

UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

CAPITOL RECORDS, INC., *et al.*,

PLAINTIFFS-APPELLANTS,

V.

JAMMIE THOMAS-RASSET,

DEFENDANT-APPELLEE.

On Appeal From The United States District Court
For The District of Minnesota
Case No. 06-1497
Honorable Michael J. Davis, District Judge

**BRIEF AMICI CURIAE OF
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ASSOCIATION OF RESEARCH LIBRARIES, ASSOCIATION OF
COLLEGE AND RESEARCH LIBRARIES, AMERICAN LIBRARY
ASSOCIATION, AND PUBLIC KNOWLEDGE
IN SUPPORT OF APPELLEE AND AFFIRMANCE**

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 26.1 of the Federal Rules of Appellate Procedure, Amici Curiae Electronic Frontier Foundation, Internet Archive, Association of Research Libraries, Association of College And Research Libraries, The American Library Association and Public Knowledge (collectively, “Amici”) state that none of Amici has a parent corporation and that no publicly held company owns 10% or more of the stock of any of Amici.

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STATEMENT OF INTEREST¹

Amici submit this brief pursuant to FED. R. APP. P. 29(b). Appellee consents to the filing of the brief. Amici sought the consent of Appellants Capitol Records, Inc., *et al.* (“Capitol” or “Appellants”) to the filing of the brief, but have not received a response.

The Electronic Frontier Foundation (EFF) is a nonprofit civil liberties organization that has worked for over 20 years to protect consumer interests, innovation, and free expression in the digital world. EFF and its members have a strong interest in assisting the courts and policymakers to help ensure that copyright law balances the interests of creators, innovators and the general public. EFF appeared as *amicus curiae* in the district court below on the issue of whether the distribution right could be infringed by “making available” a copy of a copyrighted work. *See Capitol Records, Inc. v. Thomas*, No. 06-1497 (D. Minn., brief filed June 20, 2008).

The Internet Archive is a 501(c)(3) non-profit founded in 1996 to build an Internet library. Its purposes include offering permanent access for researchers, historians, scholars, people with disabilities, and the general public to historical

¹ No party’s counsel authored this brief in whole or in part. Neither any party nor any party’s counsel contributed money that was intended to fund preparing or submitting this brief. No person other than Amici contributed money intended to fund preparing or submitting this brief. Web sites cited in this brief were last visited on February 9, 2012.

collections that exist in digital format. The Internet Archive's collections include digital audio, video, software and texts contributed by individuals, including more than 1,000,000 digital audio recordings and 100,000 live concert recordings. Accordingly, the Archive has a direct interest in the proper application of copyright law.

The Association of Research Libraries (ARL) is a nonprofit organization of 126 research libraries in North America, including university, public, governmental, and national libraries. The American Library Association (ALA) is a nonprofit professional organization of more than 67,000 librarians, library trustees, and other friends of libraries dedicated to providing and improving library services and promoting the public interest in a free and open information society. The Association of College and Research Libraries (ACRL), the largest division of the ALA, is a professional association of academic and research librarians and other interested individuals. Collectively, these three library associations represent over 139,000 libraries in the United States, institutions that are increasingly being called upon to serve the needs of their patrons in the digital age. As a result, the associations share a strong interest in the balanced application of copyright law to new digital dissemination technologies.

Public Knowledge is a nonprofit public interest organization devoted to protecting citizens' rights in the emerging digital information culture and

focused on the intersection of intellectual property and technology. Public Knowledge seeks to guard the rights of consumers, innovators, and creators at all layers of our culture through legislative, administrative, grassroots, and legal efforts, including regular participation in copyright and other intellectual property cases that threaten consumers, trade, and innovation.

INTRODUCTION AND SUMMARY OF ARGUMENT

Amici submit this brief because the Court's rulings on two issues are likely to have an impact well beyond this case: (1) the proper scope of the exclusive right of distribution as defined in section 106(3) of the Copyright Act, 17 U.S.C. § 106(3); and (2) the district court's decision to reduce the jury's statutory damages award.²

First, to avoid the chilling effects on creators and the general public of extending copyright beyond its proper boundaries, Amici urge the Court to affirm the district court's rejection of Capitol's "making available" theory. The plain language of the Copyright Act and applicable precedents mandate that an infringement of the distribution right requires a completed act of transfer. Distribution liability based on anything less would transform § 106(3) into an unbounded form of civil attempt liability, even where no copies had ever been distributed and thus no harm had ever been inflicted on the copyright owner.

² Amici offer no opinion as to the correctness of the District Court's determination of liability on any other theory.

Acceptance of the “making available” theory could disrupt copyright law in a variety of other contexts. For example, several music labels sued a national radio broadcaster, XM Radio, based on a variant of the “making available” theory that they advance here. *See Atl. Recording Corp. v. XM Satellite Radio*, No. 1:06-cv-03733-DAB, 2007 WL 136186 (S.D.N.Y. May 16, 2006).³ Copyright owners have also pressed this theory against Google, contending that the Internet search engine runs afoul of an expansive “making available” conception of the distribution right. *See Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007).

Getting this issue right is also crucial in light of the extraordinary penalties available in copyright cases. A finding of infringement can open a gateway to statutory damages far out of proportion to any actual harm – as in this case, where the third jury found the defendant liable for over \$1,500,000 when the reasonable actual damages were no more than \$360. Given the serious consequences that flow from copyright’s strict liability regime, the Court should resist Capitol’s imprecations to expand that regime absent an unequivocal expression of Congressional intent.

