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THE EFFECT OF FOGERTY v. FANTASY ON THE AWARD OF ATTORNEY'S FEES IN COPYRIGHT DISPUTES

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I. Introduction

In this Article, I examine the legal rules governing the award of attorney's fees in copyright cases. Section 505 of the Copyright Act states that:

> ***232** In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.[1,2]

This Article addresses two important questions. First, what effect has the recent Supreme Court's decision in *Fogerty v.*

Fantasy, Inc.[3] had on the standard used in awarding attorney's fees in copyright disputes? Second, are the standards used by the lower courts after *Fogerty* faithful applications of the *Fogerty* holding?

Before I begin the substantive portion of this paper, I want to persuade the reader of the importance of this issue. By now, there is general agreement that the particular method of allocating legal costs (which include attorney's fees) essentially controls the enforcement decision. Put another way, even small changes in the legal standard for awarding attorney's fees may substantially influence whether a copyright owner brings suit, and if he does, whether the dispute settles out-of-court or proceeds to trial.

One of the main reasons parties settle disputes, rather than litigate them, is that by settling they save their litigation costs.[4] Hence, the sum of the two parties' anticipated litigation costs represents a "pot" of unspent money to both the plaintiff and the defendant contemplating settlement. The prospect of dividing this surplus often drives settlement, especially where the defendant is pessimistic about the outcome of the potential litigation. In like manner, optimistic litigants often spend sums far in excess of the amount in controversy because under a compulsory fee-shifting scheme, they anticipate recovering all their expenses. Therefore, any change ***233** in the legal rule that affects how costs shift when litigation occurs, will have a marked impact on litigation behavior.

II. Summary

Three years after *Fogerty* was decided, there is still considerable confusion over the proper standard to apply under section 505. This confusion has only recently reached the circuit level. In August of 1996, the Ninth Circuit *again* heard *Fogerty* on appeal from the trial court, which received the case on remand from the Supreme Court.[5] The sole issue on appeal was *again* the proper standard for awarding attorney's fees under section 505. Moreover, the Ninth Circuit was not simply asked to fill in the interstices left by the Supreme Court's decision. Rather, the parties' disagreement was fundamental: whether section 505 and the Supreme Court's interpretation of that section was a culpability-based standard or something else.

My thesis is straightforward: *Fogerty* is being misapplied by the trial courts. To prove my thesis, I take a different approach from that presented in the extant literature. I do not attempt to debate whether *Fogerty* was correctly decided, nor do I attempt to show that *Fogerty* is being wrongly applied through an examination of individual cases. Instead, I attempt to prove that *Fogerty* is being misapplied by presenting evidence of the overall effect of that misapplication. In so doing, I attempt to describe the proper standard set forth by *Fogerty*.

More specifically, I attempt to show that the trial courts are incorrectly applying the *Fogerty* holding because:
(1) The trial courts have consistently failed to execute the Supreme Court's mandate of even-handed treatment.[6] These courts ignore *Fogerty's* primary edict that attorney's fees shall be awarded without reference to whether the prevailing party is the plaintiff or defendant. Moreover, the trial courts have failed to apply this holding in a consistent manner.

(2) By ignoring the background U.S. law on fee-shifting the trial courts' application of *Fogerty* has essentially rendered section 505 (the attorney's fees provision of the Act) meaningless.[7]

(3) The "Fogerty rule," as applied by the trial courts, has resulted in severe under-enforcement of copyright disputes.[8] This effect is contrary to the *Fogerty* ***234** court's desire that fee awards be used to advance the policies underlying the Copyright Act.

