

**Statutory Damages in Copyright Law:  
When is Willful Infringement not Willful?**

**Introduction**

Recently, several high-profile lawsuits have examined the area of statutory damages for copyright infringement. In one notable case, *Sony BMG Music Entertainment v. Tenenbaum*, the jury awarded a total of \$675,000 for 30 counts of copyright infringement.<sup>1</sup> In another, *Capitol Records Inc. v. Thomas-Rasset*, the jury awarded a total of \$1.92 million for 24 counts of copyright infringement.<sup>2</sup> In these cases and others, defendants have questioned the constitutionality of these damage awards, taking the position that the statutory damages awarded bear no reasonable relation to injury suffered by the plaintiffs, and thus offends the Due Process clause.<sup>3</sup>

In arguing for the invalidity of these damage awards, defendants have primarily relied on the Supreme Court's holding in *BMW of North America, Inc. v. Gore*.<sup>4</sup> In *Gore*, the Supreme Court held a \$4 million punitive damages award to be

---

<sup>1</sup> Jury Verdict Form at 2-8, *Sony BMG Music Entertainment v. Tenenbaum*, Case No. 07-cv-11446-NG (D. Mass., July 31, 2009).

<sup>2</sup> Special Verdict Form at 17-20, *Capitol Records Inc. et al. v. Thomas-Rasset*, Case No. 06-cv-1497 (MJD/RLE) (D. Minn., June 18, 2009) hereinafter "*Thomas*" (the defendant's name changed upon marriage during course of the case).

<sup>3</sup> Defendant's Motion for a New Trial, Remittitur, and to Alter or Amend the Judgment, *Thomas*, Case No. 06-cv-1497 (July 6, 2009). These defendants' common argument is that statutory damages are primarily compensatory in nature, and thus must bear a reasonable relationship to actual damages.

<sup>4</sup> 517 U.S. 559 (1999).

an unconstitutional violation of due process in view of a \$4,000 award of actual damages.<sup>5</sup> Specifically, the Court set forth a three part test for determining whether a punitive damage award was constitutional: (1) the degree of reprehensibility of the defendant's actions; (2) the disparity between the harm suffered by the plaintiff and the punitive damages award; (3) and the difference between the punitive award and civil penalties authorized in comparable situations.<sup>6</sup> Defendants have primarily focused on the second part of this test, and point to the disparity between thousands of dollars in damages for infringement of a single song and the \$.99 per song price via online music stores such as Apple Computer's iTunes Music Store.

These arguments have failed to find any success. The Supreme Court's finding of invalidity of the punitive damage award in *Gore* was premised on lack of notice to the defendant: "Elementary notions 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 also the severity of the penalty that a State may impose."<sup>7</sup> However, the Copyright Act expressly authorizes statutory damages up to \$150,000 for each instance of willful infringement.<sup>8</sup> Accordingly, defendants have received fair notice of their conduct, and the statutory damages authorized by 17 U.S.C. §504 are constitutional.

Nonetheless, defendants and their advocates have skipped a critical question, namely the definition of the term "willful" in the Copyright Act. Under the

---

<sup>5</sup> *Id.* at 562-65.

<sup>6</sup> *Id.* at 574-75.

<sup>7</sup> *Id.* at 574.

<sup>8</sup> 17 U.S.C. §504 (2004).

interpretation advanced by plaintiffs, the defendant's actual or constructive knowledge that his conduct constituted copyright infringement is sufficient to establish willfulness.<sup>9</sup> However, this interpretation is inconsistent with the legislative history of the Copyright Act, other intellectual property acts drafted by Congress, and previous applications of 17 U.S.C. §504.

This paper seeks to provide a definition of the term "willful" as used in the Copyright Act. Part I will discuss the history of statutory damages in U.S. copyright law and congressional intent. Part II will compare and contrast the use of the term "willful" in copyright law, patent law, and federal trademark law.<sup>10</sup> Part III will hypothesize and analyze the alternative outcomes of several copyright infringement cases in light of a more restricted definition of the term "willful". This paper concludes that statutory damages for copyright infringement are constitutional, appropriate, and necessary, but that they have been recently misapplied due to ambiguity of the required level of intent.

---

<sup>9</sup> Plaintiffs Response to Jury Instruction No. 110 at 8, *Tenenbaum*, Case No. 07-cv-11446-NG (July 30, 2009); see also *Fitzgerald v. CBS Broadcasting, Inc.*, 491 F. Supp. 2d 177, 190 (D. Mass. 2007) (holding that "infringement is willful when the infringer knew or should have known that her action was copyright infringement.").

<sup>10</sup> The term "willful" is not actually used in the Patent Act, 35 U.S.C. §101 et seq. (1999), although 35 U.S.C. §284 allows for treble damages for infringement. Courts have applied these damages "where the infringer acted in wanton disregard of the patentee's patent rights, that is, where the infringement is willful." *Read Corp. v. Portec, Inc.* 970 F.2d 816, 826 (Fed. Cir., 1992) (abrogated on other grounds by *Markman v. Westview Instruments, Inc.* 52 F.3d 967, 990 (Fed. Cir., 1995)).

**Part I: History of Statutory Damages in Copyright Law**

The United States Constitution was ratified on June 21, 1788, and gave Congress the explicit power to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their Respective Writings and Discoveries.”<sup>11</sup> Congress exercised this power almost immediately, adopting the first Patent Act<sup>12</sup> and Copyright Act<sup>13</sup> in 1790. While the Patent Act required actual damages to be assessed by a jury<sup>14</sup>, the Copyright Act did not provide for compensatory damages, leaving that to state unfair competition law. Rather, the Copyright Act allowed for statutory damages of “fifty cents for every sheet”, of which half was awarded to the author and half was remitted to the United States.<sup>15</sup> In 1802, the Copyright Act was amended to add protection for designs, engravings and prints, and expanding statutory damages to one dollar per sheet.<sup>16</sup>

Congress passed the first major revision to copyright law in the Copyright Act of 1831.<sup>17</sup> This Act extended the term of copyright protection from 28 years to 42 years and made musical works eligible for copyright protection.<sup>18</sup> For the first

---

<sup>11</sup> U.S. CONST. art. I, §8, cl. 8.

<sup>12</sup> *An Act to Promote the Progress of Useful Arts*, Ch. 7, 1 Stat. 109 (April 10, 1790) (current version at 35 U.S.C. §101 et seq. (1952)).

<sup>13</sup> *An Act for the Encouragement of Learning, By Securing the Copies of Maps, Charts, and Books to the Authors and Proprietors of Such Copies, During the Times Therein Mentioned*, Ch. 7, 1 Stat. 124 (May 31, 1790) (current version at 17 U.S.C. §101 et seq. (2009)).

<sup>14</sup> “... every person [infringing], shall forfeit and pay to the said patentee or patentees, his, her or their executors, administrators or assigns such damages as shall be assessed by a jury...” Ch. 7, §4, 1 Stat. 111.

<sup>15</sup> Ch. 7, §2, 1 Stat. 124.

<sup>16</sup> 2 Stat. 171 (April 29, 1802).

<sup>17</sup> 4 Stat. 436 (1831).

