evidence of actual damages (such as lost profits), and they also punish the infringer and discourage that individual, and others, from further infringement.

In 2009, in *Capitol Records Inc. v. Jammie Thomas-Rasset*, the jury found the defendant guilty of willful copyright infringement with respect to 24 sound recordings that she had downloaded and distributed using the P2P file sharing software Kazaa, and awarded \$1.92 million in statutory damages to the plaintiff (\$80,000 per infringed song). Also in 2009, the jury in *Sony BMG Music Entertainment v. Tenenbaum* found the defendant guilty of willful infringement for downloading and distributing 30 sound recordings using Kazaa, and awarded to the plaintiff \$675,000 in statutory damages (\$22,500 per infringed song). The defendants in these cases asked their judges to alter or amend the jury award of statutory damages, arguing that the Copyright Act’s statutory damages provision, as applied to them, violates the Due Process Clause of the U.S. Constitution. In early 2010, the judge in the *Thomas-Rasset* case reduced the award to \$54,000 (\$2,250 per song) using his power under the common law doctrine of remittitur; the court did not reach the question of the constitutionality of the jury’s damages award. The judge opined that the original award of nearly \$2 million was “monstrous,” “simply shocking,” and “unjust,” and argued that “statutory damages must still bear *some* relation to actual damages.” However, the plaintiffs in *Thomas-Rasset* refused to accept the remittitur; thus, a new trial on the issue of damages is to be held on October 4, 2010. On July 9, 2010, the judge in the *Tenenbaum* case ruled that the \$675,000 award was “unconstitutionally excessive” and reduced the award to \$67,500 (\$2,250 per song). Both judges admitted that they were drawing arbitrary lines when setting the award amount at \$2,250 per infringed work (three times the statutory minimum for copyright infringement); however, they viewed treble damages to be a “most reasoned solution” that would compensate the plaintiffs, deter illegal file sharing, and ensure that the total award is not grossly excessive. The plaintiffs in the *Tenenbaum* case have appealed the judgment to the United States Court of Appeals for the First Circuit.

## **Contents**

Introduction .....	1
Background .....	1
The Basic Structure and Operation of Peer-To-Peer File Sharing Networks.....	1
Statutory Damages in Copyright Infringement Cases .....	2
Case Law Surrounding Statutory Damages for Peer-to-Peer File Sharing of Copyrighted Works .....	4
Capitol Records Inc. v. Thomas-Rasset.....	4
Sony BMG Music Entertainment v. Tenenbaum .....	7
Reactions and Implications.....	12

## **Contacts**

Author Contact Information .....	14
Acknowledgments .....	14

## Introduction

Many users of peer-to-peer (P2P) file sharing networks have been subjected to copyright infringement lawsuits regarding the unauthorized uploading and downloading of copyrighted material. The vast majority of these lawsuits have settled, with the file sharer agreeing to pay compensation to the copyright holders. Several of the cases have resulted in default judgments against the defendants or summary judgment motions in favor of the plaintiffs. However, a few of these cases have gone to trial, and two cases in particular resulted in substantial jury awards to the plaintiffs. Those jury awards, based on the Copyright Act's statutory damages provision, were later reduced by federal judges who found the awards to be grossly excessive and unjust, and even a violation of the U.S. Constitution's Due Process Clause. This report provides an overview of this type of copyright infringement, explains the Copyright Act's statutory damages provision, and reviews the recent P2P file sharing litigation.

## Background

Copyright is a federal grant of legal protection for certain works of creative expression, including books, movies, photographs, and music.<sup>1</sup> A copyright holder possesses several exclusive legal entitlements under the Copyright Act, including the right to control reproduction and distribution of the protected material.<sup>2</sup> Unauthorized use of a copyrighted work by a third party in a manner that implicates one of the copyright holder's exclusive rights constitutes infringement.<sup>3</sup> The copyright holder may file a lawsuit against an alleged infringer for a violation of any of the exclusive rights conferred by copyright. The Copyright Act provides several civil remedies to the copyright holder that is harmed by infringement, including the possibility of obtaining injunctive relief,<sup>4</sup> actual damages suffered by the copyright owner due to the infringement,<sup>5</sup> statutory damages,<sup>6</sup> and costs and attorney fees.<sup>7</sup>

## The Basic Structure and Operation of Peer-To-Peer File Sharing Networks

File sharing software programs that create P2P network connections between computers enable the transmission of data and communications over the Internet.<sup>8</sup> A variety of P2P programs are typically available for free download from the distributors' websites. After installing a P2P program (called a "client application") onto the computer, the user runs the application to connect

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<sup>1</sup> 17 U.S.C. § 102(a).

<sup>2</sup> 17 U.S.C. §§ 106. For a detailed description of the major provisions of the Copyright Act, see CRS Report RS22801, *General Overview of U.S. Copyright Law*, by Brian T. Yeh.

<sup>3</sup> 17 U.S.C. § 501.

<sup>4</sup> 17 U.S.C. § 502.

<sup>5</sup> 17 U.S.C. § 504(b).

<sup>6</sup> 17 U.S.C. § 504(c)(1).

<sup>7</sup> 17 U.S.C. § 505.

<sup>8</sup> For further information on this topic, see CRS Report RL31998, *File-Sharing Software and Copyright Infringement: Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, by Brian T. Yeh and Robin Jeweler.

to the computers of other users of that particular P2P software who are currently “on-line.” The client application allows users to “share” files located on their computer hard-drives. Once users make files available for sharing with each other, anyone who uses the same company’s software to connect to the respective P2P network may locate and download desired files easily and at no cost. For example, a user of the LimeWire software can directly access files saved on another LimeWire user’s computer hard-drive. Or a user can search for a particular file name, such as an MP3 song title, across all users’ computers connected to the LimeWire network, and then download a copy of that file onto his or her computer.