By the same token, Amici also urge the Court to clarify the framework for statutory damages, in order to ensure that the range of statutory damages

³ Complaint available at <https://www.eff.org/node/54413>. XM subsequently settled with the plaintiffs.

allowed under 17 U.S.C. § 504 complies with the requirements of constitutional due process. Excessive (and unpredictable) statutory damage awards can stifle creativity and innovation that involves even a small risk of copyright liability. That chills, in turn, reasonable uses of copyrighted material, especially in the digital environment.

ARGUMENT

I. MERELY MAKING A WORK “AVAILABLE” DOES NOT VIOLATE THE DISTRIBUTION RIGHT

Capitol argues that the distribution right is violated merely by making a work available, and Ms. Thomas responds that the issue is moot. Capitol Br. at 26-43, Thomas Br. at 7-8. Should the Court find the issue is not moot, Amici request that the Court consider the following reasons why Capitol is wrong on the merits.

A. The Plain Language of Section 106(3) Requires Actual Dissemination of Phonorecords or Copies

Statutory interpretation begins with the plain language of the statute, and that canon is particularly crucial in copyright law. The Copyright Act represents a set of legislative compromises that attempt to balance the interests of owners and users of creative works. *See Sony Corp. v. Universal City Studios*, 464 U.S. 417, 429 (1984). Thus, “[a] copyright . . . comprises a series of carefully defined and carefully delimited interests to which the law affords

correspondingly exact protections.” *Dowling v. United States*, 473 U.S. 207, 216 (1985). The exclusive rights granted to a copyright owner are specified in the Copyright Act, *see* 17 U.S.C. § 106, and may be further defined by a set of statutory exceptions.⁴ And because each exclusive right can be separately assigned or licensed, many rightsholders control only a subset of those rights.

Given that so much in the copyright system turns on a clear understanding of which exclusive rights are implicated by any particular activity, it is critical that courts attend closely to the statutory scheme. *See Sony Corp.*, 464 U.S. at 431 (“the protection given to copyrights is wholly statutory”). Such attendance compels affirmance of the decision below.

1. Section 106(3) Requires Actual Dissemination of Copies to the Public

“If the intent of Congress can be clearly discerned from the statute’s language, the judicial inquiry must end.” *United States v. Whiting*, 165 F.3d 631, 633 (8th Cir. 1999). That is precisely the case here. Section 106(3) bestows on the owner of a copyright the exclusive right “to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending.” 17 U.S.C. § 106(3). There is no

⁴ *See, e.g.*, 17 U.S.C. §§ 107 (fair use); 109 (first sale limitation on distribution right); 110 (exceptions to public performance right); 111 (statutory license for public performance by cable television); and 114 (statutory license for public performance by webcasters).

reference to any species of “making available,” *e.g.*, “offering to distribute” or “attempting to distribute.” Rather, the distribution right encompasses only the actual distribution of *certain things* (“copies or phonorecords”), to *certain people* (“the public”), in *certain ways* (“by sale or other transfer of ownership, or by rental, lease, or lending”).

“The ‘strong presumption’ that the plain language of the statute expresses congressional intent is rebutted only in ‘rare and exceptional circumstances.’” *United States v. Clintwood Elkhorn Mining Co.*, 553 U.S. 1, 11 (2008) (citations omitted). Capitol has been unable to identify any such circumstance, and that should settle the matter.

2. Congress Knows How to Prohibit “Offers” if It Wants To

When Congress means to prohibit *offers to act*, as well as the *acts* themselves, it has done so expressly. *See, e.g.*, 17 U.S.C. § 901(a)(4) (“to distribute [semiconductor mask works] means to sell, lease, bail, or otherwise transfer, or **to offer to** sell, lease, bail or otherwise transfer”); 35 U.S.C. § 271(a) (exclusive right of a patent owner reaches anyone who “without authority makes, uses, **offers to sell**, or sells any patented invention . . .”).

The history of the Patent Act is instructive. As originally enacted, the Act allowed patent owners to exclude only someone who “makes, uses, or sells” a patented invention. *3D Sys., Inc. v. Aarotech Laboratories, Inc.*, 160 F.3d 1373,

1378 (Fed. Cir. 1998). However, effective January 1, 1996, Congress added “offer to sell” to § 271(a). *See id.*; *see also* Uruguay Round Agreements Act, Pub. L. No. 103-465, § 533(a)(1), 108 Stat. 4809, 4988 (1994); *Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1251-52 (Fed. Cir. 2000).

Certainly Congress has had the opportunity to do the same in the copyright context. In 1998, for example, Congress passed the Digital Millennium Copyright Act (“DMCA”), Pub. L. No. 105-304, 112 Stat. 2860 (Oct. 28, 1998). One year later, it passed the Digital Theft Deterrence and Copyright Damages Improvement Act, Pub. L. No. 106-160, § 2, 113 Stat. 1774 (1999). Congress could have used either of these major legislative processes to revise § 106 to include “offers to distribute” or making available. It did not.

Notably, these statutes (1) were enacted *after* the 1996 Patent Act amendment that added “offer to sell” to the patent statute; and (2) were *both* directed to issues involving Internet-based copyright infringement. *See, e.g.*, 17 U.S.C. § 512 (DMCA Title II, “Limitations on liability relating to material online”); H.R. Rep. No. 106-216 at 3 (1999) (“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.”). Yet in contrast to its patent initiatives, Congress declined to

expand the distribution right to include “offers.” Presumably Congress knew what it was doing.

