

ARTICLES

Summary Judgment on Copyright Damages: New Guidance

By Mark G. Tratos and Bethany L. Rabe – October 16, 2014

A decade after its seminal decision in *Bouchat v. Baltimore Ravens*, the Fourth Circuit's recent decision in *Dash v. Mayweather*, 731 F.3d 303 (4th Cir. 2013), sheds new light on the issue of copyright damages on summary judgment. The court offered detailed guidance on how best a plaintiff may use experts to prove actual damages. This decision also details three approaches that defendants may use to move for summary judgment against a claim for recovery of infringer's profits.

Dash v. Mayweather arose out of WrestleMania XXIV, a major annual event produced by World Wrestling Entertainment (WWE), sometimes called the Super Bowl of wrestling. Millions of people tune in via pay-per-view to watch the event, which is held before a live audience of nearly a hundred thousand fans. Tickets sell out well in advance of the performance.

For WrestleMania XXIV, which took place in 2009, WWE contracted with famed champion boxer Floyd Mayweather Jr. to appear in a match against Paul "the Big Show" Wight. During that match, Mr. Mayweather entered the ring with the original song "Yep" playing in the background. Anthony Dash, a relatively unknown, part-time disc jockey, producer, and hip hop artist, sued Mr. Mayweather and WWE, claiming that the song "Yep" was Mr. Mayweather's lyrics over a beat that Dash had created. While Dash's original complaint alleged statutory damages, because he filed his copyright registration well after the alleged infringement, he was limited to seeking actual damages and infringer's profits.

Damages Structure of the Copyright Act

Before delving into summary judgment issues raised by the Fourth Circuit, a brief overview of the damages structure of the Copyright Act is useful. A plaintiff seeking damages for copyright infringement under the 1976 Act has two potential methods of recovery: statutory damages, which provide a set statutory range for infringement, and "actual damages and infringer's profits," which permit the plaintiff to "recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages." *See* 17 U.S.C. § 504. A plaintiff can elect one or the other.

Statutory damages. When Congress adopted the Copyright Act of 1976, it determined that registration of published works would no longer be compulsory. For that reason, Congress sought to create an incentive for registration by denying statutory damages to those who do not timely register their copyright with the copyright office. Registration also requires submission of copies of the work to the Library of Congress, thus ensuring that new works are added to the library's collection. Denying a plaintiff the ability to elect statutory damages functions as an incentive because statutory damages do not require

proof of actual harm to the plaintiff; a plaintiff who otherwise could not recover—because either (1) his or her work has little actual value (such as a stock photograph) or (2) the defendant's profits from the infringing work are remote or nonexistent (such as file sharing)—can recover. Statutory damages can be significant, especially if multiple works are infringed, as the damages are up to \$30,000 per work for innocent infringement and up to \$150,000 per work for willful infringement. *See* 17 U.S.C. § 504. As noted above, however, not every plaintiff is eligible for statutory damages.

Actual damages and infringer's profits. The other avenue for a plaintiff seeking recovery under the Copyright Act is to seek "actual damages" and "any profits of the infringer that are attributable to the infringement. . . ." *See* 17 U.S.C. § 504. There is no punitive component; these damages seek to restore the plaintiff's losses and remove the infringer's gains. These types of damages are sought where the copyright owner is not eligible for statutory damages; where the infringer has made a great deal of profit from the infringement of one work (because statutory damages are awarded on a per-work basis, they may be inadequate if only one work has been infringed); and where the profits are substantial and clearly traceable to the infringement.

Plaintiffs seek recovery of an alleged infringer's profits to protect their own property, prevent unjust enrichment of the infringer, and remove any incentive for continued infringement. A simple example: I create a painting. Without a license, you sell 20 copies of my painting at \$1,000 each. It should be fairly straightforward for me to argue that my damages are \$20,000, your gross revenue from the sales. The Copyright Act then shifts the burden to the alleged infringer to prove reasonable offsets to reduce the amount of the potential profit award. As you can imagine, however, this issue can be complicated: What if, instead of selling copies of my painting, you include it in a textbook and sell the textbook? What if the painting appears in the background in a commercial for an unrelated product? Even if we all agree that you have infringed my copyright, how much should I recover? Courts have grappled with these issues extensively.

