

Failure to Mitigate Damages Is Not a Bar to Statutory Damages Under the Copyright Act

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On January 15, 2020, in a case the court called a matter of first impression, the U.S. Court of Appeals for the Fifth Circuit issued its decision in *Energy Intelligence Grp., Inc. v. Kayne Anderson Capital Advisors, L.P.* (No. 18-20350), finding that mitigation is not a complete defense to an award of statutory damages under the Copyright Act. The Court ruled that statutory damages serve a deterrent purpose, and therefore, are distinct from other types of damages that can be impacted by common law rules of mitigation.

Energy Intelligence Group (EIG) published a copyright protected newsletter about the energy industry. Kayne Anderson Capital Advisors (KA), an investment firm, subscribed to the EIG newsletter. At trial, the jury found that KA distributed the newsletter to others in the firm, as well as to third parties, in violation of the Copyright Act, and altered the copyright management information for the copyright protected works in violation of the Digital Millennium Copyright Act (DMCA). However, the jury also found that EIG could have avoided most of the damages and, based upon a failure to mitigate certain of the damages, the jury awarded EIG \$15,000 per work for only 39 of the works at issue. EIG received nothing for the remaining 1,607 works that were infringed and for 425 DMCA violations based on KA's invocation of the defense of mitigation – though EIG did receive an award of attorney's fees and costs totaling over \$2,600,000 under the Copyright Act's fee shifting provisions.

Noting a district court split on the issue of whether mitigation is a complete defense, the Fifth Circuit carefully considered the deterrent and punitive nature of statutory damages. The Court noted that "statutory damages are intended not only to compensate copyright owners but also to deter copyright infringers." Based on this

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analysis – and the fact that each copyright infringement is an independent injury – the Fifth Circuit overturned the district court and held that “mitigation is not an absolute defense to statutory damages under the Copyright Act.”

Using a similar approach, the Fifth Circuit noted that the DMCA statutory damages are also intended as a deterrent, and therefore, mitigation cannot be a complete defense to DMCA statutory damages. The Fifth Circuit then remanded the case to the district court to determine the proper statutory damages for the copyright infringements and DMCA violations.

For more information, please contact the attorneys listed on this alert or the Wiley attorney who regularly handles your intellectual property matters.