2007

Protecting Fair Use with Fogerty: Toward a New Dual Standard

John A. Fonstad
University of Michigan Law School

Follow this and additional works at: https://repository.law.umich.edu/mjlr
Part of the Intellectual Property Law Commons, Legislation Commons, and the Litigation Commons

Recommended Citation
Available at: https://repository.law.umich.edu/mjlr/vol40/iss3/5

This Note is brought to you for free and open access by the University of Michigan Journal of Law Reform at University of Michigan Law School Scholarship Repository. It has been accepted for inclusion in University of Michigan Journal of Law Reform by an authorized editor of University of Michigan Law School Scholarship Repository. For more information, please contact mlaw.repository@umich.edu.
Copyright law exists to promote the progress of art and science. It achieves this by balancing limited grants of rights to authors against public access to works. However, copyright holders have upset this balance and tilted the law in their favor. One cause of this phenomenon is that the benefit of public access to works is diffused throughout the entire public while the benefit of rights in works is concentrated in the copyright holder. This problem is especially prevalent in the context of litigation where copyright holders (plaintiffs) often stand to gain more through victory than copyright users (defendants). As a result of imbalanced litigation incentives, the fair use doctrine, a doctrine meant to preserve the balance of copyright law that relies on litigation for its development and efficacy, is often rendered nugatory despite the merits of the defendant’s case. This Note contends that the current implementation of the Copyright Act’s version of attorney fee shifting does not solve this problem and, in many cases, actually compounds it. This Note also argues for a new interpretation of the Supreme Court’s mandate of “even-handed” treatment of copyright plaintiffs’ and defendants’ fee petitions. Rebalancing litigation incentives would restore fair use and refocus copyright law on the promotion of progress.

[Flair use in America simply means the right to hire a lawyer to defend your right to create. And as lawyers love to forget, our system for defending rights such as fair use is astonishingly bad—in practically every context, but especially here.

—Lawrence Lessig

INTRODUCTION

Lawrence Lessig termed the Constitution’s Intellectual Property Clause the “Progress Clause” because the command “to promote progress” circumscribes Congress’s legislative jurisdiction. Grants of intellectual property rights, such as copyrights, exist to benefit
the public good. Copyright owners' private rights are merely the means of promoting the progress of science and art. Copyright law facilitates an exchange: an author provides the public with a creative contribution and receives temporary rights in his work. However sensible a concept, implementing the quid pro quo between public and private rights is often confounding. Recent projects that utilize copyrighted material, such as Google's Book Search, demonstrate that copyright holders and users often disagree about what constitutes the proper balance of exchange.

The exact allocation of rights to copyright holders and users that will maximize creative progress is unknown. Copyright holders and copyright users invariably bemoan the current state of the law as being too favorable to the other side. However, the consensus view is that copyright holders have used legislation and litigation to expand their rights beyond a level that most efficiently promotes progress.


6. Google Book Search is a collaborative project between Google and large libraries to digitize books both in and out of copyright. See generally What is Google Book Search?, http://books.google.com/googlebooks/about.html (last visited Jan. 19, 2007) (on file with the University of Michigan Journal of Law Reform). Each scanned book is placed in Google's Internet-searchable database. Id. Google claims that this is a fair use of works in copyright because users who search the database are only allowed to see a small portion of any copyrighted work. Id. The American Association of Publishers and the Authors Guild have filed suit against Google, alleging massive copyright infringement. Id. A number of Google's recent projects have been near the boundaries of copyright law. See Kevin J. Delany & Brooks Barnes, Image Control: For Soaring Google, Next Act Won't Be as Easy as the First, WALL ST. J., June 30, 2005, at A1.


8. Jane C. Ginsburg, How Copyright Law Got a Bad Name for Itself, 26 COLUM. J.L. & ARTS 61, 61-62 (2002) ("I can summarize it in one word: Greed."). All people and corporations both own copyrights and use material copyrighted by others. However, some rely on copyright ownership to generate profits more than others. While copyright users normally have interests that align with the most expansive interpretation of the public domain, their interests can diverge. See infra text accompanying notes 44-47.

9. See infra Part I. Of course, this does not prove that copyright law is now "unbalanced." It is possible that copyright law previously was "unbalanced" in favor of the public domain and, thus, recent shifts might merely reflect a rebalancing. Moreover, the status quo is always technically "balanced" because Congress and the courts define the baseline of bal-
While the notion of a constitutional balance to optimize progress is abstract, its implementation within subtopics of copyright law has important implications for the development of the law and creative works. This Note will address the balance of public and private rights embodied in copyright’s fair use doctrine. “Fair use” limits copyright holders’ rights by permitting certain acts of copying copyrighted material. The scope of fair use protection varies according to the purpose of the copying, the amount copied, the nature of the copyrighted work, and the effect the use of the copied material will have on the market for the copyrighted work. Due to copyright holders’ gains in other aspects of copyright law, greater emphasis has been placed on fair use’s ability to preserve the public domain. However, fair use is a “fuzzy” topic that, despite its codification in 17 U.S.C. § 107, relies heavily on the judiciary to “fill in the substantial gaps” in the doctrine.

Litigation plays an important role in defining and maintaining the balance of rights in copyright law. Depending on the facts of a lawsuit, a victorious copyright plaintiff or defendant could advance the paramount interest of promoting progress. Litigation is

10. See, e.g., JULIE E. COHEN ET AL., COPYRIGHT IN A GLOBAL INFORMATION ECONOMY 6 (2002) (“Simply pointing to the constitutional language, however, masks the complexity . . . .”).


12. 17 U.S.C. § 107(1)-(4) (laying out these four factors).

13. The public domain represents the realm of free legal uses of another person’s work. See infra text accompanying notes 64-70. In the context of computers and electronic copies, Lessig writes, “those who would defend the unregulated use of copyrighted work must look exclusively to . . . fair use[], to bear the burden of this shift.” LESSIG, supra note 1, at 143.

14. LESSIG, supra note 1, at 292.

15. Sag, supra note 11, at 419. While fair use was codified in the Copyright Act of 1976, this action merely gave the common law tradition of fair use Congress’s imprimatur. H.R. REP. No. 94-1476, at 66 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5680. Sag continues by compiling and suggesting ways in which judges can craft the doctrine of fair use. Sag, supra note 11, at 419-35. Suggestions for the judicial improvement of fair use assume the prerequisite of an effective adversarial system.

16. While both plaintiffs and defendants can assert copyright claims, see, e.g., Fogerty v. Fantasy, Inc., 510 U.S. 517, 526 (1994), for the purposes of this Note “plaintiff” refers to a copyright owner and “defendant” to an alleged infringer.

17. The promotion of progress requires a balanced mix of public and private rights. If copyright defendants win too often, progress would not be promoted because authors would lose an incentive to create works. If copyright plaintiffs win too often, progress would not be promoted because the public’s right to access works would be unduly impaired. See, e.g.,
especially important in the context of fair use because the doctrine contemplates a large role for the courts. The judicial resolution of disputes can both clarify legal issues within copyright law and lead to evolutions in the law. "The process of demarcation occurs, in most cases, only through repeated litigation of difficult issues." If litigation is to play a role in defining fair use, plaintiffs and defendants must have "the will to litigate." Copyright holders (plaintiffs) and users (defendants) must have an equally vigorous incentive and desire to litigate or else copyright law will tilt in favor of the side most vigorously litigating.

