

1 Erin R. Ranahan (SBN: 235286)
eranahan@winston.com
2 Diana Hughes Leiden (SBN: 267606)
dhleiden@winston.com
3 Kelly N. Oki (SBN: 304053)
koki@winston.com
4 WINSTON & STRAWN LLP
333 South Grand Avenue
5 Los Angeles, CA 90071
Telephone: (213) 615-1700
6 Facsimile: (213) 615-1750

7 Attorneys for Defendants,
AXANAR PRODUCTIONS, INC.,
8 and ALEC PETERS

9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**

11
12 PARAMOUNT PICTURES
CORPORATION, a Delaware
13 corporation; and CBS STUDIOS INC., a
Delaware corporation,

14 Plaintiffs,

15 vs.

16 AXANAR PRODUCTIONS, INC., a
17 California corporation; ALEC PETERS,
an individual; and DOES 1-20,

18 Defendants.
19
20
21

Case No. 2:15-cv-09938-RGK-E

Assigned to: Hon. R. Gary Klausner

**DEFENDANTS AXANAR
PRODUCTIONS, INC., AND ALEC
PETERS' BRIEF REGARDING
STATUTORY DAMAGES**

Pretrial Conference: January 9, 2017
Trial Date: January 31, 2017

1 **I. INTRODUCTION**

2 Plaintiffs have not yet elected whether they will seek to recover their actual
3 damages or statutory damages at trial. Regardless of Plaintiffs’ election, Defendants
4 will offer at trial evidence and testimony regarding Plaintiffs’ lack of actual damages
5 resulting from Defendants’ alleged infringement, including testimony from Christian
6 Tregillis, an expert with a background in finance, economics, and accounting.
7 Pursuant to the Court’s instructions at the January 9, 2017 pretrial conference, and in
8 further support of their Oppositions to Plaintiffs’ Motions *in Limine* to exclude certain
9 evidence, Defendants Axanar Productions, Inc. and Alec Peters (“Defendants”) hereby
10 submit their brief regarding the relevance of any actual damages suffered by Plaintiffs
11 to the jury’s determination of the appropriate amount of statutory damages (if any),
12 and the relevance of other evidence and testimony to the statutory damages factors.
13 Defendants respectfully request that, in the event that Plaintiffs seek to recover
14 statutory damages, the Court permit Defendants to present evidence to the jury
15 regarding *all* of the factors relevant to the analysis, including Plaintiffs’ lost revenues
16 (or lack thereof) and the conduct and attitude of the parties.

17 **II. THE MEASURE OF PLAINTIFFS’ ACTUAL DAMAGES IS DIRECTLY**
18 **RELEVANT TO THE APPROPRIATE SCOPE OF STATUTORY**
19 **DAMAGES**

20 Section 504 of the Copyright Act provides that “[t]he copyright owner may
21 elect, at any time before judgment is rendered, to recover, instead of actual damages
22 and profits, an award of statutory damages for all infringements involved in the action,
23 with respect to any one work, for which any one infringer is liable individually, or for
24 which any two or more infringers are liable jointly and severally, in a sum not less
25 than \$750 or more than \$30,000 as the court considers just.” 17 U.S.C. § 504(c)(1).
26 This award may be increased to a maximum of \$150,000 per work if the defendant’s
27 conduct was willful, or down to a minimum of \$200 per work for innocent
28 infringement. 17 U.S.C. § 504(c)(2). In *Feltner v. Columbia Pictures Television,*
Inc., 523 U.S. 340 (1998), the Supreme Court held that the Seventh Amendment of the

1 U.S. Constitution requires a jury trial to determine the amount of statutory damages in
2 a copyright case. *Id.* at 353. Thus, if the jury finds Defendants liable for copyright
3 infringement here, they will have sweeping discretion to determine the scope of
4 statutory damages. *Harris v. Emus Records Corp.*, 734 F.2d 1329, 1335 (9th Cir.
5 1984) (the jury “has wide discretion in determining the amount of statutory damages
6 to be awarded, constrained only by the specified maxima and minima.”).