While P2P file sharing technology could be used for legitimate purposes, the overwhelming majority of files available for sharing on peer-to-peer networks are copyrighted works<sup>9</sup>—digital files that are electronic copies of copyrighted sound recordings, television shows, and motion pictures. Uploading and downloading of these copyrighted works without the authorization of the copyright holders using P2P file sharing technology is a violation of the copyright holders’ exclusive rights to control the reproduction and distribution of their works.<sup>10</sup>

## **Statutory Damages in Copyright Infringement Cases**

The Copyright Act imposes a remedy of actual damages “as a result of the infringement, and any profits of the infringer that are attributable to the infringement.”<sup>11</sup> The copyright holder may also elect to obtain statutory damages prior to final judgment in the case, rather than actual damages.<sup>12</sup> These statutory damages do not require proof of actual damages and create a range of \$750 to \$30,000 per infringed work upon a finding of copyright infringement, as the court considers just.<sup>13</sup> If the infringement is found to be willful, the Copyright Act permits “enhanced” statutory damages of up to \$150,000 per infringed work.<sup>14</sup>

The remedy of statutory damages for copyright infringement was adopted by the First Congress in the Copyright Act of 1790;<sup>15</sup> with subsequent revisions of the Copyright Act, Congress retained the statutory damages provision and increased the authorized amounts. According to the Supreme

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<sup>9</sup> See *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 922 (2005) (citing a study that indicated nearly 90% of the files available for download on the P2P networks operated by Grokster and StreamCast were copyrighted works); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1013 (9<sup>th</sup> Cir. 2001) (the court finding that as much as 87% of the files available on Napster were copyrighted works).

<sup>10</sup> *Grokster*, 545 U.S. at 923.

<sup>11</sup> 17 U.S.C. § 504(b). The profits of the infringer may only be taken into account if they are not computed in the calculation of actual damages. In establishing the infringer’s profits, the copyright owner is required to present proof only of the infringer’s gross revenue. Elements of profit attributable to areas outside of the copyrighted work and the infringer’s deductible expenses must be proven by the infringer. See *id.*

<sup>12</sup> 17 U.S.C. § 504(c)(1).

<sup>13</sup> *Id.* However, the Supreme Court has determined that “the Seventh Amendment provides a right to a jury trial on all issues pertinent to an award of statutory damages under § 504(a) of the Copyright Act, including the amount itself.” *Feltner v. Columbia Pictures Television*, 523 U.S. 340, 355 (1998). Thus, although the Copyright Act refers to “the court,” the statutory damages amount must be calculated by the jury, not the judge. See 4-14 NIMMER ON COPYRIGHT § 14.04 [C][2].

<sup>14</sup> 17 U.S.C. § 504(c)(2). However, if the court finds that the infringer was not aware and had no reason to believe that his or her acts constituted copyright infringement (“innocent infringement”), the court may, in its discretion, reduce the statutory damages amount to a sum of not more than \$200. *Id.*

<sup>15</sup> *Feltner*, 523 U.S. at 351 (“The Copyright Act of 1790 provided that damages for copyright infringement of published works would be “the sum of fifty cents for every sheet which shall be found in [the infringer’s] possession...”).

Court, statutory damages “give the owner of a copyright some recompense for injury done him, in a case where the rules of law render difficult or impossible proof of damages or discovery of profits.”<sup>16</sup> In addition to this compensatory purpose, statutory damages also serve to punish the infringer and deter others from infringement.<sup>17</sup> The most recent increase in the statutory damages amount range occurred when Congress passed the Digital Theft Deterrence and Copyright Damages Improvement Act of 1999.<sup>18</sup> According to the legislative history of this statute, Congress deemed the increase necessary because,

By the turn of the century the Internet is projected to have more than 200 million users, and the development of new technology will create additional incentive for copyright thieves to steal protected works. . . . Many computer users are either ignorant that copyright laws apply to Internet activity, or they simply believe that they will not be caught or prosecuted for their conduct. Also, many infringers do not consider the current copyright infringement penalties a real threat and continue infringing, even after a copyright owner puts them on notice that their actions constitute infringement and that they should stop the activity or face legal action. In light of this disturbing trend, it is manifest that Congress respond appropriately with updated penalties to dissuade such conduct. . . .

Courts and juries must be able to render awards that deter others from infringing intellectual property rights. It is important that the cost of infringement substantially exceed the costs of compliance, so that persons who use or distribute intellectual property have a strong incentive to abide by the copyright laws.<sup>19</sup>

Defendants in cases involving a jury’s award of particularly large statutory damages have challenged the award as unconstitutional, arguing that a statutory award that far exceeds the harm suffered by the plaintiff constitutes a deprivation of due process. Historically, judicial review of statutory damages has been assessed under the standard the Supreme Court outlined in a 1919 decision, *St. Louis, I.M. & S. Railway Co. v. Williams*.<sup>20</sup> This standard is quite deferential and overrules an award within a statutory range only when it is “so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable.”<sup>21</sup> Elements the court considers are whether Congress has given “due regard for the interests of the public, the numberless opportunities for committing the offense, and the need for securing uniform adherence to [the law].”<sup>22</sup> In *Williams*, the plaintiffs had sued a railroad that charged them 66 cents more than the statutorily prescribed fare. The state law under which the plaintiffs brought suit allowed a statutory damages award of between \$50 to \$300 for each overcharge. Each plaintiff was awarded statutory damages of \$75, for a violation that resulted in actual damages of only 66 cents—approximately 114 times greater than the damages each plaintiff had incurred. The Supreme Court found that the awarded damages did not violate due process and upheld the constitutionality of the court’s award.<sup>23</sup>

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<sup>16</sup> *F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 288, 231 (1952) (citation omitted).

<sup>17</sup> *L.A. News Serv. v. Reuters Television Int’l, Ltd.*, 149 F.3d 987, 996 (9<sup>th</sup> Cir. 1998); *Cass County Music Co. v. C.H.L.R., Inc.*, 88 F.3d 635, 643 (8<sup>th</sup> Cir. 1996).

<sup>18</sup> P.L. 106-160.

<sup>19</sup> H.Rept. 106-216, at 3, 6 (1999).

<sup>20</sup> 251 U.S. 63 (1919).

<sup>21</sup> *Id.* at 67.

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

## Case Law Surrounding Statutory Damages for Peer-to-Peer File Sharing of Copyrighted Works

Recently, federal juries in Minnesota and Massachusetts have returned particularly large verdicts on non-commercial entities undertaking peer-to-peer file sharing of copyrighted sound recordings based upon the statutory damages range for copyright infringement. However, the judges in these cases subsequently decreased the awards based on common law doctrines and also the U.S. Supreme Court's punitive damages jurisprudence. These large damages awards by the juries, and their reduction by the judges, have been the subject of much debate among commentators and also the courts. These cases will be discussed below.