In order to encourage both copyright holders and copyright users to vigorously defend their relative positions, Congress enacted § 505 of the Copyright Act. Section 505 allows a discretionary award of fees, including attorney's fees, to the prevailing party in a copyright suit. Lower court interpretations of § 505 have varied: some circuits provided prevailing plaintiffs and defendants equal access to a fee award, while other circuits provided an easy means for plaintiffs to recover, but a heightened standard for defendants. In Fogerty v. Fantasy, Inc., the Supreme Court ruled that prevailing plaintiffs and defendants must be accorded "evenhanded" consideration of petitions for attorney's fees. Rejecting the alternate "dual" standard, which encouraged awarding fees to prevailing plaintiffs, but discouraged them for prevailing defendants, the Court explained, "[D]efendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate them to the same extent that plaintiffs are encouraged to

---

18. See, e.g., Sag, supra note 11, at 410–11.
21. Lawrence & Timberg, supra note 19, at 370 (arguing that uneven litigation incentives could help shape the evolution of the law).
22. See infra text accompanying notes 101–123.
24. See infra text accompanying notes 113–121.
26. Id. at 520–21.
litigate meritorious claims of infringement.\footnote{27} However, despite \textit{Fogerty}'s potential to ensure evenhanded awards of attorney's fees, many commentators have suggested that the judicial application of § 505 after \textit{Fogerty} has scarcely changed.\footnote{28}

This Note extends the criticisms regarding the implementation of § 505 to the specific context of fair use and proposes an alternate interpretation of the \textit{Fogerty} standard in fair use cases that would encourage fair use defenses. Part I recounts the origins of the copyright imbalance and the inherent advantages of copyright holders that threaten the constitutional purpose of copyright law and chip away at doctrines that protect the public domain. Part II addresses fair use's practical inability to protect the public's right of access to copyrighted materials and to correct imbalances between copyright holders' and users' rights. Part III demonstrates that the current interpretation of \textit{Fogerty} and copyright's fee shifting statute fails to encourage the assertion of meritorious fair use defenses. Finally, Part IV proposes a new standard that courts should apply in assessing the petitions for attorney's fees in fair use cases. The proposed standard better achieves the Supreme Court's mandate of evenhandedness by promoting evenhanded incentives for litigation, rather than merely equal opportunities for an award of attorney's fees.

\section{I. The Origins of the Copyright Imbalance}

Because the existence or non-existence of intellectual property rights represents a zero-sum game situation, the balance between the rights of copyright holders and copyright users is under constant pressure. When one side gains an edge in political clout, legal doctrines, or new technology, the balance necessarily shifts. In recent years, many commentators have argued that the balance in copyright law has been tilting in favor of copyright holders.\footnote{29} While recent legislation most clearly reflects this shift, litigation is equally responsible. As the public domain becomes more constricted, fair
use is gaining increasing emphasis as a defense in litigation. However, the ability to assert a fair use defense is also a target of copyright holders in litigation and legislation. The copyright market itself gives copyright holders a legislative and litigious advantage. Because five corporations control eighty-five percent of media sources, copyright ownership is highly concentrated. While copyright holders are also copyright users, the large number of valuable copyrights held by each entity encourages them to push for greater rights. Due to the size of their collections of copyrights, large copyright holders have an incentive to lobby and litigate because even small expected returns for any individual copyright can be aggregated into large profits.

The efforts of large copyright holders to expand their rights in valuable works further constrains the public domain by expanding the rights of all copyright holders and restricting access to less valuable copyrights. Rules and judicial decisions made in response to the arguments of large copyright holders—who are focused on protecting their valuable copyrights—equally apply to all copyrighted works. Thus, doctrines protective of valuable copyrights also protect valueless copyrights, which constrains the public domain by denying copyright users access to copyrights that are nearly devoid of value to the owner. Similarly, small copyright holders, who otherwise could not afford to invest in lobbying and litigation, benefit from the lobbying and litigation of large copyright holders. This expansion of rights constrains public access to copyrighted works in two ways. First, the expansion of rights creates a windfall for all copyright holders in licensing negotiations. Copyright holders can demand licenses more frequently due to the expanded scope of their rights and at

30. See generally Sag, supra note 11, at 382–83, 435.
31. See infra text accompanying notes 65–71 (legislation) and notes 77–99 (litigation).
33. 33. LESSIG, supra note 1, at 216–18; see also Ginsburg, supra note 8, at 61–62. There has been increasing stress on profiting from intellectual property assets. See SETH SHULMAN, OWNING THE FUTURE 3, 15 (1999) (stating that we are in a "gold rush on knowledge assets"). While altruism is not expected, copyright holders’ efforts to enhance their rights contribute to the imbalance in copyright law.
34. See PATTERSON & LINDBERG, supra note 3, at 240.
35. See, e.g., LANDES & POSNER, supra note 17, at 221; LESSIG, supra note 1, at 221–22.
36. LANDES & POSNER, supra note 17, at 221.
higher rates due to their greater rights. Second, because the identity of many small copyright holders is unknown (creating the "orphan works" problem), greater rights make it more difficult for a copyright user to use an orphaned work. Because large copyright holders have expanded the rights of all copyright holders, a copyright user can never be certain that a small copyright holder or a holder of a valueless copyright would neither notice any infringement nor litigate fair use. The potential user may be deterred from an arguably fair use of the copyrighted material.

While the incentive for concentrated copyright holders to aggressively expand their rights contributes to the imbalance of rights in copyright law, the disincentives for copyright users to push back exacerbates the imbalance. Relative to large copyright holders, copyright users, as beneficiaries of the public domain, suffer from a public goods problem. Individual members of the general public receive negligible benefits from an expanded public domain. Even if the aggregate benefit to the public domain exceeds the cost of lobbying or litigation, the public domain normally lacks an advocate because no discrete group of copyright users could capture enough of the gains to justify their expenditures in defense of the public domain. The public goods problem has been discussed in the context of other intellectual property rights, including patent infringement litigation.

37. See United States Copyright Office, Report on Orphan Works 15-17 (2006), available at http://www.copyright.gov/orphan/orphan-report.pdf. While the Copyright Office acknowledges that the orphan works problem constricts fair use, it suggests that users should not be deterred if a use is clearly fair. See id. at 55-56. However, this flies in the face of reality. See, e.g., Lessig, supra note 1, at 98-99.

38. Most obvious is the large potential for statutory damages associated with a copyright infringement action. See infra text accompanying note 94.


40. See Landes & Posner, supra note 17, at 407-09 (discussing the "asymmetry of stakes between originators and copiers of intellectual property").

41. In a related context, the Recording Industry Association of America (RIAA) filed suits against individual file sharers recognizing that most defendants would gladly settle to avoid expensive litigation. See, e.g., Tresa Baldas, Music Piracy Defendants in RIAA Cases Starting to Fight Back, NAT'L L.J., Oct. 10, 2005, at 1, 17. If the RIAA's suits were of more questionable merit, this public goods problem would clearly exist. While not using the language of public goods, copyright scholars have long recognized this problem in copyright litigation. Arthur W. Well, American Copyright Law 530-31 (1917) (justifying attorney's fees awards to prevailing defendants).

42. See, e.g., Joseph Scott Miller, Building a Better Bounty: Litigation-Stage Rewards for Defeating Patents, 19 BERKELEY TECH. L.J. 667, 671-75 (2004) (explaining the incentive patent infringement defendants with meritorious defenses have to prematurely settle cases).
The value of the public domain is only (reluctantly) defended when a copyright user is planning to economically exploit protected works or is being sued. When the benefits resulting from support of the public domain align with the interests of a copyright user, the public domain gains an advocate. For example, "the burden of advocacy has often fallen on libraries or universities" because, much like large copyright holders, they stand to receive a large enough benefit to justify such advocacy. Google's Book Search has created a buzz, in part, because it is anomalous for a large company's interests to align with fair use and the public domain. However, the interests of these entities are not aligned with the interests of the public domain to the extent that gains to libraries or Google are separable from gains to the public domain. When the private interests of copyright users diverge from their alliance of convenience with the public domain, the public domain loses its advocate. Copyright holders can take advantage of the public goods problem in their litigation strategies by offering to settle suits they bring against powerful copyright users. By settling cases against wealthy defendants, such as Google (of course, to date this has not occurred in the Google case), copyright holders avoid a potential loss that could create precedent for smaller users who would not otherwise be able to afford a defense. This fear was expressed by Lawrence Lessig regarding the suit against Google's Book Search:

43. Defendants do not go to court to defend the public domain. Rather, they litigate to defend their own copying. The rights that they assert, however, may also support the public domain. See generally LANDES & POSNER, supra note 17, at 408 (distinguishing private value, public domain value, and social value).


