Are Punitive Damages Available Under The Copyright Act?

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Given the Copyright Act’s express enumeration of available remedies under the Act and its silence with respect to punitive damages, one would think that a copyright owner is barred from seeking punitive damages when bringing a claim for copyright infringement. Several recent decisions in the Southern District of New York, however, have allowed punitive damages claims to proceed. This article will discuss the traditional view that punitive damages are not available under the Copyright Act, and will explore recent decisions indicating that such damages might be recoverable under certain circumstances. This article will then discuss the implications for both plaintiffs and defendants, and will finally argue that punitive damages should not be available in copyright actions.

The Copyright Act specifically prescribes the damages recoverable in copyright actions. “Except as otherwise provided by this title, an infringer of copyright is liable for either... the copyright owner’s actual damages and any additional profits of the infringer... or ... statutory damages....” A copyright owner may elect to recover statutory damages at any time prior to final judgment; such damages can range anywhere from as little as $200 for innocent infringements to $150,000 for willful infringements. Notably, Congress made no provision in the Act for awards of punitive damages. “The language is clear, unambiguous, and exclusive: these are the alternatives available to a copyright plaintiff, and punitive damages are not provided by either of them.”

The discretionary increase for willful infringement is the only punitive provision to be found in the Act. To encourage copyright registration, Congress mandated that statutory damages are available only where the owner registered the work prior to the infringement, or at least within three months of the work’s first publication if the infringement occurred before registration. But owners who have not timely registered their copyrights are not left without a remedy: they are entitled to their actual damages plus any of the infringer’s profits attributable to the infringement, which, in many instances, far exceed the maximum statutory damages amount.

The Second Circuit United States Court of Appeals long ago stated explicitly that “[p]unitive damages are not available in statutory copyright actions.” That court recently explained that “[t]he purpose of punitive damages – to punish and prevent malicious conduct – is generally achieved under the Copyright Act through the provisions of 17 U.S.C. § 504(c)(2), which allow increases to an award of statutory damages in cases of willful infringement.” Federal courts around the country have likewise held that punitive damages cannot be recovered in statutory copyright actions. And the leading commentator on copyright law agrees “[i]t is clear... that exemplary or punitive damages should not be awarded in a statutory copyright infringement action.”

This apparent bar to punitive damages under the Copyright Act first showed signs of erosion in the Southern District of New York in Silberman v. Innovation Luggage, Inc. In that case, while the court dismissed the plaintiff’s punitive damages claim, it qualified its holding. Citing On Davis for the proposition that the ends of punitive

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damages are served by the Act’s statutory damages provisions, Judge Gerald E. Lynch stated, “While no statutory damages are available here, there is still no reason to deviate from this principle in a case where, as here, no malice or ill will towards the plaintiffs has been alleged.”

This statement by Judge Lynch was curious, considering his flat rejection of punitive damages in the *Leutwyler* case (quoted above).15

In May 2003, in *TVT Records v. Island Def Jam Music Group,* the Southern District seized upon the language in *Silverman.* Perceiving *Silverman* and *On Davis* as reflections of a “softened” approach to punitive damages, Judge Victor Marrero held that the *TVT Records* plaintiffs could seek punitive damages, since they could not seek statutory damages for one infringement, and had elected to pursue actual damages over statutory damages on another.14 The impact of the *TVT Records* decision was mitigated, however, when the plaintiffs later elected to recover statutory damages (presumably to avoid an appeal of the judgment).