7 The Supreme Court has held that the calculation of appropriate statutory
8 damages should be based on “what is just in the particular case, considering the nature
9 of the copyright, the circumstances of the infringement and the like” *F.W.*
10 *Woolworth Co. v. Contemporary Arts Inc.*, 344 U.S. 228, 232 (1952) (quoting *L.A.*
11 *Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 100, 106 (1919)). The question
12 of what “the like” means has been answered by courts in this District and beyond.
13 Specifically, courts have determined that the following factors as relevant to
14 informing a jury’s determination of statutory damages: (1) the expenses saved and the
15 profits reaped, (2) the revenues lost by the plaintiff, (3) the value of the copyright, (4)
16 the deterrent effect on others besides the defendant, (5) whether the defendant’s
17 conduct was willful, (6) whether a defendant has cooperated in providing particular
18 records from which to assess the value of the infringing material produced, (7) the
19 potential for discouraging the defendant, and (8) the conduct and attitude of the
20 parties. *Coach, Inc. v. Am. Fashion Gift*, CV 12-07647-MWF RZX, 2013 WL 950938,
21 at *2 (C.D. Cal. Mar. 12, 2013); *Coach, Inc. v. Diva Shoes & Accessories*, No. 10–
22 5151 SC, 2011 WL 1483436, at *6 (N.D. Cal. Apr. 19, 2011); *see also Bryant v.*
23 *Media Right Prods., Inc.*, 603 F.3d 135, 144 (2d Cir. 2010).¹

24 Furthermore, because statutory damage awards can be designed to punish an

25 ¹ The U.S. Department of Commerce recently recommended amending Section 504(c)
26 to explicitly refer to factors relevant to statutory damage awards, including “[t]he
27 plaintiff’s revenues lost” and “[i]n cases involving infringement of multiple works,
28 whether the total sum of damages, taking into account the number of works infringed
the number of awards made, is commensurate with the overall harm caused by the
infringement.” *White Paper on Remixes, First Sale, and Statutory Damages*, The
Dept. of Comm. Internet Policy Task Force (Jan. 2016), at 88.

1 infringer, these awards must comport with the due process limitations that courts
2 apply to evaluate punitive damages. *See, e.g., Bridgeport Music, Inc. v. Justin Combs*
3 *Publ'g*, 507 F.3d 470, 486-90 (6th Cir. 2007). The statutory damage determination
4 should be based on “legal standards that provide reasonable constraints within which
5 discretion is exercised, that assure meaningful and adequate review by the trial court
6 ..., and permit appellate review [that] makes certain that the punitive damages are
7 reasonable in their amount and rational in light of their purpose to punish what has
8 occurred and to deter its repetition.” *BMW of North Am., Inc. v. Gore*, 517 U.S. 559,
9 578 (1996). In fact, “a number of courts have recognized that an award of statutory
10 damages may violate due process if the amount of the award is ‘out of all reasonable
11 proportion’ to the actual harm caused by a defendant’s conduct.” *In re Napster, Inc.*,
12 No. C. MDL-00-1369 MHP, 2005 WL 1287611, at *10 (N.D. Cal. June 1, 2005).

13 Thus, not only are a plaintiff’s lost revenues or other measure of actual damages
14 indisputably relevant to the statutory damages inquiry, but in light of the due process
15 concerns outlined above, such damages must bear some relation and proportion to
16 actual harm caused by the infringement, even if the defendant’s conduct is held to be
17 willful. *Muppets Studio, LLC v. Pacheco*, CV 12-7303 JGB FFMX, 2013 WL
18 2456617, at *1 (C.D. Cal. June 6, 2013); *DFSB Kollektive Co., Ltd. v. Tran*, No. 11-
19 CV-01049-LHK, 2011 WL 6730678, at *9 (N.D. Cal. Dec. 21, 2011) (“[i]n awarding
20 statutory damages, courts in this District have considered whether the amount of
21 damages requested bears a ‘plausible relationship’ to the plaintiff’s actual damages”);
22 *Adobe Sys., Inc. v. Tilley*, C 09-1085 PJH, 2010 WL 309249, at *5 (N.D. Cal. Jan. 19,
23 2010) (“courts . . . have considered whether the amount of damages requested bears a
24 ‘plausible relationship’ to the plaintiff’s actual damage”); *Van Der Zee v. Greenidge*,
25 2006 WL 44020, at *2 (S.D.N.Y. 2006) (statutory damages must “bear some relation
26 to actual damages suffered.”); *see also* 4 Nimmer on Copyright § 14.04 [B][1][a]
27 (2005) (“the determination of statutory damages within the applicable limits may turn
28 upon such factors as . . . the revenues lost by the plaintiffs as a result of the

1 defendant's conduct ...").