<sup>18</sup> *Id.*

time, the 1831 Act also provided for injunctive relief and compensatory damages of “all damages occasioned by such injury” for copyright infringement.<sup>19</sup>

Furthermore, the 1831 Act added new levels of *mens rea* to the statutory damages provisions. Specifically, under the previous 1790 and 1802 Acts, those who *directly* created infringing works without the consent of the author were strictly liable for statutory damages.<sup>20</sup> Likewise, those who did not create the infringing work were liable for publishing or selling the work *with knowledge* that it was created without the consent of the author.<sup>21</sup> However, the new 1831 Act imposed liability for infringement for: (i) those who created, caused to be created, sold, or copied an infringing work “*with intent to evade the law*”;<sup>22</sup> (ii) those who published or sold a work *knowing* that it was created without consent;<sup>23</sup> and (iii) those who printed or imported a work without consent.<sup>24</sup> Thus, although all three categories of infringement imposed the same damage award of one dollar per sheet, the 1831 Act was the first to divide statutory damages into three levels by *mens rea*.

---

<sup>19</sup> *Id.* at §9.

<sup>20</sup> 1 Stat. 124, §2 and 2 Stat. 171, §3.

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

<sup>22</sup> 4 Stat. 436, §7, *emphasis added*.

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

<sup>24</sup> *Id.* At this time, the Copyright Act was applied to printed works, including prints, cuts, engravings, maps, charts and musical compositions embodied in sheet music. Publishing technology in the early 1800s included hand and steam-powered printing presses. Printing plates were engraved by typesetters or laid out in movable type, which could then be used by printers to print the pages. Realizing that the former was a creative effort that could independently and innocently create a work identical to that created by another, Congress required intent to infringe for liability for engravers and typesetters, while imposing strict liability for those who merely printed the work of another without consent.

In 1856, Congress made a minor change to the Copyright Act, adding statutory damages for performance of dramatic works without consent of the author.<sup>25</sup> However, this amendment was silent regarding *mens rea*.<sup>26</sup>

Perhaps as a result of this omission and to consolidate the different areas of federal intellectual property law, 14 years later, Congress passed a substantial revision to the Copyright and Patent Acts. The 1870 “Act to Revise, Consolidate, and Amend the Statutes relating to Patents and Copyrights”<sup>27</sup> mapped out federal protection for patents, trademarks, and copyrights and discussed different statutory damage amounts. For example, at section 59, the Act allowed for punitive damages for patent infringement at up to three times the actual damages.<sup>28</sup>

With regard to damages for copyright infringement, the 1870 Act separated the actions of publishing and selling infringing works. Specifically, strict liability was imposed for one who engraved, etched, worked, copied, printed, published, or imported a work without written consent of the author.<sup>29</sup> Liability for selling or exposing to a work to sale was limited to those who did so with knowledge that it was created without consent.<sup>30</sup>

In 1909, Congress passed a new Copyright Act, dividing the *mens rea* of copyright infringement into the three categories applied today, but applying a

---

<sup>25</sup> *Copyright of Dramatic Compositions*, 11 Stat. 138 (1856) allowed for damages not less than \$100 for the first infringing performance and not less than \$50 for each subsequent performance.

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

<sup>27</sup> 16 Stat. 198 (1870).

<sup>28</sup> *Id.* at 207.

<sup>29</sup> *Id.* at 214.

<sup>30</sup> *Id.* See also *supra*, note 24.

criminal penalty to one of them.<sup>31</sup> First, where a copy or copies lacked the prescribed notice of copyright, an “innocent infringer” who was misled by the omission was not liable for any damages until after they received actual notice.<sup>32</sup> Second, a non-innocent infringer could be liable either for actual damages, or for a penalty of one dollar per infringing copy “made or sold or found in the possession of the infringer,” but statutory damages were limited to between \$250 and \$5,000.<sup>33</sup> Third, an infringer who “willfully and for profit” infringed a copyrighted work was guilty of a criminal misdemeanor and faced potential imprisonment and fines.<sup>34</sup>

Although the second and third categories could be considered to overlap, statutory damages under the 1909 Act were primarily compensatory in purpose, “to provide just compensation for the wrong, not to impose a penalty by giving to the copyright proprietor profits which are not attributable to the infringement.”<sup>35</sup> Accordingly, some courts reduced statutory damage awards where actual profits or estimated profits were significantly lower than the statutory damage levels.<sup>36</sup>

---

<sup>31</sup> *An Act to Amend and Consolidate the Acts Respecting Copyright*, 35 Stat. 1075 (1909).

<sup>32</sup> *Id.* at 1080.

<sup>33</sup> *Id.* at 1081. Section 25 of the 1909 Act also provided for ten dollars for every infringing copy of a painting, statute, or sculpture; fifty dollars for every infringing delivery of a lecture, sermon, or address; one hundred dollars for the first performance and fifty dollars for each subsequent infringing performance of a dramatic, choral or orchestral composition; and ten dollars for an infringing performance of any other musical composition.

<sup>34</sup> *Id.* at 1082. Note, however, that a willful infringer could also have to pay the per-work statutory damages, as they were a civil remedy.

<sup>35</sup> *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 399 (1940).

<sup>36</sup> *E.g., Turner & Dahnken v. Crowley*, 252 F. 749, 754 (9th Cir., 1918) (reducing statutory damages of \$7000 at \$1 per copy of 7000 copies of sheet music to \$560, where the plaintiff would have made only 8 cents per copy profit); *Zeigelheim v. Flohr*, 119 F. Supp. 324, 329 (E.D.N.Y. 1954) (declining to apply a

The next major revision to federal copyright law occurred in 1976. In response to major technological advances, including television, motion pictures, sound recordings, and radio, plus discussions of the Universal Copyright Convention of 1952 and the Berne Conventions of 1967 and 1971, Congress adopted the Copyright Act of 1976.<sup>37</sup> The 1976 Act copied the criminal penalty of the 1909 Act into the civil penalty framework, by allowing damages of up to five times the normally-applied limit in a case where the infringement was committed willfully.<sup>38</sup> Ordinary infringement carried a penalty of between \$250 to \$10,000 per work; willful infringement carried a penalty of up to \$50,000 per work; and innocent infringement, where the infringer “was not aware and had no reason to believe that his or her acts constituted an infringement of copyright,” carried liability of not less than \$100.<sup>39</sup>

Congress’ purpose in the tiered statutory damages of the 1976 Act was to give courts “discretion to increase statutory damages in cases of willful infringement

---

higher statutory damage award of \$4,100 where actual damages of \$1,700 were proven).

<sup>37</sup> 17 U.S.C. §101-810 (1976). The Universal Copyright Convention, drafted in 1952 in Geneva by the United Nations Educational, Scientific and Cultural Organization (UNESCO), was an attempt to codify and standardize intellectual property law as an alternative to the Berne Convention, which many states, including the United States and the Soviet Union, disagreed with. The United States would later become party to the Berne Convention as a result of the Berne Convention Implementation Act of 1988, 102 Stat. 2853 (1989).

<sup>38</sup> 17 U.S.C. §504(c) (1976). The 1976 Act also retained criminal penalties of up to a year in jail or \$10,000 for those who infringed a copyright “willfully and for purposes of commercial advantage or private financial gain”. 17 U.S.C. §506(a) (1976).

