UNITED STATES DISTRICT COURT

DISTRICT OF MASSACHUSETTS

CAPITOL RECORDS, INC., et al., Plaintiffs, v. NOOR ALAUJAN, Defendant.	Civ. Act. No. 03-cv-11661-NG (LEAD DOCKET NUMBER)
SONY BMG MUSIC ENTERTAINMENT, et al., Plaintiffs, v. JOEL TENENBAUM, Defendant.	Civ. Act. No. 07-cv-11446-NG (ORIGINAL DOCKET NUMBER)

PLAINTIFFS' RESPONSE TO DEFENDANT'S MOTION FOR LEAVE TO AMEND ANSWER

Plaintiffs respectfully submit this Response in opposition to Defendant's Motion for Leave to Amend Answer ("Motion for Leave"). As explained below, Defendant's Motion for Leave should be denied because Defendant failed to attach a proposed Amended Answer outlining his purported new allegations and because Defendant's proposed amendment would not survive a motion to dismiss and, therefore, would be futile.

INTRODUCTION

Plaintiffs filed their Complaint in this case on August 7, 2007. On August 18, 2007, Defendant filed an Answer. On November 23, 2007, Defendant moved for leave to amend his Answer to assert, *inter alia*, a counterclaim and affirmative defense for the unconstitutionality of

statutory damages. Defendant did not attach a proposed Amended Answer and in fact makes no more than a bald assertion that statutory damages under the Copyright Act are unconstitutional.

ARGUMENT

I. Legal Standards For Motion For Leave to Amend Pleadings.

Although leave to amend under Federal Rule of Civil Procedure 15(a) should "be freely given when justice so requires," where amendment would be futile, leave to amend should be denied. *See Foman v. Davis*, 371 U.S. 178, 182 (1962) (leave to amend shall not be granted where amendments would be futile); *Resolution Trust Corp. v. Gold*, 30 F.3d 251, 253 (1st Cir. 1994) (same); *Maldonado v. Dominguez*, 137 F.3d 1, 11 (1st Cir. 1998) (denying a motion for leave to amend where the "amended claims would be destined for dismissal"); *Northeast Federal Credit Union v. Neves*, 837 F.2d 531, 536 (1st Cir. 1988) (in denying the motion for leave to amend on futility grounds, the court noted that "[f]ederal courts need not tiptoe through empty formalities to reach foreordained results"). An amendment is futile if it could not withstand a 12(b)(6) motion to dismiss. *See Hatch v. Dep't for Children*, 274 F.3d 12, 19 (1st Cir. 2001) (*citing Rose v. Hartford Underwriters Ins. Co.*, 203 F.3d 417, 421 (6th Cir. 2000)).

As discussed below, Defendant's Motion for Leave should be denied because Defendant failed to attach a proposed Amended Answer to his motion and failed to demonstrate any authority for any proposed counterclaims or affirmative defenses. Further, any proposed counterclaim or defense based on the alleged unconstitutionality of statutory damages under the Copyright Act would fail as a matter of law. Accordingly, allowing Defendant to assert such a claim would be futile and his Motion for Leave should be denied.

II. Defendant's Motion For Leave Should Be Denied Because He Failed to Attach A Proposed Amended Answer.

A party seeking leave to amend must attach a proposed amended pleading. *See Feeney v. Corr. Med. Servs*., 464 F.3d 158, 161 (1st Cir. 2006); *United States ex rel. Atkins v. McInteer*, 470 F.3d 1350, 1362 (11th Cir. 2006) (citing *Doe v. Pryor*, 344 F.3d 1282 (11th Cir. 2003) (denial of a motion to amend is proper where the moving party has failed to attach the proposed amendment or set forth the substance therein in)); *Verhein v. South Bend Lathe, Inc*., 598 F.2d 1061, 1063 (7th Cir. 1979). Here, Defendant has failed to attach a proposed Amended Answer and in support of his Motion baldy states only that "the minimum statutory damages of $750.00 per sound recording sought by Plaintiffs pursuant to 17 U.S.C. 504(c)(1) of the Copyright Act are unconstitutionally excessive, and disproportionate to any actual damages that may have been sustained, in violation of the Due Process Clause." *See* Motion at 1. Similarly, Defendant does not even name the other affirmative defenses or counterclaims he may intend to include in his proposed Amended Answer. *See* Motion at 1 (seeking leave to amend to include "*inter alia*" affirmative defenses and counterclaims for unconstitutionality of statutory damages). Thus, as Defendant has failed to attach a proposed Amended Answer or set forth the substance of his proposed Amended Answer, his Motion for Leave is defective and should be denied. *See Feeney*, 464 F.3d at 161; *Verhein*, 598 F.2d at 1063; *Pryor*, 344 F.3d 1282 (11th Cir. 2003).