45. John N. Berry III, Editorial, Big Bucks for Fair Use: A New Balance of Power in the Copyright Arena, LIBR. J., Oct. 15, 2005, at 8 (commenting that it was a "shocker" to find Google, a corporation, "putting money behind less restrictive copyright law and a broader application of the fair use clause").

46. For example, divergence occurs when the copyright holder is willing to grant an exception, such as a license, to the individual copyright user at a rate below the expected cost of litigation. This locally conferred right benefits the party obtaining the license, but does not contribute to public access or the public domain. See infra text accompanying notes 47-48.

47. See, e.g., LITMAN, supra note 29, at 25, 37 (demonstrating, by discussing the process of creating new legislation, that even libraries do not always represent the public domain). The potential for this divergence is one of the arguments copyright holders proffer when explaining their suit against Google. See, e.g., Allan Adler, Vice President for Legal and Governmental Affairs at the American Association of Publishers, Remarks at the New York Public Library Forum, supra note 7, at 4.
I'm most worried that you guys [the plaintiffs] will settle with this rich company [Google], you'll settle. And what that will mean is that people who are not rich, libraries or universities or other people who want to engage in the same kind of freedom to copy and build indexes in the same way can't, because you've imposed a tax on this particular kind of use.48

By offering to settle cases against equally well-funded defendants, copyright holders create a divergence between the interests of such defendants and the public domain and eliminate powerful defenders of the public domain.

Copyright holders also benefit from inherent rhetorical advantages in the political arena. In any political debate, the side that frames the public discourse is well-situated to influence future policies.49 The benefit to copyright holders from expanded copyright protections is easier to articulate than the abstract benefits of expanding the public domain.50 Copyright holders have pressed this advantage by characterizing the public access component of copyright's balance as an issue of "piracy" versus "property."51 The piracy-property dichotomy draws comparisons between intellectual property rights and normal property rights. Copyright holders have been largely successful in their effort to frame the issue in this manner.52 Because the familiar concept of property ownership is accessible to people with no claim to legal knowledge, claims of ownership by copyright holders are easily understood by

48. Lawrence Lessig, Remarks at the New York Public Library Forum, supra note 7, at 10. In situations where there is a large potential defendant, copyright plaintiffs may avoid initiating a suit if they fear they might lose. See Kenneth D. Crews, Copyright, Fair Use, and the Challenge for Universities 117 (1993).

49. Litman, supra note 29, at 24; cf. David E. Sanger & Eric Lichtblau, Domestic Surveillance: The Issues; Administration Starts Weeklong Blitz in Defense of Lavesdropping Program, N.Y. Times, Jan. 24, 2006, at A18 (discussing President Bush's efforts to retitle the National Security Administration's "domestic spying" the "terrorist surveillance program").

50. See Editorial, Keeping Copyright in Balance, N.Y. Times, Feb. 21, 1998, at A10 ("What vexes any discussion of copyright is the idea of benefit. It is easy to see what the Disney Corporation will lose when Mickey Mouse goes out of copyright, as he will within a few years. It is harder to specify what the public will lose if Mickey Mouse does not go out of copyright. The tendency, when thinking about copyright, is to vest the notion of creativity in the owners of copyright."); see also Lydia Pallas Loren, Redefining the Market Failure Approach to Fair Use in an Era of Copyright Permission Systems, 5 J. Intell. Prop. L. 1, 53-56 (1997) (criticizing the market failure approach to fair use).

51. Litman, supra note 29, at 84-86; see also Lessig, supra note 1, at 9-10, 66 (arguing that the rhetoric errs when it lumps all forms of "piracy" together); Ginsburg, supra note 8, at 63-64 (describing much of the rhetoric on both sides as "linguistic humbug").

52. Lessig, supra note 1, at 183-84. But see Ginsburg, supra note 8, at 64.
non-specialists. By contrast, arguments in support of the public domain and against the conflation of normal and intellectual property rights require a greater appreciation for the Intellectual Property Clause's intended purpose, making such arguments harder to advance in the public sphere. This rhetorical problem, and its attendant claims of "piracy," also exists in the context of fair use. In a forum at the New York Public Library discussing Google's Book Search, David Drummond, General Counsel of Google, stated, "I think if you hear some of these arguments, you believe that there's no such thing as a fair use . . . ." Copyright holders' control of the public discourse not only benefits their legislative efforts, but also impacts the judicial process. Judges are not insulated from the public debate over copyright's balance and fair use. There is substantial evidence that judges and commentators have been increasingly adopting, or simply assuming, copyright holders' rhetorical framework. Accordingly, copyright holders gain the advantage of judicial sympathy based on their public rhetoric.

Copyright holders' legal and policy arguments benefit from the historical inertia of legal fictions that underlie copyright law. Over time, the protections of copyright law have gradually expanded from the constitution's narrow command protecting "actual authors and genuine writings." These historical expansions have increasingly strayed from copyright's constitutional focus on pro-


55. See LITMAN, supra note 29, at 83–85.

56. David Drummond, Vice President and General Counsel of Google, Inc., Remarks at the New York Public Library Forum, supra note 7, at 5. Later in the discussion, Lawrence Lessig challenged Allan Adler, a representative of the Association of American Publishers, about clear falsehoods ("rhetoric") being employed. See id. at 6, 17. Fair use has become a target in order to justify constricted interpretations of the doctrine. See LITMAN, supra note 29, at 83–85, 132.

57. See Lemley, supra note 54, at 1033–34.

58. See id. at 1035–46 ("The temptation to move from rhetoric to rationale seems almost irresistible."); cf. Robert S. Peck, Tort Reform's Threat to an Independent Judiciary, 33 RUTGERS L.J. 835, 837 & nn.9–10 (2002) (arguing that the rhetoric associated with the tort reform movement has biased judges and juries in favor of defendants).

59. PATTERSON & LINDBERG, supra note 3, at 135–38 (describing the gradual evolution of the words "author" and "writing"); accord Boyle, supra note 29, at 50.
Protecting Fair Use

This expansion has bolstered two misconceptions about copyright law that justify copyright holders' current rhetoric. First, it enhances the credibility of arguments that substitute the Intellectual Property Clause's means for its goal by suggesting that copyrights exist to benefit authors. Second, it fuels erroneous comparisons between intellectual property and private property. These mutually reinforcing misconceptions "can be used as premises to generate and regenerate other copyright fallacies."

Copyright holders' successful dominance of the public consciousness has resulted in recent legislation that both forces the public domain to rely more heavily on fair use and potentially limits the scope of fair use. For example, after "an intense lobbying campaign by rightsholders," Congress increased the duration of copyright terms, making them, on average, three times longer today than they were thirty years ago. Apart from straining the credibility of copyright's quid pro quo, this legislation has a direct impact on fair use because it delays the entry of works into the public domain and requires copyright users wishing to use an old, copyrighted work to either purchase a license, rely on fair use as a defense to infringement, or not use it. Another example of copyright holder-friendly legislation is the Digital Millennium Copyright Act (DMCA). The DMCA restricts user circumvention of technological protections that limit the use of copyrighted works, and thus has a direct impact on fair uses of such works.

---

60. Edward C. Walterscheid, To Promote the Progress of Science and the Useful Arts: The Anatomy of a Congressional Power, 43 IDEA 1, 81 (2002) ("There has been a steady and ever increasing tendency of both Congress and the judiciary to erode through legal fiction and evermore expansive interpretation those limitations on the copyright power found in the Clause."); see also Litman, supra note 29, at 86.
61. See Patterson & Lindberg, supra note 3, at 139-40.
62. Id. at 140-41.
63. Id. at 141-43.
64. See, e.g., Richard B. Graves III, Private Rights, Public Uses, and the Future of the Copyright Clause, 80 Neb. L. Rev. 64, 65-66 (2001) (suggesting that "Congress's most recent copyright legislation is inconsistent with the Copyright Clause").
65. Id. at 93.
66. Lessig, supra note 1, at 134-35.
67. Id. at 220 (noting that creators of works under the prior incentive system which provided a shorter duration already received "the benefit of the bargain"); Graves, supra note 64, at 99-100. But see Eldred v. Ashcroft, 537 U.S. 186 (2003) (finding the Copyright Term Extension Act of 1998 constitutional).
68. See infra text accompanying notes 82-83.
because copyright protection devices "deny fair use and infringe-
equally." Many other legislative gains for copyright holders have been documented.