<sup>39</sup> *Id.*



and to lower the minimum where the infringer is innocent.”<sup>40</sup> Additionally, in order to award damages in what Congress referred to these “exceptional cases,” the burden of proving willfulness was placed on the copyright owner and the burden of proving innocence was placed on the infringer.<sup>41</sup>

The statutory damage amounts were doubled in the Berne Convention Implementation Act of 1988<sup>42</sup> and again raised in the Digital Theft Deterrence and Copyright Damages Improvement Act of 1999.<sup>43</sup> The current statutory damage levels are \$200 for innocent infringement, \$750 to \$30,000 for ordinary infringement, and up to \$150,000 for willful infringement.<sup>44</sup>

### **Part II: Willfulness in Federal Intellectual Property Law**

Rather than viewing the system as a three-tier damage framework, the plaintiffs in *Tenenbaum* and others have advanced a two-level theory: specifically that ordinary infringement is a strict liability defense and “willful infringement” requires knowledge or reckless disregard.<sup>45</sup> Innocent infringement, it is claimed, is merely an affirmative defense, available only when a copyright owner has failed to place notice of copyright on a work.<sup>46</sup> Furthermore, once a work has been marked with notice of copyright, knowledge or reckless disregard of the copyright is

---

<sup>40</sup> H.R. Rep. No. 94-1476 at 162 (Sep. 3, 1976).

<sup>41</sup> *Id.* at 163.

<sup>42</sup> 102 Stat. at 2860.

<sup>43</sup> 113 Stat. 1774 (1999).

<sup>44</sup> 17 U.S.C. §504(c).

<sup>45</sup> Plaintiffs Response to Jury Instruction No. 110 at 4, *Tenenbaum*, Case No. 07-cv-11446-NG (July 30, 2009).

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

presumed.<sup>47</sup> Thus, under this theory, the lower level of damages is available only where a work is not marked; the enhanced level of damages is available when a work is marked; and the ordinary \$750-\$30,000 range is available all other times... effectively never. Obviously, this is incorrect: Congress would not have created a statutory category that could never be used.

The primary flaw in this argument is due to a misreading of the statute and case law. Specifically, plaintiffs have claimed that “[t]he Copyright Act has only two levels of culpability: infringement, which is a strict liability offense, and willful infringement, which requires knowledge or reckless disregard.”<sup>48</sup> In support of this contention, plaintiffs have pointed to several federal circuit decisions, which uniformly describe copyright infringement as a strict liability offense.<sup>49</sup> However, these citations all refer to infringement under 17 U.S.C. §501. In fact, as the second circuit explained in *Fitzgerald*, “[u]nder §501(a) intent or knowledge is not an element of infringement. Innocence is only significant to a trial court *when it fixes statutory damages*, which is a remedy equitable in nature.”<sup>50</sup> Essentially, an

---

<sup>47</sup> *Id.* at 6.

<sup>48</sup> *Id.* at 4.

<sup>49</sup> *Id.*, citing to *Pinkham v. Sara Lee Corp.*, 983 F.2d 824, 829 (8th Cir. 1992) (“The defendant’s intent is simply not relevant: The defendant is liable even for ‘innocent’ or ‘accidental’ infringements.”); *Pye v. Mitchell*, 574 F.2d 476 (9th Cir. 1978) (“Even where the defendant believes in good faith that he is not infringing a copyright, he may be found liable.”); *Fitzgerald Pub. Co., Inc. v. Baylor Pub. Co., Inc.*, 807 F.2d 1110 (2d Cir. 1986) (“Under §501(a) intent or knowledge is not an element of infringement.”).

Similarly, in patent law, patent infringement is a strict liability offense. 35 U.S.C. §281. However, the nature of the offense and the intent involved is relevant in determining whether enhanced damages are warranted. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1368 (Fed. Cir., 2007).

<sup>50</sup> 807 F.2d at 1113, *emphasis added and internal citations removed*.

infringer is strictly liable for copyright infringement, regardless of intent, but intent is considered when deciding between the three statutory damage levels described in 17 U.S.C. §504(c).

In determining the distinction in intent between the three tiers of damages, commentators have described them as (i) innocent, (ii) knowing, and (iii) willful.<sup>51</sup> Furthermore, rather than the broad “knowledge or reckless disregard” definition advanced by plaintiffs, courts have defined willful infringement as specific intent to infringe the copyright.<sup>52</sup> Nonetheless, while the legislative history of the Copyright Act is silent regarding Congress’ intended definition of the word “willful”, other federal intellectual property law refers to willfulness and thus provides an indication of Congressional intent in the Copyright Act, notably the Patent Act, 35 U.S.C. §101 et seq., and the Lanham (Trademark) Act, 15 U.S.C. §§1051-1129.

---

<sup>51</sup> 4 MELVILLE B. NIMMER, NIMMER ON COPYRIGHT § 14.04 (1996) (“For ease of terminology, intermediate between willful and innocent conduct lies the domain of “knowing infringement.”). See also *Boz Scaggs Music v. KND Corp.*, 491 F.Supp. 908, 914 (D. Conn., 1980) (“Among the factors to be considered in arriving at a determination of [statutory] damages are... the infringers’ state of mind whether wilful [sic], knowing, or merely innocent.”).

<sup>52</sup> *United States v. Acevedo-Cruz*, 2006 U.S. Dist. LEXIS 9435 at 14 (D. P. R., 2006). See also *Cheek v. United States*, 498 U.S. 192, 201 (1991) (holding that the standard for the statutory willfulness requirement is the “voluntary, intentional violation of a known legal duty.”).

It is interesting to note that in their brief on the definition of willfulness, plaintiffs in *Tenenbaum* cited to *Acevedo-Cruz*, but claimed that it said the exact opposite: “Every Circuit Court to have confronted the issue has held that the defendant’s knowledge that his conduct constituted copyright infringement is sufficient to establish willfulness for purposes of statutory damages.” Plaintiffs Response to Jury Instruction No. 110 at 8, Case No. 07-cv-11446. This interpretation is incorrect, and disregards the *Acevedo-Cruz* court’s statement that “there is no compelling reason to adopt a *less stringent* [standard for the definition of willfulness] in the criminal copyright context than in the civil context.” 2006 U.S. Dist. LEXIS 9435 at 14, *emphasis added*. Thus, the *Acevedo-Cruz* court considered the definition of willfulness in the civil context to be at least specific intent.

The Patent Act allows for triple damages in cases of patent infringement.<sup>53</sup> While the Patent Act does not use the term “willful”, courts have applied enhanced damages in cases where the infringer acted in “wanton disregard of the patentee’s rights, that is, where the infringement is willful.”<sup>54</sup> Moreover, unlike the *Tenenbaum* plaintiffs’ theories regarding copyright infringement, marking of an article with a patent number is not enough to establish willfulness.<sup>55</sup> Rather, even with knowledge that a patent exists, “willfulness is established only where it is shown that there was a deliberate purpose to infringe, and such a purpose is not found where the validity of the patent and any possible infringement is open to honest doubt.”<sup>56</sup>

This comparison between willfulness in patent law and copyright law has been advanced by the Federal Circuit from the other side, in *Seagate*.<sup>57</sup> In *Seagate*, the court vacated an order compelling discovery of attorney work product in a patent infringement case, where the infringer asserted an advice of counsel defense to a charge of willful infringement.<sup>58</sup> The court held that willful infringement

---

<sup>53</sup> “Upon finding for the claimant, the court shall award the claimant damages adequate to compensate for the infringement... The court may increase the damages up to three times the amount found or assessed.” 35 U.S.C. §284 (1999).

