Maverick Recording Co. v. Whitney Harper: How the Fifth Circuit Virtually Eliminated Innocent Infringers Without Noticing

I. INTRODUCTION

Whitney Harper found herself the target of a music industry watchdog after downloading 544 songs to her computer.[1] A consortium of music recording companies hired MediaSentry to investigate infringements of their copyrights over the Internet.[2] In June 2004, MediaSentry identified Harper as sharing the 544 files using a peer-to-peer network.[3] The consortium of music recording companies brought suit against Harper in the United States District Court for the Western District of Texas alleging copyright infringement on a total of thirty-seven audio files under 17 U.S.C. § 106.[4] Plaintiffs sought injunctive relief and requested the minimum statutory damages of $750 per infringed work as set forth in 17 U.S.C. § 504(c)(1).[5] Harper argued that she was an "innocent" infringer under § 504(c)(2), which provides that the court may reduce the award of statutory damages to a sum of not less than $200 per infringed work when the infringer sustains the burden of proving that she was not aware and had no reason to believe that her acts constituted an infringement of copyright.[6] The district court entered an injunction against Harper and granted plaintiff's motion for summary judgment, but denied plaintiff's request for statutory damages, concluding that there was a disputed issue of material fact as to whether Harper's infringement was innocent under § 504(c)(2).[7] The district court granted plaintiff's subsequent motion for entry of judgment of

1. Maverick Recording Co. v. Harper, 598 F.3d 193, 194 (5th Cir. 2010).
2. *Id.*
3. *Id.*
4. *Id.* at 195-96.
5. *Id.* at 195.
6. *Id.*
7. *Id.*

$200 for each infringed work against Harper, which she appealed and plaintiffs cross-appealed.[8]

On appeal to the United States Court of Appeals for the Fifth Circuit, Harper challenged the lower court's ruling on several grounds.[9] In support of her innocent infringement defense, Harper contended that she was too young and naïve to understand that the copyrights on published music also extended to music downloaded from the Internet.[10] Plaintiffs cross-appealed, contending that the district court erred by failing to rule out Harper's innocent infringer defense as a matter of law.[11] The Fifth Circuit held that 17 U.S.C. § 402(d) is a bar to the innocent infringer defense because it gives copyright owners "the option to trade the extra burden of providing copyright notice for absolute protection against the innocent infringer defense." *Maverick Recording Co. v. Harper*, 598 F.3d 193, 199 (5th Cir. 2010).

II. BACKGROUND

The recording industry saw CD sales decrease from $13.2 billion in 2000 to $11.2 billion in 2003, largely due to illegal file sharing over the Internet.[12] This is because "[m]usic downloaded for free from the Internet is a close substitute for purchased music," compelling many "to keep the downloaded files without buying originals."[13] The Copyright Act protects the copyright owner's exclusive rights to reproduce and distribute the copyrighted work, and therefore, downloading music from these file-sharing networks violates the statute by creating complete copies of the work.[14] Those who post or download music files are "primary infringers," while the peer-to-peer software distributors could be held contributorily liable.[15]

To establish a claim for copyright infringement, "a plaintiff must prove both ownership in the copyrights at issue and encroachment by the defendant upon one of . . . six exclusive rights" listed in § 106.[16] There is

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8. *Id.*

9. *See id.* at 195-96 (appealing on grounds that there was insufficient evidence that the files existed on her computer, that her conduct constituted infringement, and that the statutory scheme of damages for copyright violates due process).

10. *Id.* at 199.

11. *Id.* at 195.

12. Kristina Groennings, *An Analysis of the Recording Industry's Litigation Strategy Against Direct Infringers*, 7 VAND. J. ENT. & TECH. L. 389, 389 (2005).

13. BMG Music v. Gonzalez, 430 F.3d 888, 890 (7th Cir. 2005).

14. 17 U.S.C. § 106 (2006); *Gonzalez*, 430 F.3d at 891.

15. *Gonzalez*, 430 F.3d at 899.