III. The State of the Law Just Prior to *Fogerty:* A Taxonomy of Circuit Law

In March of 1994, the U.S. Supreme Court decided *Fogerty v. Fantasy, Inc.*[9] This case ostensibly set forth the proper standard for the Copyright Act's fee-shifting provision, 17 U.S.C. § 505. Prior to the Supreme Court decision in *Fogerty*, the Circuit Courts applying the various standards could be divided into three distinct groups. The first group was comprised of the Second, Seventh, Eighth, Ninth, and D.C. circuits. These circuits applied a civil-rights-type standard (a.k.a. the "dual approach") to copyright cases when a party moved for attorney's fees under section 505. More precisely, successful plaintiffs

and successful defendants were treated differently under the fee-shifting provision of the Copyright Act. Prevailing plaintiffs were awarded attorney's fees "as a matter of course," while prevailing defendants were required to "show that the original suit was frivolous or brought in bad faith."[10] Consider this language taken from a pre-*Fogerty* opinion in the Ninth Circuit: "Because section 505 is intended in part to encourage the assertion of colorable copyright claims, to deter infringement, and to make the plaintiff whole, fees are generally awarded to a prevailing plaintiff."[11] This same rationale was used by the Second Circuit to justify a much higher standard for awarding fees to a prevailing defendant: " A ttorney's fees to prevailing defendants should be awarded circumspectly to avoid chilling a copyright holder's incentive to sue on 'colorable' claims."[12] This standard was not the approach the *Fogerty* court eventually decided upon.

The second group was comprised of the Third, Fourth, Fifth, and Eleventh circuits. The approach taken by this cluster of circuits was termed the "even-handed approach" by the *Fogerty* court--in contrast to the "dual approach" applied by the first group of circuits. These circuits purported to apply section 505 without preference toward the prevailing plaintiff or the prevailing defendant. However, this is a difficult task since plaintiffs and defendants are inherently different.[13] For instance, suppose a court promulgated a rule awarding attorney's fees to the prevailing defendant whenever the plaintiff lost on a copyright ownership issue. What would be the parallel rule to be applied against unsuccessful defendants? Answer: there would not be one. Therefore, an alternative way to administer attorney's fees-- and one that would be consistent with the "even-handed" ***235** approach--would be to award fees to the prevailing party as a matter of course, which is what the Fifth and Eleventh Circuits did.[14] For instance, prior to *Fogerty*, the Fifth Circuit "routinely awarded" attorney's fees to the prevailing party--whether plaintiff or defendant. This is evidenced by the language in *Micromanipulator Co. v. Bough*, the leading Fifth Circuit case on attorney's fees in copyright cases:[15] "Although attorney's fees are awarded in the trial court's discretion, they are the rule rather than the exception and should be awarded routinely."[16] The Eleventh Circuit had a virtually identical standard: " A showing of bad faith or frivolity is not a requirement of *a grant* of fees. Rather, the only preconditions to an award of fees is sic that the party receiving the fee be the 'prevailing party' and that the fee be reasonable."[17]

In contrast to the Fifth and Eleventh Circuits, the Third and Fourth Circuits, while purporting to apply section 505 even-handedly, generally awarded fees under section 505 less often.[18] These two circuits placed more emphasis on section 505's phrase "in [the trial court's] discretion" than did the Fifth and Eleventh Circuits.

Finally, the First, Sixth, and Tenth Circuits cannot be placed into either of these first two groups since they have not adopted their own standard, nor have they consistently applied a single standard borrowed from another circuit.[19]

IV. *Fogerty v. Fantasy, Inc.*

The primary significance of *Fogerty* is that it endorsed the even-handed approach in awarding attorney's fees under section 505 while rejecting the dual ***236** approach. The Court rejected the latter on the grounds that: (1) it was not supported by the express language of section 505;[20] (2) the broad "objectives"and "equitable considerations" of the Act did not favor a dual standard;[21] and (3) the especially terse legislative history did not support a dual standard.[22] Moreover, the *Fogerty* court concluded, Congress enacted the 1976 Copyright Act against a background of judicial case law that did not apply a dual standard.[23]

The Supreme Court holding in *Fogerty* can be broken down into two parts. First, prevailing plaintiffs and prevailing defendants are to be *treated alike* in awarding attorney's fees under section 505. Second attorney's fees are to be awarded only at the discretion of the district court.[24]

The *Fogerty* Court also provided at least nominal guidance to the district courts by reiterating with approval a nonexclusive list of factors originally presented in *Lieb v. Topstone Indus.*,[25] a Third Circuit opinion. These factors are: "frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence."[26] These factors have been applied in numerous post-*Fogerty* cases. However, the *Lieb* factors were not part of the *Fogerty* holding. Instead they were merely *obiter dicta*, which the Court prefaced by stating " f or example, such factors *may be used* to guide courts' discretion."[27] This issue will be returned to in Part V.B.

