9th Circ. Ruling Could Limit Copyright Statutory Damages

*By **Matthew Gershman*** (March 1, 2021)


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A recent case in California may have major implications for copyright cases in the Ninth Circuit.

Following a Feb. 2 U.S. Court of Appeals for the Ninth Circuit panel's 2-1 decision in Desire LLC v. Manna Textiles Inc.,[1] copyright plaintiffs in the Ninth Circuit may no longer have a practical path to multiplying the number of available statutory damage awards per work based on the number of downstream infringers in a primary infringer's supply chain.

The plaintiff in Desire tried to do just that, by joining multiple alleged downstream infringers as defendants in the case. But the Ninth Circuit's holding limited the plaintiff to a single Copyright Act statutory damage award per protected work where each of the infringing defendants downstream in the supply chain were jointly and severally liable with a common upstream infringing defendant.[2]

Dissatisfied with the limit placed on the number of available statutory damage awards, the plaintiff is seeking rehearing en banc and argues that the panel's decision breaks with long-standing Ninth Circuit precedent.[3]

If the 2-1 decision stands, others in the plaintiff's position will have to either accept the limitation on the number of statutory damage awards or else begin looking for alternative paths for multiplying the number of statutory damage awards in a way that that would not run afoul of the Desire holding.

On that point, the Desire majority opinion suggested that a copyright plaintiff in the Ninth Circuit is not without options, in that one might still be able to obtain multiple statutory damage awards by suing separate infringers in separate actions instead of suing in one action all infringing parties in the supply chain.[4]

The dissenting opinion predicted that such procedural gamesmanship would even become commonplace and that dockets in the Ninth Circuit will be flooded with such single-

defendant copyright actions because, as the dissent puts it, "no plaintiff will make the same 'mistake' as Desire."[5]

The majority was not so concerned, stating:

> [I]f this were the case it would have already happened in every circuit in which district courts have considered the issue ... especially because no other circuit ... requires plaintiffs to join downstream defendants in the action.[6]

Moreover, the majority offered several prophylactic suggestions for a district court faced with such a hypothetical multiplicity of copyright actions, such as (1) consolidation of multiple actions filed within the same district, (2) transfer of actions filed in different districts to a single venue under Title 28 of the U.S. Code, Section 1404(a), or (3) defendants in different actions arguing to the jury that their liability for statutory damages should be materially lessened under the circumstances.[7]

With such discord within the panel and the possible implications on future district court caseloads, the Ninth Circuit may decide to rehear the Desire case en banc. If it does, that also would tee up a likely reckoning in the Ninth Circuit, which has long been out of step with decisions in other circuits on this issue.

The core issue turns on how one interprets the Copyright Act's statutory damages provision, which allows a copyright owner to:

> elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally.[8]

A generation ago, the Ninth Circuit started down a path that spawned decades of debate and apparent confusion about how to interpret this provision of the Copyright Act.

Specifically, in the 1997 decision Columbia Pictures Television Inc. v. Krypton Broadcasting of Birmingham Inc., the Ninth Circuit held that a copyright plaintiff could recover separate statutory damage awards against two defendant television stations that infringed the same work and that were not jointly liable with each other.[9]

The Ninth Circuit rejected the defense's argument that the number of statutory damage awards should be reduced because the television stations shared a common owner that also was a named defendant found liable in the case.[10]

Columbia Pictures thus seemingly allowed copyright plaintiffs in the Ninth Circuit to multiply their statutory damage awards recoverable from a single infringing defendant based on the number of downstream infringers in that defendant's supply chain.

The Columbia Pictures holding found voice in what is known in courts as the Nimmer hypothetical — originally published in a leading treatise on copyright law, David Nimmer's "Nimmer on Copyright" — which put it this way:

> Suppose, for example, a single complaint alleges infringements of the public performance right in a motion picture against A, B, and C, each of whom owns and operates her own motion picture theater, and each of whom, without authority, publicly performed plaintiff's motion picture. If A,B, and C have no relationship with one another, there is no joint or several liability as between them, so that each is liable for at least a minimum $750 statutory damage award. Suppose, further, that D, without authority, distributed plaintiff's motion picture to A, B, and C. Although A, B, and C are not jointly or severally liable each with the other, D will be jointly and severally liable with each of the others. Therefore, three sets of statutory damages may be awarded, as to each of which D will be jointly liable for at least the minimum of $750. However, D's participation will not create a fourth set of statutory damages.[11]

Courts outside the Ninth Circuit came to reject the reasoning of Columbia Pictures and the Nimmer hypothetical. Perhaps the clearest example was in the 2007 U.S. District Court for the Western District of Pennsylvania decision McClatchey v. Associated Press, in which the plaintiff's photograph was used without permission in an AP news story distributed downstream to several news organizations.[12]