Because of the imbalanced incentives for copyright holders and
users to lobby and litigate, the difficulty of finding an advocate for
the public domain, and inherent advantages in framing the public
discourse, copyright holders have been able to turn process-based
imbalances into substantive gains. While one result of these gains is
an attack on fair use, fair use as a doctrine is an especially timely
tool for restoring the balance envisioned by the Intellectual Prop-
erty Clause because it represents an attempt to "strike a balance"
between the competing interests in copyright law. However, as the
next Part demonstrates, despite the greater need for a vibrant fair
use doctrine, the current judicial implementation of the fair use
document is ill-suited to righting the imbalances discussed in this
Part.

II. THE INADEQUATE IMPLEMENTATION OF FAIR USE

Despite copyright holders' recent gains and advantages, fair use
is intended to check rightsholders' overreaching. Fair use exists to
preserve copyright's balance and to promote the public good. The fair use doctrine is codified in § 107 of the Copyright Act, but "[s]tructurally, fair use transfers significant policy making respon-
sibility to the judiciary." Thus, fair use relies on the judicial
process for its application and development. Of course, for the ju-
diciary to fulfill its role, it must hear cases. As a result, the doctrine of fair use, and its potential for restoring some of the balance in

---


71. See generally Lessig, supra note 1, at 190-73; Litman, supra note 29, at 14 n.1. Indeed, the legislative process for creating copyright bills, which often involves bringing stakeholders to a negotiating table, has been criticized for inadequately representing the public domain. See, e.g., Litman, supra note 29, at 23; Vaidhyanathan, supra note 29, at 7.


73. See Ginsburg, supra note 8, at 67; see also Keith Aoki et al., Bound by Law? 59 (2006) ("To preserve the system, we have to preserve fair use.").


75. Sag, supra note 11, at 410; see also id. at 396, 401-02 (explaining that fair use lets Congress delegate a number of difficult policy questions to the courts).
copyright law, is often impaired by the costs and uncertainties attendant with the real-world utilization of the defense in copyright litigation.

In theory, fair use has great potential for preserving the public domain and the balance in copyright law. A fair use-type of doctrine has existed throughout much of the history of copyright law.\(^7^6\) While the judicial application of fair use has been criticized for seeming to be outcome determinative\(^7^7\) or unduly cramped,\(^7^8\) many scholars have suggested ways for improving the doctrine's application.\(^7^9\) An increased judicial focus on fair use, compelled by an increase in meritorious fair use litigation, would likely result in the creation of a more robust doctrine.\(^8^0\)

In practice, litigation costs often make the pursuit of a fair use defense untenable. Because fair use is a fuzzy, fact-sensitive doctrine and fair use arguments take a long time to craft, asserting a fair use defense results in many billable hours of work by expensive lawyers.\(^8^1\) Rarely do the monetary benefits of arguing and winning a fair use case outweigh attorney's fees.\(^8^2\) Copyright plaintiffs use the costliness of fair use defenses to their strategic advantage in litigation. If a copyright plaintiff has more resources than a copyright defendant, the plaintiff can risk a suit even if the defendant has a probable fair use defense, knowing that asserting the defense would force the defendant to spend a great deal of money to litigate—possibly more money than the defendant stands to gain by the supposed fair use. As alternatives to costly litigation, a defendant could settle the suit, purchase a license, or avoid a potential suit altogether by refraining from using anything that would rely on fair use for its legality, but each of these alternatives effectively renders the existence of fair use nugatory. This results in a "situation opposed to justice."\(^8^3\)

---


77. *See, e.g.*, *Sag*, *supra* note 11, at 386.


79. *See infra* text accompanying notes 175–177.

80. *See Patterson & Lindberg, supra* note 3, at 213.

81. *Lessig, supra* note 1, at 292, 304–05.

82. *Id.* at 95–99, 187; *cf.* *Shulman, supra* note 33, at 55 (noting that most find it cheaper to pay royalties than to litigate an infringement suit involving a questionable patent).

Even the constricted view of fair use proposed by law and economics theorists suffers from the problem of litigation costs. According to law and economics theory, fair uses primarily exist where the transaction costs of obtaining a license exceed the benefits of the copyright users’ use of the copyrighted material.\(^8\) Thus, these commentators propose that copyright users bargain with copyright holders. However, the threat of expensive litigation places copyright holders in a position to dictate the terms of virtually any license bargain.\(^8\) Further, some copyright holders have an economic incentive to sue over effective parody or criticism, both likely fair uses, in order to avoid the potential blow to the value of their work.\(^8\) Moreover, if the copyright holder only wants to limit criticism of the work (and not simply maximize short-term wealth by collecting licensing fees), the copyright holder could seek permission fees that most potential users would be unable or unwilling to pay,\(^8\) prohibiting copyright users from benefiting from this alternative to costly litigation.

Large copyright holders (plaintiffs) are taking advantage of the high costs of fair use litigation by engaging in “opportunistic suits”\(^8\) and “[r]eckless ‘intellectual property’ intimidation.”\(^8\) While lawsuits are expensive for the plaintiffs, their potential benefits often outweigh their costs. Large copyright plaintiffs are repeat litigators who can develop a reputation of creating expensive litigation for defendants. The costs of initially establishing this

\(^8\) See, e.g., \textit{Landes & Posner, supra} note 17, at 115-23; \textit{Loren, supra} note 50, at 25-27.

\(^8\) See \textit{Lessig, supra} note 1, at 51-52 (recounting the story of a student sued by the Recording Industry Association of America). This situation represents a bilateral monopoly. Assuming that no ready substitutes exist, see \textit{Landes & Posner, supra} note 17, at 39, the copyright user can only turn to the copyright holder and only the copyright holder can grant a license or refrain from suing.

\(^8\) See, e.g., \textit{Campbell v. Acuff-Rose Music, Inc.}, 510 U.S. 569, 593 (1994) (noting that such damages are non-compensable); see also \textit{Lawrence Lessig, Code and Other Laws of Cyberspace} 134 (1999).

\(^8\) See, e.g., Wendy J. Gordon, \textit{Toward a Jurisprudence of Benefits: The Norms of Copyright} and the Problem of Private Censorship, 57 U. Chi. L. Rev. 1009, 1042-43 (1990). Limiting criticism was arguably the plaintiff’s purpose in \textit{SunTrust Bank v. Houghton Mifflin Co.}, 268 F.3d 1257, 1263-65 (11th Cir. 2001) (reversing a preliminary injunction issued against the publication of Alice Randall’s book \textit{The Wind Done Gone}, a parody of Margaret Mitchell’s \textit{Gone with the Wind}, and noting that fair use exists, in part, to preserve free speech rights).


\(^8\) \textit{Vaidhyanathan, supra} note 29, at 186-87. While anticompetitive, the \textit{Noerr-Pennington} Doctrine, among other things, shields these suits from potential antitrust violations. See generally \textit{1 Herbert Hovenkamp et al., IP and ANTITRUST} § 11.3b (2002 & Supp. 2006).
reputation could be recouped over the long term by deterring other potential defendants from litigating fair use against them.\textsuperscript{90}

Even if the litigation costs of fair use suits were reasonable, the fact-sensitive nature of the fair use inquiry and the malleability of the fair use factors means that the outcomes of litigation are unpredictable.\textsuperscript{91} The uncertainty of litigation forces defendants to discount any expected gains from a fair use defense, effectively increasing the amount of benefit required for the pursuit of such a defense to be rational. As a result, fewer meritorious fair use defenses can be profitably brought.