In any event, the *Fogerty* Court actually recited with approval the four factors from the Third Circuit's opinion in *Lieb v. Topstone:* "We agree that such factors should be used to guide courts' discretion, so long as such factors are faithful to the purposes of the Copyright Act and are applied to prevailing plaintiffs and defendants in an even-handed manner."[28] However,

in deciding *Lieb* the Third Circuit expressly ***237** indicated that its list was not an exhaustive guide: "We expressly do not limit the factors to those we have mentioned, realizing that others may present themselves in specific situations."[29]

Another set of "nonexhaustive factors" frequently cited in section 505 cases is taken from a district court opinion in the Second Circuit, *Boz Skaggs Music*.[30] In this case, the district court listed several considerations "that might justify the denial of fees includ ing the presence of a complex or novel issue of law that the defendants litigate vigorously and in good faith; the defendants' status as innocent rather than wilful or knowing infringers; bad faith on the plaintiffs' part in prosecuting the action; or a good faith attempt by the defendants to avoid infringement."[31]

My purpose in reciting the *Lieb* and *Boz Skaggs* factors is to show that the Supreme Court decided *Fogerty* against a complex background of legal custom governing the award of fees under section 505. I think it is quite clear that the Supreme Court intended that these decisions be left untouched by its holding in *Fogerty*. Therefore, I read *Fogerty* to stand for the proposition that any construction of section 505 that results in even-handed treatment and that does not divest the trial court of its ability to exercise equitable discretion is permissible. A corollary to my interpretation of *Fogerty* is this: the mechanical application of the *Lieb* factors to determine whether section 505 should be invoked is not a faithful application of *Fogerty*. To do this is to miss the forest for the trees. *Fogerty* must be read at a higher level of generality. Otherwise achieving its goal of even-handed treatment the virtually impossible.

V. The Trial Courts Have Failed to Comply with *Fogerty's* Mandate of Even-Handed Treatment

In the previous section, I discussed the holding in *Fogerty*, concluding that it appeared correctly decided. Nevertheless, the true test of how well a medicine works is its effect, not its taste. Fortunately, whether *Fogerty* has had an effect on the way trial courts apply section 505, and precisely what that effect is, are testable queries.

A. The Data

To test these queries, I gathered a random, representative sample of cases-- both pre- and post-*Fogerty*--in which the prevailing party requested fees under ***238** section 505 of the Copyright Act.[32,33] The results from this data-gathering exercise are depicted in Tables I and II, and are summarized in prose form at the end of this section.

The left-hand side of Table I shows the percentage of cases decided before *Fogerty* in which the trial court awarded fees under section 505 (the circuits are divided into three groups according to the standard they applied).[34] On the right-hand side of Table I are identical statistics for cases decided post-*Fogerty*.

Table I also displays pre-*Fogerty* statistics on the left, and post-*Fogerty* statistics on the right (the last column only). The first three columns show the frequency of section 505 awards to the prevailing party by each of the three differentiated clusters of circuits. These data are summed to create the fourth column. Hence, the most direct comparison is between the last two columns--the left-hand column displays data pre-*Fogerty*, and the right-hand column, post-*Fogerty*.

Looking at the pre-*Fogerty* statistics first, as evidenced by the first group (Circuits Two, Seven, Eight, Nine, and D.C.), the dual or pro-plaintiff standard adopted by that group appears to have been faithfully applied. When plaintiffs were the prevailing party, they were awarded their fees under section 505 close to 98% of the time. By contrast, when defendants prevailed, they were awarded attorney's fees less than 25% of the time. The second group of circuits (Circuits Three, Four, Five, and Eleven) is the one purporting to apply the even-handed approach. However, this group of circuits did not achieve its goal--the data show a strong pro-plaintiff bias, though not quite as pronounced as the first group. Finally, the data for the last group (circuits One, Six, and Ten), which did not uniformly apply a single standard but instead adopted standards from the other two groups on an *ad hoc* basis, also show an overwhelming pro-plaintiff bias.