2 Indeed, consideration of the plaintiff's financial harm is often a key factor in
3 determining appropriate statutory damages. *Muppets*, 2013 WL 2456617, at *2 (while
4 the plaintiff showed that the defendant had "demonstrate[ed] willfulness" in copying
5 Muppets characters, the court found that the plaintiff "has not provided the Court with
6 evidence that the requested amount is proper under the factors listed above" because
7 "[t]here is no evidence of actual profits, or how the introduction of these items
8 specifically affected Plaintiff's profit."); *Rovio Entm't Ltd v. Royal Plush Toys, Inc.*,
9 No. C 12-5543 SBA, 2014 WL 1153780, at *2 (N.D. Cal. Mar. 20, 2014) (awarding a
10 statutory damages amount that was "plausible" based on actual damages because
11 "courts . . . have considered whether the amount of damages requested bears a
12 'plausible relationship' to the plaintiff's actual damage."); *Symantec Corp. v. Logical*
13 *Plus, Inc.*, No. C 06-7963 SI, 2010 WL 2330388, at *3 (N.D. Cal. June 4, 2010)
14 (holding that the amount of damages sought by Symantec was "too high" given the
15 plaintiff's "modest profits"); *Nexon Am. Inc. v. Kumar*, No. 2:11-CV-06991-ODW,
16 2012 WL 1116328, at *5-7 (C.D. Cal. Apr. 3, 2012); *Chan Luu, Inc. v. Guang Gao*
17 *d/b/a Wrapbraceletshut.com*, No. CV 13-2997 FMO (JCx), 2014 WL 12567141, at *7
18 (C.D. Cal. Jan. 27, 2014) (revising statutory damage award downward where the
19 plaintiff failed to provide evidence of actual damage and noting that granting the
20 plaintiff's requested award without being able to compare it to actual damages would
21 go "far beyond what is necessary to address any deterrence considerations").

22 **III. IF PLAINTIFFS ELECT STATUTORY DAMAGES, DEFENDANTS**
23 **SHOULD BE PERMITTED TO OFFER EVIDENCE RELATING TO**
24 **ALL RELEVANT FACTORS**

25 If Plaintiffs seek to recover their actual damages, it is indisputable that
26 Defendants should be permitted to present the testimony of Mr. Tregillis regarding
27 deductible costs and expenditures as well as Plaintiffs' lack of actual damages
28 generally. For the reasons set forth above, if Plaintiffs elect to seek to recover
statutory damages rather than actual damages, Defendants should not be precluded

1 from presenting evidence at trial that would otherwise be relevant to actual damages.
2 Given the due process concerns with awarding statutory damages that bear no relation
3 to actual damages, Defendants should be entitled to present the same evidence that
4 they would be permitted to present regarding actual damages, including Mr. Tregillis'
5 economic analysis. Furthermore, it is critical that the jury be permitted to hear
6 relevant evidence relating to *all* of factors that courts have found inform the jury's
7 broad discretion in determining a just amount of statutory damages. Therefore,
8 Defendants should also be permitted to present the following evidence, which is
9 described in further detail in Defendants' Oppositions to Plaintiffs' Motions *in Limine*
10 Nos. 3, 4, 5, 6, 7, and 10 (ECF Nos. 173, 174, 175, 176, 177 and 180):

11 • Public statements made by J.J. Abrams and Justin Lin (at a Star Trek
12 promotional event and on Twitter) announcing their support for Star Trek fans and the
13 alleged end of this lawsuit, because these statements tend to show that in creating the
14 *Axanar* Works, Defendants acted in good faith and with the reasonable belief that they
15 were operating within the enduring tradition of accepted and celebrated Star Trek-
16 inspired fan fiction, which is relevant to Defendants' willfulness and state of mind at
17 the time of the alleged infringement, Plaintiffs' lack of actual damages, as well as the
18 "conduct and attitude of the parties."

19 • Testimony of Reece Watkins, an *Axanar* donor who spent more money
20 on official merchandise sold by Plaintiffs as a result of watching Defendants' works,
21 which reinvigorated his love for Star Trek, because it is relevant to concrete benefits,
22 rather than harm, conferred on Plaintiffs as a result of the alleged infringement.

23 • Evidence of Mr. Peters' history and past work with Plaintiffs, which is
24 relevant to Defendants' state of mind at the time of the alleged infringement, in
25 particular Defendants' innocent intent and lack of willfulness.

26 • Evidence relating to third party Star Trek fan films (including the
27 testimony of Jonathan Lane) because the backdrop of fan film culture gives critical
28 context to Defendants' state of mind at the time of the alleged infringement. Mr.