3. The Weight of Case Authority Rejects “Making Available” Theories

Given § 106’s unambiguous language, it is no surprise that this Court’s own precedent forecloses Capitol’s theory. In *National Car Rental Sys., Inc. v. Computer Assoc. Int’l*, 991 F.2d 426, 434 (8th Cir. 1993), the Court considered whether a contract claim based on use of a software program beyond the terms of a license agreement was preempted by the Copyright Act. National Car Rental argued that a restriction on using the software on a third party’s behalf amounted to a restriction on distribution, and, therefore, a contract claim based on that restriction would be preempted by copyright law. The Court rejected that theory, holding that a copyright holder’s distribution right was violated only through an *actual distribution* of a copy of a work. *Id.* at 430, 434.

Other circuit courts agree, *see Amazon.com*, 508 F.3d at 1162 (“distribution requires an ‘actual dissemination’ of a copy”), as do numerous district courts that have addressed this issue in the digital context, *see In re Napster, Inc. Copyright Litig.*, 377 F.Supp.2d 796, 802 (N.D. Cal. 2005) (collecting authorities); *Shannon’s Rainbow LLC v. Supernova Media, Inc.*, No. 2:08-CV-TS, 2011 WL 320905, at *5 (D. Utah Jan. 31, 2011) (interpreting “distribution to require actual dissemination of a copy”); *Atl. Recording Corp. v.*

Brennan, 534 F.Supp.2d 278, 281-82 (D. Conn. 2008) (denying plaintiff's motion for default judgment and labeling "making available" aspect of record company's distribution claim "problematic"); *Arista Records, Inc. v. Mp3Board.com, Inc.*, No. 00-Civ.-4660-SHS, 2002 WL 1997918 at *4 (S.D.N.Y. Aug. 29, 2002).

Two district courts have also rejected the "making available" theory in file-sharing cases. In *Atlantic v. Howell*, 554 F.Supp.2d 976 (D. Ariz. 2008), plaintiff recording companies moved for summary judgment against a pro se defendant, based on a making available theory. The court concluded that the "great weight of authority" establishes that section 106(3) "is not violated unless the defendant has actually distributed an unauthorized copy of the work to a member of the public." *Id.* at 983. Evidence that a defendant made a copy of a work available to the public, on its own, "only shows that the defendant attempted to distribute the copy, and there is no basis for attempt liability in the statute" *Id.* Similarly, in *London-Sire Records v. Does*, 542 F.Supp.2d 153 (D. Mass. 2008), the court held that "merely exposing music files to the internet is not copyright infringement." *Id.* at 176.

Courts have also rejected attempts to bootstrap the "offer" language in the Copyright Act's definition of "publication," 17 U.S.C. § 101, into "making available" liability for distribution. While a few courts have erroneously

concluded that publication and distribution are synonymous under the Copyright Act, and, therefore, just as an offer of sale may violate the publication right, so too may an offer to distribute violate the distribution right, *see, e.g., Elektra Entm't v. Barker*, 551 F.Supp.2d 234, 241 (S.D.N.Y. 2008), the majority of reasoned decisions on the matter have rejected that notion. As the court in *London-Sire* observed, “even a cursory examination of the statute suggests that the terms are not synonymous.” 542 F.Supp.2d at 168. “By the plain meaning of the statute,” all distributions are publications, but not all publications are distributions:

For example, suppose an author has a copy of her (as yet unpublished) novel. If she sells that copy to a member of the public, it constitutes both distribution and publication. If she merely offers to sell it, that is neither a distribution nor a publication. And if the author offers to sell the manuscript to a publishing house “for purposes of further distribution,” but does not actually do so, that is a publication not a distribution. Plainly “publication” and “distribution” are not identical. And Congress’ decision to use the latter term when defining the copyright holder’s rights in 17 U.S.C. § 106(3) must be given consequence.

Id. at 169; *see also Howell*, 554 F.Supp.2d at 984-85. Indeed, the inclusion of “offering to distribute” in the definition of “publication” actually underscores the fact that Congress knew how to reach mere offers when it wished to do so.

Even decisions that are arguably favorable to Capitol’s position offer only weak support, at best. For example, while *Elektra* suggested that an offer to distribute might violate the distribution right, the court hesitated to “equat[e] this

avenue of liability with the contourless ‘make available’ right proposed by [plaintiff record companies],” noting that support for it in the case law was “quite limited.” 551 F.Supp.2d at 243.⁵ And, Capitol’s citation to one line of *obiter dicta* in the Ninth Circuit’s earlier ruling in *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1014 (9th Cir. 2001), *see* Capitol Br. at 38, utterly misreads the case. *See London-Sire*, 542 F.Supp.2d at 167 n.18 (Ninth Circuit’s reasoning was “not persuasive” support for making available theory); *Howell*, 554 F.Supp.2d at 982-84. In *Napster*, the court and parties alike assumed the existence of an avalanche of actual disseminations, making it unnecessary to express any view on whether *merely* “making available,” without more, could infringe the § 106(3) distribution right. *See Napster*, 239 F.3d at 1013; *see also London-Sire*, 542 F.Supp.2d at 167 at n.18 (“as the district court noted [in *Napster*] ‘it is pretty much acknowledged’ that infringement had occurred”). Moreover, because the appeal turned on secondary liability principles, there was no need for the court to inquire into the circumstances of any particular Napster user. *Id.* By contrast, courts that have squarely faced that issue have repeatedly

