

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

PATRICK OVERTON,

Plaintiff,

v.

HEALTH COMMUNICATIONS, INC.,
CHICKEN SOUP FOR THE SOUL PUBLISHING, LLC.,
AMERICAN GREETINGS CORP.,
CHICKEN SOUP FOR THE SOUL ENTERPRISES, INC.,
CHICKEN SOUP FOR THE SOUL, LLC.,
JOHN T. CANFIELD a/k/a/ JACK CANFIELD and
MARK VICTOR HANSEN,

Defendants.

ORDER

10-cv-701-wmc

This order addresses plaintiff Patrick Overton's claimed right to have the jury render alternative verdicts on statutory and actual damages for alleged copyright infringement. This issue was brought to the court's attention by the parties' proposed jury instructions and proposed special verdict forms, and discussed at the March 6, 2012, final pretrial conference. Having now received supplemental briefing from both sides on the issue, the court finds that Mr. Overton may require the jury to render alternative damage awards.

From the parties' submissions and its own research, the court notes that there appears to be no definitive answer as to the plaintiff's right to proceed in this manner. On the one hand, the notion of allowing a jury to render alternative damage awards from which a plaintiff may then choose has, to this court's knowledge, no counterpart in the

law.¹ On the contrary, a plaintiff is normally asked to choose its theory of recovery before submission to the jury. Moreover, there is certainly a risk of jury confusion as to how to separate these two damages calculations, and at least a hint of potential prejudice to the defendants, who may be required to argue two or more potentially inconsistent theories of defense to plaintiff's damage claims at the same time.

On the other hand, the plain language of 17 U.S.C. § 504(c)(1) unambiguously allows a plaintiff to elect statutory or actual damages "at any time before final judgment is rendered." Moreover, the U.S. Supreme Court held definitively in *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998), that the Seventh Amendment provides the right to jury trial on all issues pertinent to an award of statutory damages in a copyright infringement action. *Id.* at 347-48.²

Requiring Mr. Overton to elect before trial, or even just before jury deliberations, among the two forms of damage would arguably frustrate the statute, or the Supreme Court directive, or both. If plaintiff affirmatively elects statutory damages, the caselaw suggests that he waives the right to later elect actual damages. *Twin Peaks Productions, Inc. v. Publications Intern., Ltd.*, 996 F.2d 1366, 1380 (2nd Cir. 1993) ("Once a plaintiff has elected statutory damages, it has given up the right to seek actual damages"). This seems

¹ Other than, perhaps, the Anti-Cybersquatting Consumer Protection Act (ACPA), 15 U.S.C. § 1117(d), which provides that the "plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages."

² Finding that statutory copyright law, including the right to statutory damages, is sufficiently analogous to traditional common-law causes of action to invoke the Seventh Amendment.

to violate his right to elect actual damages up to the point of final judgment. *See Kiva Kitchen & Bath Inc. v. Capital Distrib. Inc.*, 319 Fed. Appx. 316, 320 (5th Cir. 2009).³ If plaintiff elects to proceed with his actual damages claim, then he is waiving the possibility of having his statutory damages decided by a jury. *Feltner*, 523 U.S. at 347 n. 5 (“The parties agree, and we have found no indication to the contrary, that election may occur even after a jury has returned a verdict on liability and an award of actual damages. It is at least unlikely that Congress intended that a jury, having already made a determination of actual damages, should be reconvened to make a determination of statutory damages.”).

As a practical matter, the best way to satisfy the dictates of the copyright statute and *Feltner* is to require the jury to enter alternative verdicts. The court notes that at least three other courts, though not within the Seventh Circuit, have followed this approach. *See Bridgeport Music, Inc. v. UMG Recordings, Inc.*, 585 F.3d 267, 273 (6th Cir. 2009) (“Following five days of testimony, the jury rendered a verdict in Bridgeport's favor, finding UMG liable for \$22,245 in actual damages and \$88,980 in statutory damages. Bridgeport then elected statutory damages and the district court entered judgment in Bridgeport's favor.”); *Kiva Kitchen*, 319 Fed. Appx. at 320 (“[O]ur review of the case law suggests that a plaintiff is authorized to make an informed election of remedy even after the jury has rendered a verdict, with knowledge of the amount of both

³ This ignores the possibility of asking the jury to stay on for a third-stage of trial on actual damages or to reconvene a second jury for this purpose. The court is not prepared to embrace either of these options.

awards.”); *Cotter v. Christus Gardens, Inc.*, No. 99-5996, 2000 WL 1871698, at *2 (6th Cir. Dec. 12, 2000) (“The jury . . . awarded Cotter \$100,000 in statutory damages. Alternatively, the jury awarded Cotter \$153,355 in actual damages.”).

The court has amended the proposed jury instructions in an attempt to set out, as clearly as possible, the jury’s role in deciding *alternative* damages. The amended jury instructions are attached to this order. The parties will have an opportunity to address these instructions at the end of the first day of trial.

Entered this 9th day of March, 2012.

BY THE COURT:

/s/

WILLIAM M. CONLEY
District Judge

CLOSING INSTRUCTIONS ON DAMAGES

1. Summaries of Evidence

In this case, you have been presented with financial information about the costs of printing and distributing *A Cup of Chicken Soup for the Soul*, and the royalties paid to the authors. For the sake of convenience, you were not presented with the defendants' original records, but rather with summaries of the evidence. To the extent disputed, the original material used to create those summaries are also in evidence. It is up to you to decide if the disputed summaries are accurate.