Now focus on the last column in Table I, the post-*Fogerty* data. A comparison of the data in this column with the previous three is some evidence of the effect that *Fogerty* has had on trial courts applying section 505. As evidenced by the data in this column, 76% of the time that the plaintiff is the prevailing party, he or she is ***239** awarded attorney's fees, compared with approximately 55% when the defendant prevails.

Fogerty stood unambiguously for the proposition that courts are to award fees without preference for whether the prevailing

party was plaintiff or defendant. The last column of data in Table I shows that this goal has not been reached. The adjacent column (post-*Fogerty*) shows a rather dramatic shift towards that neutral standard. These data show that *Fogerty* has indeed had a substantial impact in the award of attorney's fees in copyright cases. However, a greater than 21% differential is still far from even-handed treatment.

My purpose in compiling the data displayed in Table II is to differentiate the data presented in Table I to explain the post-*Fogerty* disparity between the frequency of attorney's fees awards to the plaintiff versus defendant. To do this, I separated the cases into two groups: (1) those terminated at summary judgment or earlier; and (2) those terminated at trial or after. As before, the pre-*Fogerty* data appear on the left-hand side, the post-*Fogerty* data on the other. From the last two columns of data, the reader can see that, after *Fogerty*, when the dispute is terminated at summary judgment, the plaintiff is awarded attorney's fees 100% of the time. By contrast, when the defendant wins on summary judgment, he receives attorney's fees in only about half of the cases. Intuitively, this seems reasonable since a defendant can prevail on summary judgment by showing that a plaintiff's claim is deficient in any of number of ways, such as ownership of the copyright-in-suit. Conversely, plaintiffs rarely prevail on summary judgment in copyright cases unless the defendant is guilty of intentional *verbatim* copying, and the defendant is not able to raise a viable defense (such as ownership, fair use, etc.).[35]

The post-*Fogerty* frequency of fee-shifting after trial is drastically different than after summary judgment. First, the frequency of section 505 awards to plaintiffs and defendants are much closer before than after summary judgment. This makes intuitive sense because by trial, the frivolous claims and defenses have typically been pared away. Second, awards to plaintiffs after trial decreased dramatically after *Fogerty*--from 100% to 40%. This is not surprising, for the same reason I just mentioned.

***240** Now I want to compare the pre- and post-*Fogerty* data. Focus on the first two columns of Table II. First, In pre-*Fogerty* cases, the point of termination of the dispute had little effect on whether plaintiffs were awarded attorney's fees. After *Fogerty*, however, plaintiffs who prevailed on summary judgment were awarded attorney's fees 100% of the time (versus approximately 53% for defendants), but only 40% of the time (versus approximately 57% for defendants) if they prevailed after trial. Second, Table II distinctly shows that *Fogerty*'s most significant effects are: (1) plaintiffs who prevail at trial are awarded their attorney's fees far less often (approximately 93% versus 40%) after *Fogerty*; and (2) defendants who prevail at summary judgment are awarded their attorney's fees far more often (approximately 24% versus approximately 53%) after *Fogerty*.

Differentiating the data based on point of termination shows that courts do apply section 505 in a slightly more even-handed manner for disputes terminated after trial (40% versus approximately 57% for plaintiffs and defendants, respectively). By contrast, for disputes terminated at summary judgment or earlier, the data show a strong pro-plaintiff bias.

In summary, the more significant conclusions drawn from the Table I and II data are:
(1) After *Fogerty*, plaintiffs are awarded their attorney's fees *less* often than before;

(2) After *Fogerty*, defendants are awarded their attorney's fees *more* often than before;

(3) After *Fogerty*, the disparity in frequency of awards of attorney's fees between plaintiffs and defendants is *less* than before;

(4) After *Fogerty*, trial courts award attorney's fees to plaintiffs significantly *more* often than to defendants than before;

(5) After *Fogerty*, plaintiffs who prevail after summary judgment are awarded attorney's fees with about equal frequency compared to before;

(6) After *Fogerty*, defendants who prevail after summary judgment are awarded attorney's fees *more* often than before;

(7) After *Fogerty*, plaintiffs who prevail at trial are awarded attorney's fees *less* often than before;

(8) After *Fogerty*, defendants who prevail at trial are awarded attorney's fees slightly *more* often than before;

(9) The frequency of award of attorney's fees to either prevailing party (regardless of point of termination) is approximately 50%, except that plaintiffs who prevail after summary judgment are awarded fees virtually 100% of the time.