⁵ Capitol also cites a letter written by the U.S. Copyright Office to Congress, Capitol Br. at 31-32. Opinion letters from the Copyright Office to Congress are non-binding and “entitled to respect only insofar as they are persuasive.” *Broadcast Music, Inc. v. Roger Miller Music, Inc.*, 396 F.3d 762, 778 (6th Cir. 2005).

rejected the broad “making available” theory Capitol presses. *See supra* at 9-10.⁶

Hotaling v. Church of Jesus Christ of Latter-Day Saints, 118 F.3d 199 (4th Cir. 1997) offers no better support. In that case, a copyright owner sued a number of libraries that had made copies of a microfiche work. Because the plaintiff’s reproduction claims were time-barred, she was left with only a distribution claim, but the libraries lacked records of actual loans to the public. The Fourth Circuit nevertheless allowed the case to proceed, reasoning that “a library distributes a published work, . . . when it places an unauthorized copy of the work in its collection, includes the copy in its catalog or index system, and makes the copy available to the public.” *Id.* at 201. This outcome, perhaps motivated by sympathy for the plaintiff, *see id.* at 205 (Hall, J., dissenting), simply cannot be squared with the statutory language of § 106(3) or with the Eighth and Ninth Circuit authorities discussed above. *See generally Howell*, 554 F.Supp.2d at 984-85. (collecting cases; noting the “majority of district courts have rejected the recording companies’ ‘making available’ theory because *Hotaling* is inconsistent with the Copyright Act”). Not surprisingly, the

⁶ Capitol attempts to shore up its case with yet another case that has only indirectly touched on the question. *United States v. Shaffer*, 472 F.3d 1219 (10th Cir. 2007), involved a criminal statute unrelated to copyright prohibiting the distribution of child pornography. The court there was not called on to construe “distribution” as defined and delimited in 17 U.S.C. § 106(3).

opinion has been sharply criticized by leading commentators. *See* 4 Patry on Copyright § 13:9.⁷

B. Expansion of the Distribution Right Would Have Disruptive Consequences in Other Contexts

Capitol's re-imagining of the § 106(3) distribution right would have consequences far beyond this case, jeopardizing the legitimate interests of consumers and technology innovators. For example, many broadcasters rely on compulsory or negotiated licenses that entitle them to perform copyrighted works over the air. *See* 17 U.S.C. § 114(d). Capitol's "making available" conception of the distribution right would call into question whether these

⁷ Capitol cannot find support in the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. Of course, the WIPO treaties lack any binding legal authority separate from their implementation through the Copyright Act. *See Medellin v. Texas*, 128 S.Ct. 1346, 1356 (2008); 17 U.S.C. § 104(c) & (d). These treaties address minimum protections for *foreign* copyright holders; Appellants have not shown that any of the works at issue here are foreign works. *See* Jane C. Ginsburg, *International Copyright: From a Bundle of National Copyright Laws to a Supranational Code?*, 47 J. COPYRIGHT SOC'Y U.S.A. 265, 270 (2000). Further, the WIPO treaties do not require a radical expansion of the distribution right. Other U.S. copyright law doctrines, taken together, satisfy the WIPO treaty requirements. That is why, when considering how to implement the "making available" obligations of the WIPO treaties, Congress considered and rejected proposals that would have amended § 106(3) to include transmissions. *See* H.R. 2441, 104th Cong. § 2 (1995); S. 1284, 104th Cong. § 2 (1995). *See* Testimony of Marybeth Peters, Register of Copyrights, *WIPO Copyright Treaties Implementation Act and Online Copyright Liability Limitation Act*, 105th Cong. (Sept. 16, 1997) at 43 (testifying that the Copyright Office had, "after an extensive analysis," concluded that no amendment to § 106 was necessary in order to comply with the WIPO treaties).

broadcasters could now be forced to seek additional distribution licenses. This concern is not merely hypothetical – several music labels sued XM Satellite Radio, alleging that although XM enjoys a statutory public performance license to transmit their works, it infringed plaintiffs’ copyrights by “distributing Plaintiffs’ copyrighted sound recordings to the public by making available and automatically disseminating to [its] subscribers copies of sound recordings contained in its satellite radio transmissions.” *Atl. Recording Corp.*, Dkt. 1 at ¶ 42. Although the plaintiffs in that suit later settled with XM, a conception of distribution that encompasses mere “making available” still threatens to blur the distinction between public performance and distribution, potentially exposing broadcasters and webcasters to massive infringement liability. *See Agee v. Paramount Commc’ns., Inc.*, 59 F.3d 317, 325 (2d Cir. 1995) (holding that “[i]t is clear that merely transmitting a sound recording to the public does not constitute a ‘distribution’ . . .”).

Similarly, copyright owners have attempted to use expansive interpretations of distribution to transform secondary liability claims into direct infringement claims. In *Amazon.com*, for example, the plaintiff argued that Google’s search engine infringed its distribution rights by making it possible for users to find infringing photographs posted to the Internet by third parties, even in the absence of any evidence that users actually copied the photos. *See* 508

F.3d at 1162. Direct infringement claims of this kind could also be launched against other businesses that make tools that help users find copyrighted works on the Internet – an arena better governed by secondary liability principles. *See Napster*, 239 F.3d at 1019-24.