### Capitol Records Inc. v. Thomas-Rasset

In *Capitol Records Inc. v. Jammie Thomas-Rasset*,<sup>24</sup> the defendant Thomas-Rasset had used the popular peer-to-peer file sharing program Kazaa to download at least 24 copyrighted sound recordings to her computer and then had made those digitized music files available for "sharing" (downloading) to other Kazaa users. The jury found her guilty of willful copyright infringement and awarded to the plaintiff (recording companies that owned or controlled exclusive rights to copyrights in the sound recordings) \$1.92 million in statutory damages (\$80,000 per infringed song).<sup>25</sup> Thomas-Rasset appealed the jury's damages award, arguing that it was either (1) violative of the Due Process Clause of the U.S. Constitution, (2) excessive and shocking, resulting in the necessity of remittitur to the minimum statutory damages amount of \$750 per copyright infringement, or (3) excessive and shocking, resulting in the necessity of a new trial.<sup>26</sup>

The United States filed a memorandum in the case in defense of the constitutionality of the Copyright Act's statutory damages provision. First, the United States argued that the court should decide the propriety of the verdict based upon non-constitutional grounds before relying upon the Due Process Clause, unless the constitutional question "is necessary to decide a case before it."<sup>27</sup> These non-constitutional grounds, according to the government, include the admission of further evidence or the common law doctrine of remittitur.<sup>28</sup> Furthermore, even if the Due Process Clause must be relied upon, according to the government, the proper standard for evaluating the statutory damages range, and the jury's award, was the *Williams* test described above, and *not* the Supreme Court's more recent punitive damages jurisprudence (as the defendant had argued).<sup>29</sup> Punitive

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<sup>24</sup> 680 F.Supp. 2d 1045 (D. Minn. 2010).

<sup>25</sup> This was the verdict after the second trial in this case. The jury in the first trial on this matter found that Thomas-Rasset had awarded plaintiffs statutory damages in the amount of \$222,000 (\$ 9,250 for each willful infringement). The court had vacated the verdict and granted a new trial based on its conclusion that it had erred in giving jury instructions. *Id.* at 1049.

<sup>26</sup> *Id.* at 1050.

<sup>27</sup> Brief for the United States of America in Defense of the Constitutionality of the Statutory Damages Provision of the Copyright Act, 17 U.S.C. § 504(c), *Capitol Records Inc., v. Jammie Thomas-Rasset*, 680 F. Supp. 2d 1045 (D. Minn. 2010) (No. 06-cv-1497), at 6 (citing *Lyng v. Northwest Indian Cemetery Protective Ass'n*, 485 U.S. 439, 445 (1988)).

<sup>28</sup> The government maintained that the Copyright Act did not eliminate the discretion of a trial judge under the common law to remit a jury award of statutory damages. This was, according to government, as long as the remitted damages remained within the statutory range that the Court deemed to be just. *See id.* at 7.

<sup>29</sup> *See id.* at 2-3. Other federal courts have followed the *Williams* test when assessing a statutory damages verdict. *See id.* at 14 (citing numerous cases).

damages and statutory damages, according to the government, were distinct because punitive damages are awarded to punish a wrongdoer, while statutory damages “exist in large part to compensate victims of wrongdoing in areas where actual damages are difficult to calculate or prove.”<sup>30</sup> As a result, through a “carefully crafted statute,” and based upon the distinct policy rationale surrounding statutory damages, the government argued that the due process concerns surrounding punitive damages (namely, fair notice and unconstrained discretion) were not implicated for copyright infringement because the damages provision put individuals on notice of a specific range of damages to which they may be subject.<sup>31</sup> The government also argued that the punitive damages “guidepost” analysis provided by the Supreme Court in the *BMW of North America, Inc. v. Gore* case,<sup>32</sup> was ill-fitted to the context of statutory damages for copyright infringement—the ratio for discerning punitive versus actual damages would be difficult to discern because statutory damages “are in fact, a substitute or proxy for actual damages ... in which actual damages are hard quantify.”<sup>33</sup>

Instead, the government argued that the Copyright Act’s statutory damages range satisfies the *Williams* test because it

established a regime to protect intellectual property that dates back to before the beginning of the Republic. The current damages range provides compensation for copyright owners because ... there exist situations in which actual damages are hard to quantify. Furthermore ... Congress took into account the need to deter the millions of users of new media from infringing copyrights in an environment where many violators believe that they will go unnoticed.<sup>34</sup>

As such, the government maintained that the court should defer to Congress’s reasoned judgment.

The court reduced the jury’s award considerably, from \$1.92 million down to \$54,000, noting that the award of \$54,000 was still “significant and harsh” but is “no longer monstrous and shocking.”<sup>35</sup> In making this decision, the court avoided the constitutional question and instead employed the common law doctrine of remittitur. Remittitur is ordered when a “verdict is so grossly excessive as to shock the conscience of the court. A verdict is not considered excessive unless there is plain injustice or a monstrous or shocking result.”<sup>36</sup> This doctrine can be employed

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<sup>30</sup> *Id.* at 11 (citing *Lowry’s Reports Inc., v. Legg Mason, Inc.*, 302 F.Supp. 2d 455, 460 (D. Md. 2004)).

<sup>31</sup> *Id.* (citing *BMW of North Am., Inc. v. Gore*, 517 U.S. 559, 574 (1996)) (“Elementary notices of fairness enshrined in our constitutional jurisprudence dictate that a person receive fair notice not only of the conduct that will subject him to punishment but all of the severity of the penalty.”)

<sup>32</sup> This case is discussed in detail *infra*.

<sup>33</sup> *Id.* at 12. Actual damages are difficult to quantify, according to the government, because of the multiplier effect of peer-to-peer music sharing, or the distribution of downloaded songs. This distribution, according to some, results in a loss greater than just the mere cost of the downloaded song. *See id.* at 12 (citing *Atlantic Recording Corp. v. Anderson*, 2008 WL 2316551 at \* 9 (S.D. Tex. March 12, 2008) (“[T]here is no way to ascertain the precise amount of damages caused by Defendant’s actions in not only improperly downloading Plaintiff’s Copyrighted Recordings himself but also subsequently distributing some or all of Plaintiff’s Copyrighted Recordings to a vast community of other persons on KaZaA.”)). The government also argued that *BMW*’s comparability guidepost was inapplicable to the statutory damages procedure because Congress had already made a judgment as to what was an appropriate sanction for the conduct at issue by establishing the statutory damage range in the first place. *See id.* at 13-14.