III. Defendant's Motion For Leave Should Be Denied Because The Proposed Amendment Would Be Futile.

The sole basis offered in support of Defendant's Motion for Leave is his contention that statutory damages under the Copyright Act are "unconstitutionally excessive" and "disproportionate to any actual damages that may have been sustained" in purported violation of

the Due Process Clause. As demonstrated below, there is no legal basis for Defendant's contention and leave to allow such a contention would be futile.

First, the copyright remedy of statutory damages is a central element in modern copyright law, and an award of statutory damages serves several purposes—it compensates the plaintiff for the infringement of its copyrights, and it punishes and deters the unlawful conduct. *See Los Angeles News Serv. v. Reuters Television Int'l, Ltd.*, 149 F.3d 987, 996 (9th Cir. 1998); *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 886 F.2d 1545, 1554 (9th Cir. 1989). "Because awards of statutory damages serve both compensatory and punitive purposes, a plaintiff may recover statutory damages *whether or not* there is adequate evidence of the actual damages suffered by plaintiff or of the profits reaped by defendant, in order to sanction and vindicate the statutory policy of discouraging infringement." *Los Angeles News Serv.*, 149 F.3d at 996 (emphasis added). Indeed, "[s]tatutory damages have been made available to plaintiffs in infringement actions *precisely because of the difficulties inherent in proving actual damages and profits*, as well as to encourage vigorous enforcement of the copyright laws." *Yurman Design, Inc. v. PAJ, Inc.* 93 F. Supp. 2d 449, 462 (S.D.N.Y. 2000) (emphasis added); *see also Marshall v. Music Hall Ctr. for the Performing Arts*, No. 95-CV-70910, 1995 U.S. Dist. LEXIS 17904, at *9, n. 8 (E.D. Mich. Nov. 2, 1995) ("The purpose of statutory damages is to allow relief for copyright infringement where the calculation of actual damages plus profits is too difficult or would be unfair.").

Moreover, Congress has carefully tailored and limited the remedy of statutory damages. In order to be eligible for copyright statutory damages, an owner must timely register its copyrights. *See* 17 U.S.C. § 412. Congress has also built into the remedy several levels of fault, ranging from "innocent" infringement to "willful" infringement. 17 U.S.C. § 504(c). Congress

has established ranges of permissible awards per work infringed, with higher ranges for greater culpability. *See id.* The Act sets forth three levels of awards: a basic award (which may range from $750 to $30,000 per infringement), an increased award for willful infringement (in which case the award may be increased up to $150,000 per infringement), and a decreased award for innocent infringement where proper copyright notices were not placed on the works at issue (in which case the award may be decreased to a sum of not less than $200 per infringement). *See id.*

Congress has revised section 504(c) several times since 1976 to *increase* the ranges of damages. Section 504(c) was last amended in 1999. *See* Digital Theft Deterrence and Copyright Damages Improvement Act of 1999, Pub. L. No. 106-160, 113 Stat. 1774. The 1999 amendments increased the minimum and maximum statutory awards by 50%, with the maximum for non-willful infringement increasing from $20,000 to $30,000, and the maximum for willful infringement increasing from $100,000 to $150,000. The Report of the Committee on the Judiciary explained that increases were needed to achieve "more stringent deterrents to copyright infringement and stronger enforcement of the laws." H.R. Rep. No. 106-216, at 2 (1999). The House Report elaborated in a way that resonates with Plaintiffs' allegations in this case:

> Many computer users are either ignorant that copyright laws apply to Internet activity, *or they simply believe that they will not be caught or prosecuted for their conduct*. Also, many infringers do not consider the current copyright penalties a real threat and continue infringing even after a copyright owner puts them on notice . . . . In light of this disturbing trend, *it is manifest that Congress respond appropriately with updated penalties to dissuade such conduct*. H.R. 1761 increases copyright penalties to have a significant deterrent effect on copyright infringement.

Id. at 3 (emphasis added).

When Congress passed the 1999 Act increasing the maximum awards, it specifically noted that "juries must be able to render awards that deter others from infringing intellectual property rights," and further emphasized the "importan[ce] that the cost of infringement

substantially exceeds the costs of compliance, so that persons who use or distribute intellectual property have a strong incentive to abide by the copyright laws." *Id.* at 6 (emphasis added).

