Copyright Ruling May Encourage Willful Infringement

By Terry Parker (March 6, 2018)

A recent decision from the Southern District of New York, FameFlynet Inc. v. Shoshanna Collection LLC,[1] is good news to companies that willfully infringe copyrights. The plaintiff in that case was FameFlynet, a photojournalism company based in California that licenses candid photos and videos of celebrities to gossipy media outlets. The defendants, the Shoshanna Collection and Shoshanna Group Inc., are two fashion companies founded by Shoshanna Lonstein Gruss, who, according to Wikipedia, gained early celebrity status in New York as a high school student when she, purportedly, was dating the then 38-year-old Jerry Seinfeld.[2]

FameFlynet filed suit against Shoshanna for copyright infringement over two photographs of the celebrity Emmy Rossum. The photos were first published on E! Online, which paid a licensing fee of $75 to FameFlynet. Someone at Shoshanna downloaded the photos from E!’s website and posted them on Shoshanna’s website, presumably to promote the Shoshanna apparel that Rossum was wearing at the time of the photographs. On summary judgment, the court found Shoshanna liable for willful infringement and awarded FameFlynet statutory damages in the amount of $750.

Some may think this a pretty sensible outcome. $750 is, after all, a considerable improvement over $75. Hinging the award to a prior license for $75 seems to be the driving force behind the court’s rational; indeed, it wanted damages closer to $75 but was prohibited by the Copyright Act. As the court explained:

However, trebling the $75 licensee fee to $225 in accordance with this Circuit’s "willful infringement" case law still falls short of the mandatory minimum statutory damages of $750 under the Copyright Act. Absent a showing that the "infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright," sections 504(c)(1) and (2) provide that the Court lacks the discretion to "reduce the award of statutory damages to a sum of not less than $200." Id. § 504(c)(1)-(2). Upon the finding of willful infringement, the Copyright Act mandates statutory damages "... in a sum of not less than $750." See id. § 504(c)(1). Therefore, the Court approves an award of $750 to the Plaintiff.[3]

Trebling licensing fees as a measure for statutory damages may sound sensible. But it is not in accordance with the Second Circuit’s "willful infringement" precedent. Indeed, it is contrary to the Copyright Act and Second Circuit law.

The FameFlynet Calculation Is Not Supported by § 504(c)

Section 504(c)(1) of the copyright act provides statutory damages in an amount "not less than $750 or more than $30,000 as the court considers just."[4] This range of $750 to $30,000 in damages is, as the leading treatise on copyright law notes, for “knowing” infringement.[5] “Knowing” might not be the best term for this range of damages because a
person is liable for infringement whether it is "knowing" or not. “Ordinary infringement” might be a better term because copyright infringement is a strict liability tort. Liability does not depend upon the plaintiff demonstrating that the defendant acted with intent or negligence or any other frame of mind. There are only two elements for liability: Does the plaintiff own the copyrighted work, and did the defendant copy it without authorization?

This strict liability is not as harsh as it sounds. The Copyright Act provides a fair use defense, which, if established, excuses liability for infringement. In addition, § 504(c)(2) allows for the statutory amount to move below this floor of $750 down to $200 for what courts have called “innocent” infringement. Under Second Circuit precedent, “innocent” infringement is not the equivalent of infringement that lacks willfulness:

It is plain that “willfully” infringing and “innocent intent” are not the converse of one another. Thus, it is possible in the same action for a plaintiff not to be able to prove a defendant’s willfulness, and, at the same time, for the defendant to be unable to show that it acted innocently.

To demonstrate the requisite innocence, "an infringer must show (1) a subjective good faith belief in the innocence of its conduct that was (2) objectively reasonable under the circumstances." In contrast, willfulness is established in the context of statutory damages if the "infringer either had actual knowledge that it was infringing plaintiffs’ copyrights or else acted in reckless disregard of the high probability that it was infringing plaintiff’s copyrights." Willfulness is found even where the infringers acted under the belief that their infringement constituted fair use. Accordingly, even in the absence of evidence of willfulness, statutory damages for infringement may fall within this tier of $750 to $30,000. On the other hand, if there is a showing of willfulness, § 504(c)(2) provides for the enhancement of damages up to $150,000.