<sup>34</sup> *Id.* at 3. *See also id.* at 15-24 (discussing in greater detail the historic protection of copyright, the difficulty of quantifying actual damages, and the great public harm that copyright infringement brings about, even outside the context of commercial gain).

<sup>35</sup> *Thomas-Rasset*, 680 F. Supp. 2d at 1057.

<sup>36</sup> *Id.* at 1050 (citing *Eich v. Bd. of Regents for Cent. Mo. State Univ.*, 350 F.3d 752, 763 (8<sup>th</sup> Cir. 2003)).

based upon the trial court's own reading of all the evidence presented.<sup>37</sup> The court rejected the plaintiff's argument that it lacked the power to remit an award of statutory damages because of the plaintiff's right under the U.S. Constitution's Seventh Amendment to a jury trial regarding statutory damages.<sup>38</sup> According to the court, the Seventh Amendment merely requires that if remittitur is ordered, the plaintiffs be given "the option of choosing to reject the remittitur and exercise their right to a new jury trial solely on the issue of damages."<sup>39</sup> The court found that statutory damages for copyright infringement serve both "deterrent and compensatory components."<sup>40</sup> As such, while the plaintiff did not need to prove actual damages for an award of statutory damages, "statutory damages should bear some relation to the actual damages suffered."<sup>41</sup> The court found factual support for an infliction of actual damages as well as evidence of willfulness and the need for deterrence;<sup>42</sup> however, it maintained that "these facts simply cannot justify a \$2 million verdict in this case."<sup>43</sup> Critical to the court's analysis was the fact that Thomas-Rasset was not a business acting for profit but an individual consumer acting illegally "seeking free access to music for her own use."<sup>44</sup>

As a result, according to the court, the need for deterrence through a large damages award was not as essential because of the lack of profits accruing to the defendant. Her infringing conduct was "for the sole purpose of obtaining free music."<sup>45</sup> The court also found that the damages award was excessive in relation to the justified expenditures the plaintiffs must undertake in pursuing infringers.<sup>46</sup> As a result, employing the maximum recovery rule to preserve the jury's wide discretion, or reducing the damages to the "maximum amount the jury could properly have awarded,"<sup>47</sup> the court chose to award three times the statutory minimum per infringement (\$750), or \$2,250 per infringement.<sup>48</sup> While such an award formula is not in the express provisions of the Copyright Act, the court reached this "most reasoned solution" through a process of analogy to other statutes that make available treble damages from the statutory minimum upon willful violation, including the Patent Act and the Digital Millennium Copyright Act.<sup>49</sup> The court rejected the defendant's request for an imposition of the statutory minimum of \$750 per infringement. This was due to the defendant's far-reaching damage to the recording industry through

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<sup>37</sup> Schaefer v. Spider Staging Corp., 275 F.3d 735, 738 (8<sup>th</sup> Cir. 2002).

<sup>38</sup> *Thomas-Rasset*, 680 F. Supp. 2d at 1050-51.

<sup>39</sup> *Thomas-Rasset*, 680 F. Supp. 2d at 1051 (citing *Corpus v. Bennett*, 430 F.3d 912, 917 (8<sup>th</sup> Cir. 2005); *Thorne v. Welk Inv., Inc.*, 197 F.3d 1205, 1212 (8<sup>th</sup> Cir. 1999)).

<sup>40</sup> *Id.*

<sup>41</sup> *Id.* at 1052 (quoting *Bly v. Banbury Books, Inc.*, 638 F. Supp. 983, 987 (E.D. Pa. 1986)).

<sup>42</sup> *Id.* at 1052-53 (citing the damage *Thomas-Rasset* inflicted through not only her downloading but distribution to millions of users of copyrighted material, her refusal to accept responsibility for her actions, and her admission of studying Napster in college and learning about the unlawfulness of copying and distributing copyrighted music recordings over the Internet).

<sup>43</sup> *Id.* at 1053.

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> *Id.* at 1054.

<sup>47</sup> *Id.* (citing *K-B Trucking Co. v. Riss Int'l Corp.*, 763 F.2d 1148, 1163 (10<sup>th</sup> Cir. 1985)).

<sup>48</sup> *Id.* at 1056.

<sup>49</sup> *See id.* at 1056-57 (discussing numerous statutes). The court refused to analyze other jury verdicts under the statutory damages procedure for copyright infringement because "each case must be evaluated as an individual one, within the framework of its distinctive facts." *Id.* at 1055 (citing *Vanskike v. Union Pac. R.R. Co.*, 725 F.2d 1146, 1150 (8<sup>th</sup> Cir. 1984)). The court also imposed an injunction on the defendant from downloading or distributing any further copyrighted material and ordered that she destroy all copyrighted material in her possession. *Id.* at 1061.

distribution, as well as her willful behavior of denying responsibility and lying on the witness stand. The \$750 minimum, according to the court, was set as a floor, “even without a finding of willfulness,”<sup>50</sup> resulting in the need for additional deterrence against deliberate online piracy.<sup>51</sup>

The plaintiffs were given seven days from the date of the court’s order reducing the damages to decide whether to accept the remittitur or to request a new trial on the issue of damages. The plaintiffs rejected the remittitur on the grounds that it “could be read to set a new standard for statutory damages, essentially capping those damages at three times the minimum statutory amount of \$750 ... for any noncommercial individuals who illegally download and upload music.”<sup>52</sup> This, according to the plaintiffs, removes discretion from the jury to award a higher amount in appropriate circumstances.<sup>53</sup> The plaintiffs argued that the Copyright Act did not distinguish between commercial and non-commercial infringers, and that it was within the province of Congress, not the courts, to fashion a limit on damages for a particular type of infringer or type of infringement. Congress, according to the plaintiffs, directly addressed this issue, and the court’s remittitur “ignores the harm caused by [non-commercial] infringers,” because they can cause as much damage as commercial infringers through the multiplier effect of decentralized peer-to-peer services.<sup>54</sup> The plaintiffs also argued that the remittitur award did not take into account the particular facts of Thomas-Rasset’s case. According to the plaintiffs, the court had improperly relied on statutory authority outside of the Copyright Act to craft a “three times the minimum statutory damages” provision applicable to the case, in a manner that Congress did not authorize.<sup>55</sup>

A new trial on the issue of damages is to be held on October 4, 2010.