Finally, Capitol’s making available theory subverts basic civil procedure. At root, it appears to be a thinly veiled attempt to lessen the burden of proving an affirmative case. Certainly, it may be difficult to show actual distribution in some instances. But such obstacles are not exclusive to copyright: “That is how the system works . . . for better or worse, and there is no reason at all for copyright owners to be placed outside of it.” Richard Komen, *Expert praises, criticizes Atlantic v. Howell decision*, ZDNET, Apr. 30, 2008, <http://www.zdnet.com/blog/government/expert-praises-criticizes-atlantic-v-howell-decision/3783> (quoting THE PATRY COPYRIGHT BLOG).

II. COPYRIGHT DAMAGES AWARDS SHOULD RECEIVE RIGOROUS DUE PROCESS SCRUTINY

By its nature, copyright law must strike a delicate balance. Its ultimate aim is to stimulate the creation and dissemination of creative works. *See* U.S. Const. Art. I, sec. 8, cl. 8 (Congress may grant limited terms of intellectual property protection “[t]o promote the Progress of Science and useful Arts”); *Mazer v. Stein*, 347 U.S. 201, 218-19 (1954) (noting that copyright law rewards creators in order “to afford greater encouragement to the production of literary

(or artistic) works of lasting benefit to the world.”). It accomplishes this purpose in part by granting exclusive rights to copyright owners to help ensure that they receive compensation for their work. At the same time, it imposes substantive restrictions on those rights so that secondary uses may flourish. *See, e.g.*, 17 U.S.C. §§ 107-122.

When the balance is struck correctly, innovation flourishes. For instance, many new technological and artistic enterprises rely on fair use to provide a defense to any infringement claims where they must reproduce copyrighted works as a necessary part of their activities. *See, e.g., Amazon.com*, 508 F.3d at 1164-68 (finding Google’s copying and indexing of photographs to be fair use when used to enable information location services). Because fair use case law provides some precedent and predictability, content creators and technology innovators can estimate the probability of a successful fair use defense. That ability fosters, in turn, a spirit of experimentation essential to the progress of science and the useful arts.

What they cannot do, however, is estimate the cost if their defense fails. In enacting Section 504 of the Copyright Act, Congress provided almost no guidance on how to award statutory damages upon a finding of infringement. Thus, every person that relies on a fair use or other copyright exemption must assume that, if they lose, their damages will fall somewhere between \$200 (if

the infringement is innocent) and \$150,000 per work – a range of 750 to 1. This unpredictability frustrates creativity and innovation, particularly for startup companies, online artists, libraries and other entities that cannot afford to take on virtually unbounded legal risk.

Rigorous due process review would help reduce this uncertainty. We urge the Court to consider this broader context, and help ensure that § 504(c) serves the purposes of the Copyright Act by either applying the *Gore/Campbell* standard or, in the alternative, affirming the District Court’s application of *Williams*’ due process analysis.

A. Statutory Damages Awards Should Serve the Purposes of The Copyright Act

1. Excessive Statutory Damages Awards Are Contrary to the Purposes of the Copyright Act

Congress enacted copyright statutory damages for three reasons – compensation, punishment, and deterrence. *See, e.g., Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 352 (1998); *On Davis v. The Gap, Inc.*, 246 F.3d 152, 172 (2d Cir. 2001). Unfortunately, several features of § 504(c) have emerged to create an inconsistent legal framework that chills the productive activities of content creators and innovators and thereby thwarts the purposes of the Copyright Act.

First, the wide range of the remedy – \$750 to \$150,000 per infringed work – is so vast that it provides no practical means for predicting the outcome at trial. This is illustrated by the record in this very case: a comparatively low \$222,000 after Ms. Thomas’ first trial, \$1.5 million after the third. *Also compare Religious Tech. Ctr. v. Lerma*, No. 95-1107-A, 1996 U.S. Dist. LEXIS 15454, at **31, 42-43 (E.D. Va. 1996) (awarding the statutory minimum of \$2,500 for uploading portions of five Scientology texts) with *L.A. Times, Inc. v. Free Republic*, No. 98-7840 MMM AJWX, 2000 WL 1863566 (C.D. Cal. Nov. 16, 2000) (awarding \$1,000,000 for posting news articles accompanied with commentary on website) with *Macklin v. Mueck*, 373 F.Supp.2d 1334, 1336 (S.D. Fla. 2005) (in a default judgment, awarding maximum statutory damages of \$300,000 against poetry website operator for posting two poems online).

Second, unguided judicial discretion makes the statutory damage calculation a black box. Fact finders are instructed to make awards “as the court considers just,” 17 U.S.C. § 504(c)(1), but this vague admonition offers little guidance and potentially ignores important factors such as the relationship to actual harm, and/or the reprehensibility of the defendant’s conduct.

Third, when multiple copyrighted works are at issue, aggregation of statutory damage awards can amplify the potential award to astonishing amounts. This is especially true in the digital sphere, where a single technology

or website can interact with million and even billions of copyrighted files every day. As one court noted, such aggregate awards “could create a potentially enormous aggregate recovery for plaintiffs, and thus an *in terrorem* effect on defendants, which may induce unfair settlements.” *Parker v. Time Warner Entm’t Co., L.P.*, 331 F.3d 13, 22 (2d Cir. 2003) (discussing aggregation of statutory damages within the class action context). *See also Blizzard Entm’t, Inc. v. Alyson Reeves*, No. CV 09-7621 SVW AJWX, 2010 WL 4054095, at *3 (C.D. Cal. July 22, 2010) (awarding \$85,478,600 in statutory damages against a single website based on the assumption that every one of the 427,393 registered users of the site violated 17 U.S.C. § 1201).