Actual damages represent the actual harm to the copyright owner. These damages are premised on restoring the copyright owner to his or her position prior to the infringement. For example, a copyright plaintiff might be awarded the value of a licensing fee. In other words, to use another simple example, the fair market value of a license for my work is \$500. You used it without a license. I can now recover \$500. The simplest cases are situations such as that example, where a party exceeds his or her license. The parties have already established the fair market value of the work; the only thing left to do is the math. Complications arise where the work has no established fair market value and there are few comparable benchmarks available.

Dash v. Mayweather: Summary Judgment

In *Dash v. Mayweather*, Dash put forth an expert report that theorized that he was entitled to a portion of Mr. Mayweather's contracted fee, a portion of WWE's profits from the event, and actual damages. As Dash had no commercial success with his music and reported no income

from his music on his tax returns, his expert relied on the amounts that WWE paid other, well-known artists for the use of their songs in calculating actual damages. The expert's conclusion was that Dash's composition had a "maximal value" of \$3,000.

The defendants moved for summary judgment, arguing that Dash was entitled to no damages at all. The parties argued that (1) infringer's profits could not be awarded given that Dash could show no causal link between the alleged infringement and the profits of the defendants and (2) Dash had no non-speculative evidence of any actual damages.

As to infringer's profits, Dash argued that he was not required to submit specific evidence linking the claimed revenue streams to the alleged infringement and that he need not show that the alleged infringement enhanced the defendants' profits, only that the allegedly infringed work was used and that the defendants profited. Dash believed this theory so completely that he signed a stipulation stating that the performance of "Yep" at the event had not increased the revenue of WrestleMania XXIV. The court, however, rejected this argument.

In defense of his actual damages claim, Dash relied only on his copyright damages expert's report. The court noted that Dash had no reported income related to music on his tax returns and that Dash had offered no evidence that he had previously sold other musical compositions. In the summary judgment context, once a defendant has properly supported his or her claim that there are no actual damages, the plaintiff must respond by presenting non-speculative evidence that such damages do exist. Finding the evidence of market value speculative, the district court granted summary judgment on damages and closed the case.

The Fourth Circuit's Detailed Guidance on Actual Damages

On appeal, Dash argued that his expert report provided evidence of the beat's value—namely, a \$3,000 lost licensing fee—and that summary judgment against him was erroneous. The Fourth Circuit disagreed, affirming the district court. In its discussion of actual damages, which spanned 34 pages of the opinion, the Fourth Circuit made a number of key points regarding summary judgment, especially with respect to the use of expert reports.

First, in establishing actual damages, the expert should state a minimum as well as a maximum value for actual damages. The opinion spoke directly to future copyright plaintiffs' counsel: "The possibility that our criticism will prompt attentive plaintiffs' attorneys to require their experts to expressly state some nominal minimal value for an allegedly infringed work is, frankly, desirable." The court noted that whether the expert has opined as to the *fact* of actual damages (whether such damages exist at all) "could easily be avoided by a clear statement that the copyrighted work has *some* market value." In short, without a minimum value assigned to the work, a court may well rightly assume that the work has no value.

Second, if the expert must extrapolate from other works' values—as in the case of a lesser-known or unknown artist—the expert must be clear in his or her reasoning. Here, the Fourth Circuit explained that the expert failed to explain how he selected the benchmarks; failed to

indicate whether and to what extent he had considered the differences between the benchmarks and Dash's composition; failed to address the fact that Dash's claim was only in the rhythmic instrumental part of the work, not the completed work, whereas the benchmarks were for completed works; and failed to establish that Dash's particular work, as opposed to music in general, had value for WWE. Undue speculation, the Fourth Circuit warned, is insufficient; a description of the expert's process of reasoning that led to the conclusion is necessary. Third, the expert must be clear on timing. The expert did not explain whether the plaintiff's other productions predated the infringement. If the plaintiff became successful only after the infringement occurred, the value of his other works has little bearing on the value of the infringed work. Because the expert report did not make the dates clear, the court could not rely on the references to prior recognition and accomplishments.

Fourth, and more generally, the court cautioned plaintiffs' attorneys not to rely only on an expert report where other evidence could stand alone. Here, the fact that the expert referenced some prior contracts and accomplishments was insufficient—the court deemed these references too speculative to create a genuine issue of material fact. The Fourth Circuit suggested that an affidavit from the plaintiff or prior contracts establishing the value of Dash's other works could have perhaps prevented summary judgment.