## **Sony BMG Music Entertainment v. Tenenbaum**

In 2007, several record companies sued Joel Tenenbaum, a student at Boston University, seeking more than \$1 million in statutory damages for his use of peer-to-peer file sharing resulting in the downloading and distribution of 30 songs. Tenenbaum was found guilty of willful copyright infringement, and the jury awarded \$675,000 in statutory damages. Tenenbaum appealed this award, arguing that the damages award was unconstitutionally excessive under the Supreme Court’s punitive damages jurisprudence. He also argued that the award was grossly excessive and should be lowered under the common law doctrine of remittitur.<sup>56</sup>

Like in the *Thomas-Rasset* case, the United States again intervened to defend the constitutionality of the statutory damages provision. The government stated almost verbatim its arguments from *Thomas-Rasset*.<sup>57</sup> The United States did, however, add to its argument in stating that the broad

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<sup>50</sup> *Id.* at 1055.

<sup>51</sup> *Id.* at 1057.

<sup>52</sup> Notice of Plaintiffs’ Decision Re: Remittitur, *Capitol Records, Inc., v. Thomas-Rasset*, 680 F. Supp. 2d 1045 (2010) (No. 06-cv1497-MJD/RLE), at 2.

<sup>53</sup> *Id.* at 5.

<sup>54</sup> *Id.* at 4.

<sup>55</sup> *Id.* at 5.

<sup>56</sup> *Sony BMG Music Entm’t v. Tenenbaum*, 2010 U.S. Dist. LEXIS 68642 (D. Mass. July 9, 2010), at \*4-5.

<sup>57</sup> Brief for the United States of America in Response to Defendant’s Motion for New Trial or Remittitur and in Defense of the Constitutionality of the Statutory Damages Provision of the Copyright Act, 17 U.S.C. § 504(c), *Sony BMG Music Entm’t v. Tenenbaum*, 2010 U.S. Dist. LEXIS 68642 (D. Mass. July 9, 2010).

societal undertaking of peer-to-peer file sharing, resulting in copyright infringement, “demonstrated the necessity of providing strong deterrence towards others who think their actions go undetected.”<sup>58</sup> The defendant, according to the government, exemplified this concern in continuing to download and share copyrighted music for at least three years, despite his knowledge that the activity was illegal.<sup>59</sup> The government noted that the “Supreme Court has explicitly recognized that Congress may adjust the amount of statutory damages to the public wrong rather than the public injury.”<sup>60</sup>

The court, however, agreed with the defendant. The court maintained that it was impossible to avoid the constitutional question because remittitur required the plaintiffs to cooperate, which they failed to do in the case. According to the court,

The plaintiffs in this case, however, made it abundantly clear that they were, to put it mildly, going for broke. They stated in open court that they likely would not accept a remitted award. And at a retrial on the issue of damages, I would again be presented with the very constitutional issues that the remittitur procedure was designed to avoid.<sup>61</sup>

As such, the court analyzed the constitutional question and ruled that, in its view, the proper standard to apply with respect to a due process challenge to a statutory damages award was *not* the historically deferential *Williams* standard (as the plaintiffs and the U.S. government had argued), but rather the Supreme Court’s more recent punitive damages jurisprudence as expressed in the *BMW of North America, Inc. v. Gore* case. The court found that,

Although *Williams* upheld the constitutionality of the Arkansas jury’s awards, it recognized the possibility that civil damages may in some instances be so excessive as to violate the Constitution. Over the past two decades, the Supreme Court has built on this insight by constructing a rather elaborate doctrinal framework for testing the constitutionality of punitive damages awards.<sup>62</sup>

In other words, the court ignored the distinction between punitive and statutory damages in holding that they had the same constitutional underpinnings of due process.<sup>63</sup> This led the court to analyze the jury’s verdict under the Supreme Court’s punitive damages jurisprudence.<sup>64</sup> First the court surveyed this jurisprudence, which is briefly described below.

The Supreme Court’s 1996 decision, *BMW of North America, Inc. v. Gore*, established three standards, or guideposts, to “identify constitutionally excessive” punitive damages awards.<sup>65</sup> In

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<sup>58</sup> *Id.* at 18 (citing H.Rept. 106-216 at 3 (1999)).

<sup>59</sup> *Id.* at 19.

<sup>60</sup> *Id.* at 20 (citing *Williams*, 251 U.S. at 66)).

<sup>61</sup> *Tenenbaum*, 2010 U.S. Dist. LEXIS 68642 at \*6.

<sup>62</sup> *Id.* at \*29.

<sup>63</sup> *Id.* at \*47 (discussing how *BMW* cites *Williams*). (“At their root, the standards articulated in *Williams*, *BMW* ... all aim at providing defendants with some protection against arbitrary government action in the form of damages awards that are grossly excessive in relation to the objectives that the awards are designed to achieve.”) The court also held that courts were not uniform in their application of the *Williams* test for analysis of statutory damages. *See id.* at \*43-44 n.10 (citing numerous cases employing the punitive damages jurisprudence for statutory damages cases).

<sup>64</sup> This procedure, the court noted, would still impose deference upon the court for the judgments and legislation of Congress. *Id.* at \*14 (citing *Romano v. U-Haul International*, 233 F.3d 655, 673 (1<sup>st</sup> Cir. 2000)).

