Punitive Damages Available for Infringement?

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Given the Copyright Act's express enumeration of the remedies available under the Act and its silence with respect to the availability of punitive damages, one would think that a copyright owner would be barred from seeking punitive damages when bringing a claim for copyright infringement. Such thinking, however, may be wrong for copyright actions brought in the Southern District of New York. Several recent decisions in the Southern District have allowed claims for punitive damages to proceed under the Copyright Act, despite long-standing precedent indicating that such damages are unavailable.

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.

**Traditional Punitive Damages Bar**

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 . . . ." Thus, a copyright owner has the option to elect to receive either her actual damages plus any of the infringer's profits attributable to the infringement or, if she has timely registered her work, 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. Further, to encourage owners to register their work, Congress mandated that statutory damages (as well as attorneys' fees, which, to some extent, also serve punitive ends) are only available where the owner's work was registered prior to the infringement, or at least within three months of its first publication if the infringement occurred before registration.

Thus, the limited punitive measures allowed under the Act are only available to copyright owners who have registered their work prior to infringement. However, 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. In many instances, such damages far exceed the maximum amount that would be available under the statutory damages election.

Courts in the Second Circuit have long held that copyright owners cannot recover punitive damages under the Copyright Act, with the Court of Appeals stating 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 that "[I]t is clear . . . that exemplary or punitive damages should not be awarded in a statutory copyright infringement action."  

A Chink in the Armor?  
This apparent bar to punitive damages under the Copyright Act first showed signs of erosion in the Southern District in Silberman v. Innovation Luggage, Inc. In Silberman, Judge Gerard E. Lynch dismissed a punitive damages claim brought by a plaintiff seeking actual damages for infringement of his photograph of the New York skyline.  

In throwing out the claim, however, Judge Lynch qualified his holding. Citing to On Davis for the proposition that the ends of punitive damages are served by the Act's statutory damages provisions, Judge 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 choice of language by Judge Lynch was particularly curious, considering his flat rejection of punitive damages in the Leutwyler case (quoted above).  

Although it is not clear whether Judge Lynch intended for his decision to be read to support a claim for punitive damages under the Copyright Act, in May 2003, Judge Victor Marrero seized upon this language in his decision in TVT Records v. Island Def Jam Music Group. Perceiving Judge Lynch's decision in Silberman and the Second Circuit's language in On Davis as a "softened" approach to punitive damages under the Copyright Act, Judge Marrero held that the TVT Records plaintiffs could seek punitive damages in their case, where they could not seek statutory damages for one infringement, and had elected to pursue actual damages over statutory damages on another.  

Judge Marrero drew further support from the presence of an instruction on punitive damages in copyright actions in Judge Leonard B. Sand's treatise, Modern Federal Jury Instructions: "In this vein, the Court notes that the existence of such an illustrative instruction for punitive damages under the Copyright Act is itself inconsistent with the view that punitive damages are categorically unavailable under the Copyright Act." While the TVT Records decision would seem to have paved the way for punitive damages claims, the impact of the decision was mitigated when the plaintiffs later elected to recover statutory damages (presumably to avoid an appeal of the judgment).  

The availability of punitive damages was again considered recently in a pair of cases before Judge Louis L. Stanton of the Southern District. In Blanch v. Koons, the plaintiff moved to amend her complaint to include a claim for punitive damages. The defendant opposed the amendment as futile, insisting that such damages were unavailable as a matter of law.  

Relying on Silberman and TVT Records, Judge Stanton allowed the plaintiff to amend her complaint. Judge Stanton 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." Despite allowing the amendment, Judge Stanton expressed doubt that the punitive damages claim would ultimately succeed. "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.”

Less than a month later, in Stehrenberger v. R.J. Reynolds Tobacco Holdings, Inc., Judge Stanton considered another claim for punitive damages in a copyright case. There, the plaintiff, who was barred from recovering statutory damages, sought an award of actual damages, profits and punitive damages.

The court again refused to hold that punitive damages are not recoverable as a matter of law, but, instead, declined to rule on their availability at all, reserving decision until the plaintiff clarified her claim. Notably, in addition to seeking punitive damages, the plaintiff in Stehrenberger also sought to increase her expert’s calculation of actual damages tenfold. Defendants opposed this multiplier as a punitive measure not allowed in the calculation of actual damages.