Current judicial application of the fair use doctrine contributes to defendants' uncertainty. Many judges view fair use defenses with suspicion because they perceive them to be an argument of last resort, argued only in otherwise losing cases.\textsuperscript{92} Moreover, many commentators suggest that the malleability of factors used in determining the applicability of fair use lets judges perform their analysis in an outcome-determinative manner.\textsuperscript{93}

Attendant to the uncertainty of winning a fair use defense are the potential risks of losing. A losing defendant could face a large damage award for copyright infringement. If many infringements are asserted, the statutory damages provided by the Copyright Act could make the costs of infringement astronomical.\textsuperscript{94} The potential size of damage awards could greatly affect a defendant's risk-assessment of litigation. Other risks of litigation include the potential for preliminary injunctions, loss of customers, and harm to the

\textsuperscript{90} See Meurer, supra note 88, at 515–16 (noting that this behavior would be rational); see generally Marc Galanter, Why the "Haves" Come Out Ahead: Speculations on the Limits of Legal Change, 9 LAW & Soc'y REV. 95, 98–103 (1974) (describing the advantages of repeat litigators). This strategy may not be expensive for plaintiffs because the threat of litigation may be sufficient to alter the defendant's behavior.

\textsuperscript{91} Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 577–78 (1994). Also associated with this uncertainty is the prospect of an appeal of the district court's fair use determination. In the three most recent Supreme Court cases discussing fair use, the court of appeals reversed the district court and, in turn, the court of appeals was reversed by the Supreme Court. 4 NIMMER & NIMMER, supra note 11, § 13.05, at 13–156 (noting that the "malleability of fair use emerges starkly" through this fact).

\textsuperscript{92} See Loren, supra note 50, at 57.

\textsuperscript{93} See, e.g., Sag, supra note 11, at 386; see also David Nimmer, "Fairest of Them All" and Other Fairy Tales of Fair Use, 66 LAW & CONTEMP. PROBS. 263, 280 (2003) (concluding that "[b]asically, had Congress legislated a dartboard rather than the particular four fair use factors embodied in the Copyright Act, it appears that the upshot would be the same.").

defendant's credit rating. As a result of the costs, uncertainty, and risks of asserting a fair use defense, defendants have great incentives to avoid fair use litigation and settle potential claims.

Due to these effective limits on the types of defendants that can rationally afford to assert a fair use defense, some scholars suggest that, ironically, the doctrine of fair use is being construed in an increasingly anti-defendant manners because most current fair use defendants are commercial organizations who stand to profit from the asserted fair use. Judges have generally refrained from deeming defendants' use of the doctrine for competitive advantage "fair." While these defendants may, at times, assert the most questionable claims of fair use, the results of their litigation create precedent that narrowly interprets fair use for all potential defendants.

Many copyright users avoid relying on fair use because of the risks inherent in fair use litigation. Thus, fair use is unable to serve its role of preserving the balance between the rights of copyright holders and copyright users. "The fuzzy lines of the law, tied to the extraordinary liability if lines are crossed, means that the effective fair use for many types of creators is slight. The law has the right aim; practice has defeated the aim." Notably, this failure is not because the doctrine of fair use is inherently ill-suited to balancing the rights of copyright holders and users, but rather because of the practical difficulties of actually staging a fair use defense. However, the current implementation of fair use, with its attendant problems, is not supposed to occur. Section 505 of the Copyright Act is meant to discourage weak, opportunistic suits by permitting a discretionary award of attorney's fees to the prevailing party in litigation. If properly implemented, awarding attorney's

95. Meurer, supra note 88, at 524.
96. See Patterson & Lindberg, supra note 3, at 212.
97. The Supreme Court's decision in Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569 (1994), sought to correct this by making it clear that commercial uses can still be fair. Id. at 583-85. However, courts continue to place the most emphasis on potential harm to the plaintiff's market. Gregory M. Duhl, Old Lyrics, Knock-Off Videos, and Copyright Comic Books: The Fourth Fair Use Factor in U.S. Copyright Law, 54 Syracuse L. Rev. 665, 728-29 n.360 (2004) (compiling cases); see also Goldstein, supra note 70, at 4 ("Mostly, though, copyright is about money."); Loren, supra note 50, at 27-30.
98. See, e.g., Lessig, supra note 1, at 95-99 (recounting a documentary filmmaker's efforts to obtain a license for an obviously fair use and eventual decision to delete the fair use material). Similarly, computing policies at universities "overwhelmingly opt[] ... to disregard these nuances and complexities" and refrain from allowing the arguably fair use of computer software. Crews, supra note 48, at 110.
99. Lessig, supra note 1, at 99; accord Crews, supra note 48, at 131 ("The flexibility Congress sought to preserve was lost.").
100. See infra text accompanying notes 122-126.
fees could restore the balance of owners’ and users’ rights in fair use litigation by increasing plaintiffs’ expected costs and lowering defendants’ in a large number of fair use cases. However, as the next Part demonstrates, § 505 suffers from its own implementation problems—especially in the context of fair use.

III. THE INADEQUATE IMPLEMENTATION OF § 505 AND Fogerty v. Fantasy, Inc.

Section 505 of the Copyright Act authorizes a discretionary award of attorney’s fees to the prevailing party: “In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party . . . . [T]he court may also award a reasonable attorney’s fee to the prevailing party as part of the costs.” The Act adopts a flexible rule that enables judges to award attorney’s fees in a way that, if properly and consistently implemented, has the potential to promote progress. Prior to 1994, lower courts interpreted § 505 in two different ways. The Supreme Court’s decision in Fogerty v. Fantasy, Inc. resolved this split and mandated evenhanded treatment of plaintiffs and defendants. But despite the Fogerty decision, fee awards remain skewed toward plaintiffs, especially in fair use litigation. As a result of Fogerty’s subsequent misapplication, § 505 fails to discourage opportunistic lawsuits that threaten fair use.

Section 505 of the Copyright Act rejects both of the two major fee shifting paradigms: the traditional American rule (“pay your own way”) and the British rule (“loser pays”). The American “system does not regard bringing (or, for that matter, defending) a losing case—without more—as the infliction of a legal wrong.” A pure American rule does not discourage plaintiffs from bringing opportunistic lawsuits that are not technically frivolous because the plaintiff only stands to pay its own attorney’s fees. As Part II


102. See infra text accompanying notes 113–121.


104. See infra text accompanying notes 127–147.


106. See Rowe, supra note 105, at 659.
discussed, copyright plaintiffs can afford to pay their own attorney's fees to gain the reputational and other benefits of opportunistic litigation. Further, a pure American rule does not encourage the maintenance of fair use defenses because the public domain represents a public good. By forcing each side to pay its own way, it fails to encourage the vindication of rights in cases where "the benefits of litigating far outweigh the costs but where litigation is still unattractive because the benefits take the form of a public good." Accordingly, a pure American rule would inadequately protect fair use.

The British rule is "general indemnification," meaning that the prevailing party recovers its costs from the losing party in addition to any other relief based on the substantive merits. Because this rule is thought to reduce litigation by making it more risky and, thus, simultaneously encourage settlements, there have been numerous efforts to implement it in America. In the fair use context, this rule would discourage litigation because the outcomes of fair use cases are often uncertain, and while both plaintiff and defendant would bear an increased risk in litigating, the more risk-averse party (usually the party with less money, in this case the defendant) has a larger incentive to avoid litigation. Because copyright plaintiffs already frequently litigate copyright claims despite the costs, the British rule would discourage meritorious fair use defenses. Thus both the British and the American rules provide an unattractive canon of attorney fee allocation.

The Copyright Act creates a hybrid of the American and British fee shifting rules by authorizing a discretionary award of fees to the prevailing party. This hybrid rule allows judges the flexibility to fee shift in cases where doing so would support the policy of promoting progress that underlies copyright law. Prior to Fogerty v. Fantasy, Inc., there were two interpretations of the Copyright Act's fee shifting provision: the "dual" standard and the "evenhanded"
standard. Each interpretation was based on a different view of the purpose of the Intellectual Property Clause.

Fogerty reversed a Ninth Circuit decision that utilized a “dual” standard for attorney’s fees. Under the Ninth Circuit’s interpretation, a “prevailing defendant [could] not be awarded attorneys’ fees under § 505 unless it can be demonstrated that the action was frivolous or was instituted and prosecuted in bad faith.” Plaintiffs did not need to show frivolity or bad faith and, as a result, were frequently awarded fees. The justification for the dual standard was that it “avoid[ed] chilling a copyright holder’s incentive to sue on colorable claims.” Thus, the dual standard assumed that the protection of copyright holders’ rights was the central goal of copyright law.

