BRYANT v. MEDIA RIGHT PRODUCTIONS, INC.

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United States Court of Appeals for the Second Circuit, 2010
603 F.3d 135

KIMBA M. WOOD, District Judge:

Plaintiffs-Appellants appeal from an order of the United States District Court for the Southern District of New York (Young, J.) holding that Defendants-Appellees committed direct copyright infringement, and awarding Plaintiffs-Appellants statutory damages but denying them attorneys fees.

Appellants produced two copyrighted albums of music, each of which was composed of ten songs. Appellee Media Right Productions, Inc. ("Media Right") gave the albums to Appellee Orchard Enterprises, Inc. ("Orchard"), who copied and sold them without authorization. The Court awarded Appellants one statutory damage award for each album infringed by each Appellee, a total of four awards, rather than one statutory damage award for each of the songs on the albums (which would have totaled forty awards), as Appellants had sought. The Court also found that Appellants had not proven that the infringement was willful, that Orchard had proven that its infringement was innocent, and that profits from infringing sales were low; the Court thus awarded a total of only $2400 in damages. We conclude that the District Court (1) correctly awarded statutory damages for each album infringed; (2) did not commit clear error in finding that Appellants had failed to prove willfulness and that Orchard had proven its innocence; and (3) correctly calculated damages. We also conclude that the District Court did not abuse its discretion by denying attorneys fees. Accordingly, we affirm.

I. BACKGROUND

Appellants Anne Bryant and Ellen Bernfeld are songwriters who own a record label, Appellant Gloryvision Ltd (collectively with Bryant and Bernfeld, "Appellants"). In the late 1990s, Appellants created and produced two albums, *Songs for Dogs* and *Songs for Cats* (the "Albums"). They registered the Albums with the United States Copyright Office. They also separately registered at least some of the twenty songs on the Albums.

On February 24, 2000, Appellants entered into an agreement with Media Right ("Media Right Agreement"), which authorized Media Right to market the Albums in exchange for twenty percent of the proceeds from any sales. The Agreement did not grant Media Right permission to make copies of the Albums. If Media Right needed more copies of the Albums, Appellants would provide them.

The Media Right Agreement resulted from conversations between Appellant Ellen Bernfeld ("Bernfeld") and Appellee Douglas Maxwell ("Maxwell"), President of Media Right, during which Maxwell told Bernfeld that Media Right would be distributing music through Orchard, a music wholesaler.

Media Right entered into an agreement with Orchard on February 1, 2000 ("Orchard Agreement"). The Orchard Agreement authorized Orchard to distribute on Media Right's behalf eleven albums listed in the Agreement, two of which were the Albums (apparently in anticipation of the Media Right Agreement). The Orchard Agreement provided, in relevant part, that:

> [Media Right] grant[s] [Orchard] . . . non-exclusive rights to sell, distribute and otherwise exploit . . . [Media Right's albums] by any and all means and media (whether now known or existing in the future), including . . . throughout E-stores including . . . those via the Internet, as well as all digital storage, download and transmission rights, whether now known or existing in the future.

In the Orchard Agreement, Media Right warranted that Orchard's use of the Albums would not infringe any copyrights. Maxwell gave Orchard physical copies of the Albums, which bore copyright notices stating that the copyrights for the Albums were held by Appellants.

When Media Right entered into the Orchard Agreement in 2000, Orchard sold only physical copies of recordings. In about April 2004, however, Orchard began making digital copies of the Albums to sell through internet-based music retailers such as iTunes. Internet customers were able to purchase and download digital copies of the Albums and individual songs on the Albums. Orchard did not inform Media Right or Appellants that it was selling digital copies of the Albums and individual songs on the Albums.

From April 1, 2002 to April 8, 2008, Orchard generated $12.14 in revenues from sales of physical copies of the Albums, and $578.91 from downloads of digital copies of the Albums and of individual songs. Media Right's share of these revenues was $413.82, of which $331.06 should have been forwarded to Appellants pursuant to the Media Right Agreement. Because the $413.82 was aggregated with other monies Orchard paid to Media Right, Media Right overlooked that it owed a portion of the payments to Appellants. Media Right, therefore, did not pay Appellants the $331.06 to which they were entitled.

In 2006, Appellants discovered that digital copies of the Albums were available online. On April 16, 2007, Appellants filed a complaint against Appellees in the Southern District of New York, alleging direct and contributory copyright infringement, and seeking statutory damages.

