

Rock, Paper, Statutory Damages: Fifth Circuit Holds Statutory Damages Beat Mitigation Defenses

***Energy Intelligence Grp., Inc. v. Kayne Anderson Capital Advisors, L.P.*, No. 18-20350, 2020 WL 219008 (5th Cir. Jan. 15, 2020)**

By: Manon Burns and Lisa Holubar | January 24, 2020

On two issues of first impression, the Fifth Circuit held that mitigation was not an absolute defense to statutory damages under the Copyright Act, and not a complete defense to Digital Millennium Copyright Act (“DMCA”) statutory damages.

Oil Daily is a newsletter published by Plaintiff EIG; it analyzes the North American oil industry. Defendants Kayne Anderson¹ collectively are an investment firm whose business is tied to energy securities, and from 2004 to 2014, a partner at Defendants purchased a subscription to *Oil Daily*. In violation of the *Oil Daily* subscription terms, however, that partner shared² the newsletter with additional Kayne Anderson employees and others, each of whom had no subscription. EIG found out about the unauthorized sharing in 2007 and in 2014, it filed suit for copyright infringement and violations of the DMCA, seeking statutory damages.

In defense of its actions, one of Kayne Anderson’s defensive theories was mitigation, specifically, that if EIG had pursued action earlier, then Kayne Anderson’s subsequent infringement could have been avoided, and thus EIG should not receive damages for later infringing acts. At trial, the jury held that EIG could have mitigated many of the instances of infringement, and EIG was ultimately awarded statutory damages for only thirty-nine of the infringed works (rather than the 1,646 possible for copyright infringement and 425 violations of the DMCA), as well as partial attorney’s fees and costs. Both parties appealed to the Fifth Circuit.

EIG’s appeal concerned whether the alleged failure to mitigate could be a complete defense to copyright and DMCA statutory damages, rather than just a limiting factor on the amount of damages. The Fifth Circuit ultimately determined that the failure to mitigate is not a complete defense.

In its reasoning, the Fifth Circuit determined that both the nature of the common law principle of mitigation and the Copyright Act’s and DMCA’s statutory purposes mandated that mitigation could not be a complete defense. The purpose of statutory damages within the Copyright Act is as a significant deterrent to infringement in addition to providing copyright owners compensation. Further, mitigation is meant to apply to post-injury consequential damages, not preventing damage before an injury occurs. While a plaintiff’s consequential damages may be relevant to the amount

¹ Defendants Kayne Anderson Capital Advisors, LP and Kayne Anderson Fund Advisors, LLC (“KA”) collectively are a boutique investment firm. In 2004, KA began purchasing an annual *Oil Daily* subscription for KA partner James Baker

² The partner shared the newsletter by allowing others to use his login credentials and later, by forwarding PDF copies of the newsletter.

of statutory damages to which the plaintiff is entitled, the failure to mitigate those damages is not a bar to receiving the deterrent statutory damages.

This holding may mean increased liability for infringing a large number of works over a period of time when copyright plaintiffs seek statutory damages. Mitigation, however, may still be a complete defense to actual damages.