Other circuits used an “evenhanded” approach that did not differentiate between plaintiffs and defendants in determining awards of attorney’s fees. The courts implementing this system recognized that copyright plaintiffs and defendants play equally important roles in arriving at the proper balance of public and private rights that best promotes progress.

In resolving the circuit split, the Fogerty Court rejected the Ninth Circuit’s dual standard and adopted the evenhanded approach to awarding attorney’s fees. The Court reasoned:

[C]opyright law ultimately serves the purpose of enriching the general public through access to creative works . . . . To that end, defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious claims of infringement . . . . Thus a successful defense of a copyright infringement action may further the policies of the Copyright Act every bit as much as a successful

115. See infra text accompanying notes 117–121.
116. See infra text accompanying notes 120–124.
118. Fantasy, Inc. v. Fogerty, 984 F.2d 1524, 1532 (9th Cir. 1993). The Second, Seventh, Ninth, and District of Columbia Circuits used the dual standard. Fogerty, 510 U.S. at 521 n.8.
120. Fantasy, Inc., 984 F.2d at 1532.
121. Fogerty, 510 U.S. at 521. The Third, Fourth, and Eleventh Circuits used the evenhanded approach. Id. at 521 n.8. The terms “dual” and “evenhanded” are only descriptors and are not meant to pass judgment on the inherent fairness of either method. Id. at 521 n.7.
122. Id. at 521.
prosecution of an infringement claim by the holder of a copyright.\footnote{123}

Thus, the Supreme Court adopted an interpretation of § 505 that favored the constitutional purpose of copyright law over an interpretation that primarily protected copyright holders.\footnote{124}

Because the text of § 505 provides no guidance to the courts as to the specific circumstances when they should award fees to the prevailing party, the Court, in dicta in a footnote, quoted a nonexclusive list of factors set forth by the Third Circuit in *Lieb v. Topstone Industries, Inc.*: a court should award fees when the “frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence”\footnote{125} make such an award to the prevailing party appropriate. While the *Lieb* factors are a useful guide, courts do not have to apply this nonexclusive list mechanically. Courts and commentators have suggested that *Fogerty* stands for the proposition that “[f]aithfulness to the purposes of the Copyright Act is . . . the pivotal criterion” in determining if an award of fees is appropriate.\footnote{126}

Despite the *Fogerty* decision, the discretionary award of attorney’s fees is still not “evenhanded” in many courts.\footnote{127} For the purposes of this Part, the lack of an evenhanded approach means that many judges systematically award attorney’s fees to prevailing plaintiffs more often than to prevailing defendants who brought equally meritorious arguments. “Evenhandedness” applies both in the larger context of the copyright act and in the specific context of fair use.

Post-*Fogerty*, some district courts have expressly endorsed reasoning rejected by *Fogerty* by applying the dual standard that *Fogerty*
rejected.\textsuperscript{128} For example, language stating that plaintiffs are entitled to more generous treatment than defendants can still be found in district court decisions.\textsuperscript{129} Even if courts do not expressly endorse the dual standard, it appears that many are applying it nonetheless. Studies suggest that prevailing plaintiffs still receive fee awards more often than prevailing defendants.\textsuperscript{130}

The failure of courts to apply the evenhanded approach dictated by \textit{Fogerty} is notable in fair use cases. For example, in Belmore \textit{v. City Pages, Inc.}, the court declined to award fees to a defendant who prevailed with a fair use argument at the stage of summary judgment.\textsuperscript{131} The court reasoned that fair use only arises after the plaintiff has demonstrated ownership of a valid copyright and actionable copying by the defendant, so the plaintiff set forth a reasonable claim.\textsuperscript{132} According to this reasoning, it would be impossible for any defendant who relies on a fair use defense to obtain an award of attorney's fees. Indeed, in a throwback to the dual standard, the court suggested that the only way it would allow a prevailing fair use defendant to receive an award of fees was if the defendant proved that the action was "frivolous or was commenced in bad faith."\textsuperscript{133} This decision ignores the fact that the availability of

\begin{itemize}
\item \textsuperscript{130} See, e.g., Jeffrey Edward Barnes, Comment, \textit{Attorney's Fee Awards in Federal Copyright Litigation After Fogerty v. Fantasy: Defendants are Winning Fees More Often, But the New Standard Still Favor Prevailing Plaintiffs}, 47 \textit{UCLA L. REV.} 1381, 1390 (2000); Y'Barbo, \textit{supra} note 126, at 238–39 (showing that, while prevailing plaintiffs still receive fees more often than prevailing defendants, this gap has grown smaller). Of course, a higher rate of fee awards to plaintiffs does not ineluctably equate to a pro-plaintiff bias. See Hyde & Sharrock, \textit{supra} note 128, at 474. However, given the structural disincentives that already discourage many fair use defenses, it is more likely in this context that this demonstrates a pro-plaintiff bias.
\item \textsuperscript{131} Belmore \textit{v. City Pages, Inc.}, 880 F. Supp. 673, 680–81 (D. Minn. 1995).
\item \textsuperscript{132} \textit{Belmore}, 880 F. Supp. at 680–81.
\item \textsuperscript{133} \textit{Id.; accord} Hustler Magazine, Inc. \textit{v. Moral Majority, Inc.}, 796 F.2d 1148, 1156–57 (9th Cir. 1986) (denying fees to a prevailing fair use defendant because the plaintiff's arguments were not frivolous) (pre-Fogerty); Baraban \textit{v. Time Warner, Inc.}, No. 99Giv.1569(JSJ), 2000 WL 358375, at *5 (S.D.N.Y. 2000) (denying attorney's fees to a prevailing fair use defendant because there was "no evidence of bad faith"). \textit{But see} Video-Cinema Films, Inc. \textit{v. Cable News Network, Inc.}, Nos. 98 Giv 7128(BSJ), 7129(BSJ), 7130(BSJ), 2003 WL 1701904, at *3–5 (S.D.N.Y. Mar. 31, 2003) (awarding fees to a fair use defendant to deter future objectively unreasonable suits meant to "chill other fair uses").
\end{itemize}
fair use as a defense affects a plaintiff's ability to bring a meritorious case.\textsuperscript{134}

Some courts treat a plaintiff's fee petition favorably because the defendant lost its fair use defense. The courts explain that fair use is not novel because it has a long common law history and that this history justifies the imposition of fees on a losing fair use defendant.\textsuperscript{135} This reasoning erroneously assumes that the doctrine has crystallized over time into a bright-line set of rules that a defendant could readily follow, and that a non-fair use is relatively obvious. This assumption also causes courts to ignore one of Fogerty's central premises: courts should be cautious about awarding fees when the relevant boundaries of copyright law are unclear,\textsuperscript{136} such as in fair use cases.\textsuperscript{137} "Almost every comment on the subject notes that fair use is 'one of the most troublesome [doctrines] in the whole law of copyright.'"\textsuperscript{138}

Other courts consider the ultimate damages award when deciding whether to award fees to a prevailing plaintiff. For example, when a plaintiff prevails, the Seventh Circuit focuses on "the strength of the prevailing party's case and the amount of damages or other relief the party obtained. If the case was a toss-up and the prevailing party obtained generous damages... there is no urgent need to add an award of attorneys' fees."\textsuperscript{139} This standard practically guarantees a prevailing plaintiff sufficient remuneration. If the plaintiff received large damages, a fee award, while possibly justified according to the standards guiding judicial discretion, is not needed to give the plaintiff a sufficient incentive to bring a suit.\textsuperscript{140} If the plaintiff did not receive large damages—a sign that the plaintiff's case was probably weak—a fee award is more likely.\textsuperscript{141} In the case of a prevailing defendant, the Seventh Circuit states

\begin{itemize}
  \item 138. Sag, supra note 11, at 385 (quoting Dellar v. Samuel Goldwyn, Inc., 104 F.2d 661, 662 (2d Cir. 1939) (per curiam)).
  \item 139. Assessment Techs. v. Wireddata, Inc., 361 F.3d 434, 436 (7th Cir. 2004).
  \item 140. See generally Rowe, supra note 105, at 667-68 (arguing that two-way fee shifting normally requires an incentives-based justification).
  \item 141. See Hyde & Sharrock, supra note 128, at 476-77. The assessment of statutory damages can range from a few hundred dollars per infringement to over a hundred thousand dollars per infringement. 17 U.S.C. § 504(c) (2006).
\end{itemize}
that fees are in order “if . . . the claim or defense was frivolous and the prevailing party obtained no relief at all.” 142 Under this standard, a successful defendant only receives fees if it can prove the plaintiff’s suit was frivolous.