Although the Fourth Circuit criticized the expert's report heavily, it would be a mistake to simply dismiss this case as a case with a bad expert. The onus is on the plaintiff's counsel to provide the expert with evidence he or she can rely on. If the plaintiff had approached summary judgment with additional admissible evidence, the result could have been different.

A Summary Judgment Road Map for Defendants

In *Dash*, the Fourth Circuit also took the opportunity to reaffirm its holding in *Bouchat v. Baltimore Ravens*, 346 F.3d 514 (4th Cir. 2003). In *Bouchat*, the Fourth Circuit affirmed a grant of summary judgment against an artist on the issue of infringer's profits. The artist, who was by profession a security guard at an office building, had created a logo for the Baltimore Ravens. The Ravens used the logo without authorization on merchandise and other products. The artist claimed no actual damages and was ineligible for statutory damages. For that reason, the plaintiff was left to pursue profits-based damages against the Ravens. Many iterations of the *Bouchat* case were litigated for years (the most recent decision issued less than a year ago), but the 2003 *Bouchat* decision created a widely used summary judgment framework for infringer's profits cases.

In *Dash*, the court explicitly laid out the three ways in which a defendant can prevail on summary judgment on the issue of infringer's profits. This has often been a confusing issue due to the burden-shifting framework under copyright law: The plaintiff must first show a causal connection between the revenues or profits sought and the infringement; if the plaintiff does so, then the burden shifts to the defendant to prove that those profits are attributable to factors other than the infringement. One of the reasons that *Bouchat* was such a seminal case is that it cleared up much of the confusion regarding how this burden-shifting framework affects summary

judgment. The Fourth Circuit laid out these principles even more clearly in the *Dash* case, providing a clearer road map for defendants seeking summary judgment on the infringer's profits issue.

First, the defendant can argue that the plaintiff cannot show a conceivable connection between the infringement and the claimed revenues. This is a fairly difficult showing because the defendant must be able to show that it is not even "hypothetically possible" that the infringement affected the profits. For example, revenues fixed in advance—such as a contract for a fixed sum signed before the infringement occurred, as Floyd Mayweather had in this instance—would fall into this category.

Second, the defendant can argue that despite a conceivable connection, the plaintiff has not presented sufficient evidence of a causal link between the infringement and the profits. Bouchat's infringing logo used in a video game is an example—it simply "defies credulity," as the court put it, to imagine someone would buy a video game to get a glimpse of a football team's logo. Third, a defendant can seek summary judgment on the grounds that all of the claimed revenues are attributable to factors other than the infringement. The court in *Dash* noted that although the defendant bears the burden on this issue, it can still move for summary judgment if it submits evidence that no reasonable jury could find that any portion of the claimed revenue is attributable to the infringement. The plaintiff must then respond with evidence showing that reasonable minds could differ; if the plaintiff cannot, as *Dash* could not, summary judgment is appropriate.

Conclusion: Fundamentals Are Key

Copyright is a complex area of law. There is a lengthy and frequently amended statute, judicial gloss on the statute, seemingly arbitrary constitutional landmines (ahem, *Feltner*), and frequent litigation arising from rapidly evolving technology. There is the ever evolving "fair use" exception and the merger doctrine ("OK, so picture a bee made of gold..."). Despite its complexities, however, proving copyright infringement in litigation ultimately boils down to the basics: fundamentals all litigators should know well.

As an initial matter, unless the plaintiff is eligible for statutory damages, the fact that a defendant has infringed the plaintiff's copyright does not automatically entitle the plaintiff to damages. Liability without causation is the exception, not the rule, in tort law. In copyright, as in other torts, causation is key. The Fourth Circuit spilled little ink analyzing whether *Dash* was entitled to any of WWE's or Mr. Mayweather's profits because there was simply no causal connection. *Dash*'s stipulation that the public performance of "Yep" at *WrestleMania XXIV* had no effect on revenues only underscored that point.

As in other litigation, counsel's realistic evaluation of the claim from the outset also is key. If the client is a new artist without a copyright registration, working with the expert to develop benchmarks and with the client to produce evidence supporting a value of the work may help avoid summary judgment. Conversely, a defendant facing a plaintiff with questionable damages or a weak causal link is wise to tailor discovery to support a motion for summary judgment on

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damages. Being mindful of these issues from the outset can help ensure accurate client expectations and a fair result. Although copyright cases can be complex, the basics remain the same: Without causation and damages, there can be no recovery; without a right to recover, there is no viable claim.

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