The statute thus sets three tiers for infringement: (1) innocent infringement from $200 to $750, (2) ordinary infringement from $750 to $30,000, and (3) willful infringement from $30,000 to $150,000. Awarding damages that are enhanced by a finding of willfulness to move up from $75 to the statute’s floor of $750 for knowing infringement is contrary to § 504(c). Under the statute, the enhancement is not cued off the actual value of the copyrighted work, as the court did in FameFlynet. If we take the tier of damages between $750 to $30,000 as the range allowed for infringement absent willfulness, the enhancement triggered by the knowledge of the infringement should be cued off the $30,000 ceiling.

The FameFlynet Calculation Is Contrary to Second Circuit Precedent

Even assuming the court had discretion to award any amount between $750 and $150,000 for willful infringement, awarding statutory damages for FameFlynet at $750 is still flawed because the pegging the statutory damages to actual damages as a rule of thumb is contrary to Second Circuit precedent.

To determine the amount of statutory damages within the range allowed by 504(c), courts in the Second Circuit have been instructed that they may consider a number of factors, typically, "(1) the infringer’s state of mind; (2) the expenses saved, and profits earned, by the infringer; (3) the revenue lost by the copyright holder; (4) the deterrent effect on the infringer and third parties; (5) the infringer’s cooperating in providing evidence concerning the value of the infringing material; and (6) the conduct and attitude of the parties." We are not aware of any Second Circuit decision that has strayed from this analysis and advocated pegging statutory damages to actual damages.
Admittedly, other district courts have applied a three times actual damages rule of thumb and the court in FameFlynet cited them.[18] Nevertheless, tying the amount of damages under § 504(c) to actual damages plus a random multiplier of three is fundamentally flawed because, contrary to Second Circuit precedent, it inflates the importance of actual damages in arriving at a measure of statutory damages. While courts “may” consider actual damages in calculating statutory damages, more often actual damages are irrelevant in a court’s calculation of statutory damages.[19] There is a long tradition of courts in the Second Circuit awarding statutory damages without any consideration of actual damages.[20] Indeed, the whole point of statutory damages is to allow recovery where there is no evidence of such damages.[21] One of the reasons Congress provided statutory damages is because actual damages and infringing profits can be difficult to prove, or so small copyright owners are prohibited from seeking protection of their copyrights.[22] Adding the statutory damages provision to the Copyright Act encourages plaintiffs to take their infringement claims to court even when those claims may have otherwise been too costly and inconvenient in the face a minimal recovery.[23]

In addition to erroneously overweighting one factor of the Second Circuit test for measuring statutory damages, arriving at a statutory damages award by multiplying actual damages by three, or some other random multiplier, is flawed because it is contrary to the statute’s purpose of deterrence.[24] As the Supreme Court has explained, “[e]ven for uninjurious and unprofitable invasions of copyright the court may, if it deems just, impose a liability within statutory limits to sanction and vindicate the statutory policy.”[25] This deterrence is especially important in the internet age of infringement. In 1999, in the wake of the new presence of online copyright infringement, Congress amended the Copyright Act to raise the maximum for statutory damages to $150,000 as a means of deterring the growth of online infringement.[26]

This punitive purpose for statutory damages is also found in the Lanham Act, which provides automatic statutory damages for counterfeiting cases, allowing a range of $500 to $100,000 per counterfeit mark and up to $1,000,000 per counterfeit mark if willfulness is found.[27] The purpose of this steep award is to not only ensure trademark owners are adequately compensated where actual damages are difficult to prove but also to ensure “that counterfeiters are justly punished.”[28] Unlike the Copyright Act, the Lanham Act does provide a three times actual damages rule of thumb, providing “the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount.”[29] Trebling is typically triggered in the Lanham Act where the defendant’s conduct is “knowing and willful”[30] but the trebling in trademark law is not a punishment; it is used where the plaintiff would not be adequately compensated otherwise.[31] Importing the same trebling mechanism from trademark law into copyright law may make measuring damages under § 504(c) easier — but it should not be done under the belief that it is furthering the punitive purpose of statutory damages under the Copyright Act.