Relying on the Nimmer hypothetical, and based on the numerous downstream users, the plaintiff argued for "multiple awards against AP, ... invoking the doctrine of joint and several liability."[13] The Western District of Pennsylvania rejected that argument, concluding that the "most plausible interpretation of [the Copyright Act's statutory damages provision]

authorizes a single award when there is any joint and several liability, even if there is not complete joint and several liability amongst all potential infringers."[14]

McClatchey turned on the word "any" in the phrase "any two or more infringers" in the Copyright Act's statutory damages provision,[15] reasoning the Copyright Act's mandate to issue a single statutory award for all infringements of a protected work did not require there be full joint and several liability between all infringers — just partial joint and several liability, such as between one upstream infringer and one or more downstream infringers.[16]

The alternative interpretation rejected in McClatchey — but supported by the Nimmer hypothetical and Columbia Pictures — eschewed the statute's plain meaning by rendering the word "any" superfluous, and rewriting the statute to replace "any two or more" with "all," like this:

> an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which all infringers are liable jointly and severally.[17]

In 2013, this issue came to a head in the U.S. District Court for the Central District of California case of Friedman v. Live Nation Merchandise Inc., in which the court declined to follow the Nimmer hypothetical and rejected the plaintiff's effort to multiply the number of statutory damage awards based on the number of alleged downstream infringers — who were not joined as defendants.[18]

In holding that the plaintiff could pursue only one statutory damage award per protected work, the district court noted that "even Professor Nimmer recognizes that this hypothetical has come under heavy criticism from the lower courts."[19]

The Ninth Circuit in Friedman affirmed the district court's holding on statutory damages, but, unlike the district court, declined to criticize the Nimmer hypothetical.[20] Instead, the Ninth Circuit reasoned that the plaintiff could not multiply the number of statutory damage awards recoverable against the named defendant because the plaintiff had not also named as defendants the alleged downstream infringers, let alone proven their liability.[21]

Thus, after Friedman, it seemed that a copyright plaintiff in the Ninth Circuit could not invoke Columbia Pictures and the Nimmer hypothetical to try to multiply the number of statutory

damages awards unless the plaintiff first joins the multiple downstream "infringers ... 'in the same action'" and "prove[s] their liability for infringement."[22]

Perhaps seeking to avoid the Friedman plaintiff's fate, the plaintiff in Desire joined multiple alleged downstream infringers as defendants in the case. But the Ninth Circuit's February decision threw cold water on those plans, limiting the plaintiff anyway to just one statutory damage award for each protected work, so long as the upstream infringing defendant was jointly and severally liable with the downstream infringing defendants.[23]

In doing so, U.S. Circuit Judge Mark Bennett, writing for the majority, took the approach articulated by the McClatchey court and others outside the Ninth Circuit,[24] but would not go so far as to expressly reject Columbia Pictures — something that can only be done by the Ninth Circuit sitting en banc.[25] Still, the majority outright rejected the Nimmer hypothetical based thereon, holding "Nimmer never discusses how multiple statutory damage awards in the circumstances here adhere to the text of the statute."[26]

In a blistering dissent, U.S. Circuit Judge Kim Wardlaw defended application of the Nimmer hypothetical in the Ninth Circuit, arguing it was analogous to the facts of Columbia Pictures and that "the relationship between the parties [in Desire] is precisely the same as it was in Columbia Pictures."[27] Judge Wardlaw would, therefore, apply Columbia Pictures and the Nimmer hypothetical to hold "multiple statutory damage awards are available."[28]

Those in the plaintiffs bar practicing in this area will no doubt be rooting for a rehearing en banc of the Desire decision. But that could be a double-edged sword for copyright plaintiffs, as it opens the door for a long-overdue reckoning with — and possible overruling of — the generation-old and plaintiff-friendly Columbia Pictures decision and any prior suggestions that the Ninth Circuit endorses the controversial Nimmer hypothetical.

If the Ninth Circuit sitting en banc rehears Desire, everything — including the Ninth Circuit's prior rules laid down in Columbia Pictures and Friedman — would be up for grabs.

As a practical matter, even if a copyright plaintiff burdened by the current decision in Desire could figure out a way to multiply the number of statutory damage awards through filing separate actions, such a strategy may not be attractive if the downstream infringers do not have the capacity to pay all those separate judgments. Similarly, a copyright plaintiff might still prefer filing a single action if the common upstream infringer is well-heeled and thus

makes for a better target.

Whatever the outcome of Desire's petition for rehearing en banc, the implications cannot be overstated, as it will determine whether — and, if so, how — copyright plaintiffs in the Ninth Circuit are able to multiply the number of available statutory damage awards per work based on the number of downstream infringers in the primary infringer's supply chain.