2. Excessive Damages Awards Impede Innovation

In light of the unpredictable nature of statutory damages, innovators often face unreasonable levels of risk. In today’s digital economy, technological innovation commonly requires making copies. When innovators like Google, Facebook, or YouTube store or transmit copyrighted works, they may need to make dozens or even hundreds of copies of the millions of works they host. While courts have often found that such copying was fair use, the risk of damages of up to \$150,000 per work multiplied by millions if not billions of works is staggering. Smaller innovators may fear to experiment in the shadow

of such danger, especially if there is no due process mechanism for tethering the award to the actual harm caused or the reprehensibility of the defendants.

Commercial innovators, for example, might recall the example of SONICblue, the manufacturer of ReplayTV, an innovative digital video recorder (“DVR”) that allowed users to activate “AutoSkip.” AutoSkip was a feature that automatically skipped commercials embedded within legitimately acquired television content.⁸ In 2001, a coalition of 28 major media companies sued SONICblue, alleging that every consumer who skipped commercials their ReplayTV engaged in copyright infringement.⁹ Without due process limitations, juries that found either SONICblue or its customers liable could award damages simply by multiplying each program containing a skipped commercial by up to \$150,000. For SONICblue, the number could reach into the trillions. Despite a reasonable fair use defense,¹⁰ SONICblue finally was forced into bankruptcy.¹¹

⁸ Doug Isenberg, *ReplayTV Lawsuit: Napster Redux?*, CNET NEWS, Nov. 12, 2001, <http://news.cnet.com/2010-1071-281601.html>.

⁹ Complaint at 7, *Paramount Pictures Corp. et al. v. ReplayTV & SonicBlue*, C.D. Cal. Case No. 2:01-cv-09358-FMC-E, Oct. 31, 2001.

http://www.eff.org/files/filenode/newmark_v_turner/newmark-v-turner-20011031_complaint.pdf.

¹⁰ *See Sony v. Universal*, 464 U.S. 417 (1984) (finding non-commercial personal uses of television programs, such time-shifting, to be fair use).

¹¹ Press Release, Electronic Frontier Foundation, Electronic Frontier

The risk is not confined to commercial enterprises. For example, amicus Internet Archive is a non-profit organization whose mission (undertaken in conjunction with organizations like the Smithsonian Institution and the Library of Congress) is to create a free “digital library of Internet sites and other cultural artifacts in digital form.”¹² To help compile that library, the Archive launched the “Wayback Machine,” which records copies of web pages at dozens of points in time, thereby documenting the evolution of a website.¹³ That project is likely protected by a number of copyright doctrines. However, the Archive faces extraordinary exposure for its activities should its defenses fail. For example, as of January 4, 2011, the Internet Archive had more than 700 preserved images of the website for the Recording Industry Association of America (RIAA), <http://www.riaa.com>.¹⁴ Were the RIAA to sue the Internet Archive for copyright infringement based on these preserved images and prevail, the Archive could face a multi-million dollar award.

Foundation on SonicBlue Bankruptcy, March 1, 2003,

<http://www.eff.org/press/archives/2008/04/17-2>.

¹² Internet Archive, <http://www.archive.org/>.

¹³ Internet Archive Wayback Machine,
<http://www.archive.org/web/web.php>.

¹⁴ Search Results for “www.riaa.com” on Internet Archive,
http://web.archive.org/web/*/http://www.riaa.com.

3. Excessive Statutory Damages Awards Impede Fair Uses

(a) Orphan Works and Access to Historical Knowledge

The chilling effects of statutory damages extend to educational, archival, and research uses of copyrighted works. For example, unpredictable statutory damage awards exacerbate the problem of orphan works, *i.e.* copyrighted works that are out-of-print and whose owners are difficult or impossible to locate.¹⁵ As the Associate Register of the U.S. Copyright Office testified before Congress, statutory damage awards are “a substantial deterrent to users who wanted to make use of an orphan work, even where the likelihood of a claim being brought was extremely low.”¹⁶ To take just one example, a historical magazine refused to publish an article about the experiences of Civil War soldiers in which he quoted from the letters and diaries of several soldiers, unless the author located and obtained permission from the families of every soldier quoted.¹⁷ Given the potential statutory damages award, the risk that a living family member might

¹⁵ See generally <http://www.copyright.gov/orphan/>.

¹⁶ Cong. Testimony of Jule L. Sigall, Associate Register, U.S. Copyright Office, Senate Judiciary Committee, April 6, 2006, *available at* <http://www.copyright.gov/docs/regstat040606.html>.

¹⁷ Comment of Society of American Archivists In Response to the Notice of Inquiry Concerning Orphan Works, at 4, March 25, 2005, <http://www.copyright.gov/orphan/comments/OW0620-SAA.pdf>.

come forward and initiate litigation was enough to ensure the article was never published.¹⁸

Another victim of the orphan works problem is the Scripps Institution of Oceanography Archives (“Scripps”) at the University of California, San Diego. Scripps boasts a collection of more than 100,000 photographs, many donated by participants of oceanographic voyages.¹⁹ However, because many of the photographs lack formal copyright documentation, Scripps has chosen to display only 4,000 of these images online.²⁰ Scripps could argue that display of the remaining 96,000 unpublished images is protected by fair use or other doctrines. But that is a high-risk choice: if Scripps lost it could face up to \$14.4 billion in damages.