<sup>54</sup> *Read Corp.* 970 F.2d at 826.

<sup>55</sup> “Willful infringement is not established by the simple act of infringement, even where the accused has knowledge of the patents.” *Cohesive Techs., Inc. v. Waters Corp.*, 526 F.Supp. 2d 84, 103 (D. Mass, 2007) *reversed on other grounds*, 543 F.3d 1351 (Fed. Cir., 2008).

<sup>56</sup> *International Mfg. Co. v. Landon, Inc.*, 336 F.2d 723, 728 (9th Cir., 1964).

<sup>57</sup> “The term willful is not unique to patent law, and it has a well-established meaning in the civil context. For instance, our sister circuits have employed a recklessness standard for enhancing statutory damages for copyright infringement.” 497 F.3d at 1370.

<sup>58</sup> *Id.* at 1365.

requires no affirmative duty of due care, but rather that “the patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.”<sup>59</sup>

Essentially, courts are applying a recklessness standard that is higher than mere knowledge. Rather, the infringer must objectively believe that the patent is valid and that they have *no legitimate defense* to the charge of infringement.

Applying this interpretation to willfulness in copyright infringement, an infringer must objectively believe that the copyright is valid and that they have no legitimate defense to the charge of infringement, including fair use.<sup>60</sup> Said objective belief must be both reasonable and held in good faith.<sup>61</sup>

---

<sup>59</sup> *Id.* at 1371.

<sup>60</sup> “One who has been notified that his conduct constitutes copyright infringement, but who reasonably and in good faith believes the contrary, is not ‘willful’ for these purposes.” 4 MELVILLE B. NIMMER, NIMMER ON COPYRIGHT § 14.04.

Note also that inducement of patent infringement, in which the defendant is accused of assisting someone else to infringe a valid patent, requires “specific intent to encourage another’s infringement.” *Kinetic Concepts, Inc. v. Blue Sky Medical Group, Inc.*, 554 F.3d 1010, 1024 (Fed. Cir., 2009), *citing to DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1306 (Fed. Cir., 2006).

Many cases of copyright infringement, such as the *Tenenbaum* and *Thomas* cases discussed herein, involve a defendant that “makes available” a copyrighted work by exposing it to the Internet via a peer to peer file sharing application. These applications typically use a “pull” technology, in which a client requests a file or “pulls” it from a host (as opposed to a “push” technology, in which the host “pushes” the file to clients without requiring a prior request). Thus, in “pull” technology applications, the requesting client initiates the file copy procedure. Accordingly, the requesting client may be thought of as a direct infringer, and the host who makes available the copyrighted work may be thought of as an inducing infringer. Under this theory, the required *mens rea* for a “making available” copyright infringement would be specific intent to infringe the copyright.

This was raised in an amicus brief in the *Thomas* case, noting that liability should be imposed under contributory infringement, vicarious infringement, and intentional inducement of infringement rather than direct infringement in “making available” cases. Brief of Copyright Law Professors as Amici Curiae in Support of

Congress has not been silent in this area. The proposed Patent Reform Act of 2009 allows for treble damages where the patentee presents clear and convincing evidence that an infringer, acting with objective recklessness: (i) continued to infringe after receiving written notice from the patentee; (ii) intentionally copied the patented invention with knowledge that it was patented; or (iii) continued to infringe after having been found by a court to have infringed.<sup>62</sup> Alternately, the infringer may not be found to have willfully infringed if they had an informed good faith belief that the patent was invalid or unenforceable, or would not be infringed by their conduct.<sup>63</sup> This is in accord with the interpretation of willfulness applied to copyright above, that a fair use defense to infringement must be reasonable and in good faith.

While the Patent Act focuses on actual damages, the Lanham Act, similar to the Copyright Act, allows a plaintiff to opt for statutory damages of between \$1,000 and \$200,000 for each counterfeited trademark.<sup>64</sup> Furthermore, if the use of the

---

Defendant at 8-9, *Thomas*, Case No. 06-cv-1497 (June 13, 2008). The court vacated a previous finding of infringement and ordered a new trial, holding that distribution does not include “making available”. Memorandum of Law & Order, *Thomas*, Case No. 06-cv-1497 (September 24, 2008). In the new trial, a jury instruction that the act of making recordings available, regardless of actual distribution, constituted copyright infringement was changed to require actual distribution. See Jury Instruction No. 15 in Jury Instructions, Case No. 06-cv-1497 (October 4, 2007) *as opposed to* Jury Instruction No. 19 in Jury Instructions, Case No. 06-cv-1497 (June 18, 2009).

<sup>61</sup> *Zomba Enters. v. Panorama Records, Inc.*, 291 F.3d 574, 584 (6th Cir., 2007).

<sup>62</sup> H.R. 1260 §5(a), 111th Cong. (2009). See also H.R. 1908, 110th Cong. (2007); S. 1145, 110th Cong. (2007); *The Patent Reform Act of 2007: Report Together with Additional and Minority Views*, S. Rep. No. 110-29, 110th Cong. (2007).

<sup>63</sup> *Id.*

<sup>64</sup> 15 U.S.C. §1117(c)(1) (October 13, 2008).

counterfeit mark was “willful”, the Lanham Act increases the upper limit of statutory damages to \$2 million.<sup>65</sup>

As in the Patent and Copyright Acts, the Lanham Act does not define “willful”. However, with respect to trademark infringement, courts have described willfulness as “knowingly and deliberately cashing in on the good will [of the infringed].”<sup>66</sup> Alternately, willful blindness of the authenticity of counterfeit goods sold by a retailer may be sufficient for the heightened damages provision of the Lanham Act.<sup>67</sup>

These statutory damages were added to the Lanham Act in 1995 as part of the Anticounterfeiting Consumer Protection Act, in view of organized crime syndicates who were engaging in highly-profitable mass counterfeiting operations.<sup>68</sup> Congress recognized that plaintiffs may not be able to prove actual damages “if a sophisticated, large-scale counterfeiter has hidden or destroyed information” relating to sales and profits.<sup>69</sup> Although Congress did not specifically explain the definition of willfulness, they stated that “counterfeiters’ records are frequently nonexistent, inadequate or *deceptively kept in order to willfully deflate* the level of counterfeiting activity actually engaged in”.<sup>70</sup> Thus, Congress’ intent seems to be

---

<sup>65</sup> 15 U.S.C. §1117(c)(2) (October 13, 2008).

<sup>66</sup> *Wolfe v. National Lead Co.*, 272 F.2d 867, 871 (9th Cir., 1959) (overruled in part on other grounds by *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714 (1967)); *accord. Optimum Techs., Inc. v. Home Depot U.S.A., Inc.*, 217 Fed.Appx. 899, 902-903 (11th Cir., 2007); *Burger King Corp. v. Mason*, 855 F.2d 779, 781 (11th Cir. Fla. 1988).