More recently, in *Blanch v. Koons,* the Southern District allowed a plaintiff to amend her complaint to add a prayer for punitive damages.16 Relying on *Silverman* and *TVT Records,* the court explained that “[u]ltimately, the determination whether punitive damages are available for copyright infringement cases must be made in a case where the issue is squarely presented: where the jury could find malice or willful infringement, and the plaintiff is not seeking (or is barred from obtaining) statutory damages.”17 But, Judge Louis L. Stanton continued, “I do not forecast any favorable view of plaintiff’s position: the present weight and reason of the law (favoring registration) seem strongly against it. I simply allow the argument to be heard on the facts.”18 Less than a month later, in *Stehrenberger v. R.J. Reynolds Tobacco Holdings, Inc.,”* Judge Stanton considered another claim for punitive damages, again refusing to dismiss it as a matter of law.19

Despite the *TVT Records,* *Blanch,* and *Stehrenberger* decisions, not all Southern District judges are convinced that the availability of punitive damages is a matter open to debate. Mere weeks after *Blanch,* and only one day before *Stehrenberger,* Judge William H. Pauley, III, in an unreported decision, held punitive damages categorically unavailable in copyright actions, because Congress made no provision for such damages in the Copyright Act.20 Considering these recent developments, both plaintiffs’ and defendants’ counsel need to be aware of the ramifications of the diverging views. Previously, evidence of willfulness or malice was irrelevant in cases where statutory damages were not available, except for the limited purpose of precluding a defendant’s ability to deduct taxes in calculating profits, which is not allowed if willfulness has been shown.21 In light of the unsettled law on the issue, defendants’ counsel must now be wary of such evidence. Securing evidence of innocent infringement could now become critical in avoiding potentially ruinous verdicts. Likewise, plaintiffs’ counsel need to be conscious of the potential effects of willfulness or malice. In light of cases like *TVT Records* and *Blanch,* even plaintiffs who have failed to timely register their work should consider including a request for punitive damages in their complaints where there is colorable evidence of willfulness or malice, so as not to foreclose recovery in the event that such damages ultimately prove available.

With the question of the availability of punitive damages arising more and more frequently in copyright actions in the Southern District, “some higher authority [will ultimately] have occasion to squarely consider this question, at which point, one way or the other, a clear answer may emerge.”22 It is the view of these authors that the courts should ultimately decide that punitive damages are not available in federal copyright cases, even when statutory damages are not sought or are unavailable.

As Judge Stanton himself pointed out in *Blanch,* one of the principal purposes behind the statutory damages provisions is to encourage owners to register their work, and thus provide notice of the owner’s rights through such registration. If courts were to allow copyright owners to recover punitive damages where statutory damages were unavailable, it would frustrate this legislative purpose. Further, Congress elected to enact a tiered and capped system of statutory damages, creating basic boundaries of relief between $750 and $30,000, and then allowing a maximum fivefold increase for willful infringement. This system would become completely irrelevant were plaintiffs allowed to simply elect actual damages and profits, and then seek an unlimited monetary amount in punitive damages for willful infringements. In fact, it would create an incentive not to timely register one’s copyright in order to make oneself eligible to recover punitive damages without a cap – exactly the opposite of what Congress intended.

Moreover, even in cases where statutory damages are unavailable, the ends of deterrence and punishment are well met by defendants’ prospect of having to disgorge all profits “attributable to the infringement,” particularly since the defendant bears the burden of showing that its profits are attributable to sources other than the infringement, and since a willful infringer is precluded from deducting taxes when calculating its profits.24 Even the support cited in the *TVT Records* decision is less solid than it appears. Judge Marrero’s citations seem to favor dicta over holdings, as Judge Pauley recognized in *Nicholls.* In the face of the “weight and reason of the law... strongly against it,”25 the ambiguous language in these sources should not be used to bring about a fundamental change in copyright law, and to undercut Congress’s clear wish to encourage registration.

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3 See id. § 504(c).
6 Oboler v. Goldin, 714 F.2d 211, 213 (2d Cir. 1983).
11 Id. at “110.
12 See Leutwyler 184 F. Supp. 2d at 308.
14 Id. at 187.
16 Id. at 570.
17 Id. at 569.
18 Id. at 570.
19 335 F. Supp. 2d 466 (S.D.N.Y. 2004). The authors of this article represented the defendants in the Stehrenberger action.
20 Id. at 469 n.3.
23 *TVT Records,* 262 F. Supp. 2d at 187.
24 See 17 U.S.C. § 504 (b); New Line Cinema, 161 F. Supp. 2d at 304 n.5.