Statutory damages in the Copyright Act are purposefully punitive and “are not meant to be merely compensatory or restitutionary.”[32] Indeed, this punitive factor should outweigh the compensatory factor.[33] The statutory damages award must put infringers “on notice that it costs less to obey the copyright laws than to violate them.”[34] An award of statutory damages that is hinged to actual damages, with a multiple of three for willfulness, does not send such a signal — certainly not in the case of Shoshanna. While the $750 that Shoshanna will pay is considerably more than the $75 it would have paid for a license, the difference will hardly deter a company of that size from future infringement. In fact, the FameFlynet decision should encourage willful infringement, given the low cost of openly violating the copyright law.
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[3] Id. at *16.


[5] See 4 M. Nimmer & D. Nimmer, Nimmer on Copyright § 14.04 (2017) ("At present, the Copyright Act allows an award for knowing infringement in the range from $750 to $30,000.").

[6] See, e.g., Faulkner v. Nat'l Geographic Soc'y, 576 F. Sup. 2d 609, 623 (S.D.N.Y. 2008) ("Copyright infringement is a strict liability wrong in the sense that a plaintiff need not prove wrongful intent or culpability in order to prevail.").

[7] Id.; see also Shapiro, Bernstein & Co. v. H.L. Green Co., 316 F.2d 304, 308 (2d Cir. 1963) (noting the "harshness of the principle of strict liability in copyright law").


[9] Id.


[11] 17 U.S.C. § 504(c)(2) ("In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than $ 200.").


[14] UMG Recordings, Inc., 2000 U.S. Dist. LEXIS 13293, *14 (S.D.N.Y. Sept. 6, 2000) (citing Hamil America, Inc. v. GFI, 193 F.3d 92, 97 (2d Cir. 1999) ("The standard is simply whether the defendant had knowledge that its conduct represented infringement or perhaps recklessly disregarded the possibility."); Knitwaves, Inc. v. Lollytogs Ltd., 71 F.3d 996, 1010-11 (2d Cir. 1995) ("Reckless disregard of the copyright holder's rights suffices to warrant award of the enhanced damages.").


[16] 17 U.S.C. § 504(c)(2) ("In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $150,000.").


[18] See, e.g., Realsongs, Universal Music Corp. v. 3A N. Park Ave. Rest Corp., 749 F. Supp. 2d 81, 87 (E.D.N.Y. 2010) (finding that a statutory damages award of "under three times the amount of license fees they would have otherwise been paid" was reasonable in a willful copyright infringement case based on a collection of district court cases).


[20] Id.

[21] See, e.g., Virgin Records Am., Inc. v. Bagan, 2009 U.S. Dist. LEXIS 62303, *10 (D. N.J. 2009) ("Plaintiffs do not have to prove actual damages to be entitled to statutory damages."); Lauratex Textile Corp. v. Allton Knitting Mills, Inc., 519 F. Supp. 730, 732 (S.D.N.Y. 1981) ("statutory damages are appropriate where, as here, the measure of D.N.Y. 1986) ("flexibility in fashioning an appropriate award when actual damages and profits are unclear is entirely consonant with the broader goal of providing the copyright owner with a 'potent arsenal of remedies against the infringer'") (citation omitted).


[23] Id.


[25] Id.


[27] See 15 U.S.C. § 1117(c)(1) and (2).
[28] See Senate Section-by-Section Analysis, Cong Rec. S12084 (Aug. 9, 1995), reprinted in 50 PTCJ 425 (Aug. 17, 1995) (“The option to select statutory damages in counterfeit cases ensures that trademark owners are adequately compensated and that counterfeiters are justly punished, even in cases where the plaintiff is unable to prove actual damages because, for example, the defendant engages in deceptive record keeping.”).


[32] Yurman Design, Inc. v. PAJ, Inc., 262 F.3d 101, 113-14 (2d Cir. 2001); see also Venegas-Hernandez v. Sonolux Records, 370 F.3d 183, 196 (1st Cir. 2004) (holding the statutory provision of the Copyright Act is a punitive measure designed to deter infringers).

[33] See, e.g., International Korwin Corp. v. Kowalczyk, 665 F. Supp. 652, 658 (N.D. Ill. 1987) (“To determine the amount of statutory damages the court should primarily focus upon two factors: the willfulness of the defendant's conduct, and the deterrent value of the sanction imposed”).