<sup>65</sup> *BMW of North Am., Inc. v. Gore*, 517 U.S. 559, 5684 (1996) (citation omitted). For further information on the constitutionality of grossly excessive punitive damages, *see* CRS Report RL33773, *Constitutional Limits on Punitive* (continued...)

this decision, the jury had awarded actual damages of \$4,000 and punitive damages of \$2 million because BMW repainted damage on new cars without disclosing the repair to consumers. According to the Court, the punitive damages award violated the Due Process Clause because, at 500 times greater than the plaintiff's actual damages, the amount was grossly excessive.<sup>66</sup> The Court reasoned that the Due Process Clause protects against "judgments without notice" of the unlawful conduct and "the severity of the penalty that a State may impose."<sup>67</sup> The Court then prescribed three guideposts by which a punitive damages award should be judged to determine if it is grossly excessive: (1) "the degree of reprehensibility of the defendant's conduct," (2) the reasonableness of the ratio of the punitive damages award "to the actual harm inflicted on the plaintiff," and (3) comparability (i.e., "the difference between this remedy and the civil penalties authorized or imposed in comparable cases").<sup>68</sup> The *BMW* Court held that the degree of reprehensibility is the "most important indicia of the reasonableness of a punitive damages award."<sup>69</sup> The Court also determined that a "high degree of culpability" was necessary for substantial punitive damages.<sup>70</sup> Additionally, the Court reiterated the statement that "the proper inquiry is 'whether there is a reasonable relationship between the punitive damages award and the harm likely to result from the defendant's conduct as well as the harm that actually has occurred.'"<sup>71</sup>

After reviewing the *BMW* case and other Supreme Court jurisprudence in punitive damages, the *Tenenbaum* court proceeded to apply the *BMW* guideposts to the statutory damages award in this case. Before doing so, however, the court acknowledged that unlike a typical case in which punitive damages are awarded, the jury's award in this case fell within a range that had been authorized by Congress, and that the maximum and minimum amount of statutory damages that could be imposed for each act of infringement was expressly provided by statute.<sup>72</sup> Nevertheless, the court stated that "there should be some nexus between the jury's statutory damages award and the actual damages suffered by the plaintiff and the profits, if any, obtained by the defendant."<sup>73</sup> In the opinion of the court, the jury's statutory damages award must not be grossly excessive in relation to the government's legitimate interests in prescribing the awards (compensating copyright owners and deterring infringement).<sup>74</sup>

Turning to the analysis outlined in *BMW*, the court held that the third comparability guidepost was not satisfied. While satisfying a range of damages set forth in the Copyright Act, this range was for *all* copyright cases and "does not mean that the members of Congress who approved the language of section 504(c) intended to sanction the eye-popping award imposed *in this case*."<sup>75</sup> Looking to the most recent 1999 amendments to the Copyright Act's statutory damages section,

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*Damages Awards: An Analysis of Supreme Court Precedent*, by Todd Garvey.

<sup>66</sup> *Id.* at 582-83.

<sup>67</sup> *Id.* at 574, n. 22 (quoting *Shaffer v. Heitner*, 433 U.S. 186, 217 (1977) (Stevens, J. concurring)).

<sup>68</sup> *Id.* at 575, 580.

<sup>69</sup> *Id.* at 575.

<sup>70</sup> *Id.* at 580.

<sup>71</sup> *Id.* at 581 (citing *TXO Production Corp. v. Alliance Resource Corp.*, 509 U.S. 433, 460 (1993)).

<sup>72</sup> *Tenenbaum*, 2010 U.S. Dist. LEXIS 68642 at \*52.

<sup>73</sup> *Id.* at \*50-51 (citing *Thomas-Rasset*, 680 F. Supp. 2d at 1048).

<sup>74</sup> *Id.* at \*52.

<sup>75</sup> *Id.* (emphasis in original).

the court stated that “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” non-commercial peer-to-peer file sharing of music.<sup>76</sup> For this determination, the court cited (1) the fact that the amendments were introduced prior to the release of Napster<sup>77</sup> and (2) the House Judiciary Committee’s report on an early version of the legislation. The Judiciary Committee report, according to the court, showed that the 1999 amendments were linked to large scale software piracy for the purpose of commercial advantage or private financial gain, not non-profit individual file sharers.<sup>78</sup> According to the court, “Congress did not foresee that section 504(c) would be used to mulct individual file sharers such as Tenenbaum in damages.”<sup>79</sup> In addition, the court cited the fact that at two separate Senate Judiciary Committee hearings, Senators Orrin Hatch and Patrick Leahy, two sponsors of the 1999 amendments, engaged in downloading copyrighted sound recordings for demonstration purposes, which they described as qualifying as “fair use” because it was carried out for education and governmental purposes. The senators also marveled at the development of the peer-to-peer software Gnutella and praised the founder of Napster, Shawn Fanning.<sup>80</sup> While acknowledging that these statements are not authoritative statements of Congress, the court held that the statements suggest that the Senators “did not view such downloading as particularly reprehensible” and that they “did not anticipate that the statutory damages scheme over which [the] committee had jurisdiction would be applied to users of Napster and other peer-to-peer networks.”<sup>81</sup>

As a result, the court further inquired and looked to other jury awards of statutory damages for copyright infringement to discover whether Tenenbaum’s award was significantly out of line with other awards; if so, the award would not be reasonably related to the government’s objectives and would be unconstitutionally excessive.<sup>82</sup> The court compared the award in Tenenbaum’s case to the award in *Thomas-Rasset* and found that the cases were similar based upon the number of acts, willfulness, and culpability. According to the court, both knew that file-sharing was illegal and continued, refused to accept responsibility, gave false statements under oath, and tried to shift blame to others. As a result, the court held the award in Tenenbaum’s case should be roughly the same as the award in *Thomas-Rasset*.<sup>83</sup> The court also considered the award in Tenenbaum’s case to be excessive when compared with other peer-to-peer copyright infringement cases where the parties settled or a default judgment was awarded in cases. In those cases, the court noted, the infringer did not commit willful conduct and the minimum statutory damage of \$750 per infringed work was often imposed. The court also cited the much lower damages that are typically imposed on commercial entities, such as restaurants and bars, that have benefitted financially by broadcasting music in their establishments without first obtaining a license.<sup>84</sup>

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<sup>76</sup> *Id.* at \*53.

<sup>77</sup> *Id.* at \*55-56.

<sup>78</sup> *Id.* at \*59-60.

<sup>79</sup> *Id.* at \*63.

<sup>80</sup> *Id.* at \*60 (citing *Music on the Internet: Is there an Upside to Downloading?: Hearing Before the S. Comm. On the Judiciary*, 106<sup>th</sup> Cong. (2000); *Utah’s Digital Economy and the Future: Peer-to-Peer and Other Emerging Technologies: Hearing Before the S. Comm. On the Judiciary*, 106<sup>th</sup> Cong. (2000)).

<sup>81</sup> *Id.* at \*62-63 (bracket added).