<sup>67</sup> *Gucci Am., Inc. v. Duty Free Apparel, Ltd.*, 315 F.Supp. 2d 511, 521 (S.D.N.Y. 2004).

<sup>68</sup> *Anticounterfeiting Consumer Protection Act of 1995*, S. Rep. No. 104-177, 104th Cong. (1995).

<sup>69</sup> *Id.* at 10.

<sup>70</sup> *Id.*, *emphasis added*.

that the heightened level of statutory damages should be applied in truly egregious cases, where an infringer has taken affirmative steps to hide his illegal activities or flout the law.

This interpretation is supported by another provision in the Lanham Act that allows recovery of attorney's fees in "exceptional cases".<sup>71</sup> In adopting this remedy in 1974, Congress stated it would be unconscionable not to provide complete relief in infringement cases with "acts which courts have characterized as malicious, fraudulent, deliberate, and willful."<sup>72</sup> Accordingly, willfulness should be interpreted as intentional acts that are malicious, fraudulent and deliberate, or such flagrant willful blindness that it amounts to an equally reprehensible act.<sup>73</sup>

Therefore, with this guidance from both Congress and the courts regarding willfulness in other intellectual property areas, we may apply a comparable

---

<sup>71</sup> 15 U.S.C. §1117(a)(3).

<sup>72</sup> S. Rep. 93-1400 at 5, 93rd Cong. (1974). *Accord. Rio Properties, Inc. v. Rio Intern. Interlink*, 284 F.3d 1007, 1023 (9th Cir., 2002).

<sup>73</sup> See also *Getty Petroleum Corp. v. Bartco Petroleum Corp.*, 858 F.2d 103, 113 (2nd Cir. 1988) (explaining that the statutory damage provisions of 15 U.S.C. §1117 provide a deterrent effect); *Deering, Milliken & Co., Inc. v. Gilbert*, 269 F.2d 191, 194 (2nd Cir. 1959) (holding that enhanced damages are appropriate for deliberate and fraudulent trademark infringement).

In a currently pending trademark infringement case, *North Face Apparel Corp., v. South Butt LLC*, Case No. 4:2009cv02029 (E.D. Mo., December 10, 2009), North Face, users of the trademarked slogan "never stop exploring" and manufacturers of clothing marked with their trademarked logo and name, have brought suit for trademark infringement against South Butt, users of the slogan "never stop relaxing" and manufacturers of clothing marked with an almost-identical, but inverted logo and their name. South Butt applied for trademark protection for their logo. North Face opposed their trademark before the USPTO, who agreed and granted the opposition. Nonetheless, South Butt offered to sell their company to North Face for \$1 million. This offer, particularly with the timing and questionable argument for parody, seems similar to commercial offers to assign internet domain names in cybersquatting cases. There, it's considered evidence of bad faith registration. A similar conclusion should follow here.



definition for the Copyright Act: an infringer is liable for the enhanced level of statutory damages when the copyright owner can prove, by clear and convincing evidence, that the infringer has acted with malicious and fraudulent intent to copy the protected work.

### **Part III: Application of Willfulness in Recent and Current Cases**

In light of the definition of willfulness discussed above, we may analyze the outcomes of several recent and pending cases and hypothesize how they may have turned out differently.

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

In 2007, a group of major record labels comprising Capitol Records, Inc., Virgin Records America, Inc., Sony BMG Music Entertainment, Arista Records LLC, Interscope Records, Warner Bros Records, Inc., and UMG Recordings, Inc. filed suit against Jammie Thomas (later “Thomas-Rasset”) for copyright infringement, alleging that she had downloaded and distributed 24 songs via the Kazaa file sharing network.<sup>74</sup> The jury found that Thomas had engaged in willful infringement of the 24 recordings, and awarded \$9,250 in statutory damages for each one, totaling \$222,000.<sup>75</sup>

Willfulness does not seem to have been contemplated as an important issue by the defendant. Thomas’ proposed jury instructions on statutory damages referred only to the middle tier of damages: “[u]nder the Copyright Act, each

---

<sup>74</sup> Plaintiffs Statement of Case, *Thomas*, Case No. 06-cv-1497 (September 17, 2007).

<sup>75</sup> Judgement in a Civil Case, *Thomas*, Case No. 06-cv-1497 (October 5, 2007).

plaintiff is entitled to a sum of not less than \$750 or more than \$30,000 per act of infringement, if any, as you consider just.”<sup>76</sup> They were, in fact, silent on both innocent infringement and willful infringement.<sup>77</sup>

This opened the door for the plaintiff record companies to propose a definition that “[w]illful’ means that a defendant had knowledge that his or her actions constituted copyright infringement.”<sup>78</sup> Unbelievably, Thomas accepted this definition without argument.<sup>79</sup> This broad definition was adopted into the final jury instructions, along with an instruction that “if [the jury finds] that the defendant’s conduct was willful, then each plaintiff is entitled to a sum of up to \$150,000 per act of infringement”.<sup>80</sup>

As noted above, this instruction created a situation in which enhanced damages were available for any act of infringement where a work was marked with a copyright notice, an ambiguity which perhaps led the jury to send a question to the judge asking for clarification of the range of infringements:

Judge Davis:  
Please clarify the range of infridgements [sic]  
Non-Willful \$750-\$30,000  
Willful \_\_\_\_\_-\$150,000<sup>81</sup>

---

<sup>76</sup> Defendant’s Proposed Jury Instructions at 13, *Thomas*, Case No. 06-cv-1497 (September 17, 2007).

<sup>77</sup> *Id.*

<sup>78</sup> Plaintiff’s Proposed Jury Instructions at 20, *Thomas*, Case No. 06-cv-1497 (September 17, 2007).

<sup>79</sup> Joint Stipulated Jury Instructions at 20, *Thomas*, Case No. 06-cv-1497 (September 17, 2007).

<sup>80</sup> Final Jury Instructions No. 22 and 23, *Thomas*, Case No. 06-cv-1497 (October 4, 2007).

<sup>81</sup> No 2. Jury Question, *Thomas*, Case No. 06-cv-1497 (October 4, 2007).

In accordance with the Copyright Act, the judge responded that statutory damages from \$750-\$150,000 could be awarded for willful infringement.<sup>82</sup> This potential range, coupled with the definition of willfulness given to the jury, may have led them to award the plaintiffs \$9,250 per work: \$750 is one-twelfth of \$9,250, which is one-sixteenth of \$150,000. While not in the middle of the range linearly, the damage award lies roughly in the middle of a geometric progression across the statutory range.<sup>83</sup>

Thomas appealed the decision, but again did not address the definition of willfulness. Rather, her primary argument was that the statutory damage award was grossly and unconstitutionally in excess of actual damages.<sup>84</sup> The court did not reach this claim, although it noted that the damage award was oppressive in light of “her status as a consumer who was not seeking to harm her competitors or make a profit”.<sup>85</sup> It seems likely that the court was struggling with the question we have explored above: the enhanced level of damages for willful infringement should be reserved for those who act with malice, to harm competitors, or fraudulently, to

---

<sup>82</sup> Answer of the Court to Jury Question #2, *Thomas*, Case No. 06-cv-1497 (October 4, 2007).