In sum, the statutory damages provisions in the Copyright Act reflect a carefully considered and targeted legislative judgment intended not only to compensate the copyright owner, but also to punish the infringer, deter other potential infringers, and encourage vigorous enforcement of the copyright laws. Defendant can offer no basis that would allow the Court to second-guess Congress' considered judgment, and doing so would effectively nullify Congress' carefully crafted remedial scheme. *See Eldred v. Ashcroft*, 537 U.S. 186, 222 (2003) ("[T]he Copyright Clause empowers Congress to determine the intellectual property regimes that, overall, in the body's judgment, will serve the ends of the Clause . . . [and] [the] wisdom of Congress' action is not within our province to second-guess").[1]

Second, Defendant's argument that statutory damages must be "proportionate" to actual damages has been considered, and rejected, by numerous courts. The Ninth Circuit's decision in *Columbia Pictures Television, Inc. v. Feltner*, Case No. CV 91-6847 ER (CTx) (C.D. Cal.), is instructive. After the Supreme Court in *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 355 (1998), reversed the judge's $8.8 million award and held that the plaintiff was entitled to a jury determination of statutory damages, the case was retried, and the jury returned a verdict of $31.68 million for 440 infringements. *See Columbia Pictures Television, Inc. v. Krypton Broadcasting of Birmingham, Inc.*, 259 F.3d 1186, 1190-91 (9th Cir. 2001). Feltner moved for a new trial, arguing that the damages were "excessive," "shocked the conscience," and "violated

[1] The Department of Justice recently submitted in another case a Memorandum in Defense of the Constitutionality of the Statutory Damages Provision of the Copyright Act, 17 U.S.C. § 504(c), arguing that Congress's carefully crafted statutory scheme satisfies the Due Process Clause. *See Capitol Records, Inc. v. Thomas*, 06-cv-1497-MJD-RLE (D. Minn.), Doc. No. 130 at 2.

due process." *Columbia Pictures Television, Inc. v. Feltner*, Case No. CV 91-6847 ER (CTx), Order at 2 (C.D. Cal. June 10, 1999) (Attached as Exhibit A hereto). Denying the motion, the district court held that the defendant "cannot argue that the award was overly punitive, or violated due process, since the award amount fell squarely within the statutory range provided by the statutory damages provision of section 504(c)." *Id.* The court further held that, "[t]o receive statutory damages, the Plaintiff did not need to prove the damages actually suffered." *Id.* On appeal, the Ninth Circuit affirmed the substantial discretion afforded to a jury's determination of statutory damages. The Ninth Circuit ruled that, "[a]lthough the jury's $31.68 million verdict is substantial, it is equal to a per work infringed award that is well within the statutory range for willful infringement [and] there was substantial evidence to support a finding of willfulness." *Columbia Pictures*, 259 F.3d at 1195.

Lowry's Reports, Inc. v. Legg Mason, Inc., 302 F. Supp. 2d 455 (D. Md. 2004), is also on point. In *Lowry's Reports*, a jury found the defendant liable for willful infringement of 240 copyrights and awarded $19 million in damages. *Id.* at 458 & n. 3. The defendant, in support of its motion for a new trial, argued "that the actual harm in this case is limited to $59,000 and that the $19 million dollar verdict is so disproportionate that it violates due process." *Id.* at 458. In particular, the defendant argued that "statutory damages should be limited to four times actual damages." *Id.* at 459. The court rejected the defendant's argument and held that "[s]tatutory damages are 'not fixed or readily calculable from a fixed formula,'" and that "there has never been a requirement that statutory damages be strictly related to actual injury." *Id.* (quoting *Feltner*, 523 U.S. at 352-53).

Superior Form Builders, Inc. v. Dan Chase Taxidermy Supply Co., 74 F.3d 488 (4th Cir. 1996), is also instructive. In that case, plaintiff proved that defendant had willfully infringed

four registered works but was "not able to identify any damages" or profits, and the defendant's "gross revenue" (net profits) from infringing sales totaled only $10,200. *Id.* at 496. The jury awarded the then-maximum amount of statutory damages of $100,000 per work, a sum of $400,000 for the four works infringed. *See id*. at 492. On appeal, defendant argued that the damages were "excessive," did not "bear some reasonable relationship to the amount of actual damages" and would give the plaintiff a "windfall." *Id.* at 496. The Fourth Circuit rejected the contention that those factors constrain the jury's "broad discretion to award up to $100,000 for each work copied," and affirmed the award based on its findings that "the jury was properly instructed on its discretionary authority," the evidence supported willfulness, and the jury's award was within the statutory range. *Id.*