(b) Remix Creativity

In the last decade, the ability to remix and share existing video content has been democratized to an unprecedented degree, thanks to the combination of inexpensive video editing tools and free, easy-to-use video hosting services such as YouTube. For example, Arab-American artist and filmmaker Jacqueline Salloum created an extraordinary remix video, “Planet of the Arabs,” which

¹⁸ *Id.*

¹⁹ Comment of the University of California, San Diego Libraries In Response to the Notice of Inquiry Concerning Orphan Works, at 2-4, March 20, 2005, <http://www.copyright.gov/orphan/comments/OW0576-UCSD.pdf>.

²⁰ *Id.*

combines clips from decades of movies and television shows to comment on the demonization of Arabs in American media, particularly the common portrayal of Muslims as terrorists.²¹

Unfortunately, although many remixes are sheltered by the fair use doctrine, it can be difficult for remix video creators to keep their videos online. Large media companies deliver hundreds of thousands of “takedown” notices under 17 U.S.C. § 512 each month to online service providers who host and link to information posted by Internet users, and remix video creators have found themselves mistakenly caught in the takedown notice driftnet. One study estimated that fully one-third of DMCA takedowns were improper,²² with media companies sending as many as 160,000 takedown notices at a time, it could hardly be otherwise.²³

If a creator submits a counter-notice pursuant to 17 U.S.C. § 512(g), however, she exposes herself to potential litigation. Even most confident fair user will be reluctant to accept that risk when she cannot predict the cost of

²¹ *Planet of the Arabs*, YouTube (Apr. 14, 2006), uploaded by hnassif, available at: <http://www.youtube.com/watch?v=MilZNEjEarw>.

²² See Jennifer Urban and Laura Quilter, *Efficient Process or “Chilling Effects”? Takedown Notices under Section 512 of the Digital Millennium Copyright Act*, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 621 (2006).

²³ See Eric Bangerman, *Viacom: We goofed on Colbert parody takedown notice; case dismissed*, ARS TECHNICA, <http://arstechnica.com/tech-policy/news/2007/04/viacom-we-goofed-on-colbert-parody-takedown-notice-case-dismissed.ars>.

losing her case. For example, one Atlanta video maker decided not to counter-notice when her video – a mash-up commenting on a German soap opera that won an award at a fan conference – was taken down as a result of a copyright claim by the soap opera’s producer. She believed she had a strong fair use defense, but could not risk the financial consequences if a court disagreed and imposed the maximum \$150,000 statutory award.

4. Unpredictable and Excessive Statutory Damages Encourage “Copyright Troll” Litigation

The promise of excessive statutory damage awards has also helped spur exploitive litigation by so-called “Copyright Trolls.”²⁴ For example, Righthaven, LLC has indiscriminately filed more than 250 copyright infringement lawsuits against blogs that posted news clips, seeking “to create a cottage industry of filing copyright claims, making large claims for damages and then settling claims for pennies on the dollar.” *Righthaven LLC v. Democratic Underground, LLC*, Case No. 2:10-cv-1356 (D. Nev. Apr. 14, 2011) (order on motion for reconsideration), Dkt. 94 at 2.

Copyright troll lawsuits depend in part on plaintiffs’ ability to use the threat of statutory damages to pressure defendants into settling quickly. Without the assurance of a rigorous due process review, defendants in these cases are

²⁴ See generally Electronic Frontier Foundation, “Copyright Trolls,” available at: <https://www.eff.org/issues/copyright-trolls>.

more likely to settle rather than fighting back, even where they have legitimate defenses.

B. The Standard Set Forth in *Gore/Campbell* Provides Appropriate Due Process Protections

Application of the *Gore/Campbell* standard would do much to alleviate the unreasonable risks fair users face. Under *Campbell*, due process prohibits grossly excessive exemplary damage awards because such awards do not serve any legitimate interests and create “a devastating potential for harm.” *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 417 (2003). In order to determine whether any particular award of exemplary damages is grossly excessive, the court must assess it in relation to “(1) the degree of reprehensibility of the defendant’s misconduct; (2) the disparity between the actual or potential harm suffered by the plaintiff and the punitive damages award; and (3) the difference between the punitive damages awarded by the jury and the civil penalties authorized or imposed in comparable cases.” *Id.* at 418 (citing *BMW of North Am., Inc. v. Gore*, 517 U.S. 559, 575 (1996) and *Cooper Indus., Inc. v. Leatherman Tool Grp., Inc.*, 532 U.S. 424, 436 (2001)).

Because statutory damages awarded under the Copyright Act serve the same purposes of punishment and deterrence that common law punitive damage awards serve, they have the same potential to impose “devastating” harm and

should be subjected to the same constitutional scrutiny. *See, e.g., Feltner*, 523 U.S. at 352; *On Davis*, 246 F.3d at 172.

Moreover, explicit consideration of the degree of reprehensibility of the defendant's conduct would do much to ensure Section 504 does not improperly chill fair uses. Innovators with legitimate fair use defenses are unlikely to have behaved in a reprehensible manner, even if those defenses ultimately fail. Thus, they could be more confident that good faith behavior could help mitigate legal risk.

Further, (Capitol's protestations notwithstanding, Capitol Br. at 50-51), the fact Congress provided a degree of "notice" by specifying a damages range should not exempt awards from full due process scrutiny. Notice of the potential size of an award is but one of the procedural protections due process demands; substantive due process must still be satisfied. *See, e.g., Campbell*, 538 U.S. at 418. There is nothing to suggest, for instance, that the awards vacated in *Gore*, *Campbell*, or *Leatherman* would have withstood a due process challenge had state legislatures simply passed statutes authorizing punitive damage awards over 4,000 times greater than actual damages for fraudulent conduct.