16. Microsoft Corp. v. Software Wholesale Club, Inc., 129 F. Supp. 2d 995, 1001 (S.D. Tex. 2000).

no intent or knowledge element in this statute, and therefore lack of intent or knowledge cannot be a defense to a claim of copyright infringement.[17] Once infringement is proven, the Copyright Act provides that the infringer "is liable for either the copyright owner's actual damages and any additional profits of the infringer . . . or . . . statutory damages."[18] Because actual damages and profits are often difficult to prove, the statute provides for minimum and maximum statutory damages.[19] At any time before final judgment is rendered, the copyright owner may elect to recover an award of statutory damages instead of actual damages and profits, in a sum no less than $750 and no more than $30,000 per infringed work, as the court deems just.[20] Even without any actual proof of damages, these statutory damages are available to the copyright owner.[21] Furthermore, § 504(c)(2) provides that "the court in its discretion may increase the award of statutory damages to a sum of not more than $150,000" when the copyright owner can prove that infringement was committed willfully.[22] The standard for "willfulness" in the context of statutory damages is whether the defendant had knowledge—actual or constructive—that his conduct represented infringement or recklessly disregarded the possibility.[23] However, the court may also decrease the award of statutory damages to a sum not less than $200 where the infringer can prove that he or she was "not aware and had no reason to believe that his or her acts constituted an infringement of copyright."[24] "Innocent" intent is not necessarily the converse of willfulness; failure to prove willfulness can occur in the same action in which innocent infringement cannot be proven.[25] Therefore, there is a middle ground (or "twilight zone") in the statutory damage scheme when neither party has sustained its respective burden of proving willfulness or innocent infringement.[26]

The burden for proving innocent infringement has been characterized as "a heavy one."[27] The court limits the "innocent infringer

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17. *Id.* at 1002.
18. 17 U.S.C. § 504(a) (2006).
19. Nat'l Football League v. PrimeTime 24 Joint Venture, 131 F. Supp. 2d 458, 472.
20. 17 U.S.C. § 504(c)(1).
21. *Nat'l Football League*, 131 F. Supp. 2d at 472.
22. 17 U.S.C. § 504(c).
23. *Nat'l Football League*, 131 F. Supp. 2d at 475.
24. 17 U.S.C. § 504(c)(2).
25. *Nat'l Football League*, 131 F. Supp. 2d at 476 (citing Fitzgerald Publ'g Co. v. Baylor Publ'g Co., 807 F.2d 1110, 1115 (2d Cir. 1986)).
26. *Id.* (quoting JBJ Fabrics, Inc. v. India Garments, Inc., 1:92CV08324, 1994 WL 4443, at *1 (S.D.N.Y. Jan. 4, 1994)).
27. *Id.* (quoting 2 WILLIAM F. PATRY, COPYRIGHT LAW & PRACTICE 1175 (1994)).

defense" to cases in which "the defendant (often unsophisticated) proves that it did not know about plaintiff's copyright and immediately ceased its infringing conduct upon being made aware of plaintiff's copyright claim."[28] The United States District Court for the Southern District of New York has also read in an additional element of "sophistication" into § 504(c)(2) and has held that "[t]he level of sophistication of the defendant in business is an entirely proper means of determining whether or not [the defendant's] infringement was innocent."[29] In *Peker v. Master Collection*, the judge concluded that the defendant sustained its burden of proving that it was unaware of the plaintiff's copyright because it had no reason to believe that the supplier was not the copyright owner and therefore had no duty to investigate whether the claim of copyright ownership was valid.[30] Conversely, in *National Football League v. PrimeTime 24 Venture*, the court determined that the defendant was not an innocent infringer because the defendant was unable to offer any case law where the innocent infringement defense survived the defendant's knowledge of the plaintiffs copyright claim.[31]

The issue of "proper notice" under U.S.C. § 402(d) modifies a court's innocent infringement analysis.[32] The United States Court of Appeals for the Seventh Circuit confronted this issue in *BMG Music v. Gonzalez* where the court held that § 402(d) bars any reduction of the minimum statutory damages for innocent infringement when the owner provides proper notice of copyright and the defendant has "access" to it.[33] The court noted that the defendant had access to records and compact discs bearing the proper notice even though she downloaded audio files that lacked copyright notices.[34] The court then determined that the issue was whether access to legitimate works was available rather than whether there were copyright notices attached to the pirated works.[35] The court concluded that the defendant could have readily learned that the music was protected by copyright.[36]

Likewise, the Fifth Circuit judicially rejects the innocent infringement defense when the defendant has at least constructive notice