<sup>83</sup> The geometric mean of two numbers  $a$  and  $b$  is defined as the value  $x$  between the two numbers such that the ratio of  $x/a$  is equal to the ratio of  $b/x$ . It may also be thought of as the average value between two numbers on a logarithmic scale. Here,  $\text{Log}_{750}(9250)$  and  $\text{Log}_{9250}(150,000)$  are both roughly 1.3.

<sup>84</sup> Thomas suggested that since the plaintiffs receive roughly \$.70 per song sold over the internet at a typical price of \$1, then total damages would be roughly \$16.80. Defendant’s Motion for New Trial or in the Alternative, for Remittur at 2, *Thomas*, Case No. 06-cv-1497 (October 15, 2007). This, of course, neglects to consider the defendant’s distribution of the work to thousands of potential downloaders. Additionally, Thomas stipulated in her motion that her conduct was willful, at least under the definition proposed by the plaintiffs. *Id.* at 4.

<sup>85</sup> Order Granting Motion for New Trial at 43, *Thomas*, Case No. 06-cv-1497 (September 24, 2008).

make a profit. However, without this question being explicitly raised, the court instead granted a new trial on the grounds that a jury instruction regarding distribution as “making available” was erroneous, an issue it raised *sua sponte*.<sup>86</sup>

At the second trial, Thomas again failed to argue the issue of willfulness, and again agreed to a jury instruction that defined willful infringement as “knowledge that [the defendant’s] actions constitute copyright infringement.”<sup>87</sup> Instead, Thomas’ primary arguments revolved around the issue of fair use.<sup>88</sup> This trial turned out worse for Thomas; the jury again found willful infringement, and awarded \$80,000 in statutory damages for each of the 24 works, for a total of \$1.92 million.<sup>89</sup> \$80,000 is near the arithmetic mean of \$75,375 between \$750 and \$150,000.<sup>90</sup>

In both Thomas trials, the jury was presented with a definition of willfulness far broader than that intended by Congress, as interpreted above, such that it would be almost impossible to not have found that the defendant willfully infringed the

---

<sup>86</sup> *Id.* at 30 (holding that infringement of the distribution right occurs only if there is an actual dissemination). Because the plaintiffs’ only evidence for distribution by Thomas was when the plaintiffs’ authorized agents downloaded the copyrighted works from her computer, there was no evidence that Thomas had distributed works to anyone without authorization of the copyright owner. The jury was presented with separate theories of liability for infringement, respectively of the right to copy and the right to distribute, but did not stipulate under which theory they found Thomas liable. *Id.* at 12. Accordingly, the court granted a new trial on the grounds that the erroneous instruction affected the jury’s damage calculation. *Id.*

<sup>87</sup> Defendant’s Proposed Jury Instructions, *Thomas*, Case No. 06-cv-1497 (June 1, 2009).

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

<sup>89</sup> Special Verdict Form, *Thomas*, Case No. 06-cv-1497 (June 18, 2009).

<sup>90</sup> The arithmetic mean is defined as the value  $x$  between two numbers  $a$  and  $b$  such that  $(a + b)/2 = x$ . It is what is normally thought of when one mentions the “average”.

plaintiffs' copyrights. The damage awards of, respectively, the rough geometric mean and the rough arithmetic mean of the range from \$750-\$150,000 were a natural and foreseeable result.

However, what if the jury had been presented with an instruction that willful infringement requires acts characterized as "malicious, fraudulent, deliberate, and willful"? As the judge observed in his order granting a new trial, Thomas' actions were neither malicious nor fraudulent.<sup>91</sup> While her actions were not innocent, they also did not constitute willful infringement. Accordingly, the jury should have considered a range of damages from \$750-\$30,000, resulting in likely awards near the geometric mean of about \$4,750 per work or the arithmetic mean of \$15,375 per work, for a total of \$114,000 or \$369,000.

These damage awards would better serve the plaintiffs, too. Jammie Thomas was a single mother of four from Minnesota.<sup>92</sup> It is unlikely that Thomas will be able to pay a judgment of \$1.92 million. She will likely choose to declare bankruptcy instead. Furthermore, the shocking size of the award has resulted in widespread press and public condemnation of the recording industry.<sup>93</sup> An award of \$114,000

---

<sup>91</sup> See *supra*, note 85 and accompanying text.

<sup>92</sup> Mike Harvey, *Single-mother digital pirate Jammie Thomas-Rasset must pay \$80,000 per song*, Times Online (June 19, 2009), available at [http://technology.timesonline.co.uk/tol/news/tech\\_and\\_web/article6534542.ece](http://technology.timesonline.co.uk/tol/news/tech_and_web/article6534542.ece).

<sup>93</sup> See, e.g. Greg Kot, *The decade in music*, Chicago Tribune (December 22, 2009), available at <http://www.chicagotribune.com/entertainment/music/chi-sc-ent-1222-decade-rockdec22,0,4650969.column>; Michael Rosen, *Ripped Off?*, The American (December 10, 2009), available at <http://www.american.com/archive/2009/december-2009/ripped-off>; Ben Sheffner, *The five legal cases that defined the year in music*, Reuters Canada (December 18, 2009), available at <http://ca.reuters.com/article/entertainmentNews/idCATRE5BH5ET20091218>;

would be less likely to draw such public ire and be more likely to be at least partially paid without necessitating a bankruptcy filing.

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

In a case similar to *Capitol Records v. Thomas-Rasset*, five music publishing companies filed suit against college student Joel Tenenbaum in August, 2007, for copyright infringement of 30 songs owned by the plaintiffs.<sup>94</sup> However, while Thomas had asserted that she had not shared the works in question in her case<sup>95</sup>, Tenenbaum readily conceded that he had distributed the songs.<sup>96</sup>

Tenenbaum's primary arguments were that the statutory damages provisions were unconstitutional, and that his actions constituted fair use.<sup>97</sup> As discussed above, the argument regarding constitutionality failed to find any support.<sup>98</sup> Similarly, Tenenbaum's fair use argument, whether or not it was "unfair" for a copyright infringer to face liability for "bits they find for free in cyberspace"

---

Egan Orion, *Jammie Thomas-Rasset gets hammered*, *The Inquirer* (June 19, 2009), available at <http://www.theinquirer.net/inquirer/news/1356951/jammie-thomas-rasset-hammered>; and Wendy Davis, *File-Sharing Judge: Copyright Act Creates 'Deep Potential for Injustice'*, *Daily Online Examiner* (December 7, 2009), available at [http://www.mediapost.com/publications/?fa=Articles.showArticle&art\\_aid=118659](http://www.mediapost.com/publications/?fa=Articles.showArticle&art_aid=118659).

<sup>94</sup> Complaint for Copyright Infringement, *Tenenbaum*, Case No. 07-cv-11446-NG (August 7, 2007).

<sup>95</sup> Defendant's Statement of the Case, *Thomas*, Case No. 06-cv-1497 (September 17, 2007).

<sup>96</sup> Richard Komen, *Judge changes her mind: Tenenbaum is liable*, ZDNet Government (July 31, 2009) (quoting from the transcript of Joel Tenenbaum's trial testimony, admitting liability for downloading and distributing all 30 sound recordings at issue), available at <http://government.zdnet.com/?p=5174>.