In 2008, Appellants and Appellees both moved for summary judgment in

the case. They agreed to permit the District Court to treat the motions as a case stated. The Court conducted two evidentiary hearings before issuing its order. The Court held, in relevant part, that Appellees had committed direct copyright infringement by making and selling digital copies of the Albums and the individual songs on the Albums.

The Court awarded Appellants statutory damages in the total amount of $2400, pursuant to Section 504 of the Copyright Act of 1976 (the "Act"). 17 U.S.C. §504(c). The Act provides that a court can award statutory damages of not less than $750 or more than $30,000, "as the court considers just," for all infringements with respect to one work, and that all parts of a "compilation" constitute one work. If the infringer proves that his infringement was innocent, the court may reduce damages to an amount not less than $200. If the copyright holder proves that infringement was willful, the court may increase the award to no more than $150,000.

The District Court made the following three rulings regarding damages, all of which Appellants contest on appeal.

First, the Court held that the Albums were compilations, and thus that each Appellee was liable for only one award of statutory damages per Album, rather than one award per song, as Appellants had sought.

Second, the Court found that Orchard had proven that its infringement was innocent, and thus ordered Orchard to pay only minimal statutory damages of $200 per Album, for a total of $400.

Third, the Court found that Maxwell and Media Right had failed to prove that their infringement was innocent, but that Appellants had failed to prove that Maxwell and Media Right's infringement was willful. The Court found that because neither side had met its burden of proof, and because Appellees' revenues from the Albums were very low, Media Right and Maxwell were jointly and severally liable for an award of only $1000 per Album, for a total of $2000.

The Court did not award Appellants attorneys fees. Dist. Ct. Order, May 12, 2009. Accordingly, the total award to Appellants was $2400. This appeal followed.

II. DISCUSSION

Appellants argue that we should vacate the District Court's statutory damage award, contending that: (1) the Court erred in refusing to grant a separate statutory damage award for each song on the Albums; (2) the Court erred in its findings on intent; and (3) the Court erred in determining the amount of damages. Appellants also argue that the Court abused its discretion by refusing to award

them attorneys fees. We address each of these arguments in turn.[3]

A. The District Court's Decision to Award Statutory Damages on a Per-Album Basis

Appellants contend that the District Court erred in holding that the Albums were compilations, and thus limiting statutory damages to one award for each Album. Appellants argue that each song on the Albums qualifies as a separate work because, according to Appellants, each song is separately copyrighted,[4] and because Orchard sold the songs individually.

The question of whether a work constitutes a "compilation" for the purposes of statutory damages pursuant to Section 504(c)(1) of the Copyright Act is a mixed question of law and fact. *See Gamma Audio & Video, Inc. v. Ean-Chea*, 11 F.3d 1106, 1116 (1st Cir. 1993). We thus review *de novo* the District Court's decision that the Albums are "compilations." We conclude that the District Court's ruling was correct.

The Copyright Act allows only one award of statutory damages for any "work" infringed. 17 U.S.C. §504(c)(1). It states that "all the parts of a compilation . . . constitute one work." *Id*. §504(c)(1). It defines a "compilation" as "a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship." *Id*. §101. The term compilation includes collected works, which are defined as works "in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective work." *Id* . . . .

An album falls within the Act's expansive definition of compilation. An album is a collection of preexisting materials — songs — that are selected and arranged by the author in a way that results in an original work of authorship — the album. Based on a plain reading of the statute, therefore, infringement of an

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3. Appellants also argue — in one paragraph — that the Court should have awarded separate statutory damages against Maxwell. Section 504(c)(1) provides that a copyright holder can recover a statutory damage award for all infringements of a work, for which any one infringer is liable individually, or for which two or more infringers are liable jointly and severally. 17 U.S.C. §504(c)(1). Maxwell is the president of Media Right, and infringed Appellants' copyrights only through Media Right, not individually. Maxwell and Media Right, therefore, are jointly and severally liable for one statutory damage award for each infringed work. The District Court was correct not to award separate damages against Maxwell.

4. Appellants contend that each song on the Albums was copyrighted separately. The District Court found that Appellants had registered all twenty of the songs on the Albums with the Copyright Office. It is not clear from the record, however, whether Appellants actually obtained a separate copyright for each song on the Albums. For the purpose of this decision, we assume that each song on the Albums was copyrighted separately.

album should result in only one statutory damage award. The fact that each song may have received a separate copyright is irrelevant to this analysis.