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28. *Id.* at 477.
29. *Id.* (quoting D.C. Comics Inc. v. Mini Gift Shop, 912 F.2d 29, 35-36 (2d Cir. 1990)).
30. CV-98-672(EHN)(VVP), 2001 U.S. Dist. LEXIS 25371, at *5 (E.D.N.Y. 2001).
31. 131 F. Supp. 2d at 477.
32. *See* 17 U.S.C. § 402 (2006) ("If a notice of copyright . . . appears on the published [work] to which a defendant . . . had access, then no weight shall be given to . . . a defense based on innocent infringement.").
33. 430 F.3d 888, 892 (7th Cir. 2005).
34. *Id.*
35. *Id.*
36. *Id.*

of the infringement. In *Microsoft Corp. v. Software Wholesale Club, Inc.*, the court held that infringement was not innocent because the defendants had constructive knowledge of copyright infringement.[37] The court relied on case law in which suspiciously low prices provided a basis for an inference of constructive knowledge.[38]

III. THE COURT'S DECISION

In the noted case, the Fifth Circuit affirmed the rule that access to proper notice precludes the application of the innocent infringement defense to mitigate statutory damages. The court found that Harper's argument regarding her naïvety and lack of knowledge was insufficient to defeat the § 402(d) bar on the innocent infringer defense.[39] The court upheld the lower court's finding of infringement when she downloaded the files at issue, but found that it erred by allowing Harper's innocent infringer defense to survive summary judgment.[40] In coming to this conclusion, the court relied primarily on the legislative history, purpose, and effects of § 402.[41]

First, the court approached this issue by analyzing Harper's prima facie case of innocent infringement.[42] The court assumed arguendo "that she believed that listening to music from file-sharing networks was akin to listening to a non-infringing Internet radio station" and that she was unaware that copyright protections extended to music in the file-sharing setting.[43] The court then looked to the plain language of the statute to determine that an infringer's knowledge or intent does not affect the application of § 402(d).[44] The court noted that § 402(d) will bar the innocent infringement defense so long as proper copyright notice appears on the phonorecords to which the defendant had access.[45] Based upon this strict reading, the court found that Harper could not rely on her lack of understanding of copyright law to defeat the limitation set on the innocent infringement defense by § 402(d).[46]

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37. 129 F. Supp. 2d 995, 1010 (S.D. Tex. 2000) ("The summary judgment record does not support defendants' argument.").
38. *Id.* at 1008.
39. Maverick Recording Co. v. Harper, 598 F.3d 193, 199 (5th Cir. 2010).
40. *Id.* (holding also that Harper's due process claim was insufficiently presented for appeal).
41. *Id.* ("This understanding is supported by the historical structure of the copyright law.").
42. *See id.* at 198.
43. *Id.*
44. *Id.* at 199.
45. *Id.* at 198.
46. *Id.* at 199.

Although the lower court found that access to published phonorecords was inconclusive as to whether that access put Harper on notice of the copyrights, the Fifth Circuit accepted the plaintiff's argument that access to some published music is indicative that a sound recording is subject to copyright and satisfies the § 402(d) bar.[47] Because Harper's brief on appeal did not contest the fact of "access", the court did not address it and found her lack of legal sophistication to be an inadequate defense against § 402(d).[48]

Second, the court did not offer any case law to support this holding but looked to the legislative history and intent of copyright law.[49] The court acknowledged that prior to the amended § 402(d), "publishers ran the risk of placing their work into the public domain by failing to include a notice of copyright."[50] The court noted that the amended § 402(d) does not require copyright notice but provides it as an incentive to bar the innocent infringement defense.[51] The court reasoned that in order to read § 402(d) and § 504(c)(2) consistently, a copyright defendant's subjective intent cannot erode the working of this limitation on innocent infringers.[52] Consequently, the court found the issue of Harper's intent to be immaterial, and, as a matter of law, Harper's innocent infringer defense could not be applied.[53] With no issues left for trial, the court found that the plaintiffs must be awarded statutory damages of $750 per infringed work and remanded the case for further proceedings consistent with the opinion.[54]

IV. ANALYSIS

Although the Fifth Circuit properly articulated the relationship between § 402(d) and § 504(c)(2), it left significant gaps in its copyright infringement jurisprudence. The court provided thin support for its legal conclusions, relied too heavily on procedural grounds to avoid a critical issue in this litigation, and provided the lower courts with little guidance in accordance with the principles of stare decisis. A decision supported by precedent, statutory interpretation, and legislative intent would have provided a more substantive opinion.