<sup>97</sup> Defendant's Opposition to Entry of Judgment and Injunction, *Tenenbaum*, Case No. 07-cv-11446-NG (October 5, 2009).

<sup>98</sup> Order Re: Defendant's Motion to Dismiss, *Tenenbaum*, Case No. 07-cv-11446-NG (June 15, 2009).

was contrary to both the statute and case law.<sup>99</sup> The Copyright Acts lists four factors for determining whether a use constitutes fair use: (1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used; and (4) the effect of the use on the potential market for the work.<sup>100</sup> Although the Copyright Act does not limit the determination to these four factors, the additional factors proposed by Tenenbaum, including that the copyright owners had induced the infringement by marketing their works so successfully, had little to no legal support.<sup>101</sup> Moreover, Tenenbaum's argument regarding the statutory fair use factors was based on a misreading of the case law, and failed to persuade the court.<sup>102</sup>

---

<sup>99</sup> Response in Opposition to Plaintiffs' Motion for Summary Judgment and Supplemental Brief Pursuant to the Court's Order of July 14, 2009 at 2, *Tenenbaum*, Case No. 07-cv-11446-NG (July 17, 2009).

<sup>100</sup> 17 U.S.C. §107 (1990).

<sup>101</sup> Memorandum and Order at 25, *Tenenbaum*, Case No. 07-cv-11446-NG (August 7, 2007).

<sup>102</sup> First, Tenenbaum argued that his use was educational, because he was seeking to learn about the music and share it with friends ("educating" them) rather than seeking to profit. Second, he stated that the nature of the work was "free mp3 files openly available on the internet". Third, he claimed that the works were not used in their entirety since he copied individual songs rather than whole albums. Finally, because the copyrighted works were already available online, his infringement didn't affect the market for them. Response in Opposition to Plaintiffs' Motion for Summary Judgment and Supplemental Brief Pursuant to the Court's Order of July 14, 2009 at 2-8, *Tenenbaum*, Case No. 07-cv-11446-NG (July 17, 2009).

In response, the court correctly noted that for a use to be educational, it must include commentary or criticism or in some way be transformative. Furthermore, the nature of the work was music, rather than just bits of ones and zeros. Additionally, copyright infringement is usually judged based on individual songs, although even copying a distinctive portion of a song may constitute copyright infringement. Finally, the market effect is judged by the sum of conduct of all infringers, not any one particular defendant. Memorandum and Order at 16-22, *Tenenbaum*, Case No. 07-cv-11446-NG (August 7, 2007).

Tenenbaum did argue the definition of willfulness within the Copyright Act, but only in a vague way. Specifically, Tenenbaum suggested that the jury instructions should define willful infringement as “[copying] a copyrighted work without permission knowing it to be a violation of law and doing it anyway *for the purpose of making money.*”<sup>103</sup> In support of this proposal, Tenenbaum properly analyzed 17 U.S.C. §504(c) as describing three levels of statutory damages, but defined them only in indefinite terms: “The bottom level is ‘not aware.’ Logically, the next level up must be aware or knowing. But if the middle category is knowing, then the top level must be more than knowing: ‘knowing and done for commercial profit.’”<sup>104</sup>

The sole distinction in Tenenbaum’s definition between the ordinary and enhanced levels of statutory damages, therefore, is commercial profit. This is inconsistent both with the statute and case law, and even inconsistent with Tenenbaum’s own arguments. Tenenbaum argued that non-commercial use should be presumed to be fair use and not copyright infringement, but here indicates that statutory damages of \$750-\$30,000 should be applied to such non-commercial copying. This is nonsensical.<sup>105</sup>

---

<sup>103</sup> Defendant’s Proposed Jury Instructions at 9, *Tenenbaum*, Case No. 07-cv-11446-NG (July 20, 2009), *emphasis added*.

<sup>104</sup> *Id.*

<sup>105</sup> Theoretically, Tenenbaum may have been arguing that the middle tier of statutory damages should be reserved for infringers who have no reasonable or good faith arguments for fair use except for their lack of profit, e.g. a malicious infringer, determined to destroy a copyright owner through widespread dissemination of their work for free, and with no interest in making a profit. As discussed above, this is at odds with Congressional intent and would make the middle tier of statutory damages punitive, while the enhanced level would be



In response, the plaintiffs argued for a broader definition of willfulness, that willful infringement is that which is “committed with knowledge of or reckless disregard for the plaintiff’s copyrights.”<sup>106</sup> Faced only with the vague and inconsistent definition from *Tenenbaum*, the court used the plaintiffs’ definition with only slight modification, requiring that a willful infringer “had knowledge *that his actions constituted copyright infringement* or acted with reckless disregard for the copyright holder’s rights.”<sup>107</sup> With this broad definition, the jury found willful infringement and awarded damages of \$22,500 per song, for a total of \$675,000. This amount lies between the geometric mean and arithmetic mean that seem to be used in the first and second Thomas trials, respectively. Therefore, although the award falls within the \$750-\$30,000 range, it may be similarly suspected that with a narrower definition of willfulness, the jury would have awarded a smaller judgment. Additionally, regardless of *Tenenbaum*’s conduct during and since the trial<sup>108</sup>, there was no evidence presented that his acts of infringement were malicious or fraudulent at the time.

As with Thomas, *Tenenbaum* has indicated that he will declare bankruptcy if the damages are not reduced, or if his appeal on the constitutionality of the

---

primarily compensatory, affecting a commercial infringer regardless of malice, essentially turning the statute on its head.

<sup>106</sup> Plaintiffs’ Response to Jury Instruction No. 110, *Tenenbaum*, Case No. 07-cv-11446-NG (July 30, 2009).

<sup>107</sup> Jury Instructions, *Tenenbaum*, Case No. 07-cv-11446-NG (July 31, 2009), *emphasis added*.

<sup>108</sup> Joel *Tenenbaum* maintains a website describing himself as an “average David” fighting a “corporate Goliath”, that states that the recording industry has “won cases under false pretenses” and that “[t]hey CAN NOT copyright a sound”. (emphasis in original). Joel *Tenenbaum*, *Joel Fights Back - It’s about more than just music*, available at <http://www.joelfightsback.com>.

statutory damage provisions of the Copyright Act fails, as it almost certainly will.<sup>109</sup>

As discussed above, a smaller judgment, applied under a proper definition of willfulness, may make it less attractive for an infringer to face years of bad credit as a result of a bankruptcy filing.

### **C. Apple Computer, Inc. v. Psystar Corp.**

In April 2008<sup>110</sup>, Psystar Corporation announced that they would be selling “Open Computers” running Apple Computer’s proprietary operating system OSX, through use of a modified extensible firmware interface and modification of various system files.<sup>111</sup> Apple filed suit a few months later alleging acts of copyright infringement, among others.<sup>112</sup>

Psystar’s primary defense with regard to copyright infringement was based around two provisions of the Copyright Act, 17 U.S.C. §109, which allows a purchaser of a copyrighted work to resell their copy (also known as the “first sale doctrine”) and 17 U.S.C. §117, which allows an owner of a copy of a computer

---

<sup>109</sup> Jaikumar Vijayan, *Q&A: Tenenbaum says he faces bankruptcy after \$675K piracy verdict*, Computerworld (August 7, 2009), available at [http://www.computerworld.com/s/article/9136350/Q\\_A\\_Tenenbaum\\_says\\_he\\_faces\\_bankruptcy\\_after\\_675K\\_piracy\\_verdict](http://www.computerworld.com/s/article/9136350/Q_A_Tenenbaum_says_he_faces_bankruptcy_after_675K_piracy_verdict).