Courts use the availability of a licensing market to support fee awards to prevailing plaintiffs and to deny fee awards to prevailing defendants. 143 However, the presence of a licensing market has little direct bearing on a fair use claim. 144 The purpose of the fair use analysis is to determine if a copyright holder is entitled to demand licensing fees. The plaintiff’s willingness to offer a license does not solve the initial question of whether or not the defendant needs a license. 145 This licensing problem has been exacerbated by the distribution of copyrighted content on the Internet, because the Internet greatly reduces transaction costs that would be otherwise associated with obtaining licenses. 146

In sharp contrast to the lax standards sometimes applied when awarding attorney’s fees to prevailing plaintiffs, defendants who prevail on a fair use defense often have a more difficult time obtaining an award. Prevailing defendants encounter difficulties when they profit from legal behavior that, on first glance, appears questionable. Under such circumstances, some courts suggest that the defendant has already profited from its business activities and, thus, does not need a fee award as well. 147 While refraining from awarding fees would encourage both parties to litigate borderline issues, many judges are suspicious of fair use and, thus, view it as a

142. Assessment Techs., 361 F.3d at 436. For further discussion of this issue, see Hyde & Sharrock, supra note 128, at 475–79.


144. Loren, supra note 50, at 38–48.


146. See, e.g., GOLDSTEIN, supra note 70, at 202–03, 207–08.

147. See, e.g., FASA Corp. v. Playmates Toys, Inc., 1 F. Supp. 2d 859, 867 (N.D. Ill. 1998) (explaining that the defendant was close to copyright infringement and, thus, should not receive fees).
defense raised only as a last resort in borderline cases.148 As a result, the defendant must substantially profit from the fair use in order to rationally bring a fair use defense because the expected value of the suit must exceed the expected costs. However, courts use the fact that the defendant profited from a fair use to suggest that the defendant should be denied attorney's fees as an additional benefit. Thus, § 505 does little to encourage the assertion of fair use defenses.

Because of the varying applications of Fogerty, there is little predictability in the current application of § 505.149 This uncertainty of outcomes creates a disincentive for parties to litigate copyright cases by increasing the risks associated with bringing or defending a suit. However, because repeat copyright plaintiffs can afford to take more risks,150 defendants are disproportionately impacted. The Supreme Court has compounded the problem by providing little guidance on the proper implementation of Fogerty.151 Ad hoc decisions by a trial court are necessarily "inconsistent with the mandate of even-handed treatment."152

Given this unbalanced treatment of plaintiffs and defendants in fair use litigation, the present implementation of Fogerty not only fails to deter overreaching plaintiffs, but even encourages plaintiffs to litigate because defendants now bear greater risks in litigation. To both overcome this problem and to provide parties with better guidance regarding § 505, Part IV proposes an interpretation of Fogerty that should be utilized in the context of fair use defenses.

---

148. See supra text accompanying note 92.
149. Y'Barbo, supra note 126, at 251. While Y'Barbo only discusses the effect the uncertain application of § 505 has on plaintiffs, the same uncertainties exist for defendants.
150. See supra text accompanying notes 75-77.
152. Y'Barbo, supra note 126, at 248. Practitioners have voiced their frustration over fee shifting in the past. Letter from George E. Frost (Oct. 17, 1956), in Comments and Views Submitted to the Copyright Office on the Damage Provisions of the Copyright Law, in COPYRIGHT LAW REVISION, supra note 32, at Study No. 22, ix, 37 ("My point is, however, that the law in its present form flips and flops and winds all about itself in a hopeless hodgepodge because of an apparent desire for precision—and then leaves the big items (attorney fees) wholly discretionary.").
IV. REVITALIZING Fogerty TO PROTECT FAIR USE CLAIMS

The failure of Fogerty v. Fantasy, Inc. does not lie in the decision itself, but only in its later implementation. This implementation undermines the Supreme Court’s goal of encouraging copyright users (defendants) to vigorously litigate. Accordingly, the implementation of Fogerty in fair use cases is in need of reform. Any modification of the implementation must at least restore evenhandedness in the § 505 standards applied to plaintiffs and defendants.

However, even courts that scrupulously adhere to Fogerty assume a single interpretation of the Court’s command of evenhanded-ness. Under the extant interpretation, evenhanded treatment occurs when the same standard is used to assess the fee petitions of prevailing plaintiffs and defendants. However, the mandate of evenhandedness can also be interpreted more generally to mean that an “evenhanded” approach equalizes litigation incentives between plaintiffs and defendants. While the Court’s decision in Fogerty did not expressly endorse either interpretation of evenhandedness, this Part contends that an interpretation of evenhanded focused on equalizing plaintiff and defendant incentives to litigate best meets Fogerty’s rationale and the purpose of the Intellectual Property Clause.

An evenhanded standard that balances incentives to litigate would have two components. First, the relative financial strengths of the parties should be considered. If the losing party is not deemed capable of paying the fee award, it should not be awarded except if current Lieb factors are met. This factor serves as a proxy for the imbalanced litigation incentives that may be present in the given case. Second, if the losing party is deemed capable of

153. Fogerty v. Fantasy, Inc., 510 U.S. 517, 527 (1994) (stating that defendants “should be encouraged to litigate . . . to the same extent” as plaintiffs “[b]ecause copyright law ultimately serves the purpose of enriching the general public through access to creative works”); Jaszi, supra note 19, at 122 (“The array of factors considered in section 505 must be explicitly supplemented to take account of the important public purpose served by the vigorous defense of copyright cases.”).

154. Lieb v. Topstone Indus., Inc., 788 F.2d 151, 156 (3d Cir. 1986). Taking the financial strength of the parties into account lets small plaintiffs bring colorable actions against large defendants. Such a standard is in keeping with the goal of encouraging litigation on the merits in order to further the purposes of copyright law. See Fogerty, 510 U.S. at 527. Implementing fee shifting to better match party resources in litigation has been done in other contexts. See Rowe, supra note 105, at 663-64.

155. Indeed, the examples discussing reckless intellectual property litigation by plaintiffs, see, e.g., supra text accompanying notes 81-90, all assume a plaintiff that is significantly wealthier than the defendant. While the public goods problem is always present on the
paying the fee award, a new dual standard should be applied. Under this standard, a prevailing fair use defendant should be required to show objective unreasonableness in order to secure fees. However, a prevailing plaintiff should be required to show a frivolous and bad faith defense in order to recover attorney's fees related to the fair use defense.

For a number of reasons, this standard should be limited only to fair use, and should not be applied throughout all copyright litigation. First, unlike most other aspects of the Copyright Act, fair use is primarily a judicial doctrine. Thus, it uniquely requires a system that encourages both defendants and plaintiffs to equally litigate. Second, the doctrine of fair use contributes to a great deal of uncertainty in copyright law. This uncertainty can only be resolved through litigation. Finally, fair use plays a unique role in protecting the public domain. Given the process-based imbalances that are constricting the public domain, a countervailing weight is needed to effect a rebalancing.

The proposed standard best upholds the Court's rationale in Fogerty. The Fogerty Court rejected the Ninth Circuit's dual standard not because it applied different rules for recovery to plaintiffs and defendants, but because it elevated the grants of limited monopolies to authors over copyright's goal of promoting progress. The poor implementation of Fogerty discussed in Part III of this Note fails to uphold this balance between the means and ends by creating a disincentive for fair use defendants to vigorously litigate. Moreover, even an implementation of the same § 505 standard for plaintiffs and defendants would not equalize their relative incentives to litigate due to the inherent process-based imbalances in the status quo. In order to restore this balance, defendants must have a greater chance at an award of fees than plaintiffs.