2. Damages Generally

[In awarding damages you must only consider plaintiff's damages and defendants' profits that occurred between November 17, 2007 and the present.]¹

[In awarding damages, you must consider all damages that occurred from the time defendant(s) began infringing until the present.]²

At the damages phase, plaintiff continues to have the burden of proof. For certain damages calculations, however, if plaintiff proves some amount of damages, defendants may prove that those damages should be less. In these rare instances, I will explain to you that defendants have the burden of proving something. What is key to remember is that the party with the burden of proof – whether plaintiff or defendant -- must convince you by a preponderance of evidence, meaning that something is more likely than not.

¹ If jury finds that plaintiff knew or should have known about defendants' infringement before November 17, 2007.

² If jury finds that plaintiff did not know, and need not have known, about defendants' infringement before November 17, 2007. (See Court's Summary Judgment Opinion, dkt. #98, pp. 18-19.)

[In a copyright case, a plaintiff may choose to receive an award based on his actual losses, or, alternatively, based on an amount called “statutory damages.” I will define these terms in the following instructions. [7th Cir. 12.8.1] Accordingly, you must decide on an award for both actual and statutory damages, answering each question without regard to the other. In other words, you must first decide actual damages. Then, you must decide statutory damages, putting the amount you awarded for actual damages completely out of mind. The plaintiff will choose only one. Under either award, there is no place here for punitive damages (damages designed to punish a defendant), and you should not award any. [Nimmer §14.02[C][3]]

3. Actual Damages

a. Monetary Harm to Plaintiff

When you are asked to calculate monetary harm, you must add up all money and potential income that you reasonably believe has been lost by plaintiff because of the infringement. Examples of monetary harm from copyright infringement include:

- A decrease in the market value of the copyrighted work caused by the infringement.
- Profits that plaintiff proves he would have made without the infringement. Profits are the revenue plaintiff would have made on sales he would have made without the infringement, less any additional expenses he would have incurred in making the sales.

- What a willing buyer reasonably would have paid plaintiff to obtain a license to copy, use or sell plaintiff's copyrighted work. [7th Circuit Jury Instructions 12.8.2]

A plaintiff claiming lost revenues as monetary harm has the burden of establishing the existence of a causal connection between defendants' infringement and the plaintiff's loss of anticipated revenue. [Nimmer § 14.02[A][1]].

You should determine the total amount of harm as to each of the two acts of infringement: first, the Chicken Soup book (question 1), and second, the American Greetings cards (question 3). For each act of infringement, you should also allocate the harm among the defendants based on their culpability.

b. Defendants' Profits

In addition to recovering for his monetary harm, plaintiff is entitled to recover the profits that a defendant made because of the infringement. A defendant's profits are recoverable, however, only to the extent that you have not taken them into account in determining plaintiff's monetary harm.

A defendant's profits are the revenues that the defendant made because of the infringement, minus the defendant's expenses in creating, producing, distributing, marketing, and selling the infringing products. Plaintiff need only prove the amount of a defendant's total revenues from an infringing product. Defendant must prove what portion of that revenue is profit -- in other words, it must prove its own expenses in creating and selling the product. Defendant may also prove that a portion of its profit

resulted from factors other than the use of plaintiff's copyrighted work in the product.
[7th Circuit Jury Instructions 12.8.3]

When calculating the profits earned by a book publisher, royalties paid to the author are deductible from revenue as expenses. So is the share of the publisher's costs, such as electricity and shipping fees, attributable to producing the infringing works. However, fixed costs, such as rent on buildings or salaries of regular employees, that would have to be paid anyway whether defendants produced the infringing work or not, are not deductible. Defendants have the burden of proof.

If a defendant seeks to distinguish between profits that were gained as a result of using the "Faith" poem in the infringing work, and profits it would have earned without using that poem, it must provide evidence sufficient to provide a fair basis of division. Here, defendants have the burden of proof. This evidence need not be mathematically exact, but it must allow for a reasonable approximation. A defendant's burden is to demonstrate the absence of a causal link between the infringement and all or part of the profits generated by the infringing work. To this end, it may seek to show that customers would have purchased the infringing work even without the poem, because of other positive attributes of the work, such as its non-infringing content or the fame of the authors and the series. Defendants have the burden of proof.

4. Statutory Damages

Statutory damages are an alternative to the award of actual damages. You may award as statutory damages an amount that you find to be fair under the circumstances.

The amount must be between [\$750 and \$30,000] [\$750 and \$150,000].³ You should allocate the amount you choose among the defendants based on their culpability.

In determining the appropriate amount to award, you may consider the following factors:

- the expenses that one or more defendants saved and the profits that they earned because of the infringement;
- the revenues that plaintiff lost because of the infringement;
- the difficulty of proving plaintiff's actual damages;
- the circumstances of the infringement;
- whether one or more defendants intentionally infringed plaintiff's copyright; and
- deterrence of future infringement. [7th Circuit Jury Instructions 12.8.4]

³ Depending on whether the jury finds that defendants willfully infringed.