We have addressed in two previous decisions the issue of what constitutes a compilation subject to Section 504(c)(1)'s one-award restriction. *See Twin Peaks Prods., Inc. v. Publ'ns Int'l Ltd.*, 996 F.2d 1366, 1381 (2d Cir. 1993); *WB Music Corp. v. RTV Comm. Group, Inc.*, 445 F.3d 538, 541 (2d Cir. 2006). In both decisions, we focused on whether the plaintiff — the copyright holder — issued its works separately, or together as a unit.

In *Twin Peaks*, the plaintiff issued each episode of a television series sequentially, each at a different time. The *defendant* printed eight teleplays from the series in one book. We held that the plaintiff could receive a separate award of statutory damages for each of the eight teleplays because the *plaintiff* had issued the works separately, as independent television episodes.[5] In *WB Music Corp.*, the plaintiff had separately issued each of thirteen songs. It was the *defendant* who issued the songs in album form. We held that the plaintiff could receive a separate statutory damage award for each song, because there was "no evidence . . . that any of the separately copyrighted works were included in a compilation authorized by the [*plaintiff*]." *Id.* [at 541] (emphasis added).

Here, it is the copyright holders who issued their works as "compilations"; they chose to issue Albums. In this situation, the plain language of the Copyright Act limits the copyright holders' statutory damage award to one for each Album.

Appellants argue that the District Court should have allowed a statutory damage award for each song, because each song has "independent economic value": internet customers could listen to and purchase copies of each song, each of which Appellants claim was independently copyrighted. Plaintiffs point to a decision from the First Circuit, *Gamma Audio*, in which the Court held that a work that is part of a multi-part product can constitute a separate work for the purposes of statutory damages if it has "independent economic value and . . . is viable." 11 F.3d at 1116-17. Applying what that court described as a "functional" test, the court held that each episode of a television show, although released on videotape as part of a complete series, could be the subject of a separate statutory damage award because each episode *could* be rented and viewed separately. *Id.* at 1117-18. At least three other circuits have adopted the "independent economic value" test, although to date none has applied the test to an album of music. *See MCA Television Ltd. v. Feltner*, 89 F.3d 766, 769 (11th Cir. 1996) (holding that each episode of a television show can be the subject of a separate statutory damage award because each episode has independent economic value); *Columbia Pictures Television v. Krypton Broad. of Birmingham, Inc.*, 106 F.3d 284, 295 (9th Cir. 1997) (same) (reversed

5. We also relied on the facts that the episodes were separately written and separately produced. We held that, although the episodes taken together had a common plot line ("Who killed Laura Palmer?"), that did not suffice to render the episodes a "compilation."

on other grounds, 523 U.S. 340 (1998)); *Walt Disney Co. v. Powell*, 897 F.2d 565, 569 (D.C. Cir. 1990) (holding that plaintiff could not receive a separate statutory damage award for each, separate picture of Mickey Mouse and Minnie Mouse in different poses, because each picture did not have independent economic value). Appellants argue that it is particularly appropriate to apply the "independent economic value" test to music albums, because music is increasingly available in digital form, which has made it easier for infringers to break apart albums and sell the album's songs individually, as Appellees did here.

This Court has never adopted the independent economic value test, and we decline to do so in this case. The Act specifically states that all parts of a compilation must be treated as one work for the purpose of calculating statutory damages. This language provides no exception for a part of a compilation that has independent economic value, and the Court will not create such an exception. *See* [*UMG Recordings, Inc. v. MP3.com, Inc.*, 109 F. Supp. 2d 223, 225 (S.D.N.Y. 2000)] (stating that to award statutory damages on a per-song basis would "make a total mockery of Congress' express mandate that all parts of a compilation must be treated as a single 'work' for purposes of computing statutory damages"). We cannot disregard the statutory language simply because digital music has made it easier for infringers to make parts of an album available separately. This interpretation of the statute is consistent with the Congressional intent expressed in the Conference Report that accompanied the 1976 Copyright Act, which states that the one-award restriction applies even if the parts of the compilation are "regarded as independent works for other purposes." H.R. Rep. No. 1476, 94th Cong., 2d Sess. 162, *reprinted in* 1976 U.S.C.C.A.N. 5659, 5778.

Accordingly, we affirm the District Court's decision to treat each Album as a compilation, subject to only one award of statutory damages.

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