***241 B. The Case Law**

In this section, I provide evidence from the case law to corroborate my conclusions drawn from the data in Tables I and II: that *Fogerty* has been neither correctly nor consistently applied by the trial courts.

In Part V.A., I present empirical data which shows, that trial courts have failed to achieve the goal of "even-handed" treatment toward plaintiffs and defendants, as the *Fogerty* court required. This conclusion is perhaps surprising, because the *Fogerty* court spoke with unusual clarity on this point. Yet the data presented in Table I show that *after Fogerty*, trial courts awarded plaintiffs who prevailed in copyright disputes their attorney's fees 76% of time, compared with only 55% of the time when defendant prevailed-- clearly evidence of biased treatment. In this section, I examine the post-*Fogerty* cases applying section 505 to determine why this is so.

In Part III of this Article, I divide all 12 circuit courts of appeals into three groups based on their pre-*Fogerty* standard for awarding fees under section 505 of the Copyright Act: those applying the even-handed approach, those applying the dual approach, and those that do not consistently apply either approach. From this, one might predict that *Fogerty* would have the following effects. For the circuits applying the even-handed approach, *Fogerty* would have no effect, since the court endorsed that approach. The dual-approach circuits would adopt the even-handed approach of the former group, which would liberalize fee shifting to prevailing defendants. And finally, the various standards applied in the First, Sixth, and Tenth Circuits would crystallize into a single standard--the even-handed approach.

To a limited extent the new standard introduced in *Fogerty* was quickly injected into circuit law. The Supreme Court does not hear copyright cases often,[36] so when it does, the copyright bar quickly informs trial courts of the new law. Moreover, the *Fogerty* court was particularly clear in its rejection of the dual standard.

Yet the effect that *Fogerty* had in the Fifth and Eleventh Circuits (two circuits that fell into the group applying the even-handed approach) was less straightforward. The court endorsed the even-handed approach, "[A]ttorney's fees are to be awarded to prevailing parties only as a matter of the court's discretion. 'There is no precise rule or formula for making these determinations,' but instead equitable discretion should be exercised 'in light of the considerations we have identified.'"[37] The court also reiterated with emphasis the language of section 505: "The statute says that "the court may also award a reasonable attorney's fee to the prevailing party as part of the costs. The word 'may' clearly connotes discretion. The automatic awarding ***242** of attorney's fees to the prevailing party would pretermit the exercise of that discretion.[38]

Both the Fifth and Eleventh Circuits, prior to *Fogerty*, awarded fees almost routinely to the prevailing party. The lower courts in these circuits relied on controlling authority in their respective circuits for that proposition.[39] Interestingly, trial courts in both the Fifth and Eleventh Circuits have found the previous approach of their Circuits inconsistent with *Fogerty*'s mandate to apply discretion. For instance, in *Major Bob Music*, a case decided only four weeks after *Fogerty*, a trial court in the Southern District of Georgia stated that although " t he Eleventh Circuit has adopted prior to *Fogerty* a lenient standard for granting fees" it was " w ary of the Supreme Court's admonition that attorney's fees should not be awarded automatically...."[40]

Trial courts in the Fifth Circuit have done likewise. Whether *Fogerty* overruled Fifth Circuit authority holding that fees should be the "the rule, rather than the exception," was the focus of an ancillary opinion in *Creations Unlimited*.[41] In *Creations Unlimited* the district court concluded that, "*Fogerty* softens the Fifth Circuit's command in *McGaughey* that attorney's fees in copyright cases be awarded 'as a matter of course."' and further that, "The Court therefore analyzes the request for attorney's fees and costs in this case under the *Lieb* factors set out by the Third Circuit.[42]