A standard that equalizes incentives to litigate is faithful to the fee shifting factors endorsed by Fogerty. The last consideration mentioned by the Court, "the need in particular circumstances to advance considerations of compensation and deterrence," provides a license for flexibility in awards of fees. Given the process-based imbalances that create different incentives for litigation,
there is a need to deter plaintiff suits that are excessive relative to a defendant's ability to defend.

While some courts have rejected a standard that almost always compels fee shifting, their reasoning is unfounded. In context, the Fogerty decision emphasized judicial discretion in the award of fees as a reason for rejecting the petitioner's argument that § 505 adopted the British rule of fee shifting. While trial court discretion is needed as a general principle, it is logical to believe that the Fogerty Court sought to encourage the lower courts to treat similar cases in a similar manner. Given the balance of the equities in the types of fair use cases to which the proposed dual standard applies, it is sensible that prevailing defendants should receive an award of fees in many cases.

A modified system for awarding fees will likely have a positive behavioral effect on litigation by preventing plaintiff overreaching. Economically, "[f]ee shifting deters opportunistic suits by raising the expected cost of weak lawsuits and undermining the credibility of the plaintiff's threat to go to trial." A plaintiff's reduced likelihood of recouping attorney's fees heightens the expected cost of litigation, which encourages parties to settle before trial by reducing the expected returns from a successful lawsuit. However, the proposed dual standard still is cabined because it would only have a deterrent effect in cases where the plaintiff's claim was of questionable merit. If the plaintiff has a strong chance of winning, the plaintiff would not have to fear paying attorney's fees to the defendant. Thus, the proposed solution would have no effect on strong claims, but would cause plaintiffs to reconsider their options before proceeding with weak claims. Most importantly, it would discourage plaintiffs from engaging in reckless intellectual property litigation.

A modified system for awarding fees would also expand the scope of the public domain by forcing plaintiffs to bring only valuable, meritorious claims. By limiting a plaintiff's ability to recover fees, the expected monetary value of a plaintiff's claim is reduced. Accordingly, plaintiffs are effectively prevented from bringing

162. See Fogerty, 510 U.S. at 533-34.
163. Apart from seeming obvious, the Court's endorsement of the Lieb factors, see id. at 534 n.19, suggests that it was trying to provide lower courts with a uniform analytical starting point.
164. Meurer, supra note 88, at 537.
copyright infringement claims when the infringement damages are nominal, 166 which would also increase the costs of any plaintiffs seeking to acquire a reputation of vigorously litigating fair use cases.

The process-based disincentives for defendants to bring fair use defenses further justify this dual standard. Despite the longstanding nature of the fair use defense, 167 it is still complex and, because of the fact-bound nature of the analysis, novel. 168 Due to its complexity, it is very difficult for defendants to know if a claim is likely to lose. Thus, imposing a heightened standard for plaintiffs' recovery of fees protects defendants. 169 Similarly, this fee shifting model would reduce the public goods problem by increasing the chances of a defendant being fully compensated. 170 A lower standard for awarding fees to a prevailing defendant is similarly appropriate because the uncertainty of fair use naturally encourages defendants to settle cases despite their merits. Thus, a more lenient standard for defendants serves as a form of compensation to encourage defendants to litigate as vigorously as plaintiffs. 171

By equalizing the incentives for both plaintiffs and defendants to litigate meritorious claims, the constitutional function of copyright law—promoting progress—will be enhanced regardless of the results of any subsequent litigation because the presence of defendants willing to assert fair use claims will, at the very least, spur copyright owners into increasing public access to protected

166. In contrast, the Seventh Circuit presently seeks to encourage such claims by awarding fees to plaintiffs because damages were nominal. See Gonzalez v. Transfer Techs., Inc., 301 F.3d 608, 610 (7th Cir. 2002) (suggesting a “presumptive entitlement” of fees for a prevailing plaintiff in such cases). This ignores that a range statutory damages are generally available. Thus, a small award of damages is likely indicative of a marginal claim. See supra text accompanying notes 139–142.

167. See supra text accompanying note 76.

168. See supra text accompanying notes 91–93. The unpredictability of fair use has long been recognized. See, e.g., Richard Rogers Bowker, Copyright Its History and Its Law 253–54 (1912) (“The borderland between infringement and ‘fair use’ is peculiarly and necessarily one of uncertainty, not so much because of ambiguity in the statute as of difficulty in determining the extent of use within which it is said non curat lex. No statute can be so clear or so complete as to obviate questions of this kind.”); Alan Latman, Fair Use of Copyrighted Works, in Copyright Law Revision, supra note 32, at Study No. 14, 1, 14.

169. Cf. Applied Innovations, Inc. v. Regents of the Univ. of Minn., 876 F.2d 626, 638 (8th Cir. 1989) (applying similar reasoning in affirming a denial of fees to a prevailing plaintiff).

170. In the context of patent infringement litigation, various versions of bounties for prevailing defendants have been proposed as means of overcoming a similar public goods problem. See, e.g., Miller, supra note 42, at 704–05. These proposals rely on mechanisms other than patent law's fee shifting statute. As such, they likely require statutory implementation.

171. See Barnes, supra note 130, at 1404.
works. Thus, the mere potential for a challenge to a copyright holder's monopoly can increase innovation and public access to copyrighted works.

CONCLUSION

Benjamin Cardozo stated that "the sordid controversies of litigants are the stuff out of which great and shining truths will ultimately be shaped." However, the current state of copyright law contains a long chain of imbalances that have created a system where copyright holders are encouraged to take strategic advantage of the weak positions of copyright users. As a result, many "sordid controversies" are not litigated because copyright users cannot afford to maintain meritorious defenses. The public domain is consequently constricted, fair use nullified, and the constitutional purpose of copyright law obscured.

Inherent process-based imbalances have created substantive imbalances that appear both in litigation and legislation. These imbalances both attack fair use and force the public domain to increasingly rely on fair use for its defense. While fair use might be up to the task, its current implementation effectively prevents many defendants from relying on it. Although § 505 and the Fogerty decision were intended to prevent an imbalance of rights, both § 505 and Fogerty have been improperly implemented by the courts, exacerbating the inadequate implementation of fair use.

Loosening the constraints on fair use could, with time and litigation, rebalance copyright law. Many scholars have suggested ways to apply fair use to restore the public domain. Some have proffered interpretations of fair use that reflect the non-monetary, abstract benefits it was intended to protect in an effort to solve the public

---

172. See, e.g., Online Books: Pulp Friction, ECONOMIST, Nov. 12, 2005, at 63, 64 ("Publishers admit that the entry of Google and other tech firms has galvanised them to pay attention to digitisation. 'The fact is that Google's and Amazon's actions have stimulated the energy for this to take off,' says Ian Hudson, group managing director of Random House in London. 'Otherwise we would have dragged on for ages working it out.'"). In part, such actions are a natural response to plaintiffs seeking to undermine a claim of fair use. By creating a market for the same use as the defendants, plaintiffs are trying to tilt a factor in the fair use analysis in their favor. 17 U.S.C. § 107(4) (2006).

173. Cf. United States v. Aluminum Co. of Am., 148 F.2d 416, 427 (2d Cir. 1945) ("[The] possession of unchallenged power deadens initiative, discourages thrift and depresses energy; ... immunity from competition is a narcotic, and rivalry is a stimulant[] to industrial progress ... .")

goods problem. Other proposals are a direct response to increasing copyright durations and the stress that they place on the public domain. Ultimately, fair use might even be able to resolve other problems of rightsholder expansion, such as the increasing reliance on code and contract to create additional rights for content owners. However, none of these proposals will be effective until defendants effectively assert fair use defenses. It is encouraging to know that "[j]udges are capable of learning" and that with sufficient litigation, the fair use doctrine could both fulfill its intended role and promote progress.

175. For a recent example, see generally Pasquale, supra note 39.
177. See generally Lessig, supra note 86, at 139.
178. Patterson & Lindberg, supra note 3, at 213.