<sup>82</sup> *Id.* at \*64-65.

<sup>83</sup> *Id.* at \*68-69.

<sup>84</sup> *Id.* at \*71-72. Often these commercial entities create a more pleasurable aesthetic experience through their copyright infringement, resulting in greater business and profit. These entities often receive letters to cease and desist their (continued...)

Moving to the second *BMW* ratio guidepost the court held that while actual damages are difficult to assess in copyright infringement cases, “there must be *some* relationship between the jury’s verdict and the damages the plaintiffs incurred and the benefits Tenenbaum gained through his infringements.”<sup>85</sup> Otherwise, according to the court, (1) a chilling effect would occur, deterring socially beneficial activities that run some risk of giving rise to liability for copyright infringement or (2) a risk of unfair and exorbitant settlements could arise. The court held that its analysis was limited to Tenenbaum’s individual conduct, the benefits he derived from that conduct, and the harm that he caused, *not* the harm that other infringers caused.<sup>86</sup> The court viewed Tenenbaum’s conduct in isolation and found that his harm merely constituted the loss in profit to the record companies had he bought the individual songs in question legally. The court found the loss in profit in comparison with the damages award to be an excessive ratio and held that Tenenbaum’s conduct *in isolation* did not have a significant impact on the plaintiffs’ profit.<sup>87</sup> The court surmised that “the individuals who downloaded songs from Tenenbaum’s shared folder would simply have found another free source for the songs had Tenenbaum never engaged in file-sharing.”<sup>88</sup>

The court also ruled that the benefit Tenenbaum received by infringing the copyrights could not justify the jury’s award. Tenenbaum had received no pecuniary gain; his “profit” was the “ability to access an essentially unlimited variety of music on demand.”<sup>89</sup> This, according to the court, did not justify the jury’s award, even when the lack of detection for Tenenbaum’s activity is taken into account, because “most individuals are risk averse, adequate deterrence can undoubtedly be obtained with an award that is much, much lower.”<sup>90</sup> The court also rejected as a basis for the jury’s award the Copyright Act’s emphasis on compensating copyright owners for the costs entailed in investigating and detecting infringing behavior. This was because upon the owner’s devotion of resources and investigation to detect a single act of infringement “the marginal cost of detecting additional act of infringement is likely low since the investigation of the file sharer’s account ... will generally reveal a treasure trove of unlawfully downloaded works.”<sup>91</sup> Finally, the court rejected the jury’s verdict on the grounds that the statutory damages scheme of the Copyright Act was not proportionate in subjecting those that download one song and those that download 1,000 songs to the same damages.<sup>92</sup>

Turning lastly to the first and most important *BMW* guidepost, the court found that several factors weighed in Tenenbaum’s favor. This included the fact that the harm he caused was economic rather than physical; the harm did not evince an indifference or recklessness towards the health or safety of others; and the plaintiffs were not financially vulnerable, but large recording

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behavior, which they ignore, showing willful behavior. *See* *EMI Mills Music, Inc., v. Empress Hotel, Inc.*, 470 F. Supp. 2d 67, 70, 72-73 (D. P.R. 2006).

<sup>85</sup> *Tenenbaum* 2010 U.S. Dist. LEXIS at \*76 (emphasis added) (citing *Thomas-Rasset*, 680 F. Supp. 2d at 1049).

<sup>86</sup> The court held the harm to nonparties could only be assessed regarding reprehensibility. *Id.* at \*77 (citing *Philip Morris*, 549 U.S. at 353-55).

<sup>87</sup> *Tenenbaum*, 2010 U.S. Dist. LEXIS at \*80.

<sup>88</sup> *Id.*

<sup>89</sup> *Id.* at \*84-85.

<sup>90</sup> *Id.* at \*87.

<sup>91</sup> *Id.* at \*88.

<sup>92</sup> *Id.* at \*89.

companies.<sup>93</sup> Other factors, according to the court, however, militated against Tenenbaum, notably his continued willful conduct and engagement in thousands of acts of infringement despite knowledge of the acts illegality, lying under oath, and blame shifting.<sup>94</sup> While noting that file sharing was “fairly low on the totem pole of reprehensible conduct,” the court opined that “among this group of comparatively venial offenders, Tenenbaum is one of the most blameworthy.”<sup>95</sup>

As a result, based upon its analysis using the *BMW* guideposts, the court held that the jury’s award violated the Due Process Clause because it had no rational relationship to the government’s interest in compensating copyright owners and deterring infringement.<sup>96</sup> The court also determined that the award could not be upheld even under the *Williams* standard because it was “so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable.”<sup>97</sup> The court maintained that the plaintiffs suffered approximately \$1 in actual damages for each song that Tenenbaum had downloaded, yet the jury awarded the plaintiffs \$22,500 per song, resulting in a statutory-to-actual-damages ratio of 22,500:1. With the benefits that Tenenbaum derived from file sharing taken into account, approximately \$1,500, the ratio of statutory damages to Tenenbaum’s “profits” was 450:1, or about four times the ratio involved in the *Williams* case. The court further based its decision upon the fact that “Tenenbaum was an ordinary young adult engaging in noncommercial file-sharing, not a wealthy railroad bilking customers for its own profit.”<sup>98</sup> Adopting the reasoning of *Thomas-Rasset* that had embraced the “long tradition in the law of allowing treble damages for willful misconduct,” the court reduced the jury’s unconstitutional \$675,000 award to three times the statutory minimum, for a total of \$67,500 (\$2,250 per song).<sup>99</sup> The court attempted to counter anticipated objections to the adoption of \$2,250 as a cap on the statutory damages range in P2P file sharing cases because “this criticism applies to any line drawing process; it is always possible to argue that the line should have been drawn a bit differently.”<sup>100</sup>

The plaintiffs in the *Tenenbaum* case have appealed the judgment to the United States Court of Appeals for the First Circuit.

## Reactions and Implications

It remains to be seen what standard the *Thomas-Rasset* court will apply during the new trial on damages, in evaluating the constitutional challenge to the jury’s award: the *Williams* standard or the *BMW* guideposts? Will it employ a similar constitutional analysis as the *Tenenbaum* court? In a case concerning statutory damages in copyright cases (although not involving peer-to-peer file sharing), the U.S. Court of Appeals for the Sixth Circuit emphasized that the U.S. Supreme Court has never decided whether its recent punitive damages jurisprudence (*BMW* and its progeny)

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<sup>93</sup> *Id.* at \*90.