The court rejected the plaintiff’s multiplier claim, holding that a determination of actual damages should not be punitive in nature, but, rather, should represent a fair and reasonable license fee. In so holding, Judge Stanton adopted the reasoning of Magistrate Judge Kevin Nathaniel Fox in Barrera v. Brooklyn Music Ltd., stating that the multiplier represented "concepts of punishment for infringement, deterrence of similar behavior in the future, and recompense for the costs and effort of litigation. Those components form no part of 'actual damages' under the statute.”

Despite the TVT Records, Blanch and Stehrenberger decisions, not all of the members of the federal bench in the Southern District are convinced that the availability of punitive damages is a matter open to debate. Mere weeks after the Blanch decision, and only one day before Judge Stanton issued his decision in Stehrenberger, Judge William H. Pauley, III, in an unreported decision, held that punitive damages are categorically unavailable in copyright actions, because Congress made no provision for such damages in the Copyright Act.

Judge Pauley’s decision underscores the fact that the availability of punitive damages polarizes the Southern District, making it all the more likely that the Second Circuit will soon have the opportunity to clarify the statement that perhaps spawned the current debate: “As a general rule, punitive damages are not awarded in a statutory copyright infringement action.”

Implications for the Practitioner
Considering this recent development, 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. In light of the unsettled law on the issue, defendants' counsel must now be wary of evidence of malice in such cases. Securing evidence of innocent infringement could now become critical in avoiding potentially ruinous verdicts, and an assessment of evidence of the defendant's motive should now figure prominently in determining a course of action upon learning of a claim.

Plaintiffs' counsel likewise need to be conscious of the potential effects of willfulness or malice. Previously, where the infringement preceded registration, plaintiffs seemingly had no need to include allegations of willfulness or malice in their complaints or to assert punitive damages claims. 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 on the infringer's part, so as not to foreclose recovery of such damages in the event that such damages ultimately prove available.
What Should Ultimate Answer Be?

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." 27

In light of the overwhelming weight of authority, and in view of the policy considerations underlying the provisions of the Copyright Act, 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. This is clear not only from the statutory damages provisions of the Act, but also from the other relief that is unavailable for unregistered works, such as attorneys' fees.

If courts were to allow copyright owners to recover punitive damages where statutory damages were unavailable, it would frustrate this legislative purpose, because copyright owners would know that punitive relief would still be available outside of the statutory damages context. 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 in cases where a defendant acted willfully. 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.

It is doubtful that anyone would choose a $150,000 ceiling rather than "shooting for the moon." Indeed, it could 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.

Further still, Judge Marrero's concerns in *TVT Records* seem unfounded. In that case, he believed that the purposes of punitive damages are not fulfilled when statutory damages are unavailable. But even in such cases, the ends of deterrence and punishment are well met by defendants' prospect of having to disgorge all profits "attributable to the infringement," particularly where the defendant bears the burden of showing that its profits are attributable to sources other than the infringement, and where a willful infringer is precluded from deducting taxes when calculating its profits. 28

Even the underlying support cited in the *TVT Records* decision is less solid than it appears. Judge Marrero's citations to case law seem to favor dicta over established holdings, as recognized by Judge Pauley in the *Nicholls* case. As far as Judge Marrero's citation to Judge Sand's treatise, that work itself couches its proposed punitive damages instruction in terms more in line with statutory damages awards, and indeed, the treatise cites only statutory damages cases in support of the proposed instruction.

In the face of the "weight and reason of the law . . . strongly against it," 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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Endnotes:
3. See id. §504(c).
11. Id. at *10.
12. See Leutwyler, 184 F. Supp. 2d at 308.
14. Id. at 187.
15. Id.
17. Id. at 570.
18. Id. at 569.
19. Id. at 570.
20. 335 F. Supp. 2d 466 (S.D.N.Y. 2004). The authors of this article represented the defendants in the Stehrenberger action.
21. Id. at 469 n.3.
23. Stehrenberger, 335 F. Supp. 2d at 468 (emphasis added).
25. On Davis, 246 F.3d at 172 (emphasis added).