These passages suggests that *Fogerty* has indeed restrained the Fifth Circuit's pre-*Fogerty* liberal interpretation of section 505. My review of the case law suggests that this is the current majority position among the trial courts in the Fifth Circuit. *Compaq Computer*[43] is another example of this emerging trend. In this case, the district court declined to award fees to the prevailing defendant essentially because the plaintiff's position was not "objectively unreasonable."[44] After noting that " u ntil recently, the standard governing the award of attorneys' fees in copyright ***243** cases was very liberal," the court went on to say that "the Supreme Court has tempered this permissive standard in *Fogerty v. Fantasy Inc.*"[45] Next, the court applied the *Lieb* factors (just like the court in *Creations Unlimited*) as if they were part of the holding of *Fogerty*[46]--which they certainly

were not.[47]

Kebodeaux, a case decided in the Eastern District of Louisiana, is virtually identical to the other two Fifth Circuit trial court cases.[48] Again, the prevailing defendant was denied a fee award solely on the ground that there was no evidence that the plaintiff brought the lawsuit in bad faith or without proper legal and factual grounds.[49] As in the other cases, this conclusion was driven by application of the *Lieb* factors.

These three trial court cases in the Fifth Circuit, far from representing a *de minimus* fringe, are strong evidence of a rapid dissolution of the liberal interpretation of section 505 in light of *Fogerty*. And in its place, one sees the emergence of a much more equity-driven, case-by-case approach. This approach appears to require culpable conduct as a predicate to the shifting of fees, and also seems to slightly favor the plaintiff--which squarely contradicts *Fogerty*.[50] Moreover, the rule applied by these three trial courts looks suspiciously like the pre-*Fogerty* standard applied by, among others, the Ninth Circuit--the Circuit in which *Fogerty* was originally heard, and the one which the Supreme Court expressly overruled. Consider the language from the trial-level opinion in *Fogerty*: "The district court denied the request on the ground that Fantasy's lawsuit was neither frivolous nor prosecuted in bad faith ...."[51]

As evidenced by the cases I just discussed, both the Fifth and Eleventh appear to have retreated from their compulsory fee-shifting posture to a more discretionary standard. Or have they?

Interestingly, other trial courts in the Fifth Circuit have read *Fogerty* as *not* being inconsistent with a liberal fee-shifting scheme. Two cases in the Eastern District of Texas are notable in this regard. In *Central Point Software*,[52] the Court acknowledged *Fogerty* then proceeded to apply the pre-*Fogerty* standard: " A ttorney's fees may be awarded to a prevailing party as a matter of the court's ***244** discretion. However attorney's fees are routinely awarded in copyright infringement actions."[53] Another judge in the same judicial district has written an opinion containing virtually identical language.[54] Obviously then, the trial courts within the Fifth Circuit are applying two different standards in awarding fees under section 505.[55] Three years after *Fogerty* was decided, the Fifth Circuit Court of Appeals has not yet decided a section 505 case interpreting *Fogerty*. Neither has the Eleventh.

Having shown that the application of *Fogerty* varies within particular circuits, I now want to corroborate my conclusion drawn from the data in Tables I and II, that is, that the post-*Fogerty* standard which has coalesced at the trial court level is essentially a (nominally) pro-plaintiff, culpability-based standard. I intend to reinforce that conclusion by review of the case law. I also show that the trial courts' interpretation of *Fogerty* (which is essentially a gross over-reliance on the *Lieb* factors) effectively immunizes the copyright plaintiff from ever paying defendant's attorney's fees, provided he or she is able to traverse the very minimal threshold of presenting, in good faith, a legally and factually well-grounded suit.

First, consider these controlling reasons proffered by post-*Fogerty* trial courts for denying fees to prevailing defendants under section 505:
• "[Plaintiff's] position was not objectively unreasonable."[56]

• "Plaintiff's challenge to Defendant's designs, though ultimately not successful, was neither frivolous nor objectively unreasonable, either in the factual allegations or its legal undergirding .... [T]he Court does not find pernicious behavior indicating inappropriate motivation for bringing this lawsuit."[57]

***245** • "The Plaintiff acted reasonably in prosecuting a case that involved complex legal problems ...."[58]

• "[T]he Court saw no indication that [the Plaintiff] was prosecuting his claim frivolously, in bad faith, or with improper motivation. Nor was his claim objectively unreasonable, either factually or legally."[59]