C. The Jury's Damages Award Also Violates the More Deferential *Williams* Standard

In the alternative, careful application of the standard set forth in *St. Louis I.M. & S. Ry. Co. v. Williams*, 251 U.S. 63 (1919) is a step in the right direction. While *Williams* held that Congress has substantial latitude in prescribing statutory penalties, it also recognized those penalties cannot be “so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable.” *Williams*, 251 U.S. at 67. However, that standard will only serve copyright's purpose if, as the district court recognized, *Williams* permits consideration of at least (1) the commerciality of the defendant's conduct (or lack thereof), and (2) the relationship between the statutory damages award and the amount of actual damages.

Capitol insists that *Williams* forecloses these considerations. Capitol Br. at 49, citing *Williams*, 251 U.S. at 66. Capitol is wrong. As to the first point, the defendant in *Williams* was a commercial railroad carrier, so any discussion in *Williams* of noncommercial activities would be *dicta*. And Capitol's second point contradicts the very essence of *Williams*' test, which necessarily requires an examination of whether statutory damages are “disproportionate” to the actual harm, or are “unreasonable” in view of any such harm.

A simple comparison of the statutory damages award here to any conceivable actual damages shows how “disproportionate” and “unreasonable”

they are, particularly given that there was no evidence that anyone other than Capitol's own investigator actually downloaded *any* songs. The third jury awarded \$62,500 per song, times 24 songs, for a total of \$1,500,000. Actual damages could be calculated either as \$1.29/song, times 24 songs, for a total of \$30.96 in damages; or at most \$15 for each album on which a song appears, times 24 songs, for a total of \$360. 7/22/2011 Order at 6, Dkt. 457. Assuming the former, the jury award is over 48,000 times actual damages; assuming the latter, over 4,100 times actual damages. Small wonder the district court reduced the award to \$2,250 per song – which is still over 1,700 times the per song price, and 150 times the per album price.²⁵

A comparison of the above numbers to other cases is illuminating. In *Williams* itself, a 66 cent overcharge resulted in a \$75 penalty, approximately 113 times the actual damages. 251 U.S. at 64. This is comparable to the per album range for the reduced award in this case – but it is far lower than the jury's original ratio under either calculation.

The point is underscored by Capitol's own cited cases. In *Zomba Enters., Inc. v. Panorama Records, Inc.*, 491 F.3d 574 (6th Cir. 2007), for example, the defendant was a commercial enterprise, the actual damages were about \$18,458 (*id.* at 588 n.11), and the court affirmed a statutory damages award of \$806,000,

²⁵ Amici express no opinion on whether even this reduced award passes either the *Williams* standard, or the *Gore/Campbell* standard discussed above.

a ratio of 44 to one – far lower than either the jury or court-reduced award in this case. *Id.* at 578-79. In *Arista Records LLC v. Usenet.com, Inc.*, No. 07 Civ. 8822(HB), 2010 WL 3629587, at *5 (S.D.N.Y. Sept. 16, 2010), the statutory damages award of \$7,500 per song was only *one-third* that of estimated actual damages of \$20,000/song. And in *Propet USA, Inc. v. Shugart*, No. C06-0186-MAT, 2007 WL 4376201, at *2 (W.D. Wash. Dec. 13, 2007), the statutory damages award was about forty times actual damages.

In other words, Capitol has not identified a single case where a court upheld a statutory damages award that was between 4,000 to 40,000 times greater than any conceivable actual harm. Given the numbers above, Amici submit that the disparity in this case was both “disproportionate” and “unreasonable.” The trial court correctly applied *Williams* to invalidate the jury’s damages award.

CONCLUSION

The judgment of the district court should be affirmed or, in the alternative, affirmed in part and remanded for reconsideration in light of the *Gore/Campbell* standard.

Dated: February 10, 2012

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**CERTIFICATE OF COMPLIANCE
WITH TYPE-VOLUME LIMITATION,
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PURSUANT TO FED. R. APP. P. 32(a)(7)(C)**

Pursuant to Fed. R. App. P. 32(a)(7)(C), I certify as follows:

1. This Brief of Amici Curiae Electronic Frontier Foundation and Internet Archive In Support Of Appellee And Affirmance complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B) because this brief contains 6,980 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii); and

2. This brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6) because this brief has been prepared in a proportionally spaced typeface using Microsoft Word 2010, the word processing system used to prepare the brief, in 14 point font in Times New Roman font.

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**CERTIFICATE OF COMPLIANCE
WITH EIGHTH CIRCUIT RULE 28A(h)**

Pursuant to this Court's Rule 28A(h), I hereby certify that the electronic version of this Brief of Amici Curiae Electronic Frontier Foundation and Internet Archive In Support Of Appellee And Affirmance has been scanned for viruses and is virus-free.

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CERTIFICATE OF SERVICE

I hereby certify that on February 10, 2012, I electronically filed the foregoing Brief of Amici Curiae Electronic Frontier Foundation and Internet Archive In Support Of Appellee And Affirmance with the Clerk of the Court for the United States Court of Appeals for the Eighth Circuit by using the CM/ECF system. I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the CM/ECF system, pursuant to Eighth Circuit Rule 25A.

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