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47. *Id.* at 198.
48. *Id.* at 199.
49. *Id.*
50. *Id.*
51. *Id.*
52. *Id.*
53. *Id.*
54. *Id.*

First, the Fifth Circuit relied almost exclusively on a treatise to support its holding.[55] While this practice is not in any way novel or ineffective, it demonstrated a lack of precedent to support the court's findings. While the court did use several cases to support its finding of infringement, it cited none in its analysis of the innocent infringement defense. The Seventh Circuit opinion in *BMG Music v. Gonzalez* spoke directly to the issues present here.[56] Similar to the noted case, the court in *BMG Music* considered hundreds of songs downloaded from peer-to-peer networks, plaintiffs seeking statutory damages under § 504(c)(2), and a defendant unsuccessfully invoking the innocent infringement defense.[57] These two cases have a strong corollary in both fact pattern and outcome which would have been very useful in bolstering the Fifth Circuit's analysis.

Second, the Fifth Circuit missed an opportunity to address a key issue of this case. This court appropriately dismissed Harper's claims of insufficient evidence of the files existence on her computer and the resulting infringement.[58] Likewise, the court used the appropriate procedural grounds to dismiss the claim of due process violation.[59] However, the court's interest in judicial efficiency seems to have been overextended to its statutory interpretation. Based on its interpretation of § 402(d), this court overturned the lower court's denial of summary judgment.[60] The Fifth Circuit disagreed with the district court's finding that there was a remaining question of whether "access" to the published phonorecords would necessarily put Harper on notice that copyrights extended to music available on file-sharing networks.[61] The lower court's decision on damages hinged on its uncertainty of what constituted "access" and whether this access provided sufficient "notice" to Harper.[62] However, the Fifth Circuit only cited § 402's legislative intent and history in its rejection of the lower court's opinion, and failed to provide clear legal definitions of § 402's operative terms.[63] The Fifth Circuit seemed to neglect this issue because Harper did not contest the fact of "access" but only asserted her naïvety and lack of sophistication in her appellate

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55. *Id.* (citing 2-7 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 7.02 (2009)).
56. *See* 430 F.3d 888 (7th Cir. 2005).
57. *See id.*
58. *Maverick Recording*, 598 F.3d 193, 195-97 (5th Cir. 2010).
59. *Id.* at 198.
60. *Id.* at 199.
61. *Id.* at 198.
62. *Id.*
63. *Id.* at 199.

brief.[64] Leaving this issue glaringly undecided, the court proceeded onto a discussion of how this lack of sophistication could not defeat the § 402(d) limitation.[65] Had the court cited *BMG Music*, it would have provided a more thorough analysis on this key issue. In *BMG Music*, the Seventh Circuit concluded that the defendant could have readily learned that the music was under copyright based on her "access" to records and compact discs bearing the proper notice.[66] The *BMG Music* court framed the statutory question as whether access to legitimate works was available, rather than whether there were copyright notices attached to the pirated works.[67] Had it offered this case law and secondary support, the Fifth Circuit in *Harper* could have adequately addressed the issues of "access" and "proper notice." Without this analysis, it appears that the innocent infringement defense had little application to the case at hand.

Finally, because the Fifth Circuit's opinion lacked strong case support and because it hastily dispensed with a critical issue, it unfortunately ill serves the lower courts that look to the Fifth Circuit's holdings for guidance in adjudicating future litigation. The ongoing controversy over music downloading and its impact on copyright law signals that there is more litigation to come.[68] The United States Supreme Court weighed in when it held that users who post or download music are primary infringers, and that the peer-to-peer file-sharing networks can be liable for contributory infringement.[69] In light of this Supreme Court decision, it is imperative that the federal appellate courts undertake a thorough analysis of the innocent infringement defense and its limitations once primary or contributory infringement has been established. The Fifth Circuit's decision in *Maverick Recording* is an unfortunate example of a case with a satisfactory outcome but one that is void of the type of thorough analysis that this complex area of law requires.

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64. *Id.*

65. *Id.*

66. BMG Music v. Gonzalez, 430 F.3d 888, 892 (7th Cir. 2005).

67. *Id.*

68. *See* Groennings, *supra* note 12, at 395 ("File-sharers are migrating to more sophisticated . . . networks, making illegal downloading more difficult to detect.").

69. *See* MGM Studios, Inc. v. Grokster, Ltd., 545 U.S. 913, 913 (2005) ("[O]ne who distributes a device with the object of promoting its use to infringe copyright . . . is liable for the resulting acts of infringement by third parties.").

* © 2010 Chad A. Sanders. J.D. candidate 2012, Tulane University Law School; B.S. in Business Administration 2004, South Carolina State University. The author would like to thank his family and friends for their love and support as well as the members of the *Tulane Journal of Technology and Intellectual Property* for their hard work.