1 Lane’s testimony regarding the existence of many other Star Trek fan productions that
2 were neither prevented nor even addressed by Plaintiffs shows that Plaintiffs did not
3 believe these productions caused significant harm to the value of their works and that
4 Plaintiffs arguably embraced the free promotional value of a robust fan production
5 tradition, which is relevant to Defendants’ willfulness, revenues lost by Plaintiffs, the
6 potential for discouraging Defendants’ conduct, the conduct and attitude of the parties,
7 and the benefit to the Plaintiffs from Defendants’ conduct.

8 • Testimony of Dr. Henry Jenkins regarding the historical and ongoing
9 relationships between the creators and producers of Star Trek, and Star Trek fans;
10 Plaintiffs’ history and practice of tolerating and sanctioning fan fiction, fan film, and
11 other fan uses of aspects of Star Trek; the social value and productivity of fan
12 creations; and the perceived benefits to Plaintiffs of fan works such as those of
13 Defendants. Dr. Jenkins’s testimony is directly relevant to assessing Plaintiffs’
14 damages theories, whether Defendants’ conduct was willful or innocent, and the
15 attitude and conduct of the parties.

16 **IV. IN THE ALTERNATIVE, IF DEFENDANTS ARE PRECLUDED FROM**
17 **OFFERING EVIDENCE REGARDING PLAINTIFFS’ LACK OF**
18 **ACTUAL DAMAGES, PLAINTIFFS SHOULD BE PRECLUDED FROM**
19 **OFFERING EVIDENCE OF DEFENDANTS’ PURPORTED “PROFITS”**

20 Plaintiffs have indicated that they will rely upon Defendants’ interim financial
21 information and notes of costs and expenditures to attempt to show at trial that
22 Defendants have profited off of the alleged infringements and that Defendants’ works
23 were “commercial” in nature. *See* Plaintiffs’ Motion *in Limine* No. 1. Defendants
24 have requested that the Court permit the introduction of a later, more accurate and
25 complete financial summary in the event that this evidence is allowed in. *See*
26 Defendants’ Opposition to Plaintiffs’ Motion *in Limine* No. 1 (ECF No. 171) at 6
27 (“The Second Financial Summary provides information regarding ... deductible
28 expenses, and demonstrates that Defendants made no profit off of their works, as
recognized by the Court. Thus, it would be misleading and inaccurate for the jury to

1 consider only the amount of money raised by Defendants, and the First Financial
2 Summary, when determining damages at trial.”); *see also* ECF No. 163 (Order Re:
3 Plaintiffs’ Motion for Partial Summary Judgment and Defendants’ Motion for
4 Summary Judgment) at 10 (“Defendants [did] not profit directly from distributing
5 their works.”).

6 In the event that the Court excludes Defendants’ evidence and testimony related
7 to actual damages (or otherwise limits Defendants’ time at trial) on the basis that the
8 measure of Plaintiffs’ actual damages is not relevant to the statutory damages inquiry,
9 Plaintiffs should likewise be precluded from introducing any evidence or testimony of
10 Defendants’ purported “profits.” It would be patently unfair for Plaintiffs to be
11 permitted to offer evidence of profits associated with the allegedly infringing works if
12 Defendants are unable to rebut that evidence with testimony from Mr. Tregillis
13 regarding deductible costs and expenditures as well as Plaintiffs’ lack of actual
14 damages generally. Plaintiffs should not be permitted to stack the deck with evidence
15 of so-called “profits” that the jury could take into consideration in determining the
16 appropriate level of statutory damages without the benefit of a full and accurate
17 financial picture.

18 **V. CONCLUSION**

19 For all of these reasons, the Court should permit Defendants to present evidence
20 and testimony regarding Plaintiffs’ lack of actual damages even in the event that
21 Plaintiffs elect to seek to recover statutory damages, and should not limit Defendants’
22 time to present their case as a result of Plaintiffs’ election. Defendants should also be
23 permitted to present all of the evidence outlined above in Section III, which is relevant
24 to the various statutory damages factors. Finally, if Defendants are precluded from
25 offering evidence regarding Plaintiffs’ lack of actual damages, Plaintiffs should be
26 precluded from presenting any documents or testimony regarding Defendants’ alleged
27 “profits” associated with the allegedly infringing works.

28

1 Dated: January 18, 2017

WINSTON & STRAWN LLP

2
3 By: /s/ Erin R. Ranahan
4 Erin R. Ranahan
5 Attorneys for Defendants,
6 AXANAR PRODUCTIONS, INC.
7 and ALEC PETERS
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28