• "While plaintiff failed to sustain its position, not all unsuccessful litigated claims are objectively unreasonable .... Plaintiff at bar suffered summary judgment because this Court concluded that there were no close similarities between the protectable elements of the works. But I am not prepared to say that plaintiff's contrary arguments were objectively unreasonable."[60]

• "[The defendant] has not demonstrated that this action was frivolous or was commenced in bad faith. [The plaintiff] is the owner of a purportedly valid copyright ...."[61]

The language from these cases is strong evidence that trial courts believe *Fogerty* enacted a culpability-based standard. Therefore, a copyright plaintiff who brings a claim that is legally and factually supported in good faith can litigate the dispute with immunity against a fee award. It is doubtful whether copyright defendants have the same protection. If they do not, then this is not an even-handed rule. And if it is even-handed, then the new section 505 standard has degenerated into a culpability-based standard, where fees shift only upon evidence of improper conduct by either party, unrelated to the merits of the dispute.

Yet, a culpability-based standard is not what the *Fogerty* Court had in mind. Instead, it wanted a standard that would encourage meritorious copyright claims and defenses. The standard actually applied, though, will only affect the behavior of litigants on the fringe. Frivolous lawsuits will be discouraged, and potential willful infringers will be deterred. Beyond that, the vast majority of putative copyright litigants will be unaffected by this fee-shifting standard, which means that they will proceed as if the background rules--without fee shifting provisions--controlled. This standard offends section 505 of the Copyright Act. I have also shown that it is not the standard that *Fogerty* enacted.

Moreover, there are certain features of fee-shifting schemes generally, and of section 505 in particular, that may exacerbate this tendency. For example, it is not ***246** always easy to determine the prevailing party--even if a plaintiff does win and recovers damages, he or she may not qualify as the prevailing party under the Act.[62] For instance, a plaintiff who prevails on a purely technical or *de minimis* claim may not qualify as a prevailing party.[63] Or suppose a plaintiff successfully proves infringement of two copyrights-in-suit, but loses on the issue of protectability with regard to two others; the plaintiff might not be deemed a prevailing party for fee award purposes. Furthermore, even though a party does win the lawsuit and qualifies as a prevailing party, there is still no guarantee that he or she will be awarded *all* of his or her attorney's fees.[64] Recall that section 505 provides only that the prevailing party may recover his "reasonable" attorney's fees.[65] Substantial reductions in the fee awards requested are not uncommon; indeed, they may even be the rule rather than the exception.[66] Finally, the dispute between the parties over whether fees should be awarded, and in what amount, may itself involve substantial time and cost.[67] The fee award is also separately appealable.[68] Hence, each of these factors combines to make an award of fees somewhat uncertain, even under a liberal fee-shifting scheme.

247 C. The Source of the Disparate and Incorrect Interpretations of *Fogerty

Trial courts have interpreted *Fogerty* incorrectly for several reasons. First, *Fogerty* is no model of clarity, and to the extent it is clear, it is inconsistent. The Court unambiguously held that section 505 is to be applied in an even-handed manner. Yet, the opinion repeatedly eschews the use of any rules to achieve that goal. Hence, in addition to *Fogerty's* lack of clarity--a criticism that can be credibly leveled against any Supreme Court opinion addressing a highly-specialized area of law, and one which far too often is repeated by commentators as a tedious substitute for genuine analysis--there is an *apparent* inconsistency in its holding. Moreover, the Court fails to provide any guidance on how to reconcile these contradictory principles.

Second, *Fogerty* leaves the strong impression that it has too much extraneous language. For instance, consider the Court's admonition that "'[t]here is no precise rule or formula for making these determinations.'"[69] This sentence is borrowed from another of the Court's decisions, but when read in connection with the Court's repeated admonitions to use "discretion," seems to proscribe trial courts' use of any standard to apply section 505. However, as shown in Part V.D, that is certainly not the Court's view. Also, the Court states several times that section 505 does not enact the British rule. There is a difference between a compulsory fee-shifting scheme and one that shifts fees as a matter of course, subject to the court's discretion. Yet, the Fifth and Eleventh Circuits (applying the latter standard before *Fogerty*) have retreated from this standard, probably because of inconsistent language scattered throughout the opinion.