<sup>94</sup> *Id.* at \*90-91.

<sup>95</sup> *Id.* at \*91.

<sup>96</sup> *Id.* at \*92.

<sup>97</sup> *Id.* (quoting *Williams*, 251 U.S. at 66-67).

<sup>98</sup> *Id.* at \*93.

<sup>99</sup> *Id.* at \*93-94 (citing *Thomas-Rasset*, 680 F. Supp. 2d at 1048, 1056-57, and numerous statutes as well as cases)..

<sup>100</sup> *Id.* at \*96 (citing *Inter Med. Supplies, Ltd. V. EBI Med. Sys., Inc.*, 181 F.3d 446, 468 (3<sup>rd</sup> Cir. 1999))

applies to awards of *statutory* damages.<sup>101</sup> The appellate court stated that until the Supreme Court applies *BMW* to an award of statutory damages, the earlier *Williams* standard is to be used when evaluating the constitutionality of statutory damage awards.<sup>102</sup> However, this appellate decision from 2007 was not binding on the *Thomas-Rasset* or *Tenenbaum* courts, as neither of those courts are within the Sixth Circuit (they are within the Eighth and First, respectively—the appellate courts of which have not yet directly addressed the issue).

Some observers have been critical of the legal reasoning of the *Tenenbaum* opinion<sup>103</sup>—in particular, three assumptions that had been made by the judge in reaching her conclusions:

1. There is no constitutional difference between punitive damages and statutory damages; thus, the *BMW* case is relevant to a case involving an award of statutory damages.
2. Congress did not intend statutory damages to be imposed on non-commercial infringers whose infringement only caused minimal economic harm on copyright holders.
3. Three times the minimum statutory damages amount is the constitutional limit in peer-to-peer file sharing cases.<sup>104</sup>

Critics of the opinion argue that the *Tenenbaum* decision “significantly erodes Congress’ power to set the acceptable range of damages in copyright and indeed all civil cases.”<sup>105</sup> Others, however, have praised the *Tenenbaum* decision as one that “helps bring copyright infringement damages awards back down to earth.”<sup>106</sup>

While *Tenenbaum* is on appeal, the lower court’s decision may have several immediate consequences for copyright infringement cases. Those that involve statutory damages may well require more time and money of the litigants, as “every copyright infringement defendant can advance a non-frivolous argument that statutory damages in [his/her] case would be unconstitutional.”<sup>107</sup> Also, because the *Tenenbaum* (and *Thomas-Rasset*) court had ruled that there must be some relationship between actual damages and the amount of statutory damages that is awarded, it may be difficult for some copyright plaintiffs to enforce their rights, as they must

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<sup>101</sup> *Zomba Enters., Inc. v. Panorama Records, Inc.*, 491 F.3d 574 (6<sup>th</sup> Cir. 2007).

<sup>102</sup> *Id.* at 588.

<sup>103</sup> See Greg Sandoval, *A Copyright Ruling No One Can Like*, CNET News (July 13, 2010), at [http://news.cnet.com/8301-31001\\_3-20010428-261.html](http://news.cnet.com/8301-31001_3-20010428-261.html) (“[The] decision is believed by some legal experts to be unprecedented. Not only are copyright owners attacking [the judge’s] reasoning, but so are well-known lawyers from the pro-technology side.”).

<sup>104</sup> See Eric Goldman, *Copyright Statutory Damages Award Violates Constitutional Due Process – Sony v. Tenenbaum*, Technology & Marketing Law Blog (July 12, 2010), at [http://blog.ericgoldman.org/archives/2010/07/copyright\\_statu.htm](http://blog.ericgoldman.org/archives/2010/07/copyright_statu.htm) (identifying these three assumptions and predicting that they will be “critically tested on appeal”).

<sup>105</sup> Ben Sheffner, *Due Process Limits on Statutory Civil Damages? Unprecedented Ruling In Copyright Case A Double-Edged Sword For Businesses*, Washington Legal Foundation Legal Backgrounder (Aug. 6, 2010), available at [http://www.wlf.org/Upload/legalstudies/legalbackgrounder/8-6-10Sheffner\\_LegalBackgrounder.pdf](http://www.wlf.org/Upload/legalstudies/legalbackgrounder/8-6-10Sheffner_LegalBackgrounder.pdf).

<sup>106</sup> Anjali Bhat, *Common Sense Won in the Tenenbaum Decision*, Public Knowledge (July 12, 2010), at <http://www.publicknowledge.org/blog/common-sense-prevalled-tenenbaum-decision>; see also Corynne McSherry, *Judge Cuts Damages in Sony v. Tenenbaum*, Electronic Frontier Foundation Deeplinks Blog (July 9, 2010), at <http://www.eff.org/deeplinks/2010/07/judge-cuts-damages-sony-v-tenenbaum> (“Kudos to Judge Gertner for recognizing that ‘no plausible rationale’ could justify the original award, and that our Constitution does not permit grossly excessive damages—even in copyright cases.”).

<sup>107</sup> Goldman, *supra* note 104.

make some showing of the actual harm that they have suffered from the infringement—a potentially difficult and expensive task, especially in the context of digital media and file sharing.<sup>108</sup> Thus, some copyright holders may be more reluctant to bring cases against non-commercial file sharers. Another possible impact of *Tenenbaum* is that courts may choose to follow the “three times the statutory minimum damages” formulation as a de facto standard in determining statutory damages in certain copyright cases—perhaps limited only to the context of peer-to-peer file sharing, although some courts may extend this standard to other infringing activity.

As both of these cases await further judicial developments, this area of copyright law promises to continue to be in an unsettled state. Other federal courts of appeal could also directly address the issue, or Congress could take action to resolve the matter legislatively—to date, however, no related legislation has been introduced.

## **Author Contact Information**

Brian T. Yeh  
Legislative Attorney  
byeh@crs.loc.gov, 7-5182

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<sup>108</sup> Derek Bambauer, *Tenenbaum and Statutory Damages*, Info/Law Blog (July 11, 2010), at <http://blogs.law.harvard.edu/infolaw/2010/07/11/tenenbaum-and-statutory-damages/>.