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[1] Case No. 17-56641, __ F.3d __, 2021 U.S. App. LEXIS 2778, 2021 WL 345583 (9th Cir. Feb. 2, 2021).

[2] Id. at *23-24.

[3] Desire v. Manna Textiles, Inc., Case No. 17-56641, Pet. for Panel Rehearing & Rehearing En Banc, Docket Entry 32-1 (9th Cir. Feb. 16, 2021).

[4] Desire, 2021 U.S. App. LEXIS 2778, at *35.

[5] Id. at *57 (Wardlaw, J., dissenting).

[6] Id. at *38 n.23.

[7] Id. at *36-38.

[8] 17 U.S.C. § 504(c)(1).

[9] Columbia Pictures v. Krypton Broadcasting of Birmingham, Inc. ("Columbia I"), 106 F.3d 284, 294-95 & 294 n.7 (9th Cir. 1997), rev'd on other grounds sub nom. Feltner v. Columbia Pictures Television, Inc., 523 U.S. 340 (1998); see also Columbia Pictures Industries, Inc. v. Krypton Broadcasting of Birmingham, Inc. ("Columbia II"), 259 F.3d 1186, 1194 (9th Cir. 2001).

[10] Columbia I, 106 F.3d at 294 n.7.

[11] 4 Nimmer on Copyright § 14.04 (2020) (footnotes omitted).

[12] No. 3:05-cv-145, 2007 WL 1630261, 2007 U.S. Dist. LEXIS 40416, at *2-4, (W.D. Pa. June 4, 2007).

[13] Id. at *12.

[14] Id. at *10.

[15] 17 U.S.C. § 504(c)(1).

[16] See McClatchey, 2007 U.S. Dist. LEXIS 40416, at *10.

[17] See id.; see also Arista Records LLC v. Lime Grp. LLC, 784 F. Supp. 2d 313, 320 (S.D.N.Y. 2011) (collecting cases and noting "recent decisions have categorically rejected the Nimmer hypothetical and Columbia Pictures in the context of large numbers of infringers"); Agence Fr. Presse v. Morel, 934 F. Supp. 2d 547, 582 (S.D.N.Y. 2013) (adopting approach of collected cases declining to follow and finding "unpersuasive" Columbia Pictures and the Nimmer hypothetical); Bouchat v. Champion Prods., 327 F. Supp. 2d 537, 553 (D. Md. 2003) (rejecting the Nimmer hypothetical and Columbia Pictures, and holding "professor [Nimmer] did not address, and doubtlessly did not consider, a coordinated mass marketing operation" and "the Court will not follow Professor Nimmer to reach the absurd result that [plaintiff] seeks"); Clever Factory, Inc. v. Kingsbridge Int'l, Inc., No. 3:11-1187, 2014 U.S. Dist. LEXIS 81463, at *5-6 (M.D. Tenn. June 16, 2014) (rejecting Columbia Pictures, and citing with approval Agence Fr. Presse, Arista Records LLC, McClatchey, and Bouchat).

[18] Friedman v. Live Nation Merchandise, Inc., No. CV 11-02047-MWF (VBK), 2013 U.S.

Dist. LEXIS 202542, at *38-39 (C.D. Cal. June 12, 2013), aff'd 833 F.3d 1180, 1192 (9th Cir. 2016).

[19] Id. at *30, *38.

[20] Friedman v. Live Nation Merchandise, Inc., 833 F.3d 1180, 1191, 1192 (9th Cir. 2016).

[21] See id. at 1192.

[22] See id.

[23] Desire, 2021 U.S. App. LEXIS 2778, at *23-24 ("The Act clearly provides for an award of statutory damages for all infringements of a single work 'for which any two or more infringers are liable jointly and severally.' 17 U.S.C. § 504(c)(1). This is such a case. Manna is jointly and severally liable with ABN, Top Fashion, Pride & Joys, and 618 Main. [Citation omitted.] And 'an award' clearly means one award. Thus, as every district court to consider this statute and this question has concluded (besides the district court in this case), '[f]or any two or more jointly and severally liable infringers, a plaintiff is entitled to one statutory damage award per work.'").

[24] Id. at *23-24.

[25] See In re Complaint of Ross Island Sand & Gravel, 226 F.3d 1015, 1018 (9th Cir. 2000) ("[A]bsent a rehearing en banc, we are without authority to overrule [a prior Ninth Circuit decision's] directives. A three judge panel of this court cannot overrule a prior decision of this court.").

[26] Desire, 2021 U.S. App. LEXIS 2778, at *26-31.

[27] Id. at *49-52 (Wardlaw, J., dissenting).

[28] Id. at *52 (Wardlaw, J., dissenting).