The Second Circuit reached the same conclusion in *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101 (2d Cir. 2001). In that case, a jury found that the defendant had willfully infringed the plaintiff's copyright in four pieces of jewelry and awarded statutory damages of "$68,750 per work infringed," two-thirds of the then-maximum amount of $100,000 per work. *Id.* at 113. The jury also found trade dress infringement and awarded traditional punitive damages under that claim. *Id.* at 107-08. Significantly, the district court vacated the *punitive damages* award because "the jury was not presented with any evidence concerning damages" and did not find "any . . . lost profits whatever." *Yurman*, 93 F. Supp. 2d at 462-63. The district court, however, rejected defendant's argument that *statutory damages* under the Copyright Act must be "reasonably related to the harm" and should not "give [plaintiff] an undeserved windfall." The district court instead held that the lack of any evidence concerning actual damages did "not preclude [plaintiff's] recovery of statutory damages." *Id.* at 462. As the district court noted, *"[s]tatutory damages have been made available to plaintiffs in infringement actions precisely*

because of the difficulties inherent in proving actual damages and profits, as well as to encourage vigorous enforcement of the copyright law." *Id.* (emphasis added). The Second Circuit affirmed, noting that the award was "within the statutory range" and thus within the jury's "discretion." *Yurman*, 262 F.3d at 113-14.

Finally, in *SESAC, Inc. v. WPNT*, 327 F. Supp. 2d 531 (W.D. Pa. 2003), the district court sustained a $1.26 million verdict where actual damages (the cost of a license) were $6,000. The court noted that the jury "may well have determined that a statutory damages ratio of 10 to 1, or $60,000, would not constitute a sufficient deterrent for willful infringement by defendants." *Id.* at 532. Specifically rejecting defendant's argument that the "verdict should be in some ratio to the cost of the license," the court concluded its opinion with an observation that applies equally here:

> [I]t is Congress' prerogative to pass laws intended to protect copyrights and to prescribe the range of punishment Congress believes is appropriate to accomplish the statutory goal. The Court should not interfere lightly with a carefully crafted statutory scheme by substituting its judgment for that of the legislature. In essence, that is what the defendants asks us to do.

Id. at 532.

As unanimous authority on the issue makes clear, awards of statutory damages under the Copyright Act that fall within the limits set by Congress are for the finder of facts to determine, whatever the amounts of actual damages (if any). *See Douglas v. Cunningham*, 294 U.S. 207, 210 (1935) ("[T]he law commits to the trier of facts, within the named limits, discretion to apply the measure furnished by the statute."); *Superior Form Builders*, 74 F.3d at 496 ("Our review of such an award is even more deferential than abuse of discretion"); *Broadcast Music, Inc. v. Star Amusements, Inc.*, 44 F.3d 485, 488 (7th Cir. 1995) (noting "wide and almost exclusive discretion" of the fact finder to set the amount of statutory damages); *Lowry's Reports*, 302 F. Supp. 2d at 458 ("an award within the statutory range is entitled to substantial deference").

Here, Plaintiffs allege that Defendant both downloaded a significant number of Plaintiffs' copyrighted sound recordings and distributed them to potentially tens of thousands of other KaZaA users. *See* Exhibit B to Compl. (showing "91,848 users online, sharing 91,635,295 files" as of the time Plaintiffs' investigator detected Defendant's infringement.) Plaintiffs seek statutory damages for Defendant's unlawful downloading and distributions—both of which violate Plaintiffs' exclusive copyrights and cause significant harm to Plaintiffs—within the range of statutory damages set by Congress. Plaintiffs are aware of no case—and Defendant has cited none—finding that the range set by Congress is unconstitutional. Accordingly, any claim of unconstitutionality by Defendant would be futile, and his Motion for Leave to assert such a theory should be denied.

CONCLUSION

For all of the foregoing reasons, Defendant's Motion for Leave to Amend Answer should be denied.

Respectfully submitted,

/s/ John R. Bauer
John R. Bauer, BBO# 630742
Nancy M. Cremins, BBO # 658932
ROBINSON & COLE LLP
One Boston Place
Boston, MA 02108-4404
Main Phone: (617) 557-5900
Main Fax: (617) 557-5999

ATTORNEYS FOR PLAINTIFFS

CERTIFICATE OF SERVICE

I hereby certify that on January 3, 2008, this document filed through the ECF system will be sent electronically to the registered participants as identified on the Notice of Electronic Filing and paper copies will be sent to defendant Joel Tanenbaum.

/s/ John R. Bauer
John R. Bauer