<sup>110</sup> Jennifer Lawinski, *Psystar Releases Mac Clone, But Has Apple Shut Them Down?*, ChannelWeb (April 14, 2008), available at <http://www.crn.com/hardware/207200440>.

<sup>111</sup> Complaint for Copyright Infringement, Induced Copyright Infringement, Breach of Contract, Trademark Infringement, Trade Dress Infringement, and Unfair Competition at 4, *Apple, Inc. v. Psystar Corp.*, Case No. CV 08-03251-WHA (N.D. Cal., July 3, 2008). Coincidentally, both Jammie Thomas and Psystar Corporation were represented by the same attorney, K.A.D. Camera of Camera & Sibley, and Joel Tenebaum was represented by Professor Charles Neeson of Harvard Law School, one of K.A.D. Camera’s former professors.

<sup>112</sup> *Id.*

program to copy or modify the program as an essential step in the utilization of the computer program (e.g., copying a program from a hard drive to random access memory as a prerequisite to execution of the program). Psystar argued that they were merely making adaptations of Apple's operating system as an essential step in their execution on non-Apple hardware, and then were merely selling those adapted copies.<sup>113</sup> This argument was neither persuasive nor novel. Indeed, scholars had already noted that "if the manufacture of a copy... constitutes an infringement of the adaptation right, its distribution will infringe the distribution right, even if this is done by the owner of such copy".<sup>114</sup> Additionally, Psystar was not actually modifying individual copies and reselling them, but rather modified a master image and created multiple copies of the master.<sup>115</sup> Therefore, the combination of 17 U.S.C. §§109 and 117 was inapplicable.<sup>116</sup> Accordingly, the court found that Psystar had engaged in unlawful infringement of Apple's copyrights.<sup>117</sup>

The court did not address damages, as Apple and Psystar agreed to stipulated damages and attorney's fees of \$2,675,100.<sup>118</sup> In cases such as this with actual damages in large, provable amounts, plaintiffs are unlikely to opt for statutory

---

<sup>113</sup> Psystar Corporation's Motion for Summary Judgment at 1-2, *Psystar*, Case No. CV 08-03251-WHA (October 8, 2009).

<sup>114</sup> Order Re Cross Motions for Summary Judgment at 7, *Psystar*, Case No. CV 08-03251-WHA (November 13, 2009), *quoting* 2 MELVILLE B. NIMMER, NIMMER ON COPYRIGHT § 8.12 (1996).

<sup>115</sup> *Id.*

<sup>116</sup> *Id.*

<sup>117</sup> *Id.*

<sup>118</sup> Stipulation Regarding Disposition of Claims and Order, *Psystar*, Case No. CV 08-03251-WHA (November 30, 2009). The stipulation included waiver of Apple's additional claims of trademark and trade dress infringement, trademark dilution, unfair competition.

damages, because it becomes worthwhile to spend time and attorney's fees to determine exact amounts to be awarded. This is in accord with Congressional intent in creating the enhanced level of statutory damages: as noted above, infringers may intentionally destroy evidence of profits, making it impossible to determine actual damages.<sup>119</sup> Thus, by allowing for a higher award of statutory damages in such cases, Congress is acting to deter such egregious behavior.<sup>120</sup>

Nonetheless, we may hypothesize what would have happened if Apple had requested statutory damages. Psystar created derivative works of at least two independent versions of Apple's operating system (10.5 "Leopard" and 10.5 "Snow Leopard") plus derivative works of several system updates.<sup>121</sup> In a presentation to venture capitalists in 2008, Psystar projected sales through 2011 of between 1.45 and 12 million computers.<sup>122</sup> Rather than downloading works for personal use and distributing said works in a non-commercial context to others for similar personal use, as engaged in by Thomas and Tenenbaum, Psystar envisioned widespread commercial use to seize dominant marketshare from the copyright owner.<sup>123</sup>

---

<sup>119</sup> See *supra*, note 69 and accompanying text.

<sup>120</sup> *Id.*

<sup>121</sup> Complaint for Copyright Infringement, Induced Copyright Infringement, Breach of Contract, Trademark Infringement, Trade Dress Infringement, and Unfair Competition at 4, *Psystar*, Case No. CV 08-03251-WHA (July 3, 2008).

<sup>122</sup> Gregg Keizer, *Psystar promised investors huge clone sales*, Computerworld (November 25, 2009) available at [http://www.computerworld.com/s/article/9141473/Psystar\\_promised\\_investors\\_huge\\_clone\\_sales](http://www.computerworld.com/s/article/9141473/Psystar_promised_investors_huge_clone_sales).

<sup>123</sup> Apple sold 10.4 million Mac computers during 2009. *Id.*

Furthermore, at trial, Psystar produced only incomplete financial records.<sup>124</sup> This is exactly the kind of malicious and fraudulent behavior contemplated by Congress in creating the enhanced statutory damages for willful infringement. Accordingly, an award of up to \$150,000 for each of the two infringed works, or \$300,000 total would be neither shocking nor unwarranted.<sup>125</sup>

### **CONCLUSION**

Copyright infringement requires no intent and carries strict liability for the infringer. However, the infringer's intent is relevant and material when determining statutory damage awards.

The theory advanced by plaintiffs, that the maximum tier is for those who knowingly infringe, and the theory advanced by defendants, that the maximum tier is for those who infringe with intent to profit, are both wrong. The plaintiffs' theory essentially eliminates the middle tier of statutory damages, while the defendants' theory allows a malicious individual to engage in economic terrorism with less liability than a corporation that has an intent to profit, but holds an erroneous belief that their actions constitute fair use.

---

<sup>124</sup> Declaration of Dr. Matthew R. Lynde, PhD. in Support of Apple, Inc.'s Motion for a Permanent Injunction, Statutory Damages and Attorneys' Fees at 13, *Psystar*, Case No. CV 08-03251-WHA (July 3, 2008).

<sup>125</sup> Such a damage award would be further increased to a range closely matching the stipulated settlement due to Psystar's alleged violations of the Digital Millennium Copyright Act (\$250 to \$2500 for each of 1,798 violations, or from \$449,500 to \$4,495,000) and Psystar's alleged infringements of Apple's trademark (up to \$2,000,000 for willful infringement). *See Id.* at 13, *and supra*, note 65 and accompanying text.

The legislative history of the Copyright Act, case law around copyright infringement, and jurisprudence regarding willful infringement in both patent and trademark law point to the conclusion that Congress intended the highest tier of damages as a punitive measure for egregious conduct. Thus, an infringer is liable for the enhanced level of statutory damages when the copyright owner can prove, by clear and convincing evidence, that the infringer has acted with malicious and fraudulent intent to copy the protected work. This definition protects the rights of copyright owners, protects non-malicious infringers from excessive liability, and deters those with the sophistication to intentionally use infringement to attack the rights of the copyright owner.