Third, among the spectrum of possible interpretations of section 505 there are certain stable equilibria toward which an ambiguous standard will inevitably drift. The mainstream interpretation of section 505 has metastasized rather quickly into a culpability-based standard. Chief Justice Rehnquist, *Fogerty's* drafter, probably did not intend this result. A culpability-based standard, however, is one of the points to which the rule will drift--it is easy for a court to condition an award of fees upon whether one party advanced frivolous claims or defenses, or acted maliciously in prosecuting the action. It is also easy to shift fees as a matter of course. But standards that lie in between these two are difficult to apply in a precise and repeatable way, which frustrates attempts at even-handed application.

And finally, the positions expressed by the two circuits that I believe were correctly applying section 505 (the Fifth and

Eleventh Circuits) were completely ignored in *Fogerty*. The Fifth and Eleventh Circuit's position was not argued by either party. If the respondent had done so, this might have put the Court on the right trail.

***248 D. Rules versus Discretion**

I show in Part IV that the majority of the trial courts in the Fifth Circuit have read *Fogerty* for the proposition that clear fee-shifting rules conflict with *Fogerty*'s other proposition, that is, that fees be awarded only in the trial court's discretion. As a doctrinal matter, these two propositions follow plainly from the text of the relevant provision of the Act, its legislative history, and its policy objectives. Indeed, I certainly believe that *Fogerty* was correctly decided.[70] On the other hand, from a practical perspective, these two edicts are inconsistent, as evidenced by the disparate application of *Fogerty's* holding by the trial courts in the Fifth Circuit. More precisely, if the fee award is left entirely to the district court's discretion without any appellate guidance, then this *ad hoc* decision is inconsistent with the mandate of even-handed treatment.[71] Therefore, the only way to reconcile these conflicting requirements is either to follow a set of clear rules, or to award fees to the prevailing party automatically. The latter option was, of course, expressly foreclosed by *Fogerty*.[72] Hence, some rules are necessary to execute the Supreme Court's requirement of even-handed treatment.

VI. The Trial Courts' Application of *Fogerty* is Inconsistent with the Background of U.S. Law on Fee-Shifting--It Renders Section 505 Meaningless

Fogerty was decided against a broad background of fee-shifting and quasi fee-shifting schemes in U.S. law.[73] What I intend to show in this section is that the trial courts are interpreting *Fogerty* in a manner that essentially renders the fee-shifting provision of the Copyright Act meaningless in light of this background of prior fee-shifting law. In enacting a statute or a particular provision of a statute, courts are to presume that Congress's words have meaning. Hence, one of the most venerable canons of statutory construction is that an interpretation that effectively voids a provision of a statute is strongly discouraged.[74]

***249** Figure 1 depicts the relevant selection of fee-shifting regimes in U.S. law for purposes of this discussion. These background rules are very helpful in interpreting a terse fee-shifting provision like section 505, by providing stable points of reference.[75]

As depicted in Figure 1, section 505 lies somewhere between the pure British rule and the "exceptional case" standard contained in the other federal intellectual property statutes. This is useful information: an "exceptional case" in patent law, for instance, generally requires that the defendant be found to have willfully infringed or that the plaintiff-patent owner have engaged in inequitable conduct in the prosecution of his or her patent. That is, some sort of culpable or blameworthy conduct is required as a predicate to the shifting of fees.[76] Yet as the *Fogerty* court quite correctly noted, the omission of the word "exceptional" from section 505 has significance.[77]

Second, Courts in the United States possess the general equitable power to award fees if either party acted in bad faith during the prosecution of the lawsuit.[78,79] This is known as the "bad faith" exception, and it has a long and uninterrupted history in U.S. law. Therefore, as evidenced by Figure 1, reading section 505 as requiring "bad faith" on the part of either litigant would render it meaningless in light of the background rule in U.S. law.[80] Indeed, the Supreme Court relied on the bad faith exception as an aid in the construction of the fee-shifting provision of Title II of the Civil Rights Act. In *Newman v. Piggie Park Enterprises*,[81] the Court, in ***250** support of its holding that attorney's fees should be awarded to the plaintiff "[u]nless special circumstances would render such an award unjust" quite correctly noted that:

If Congress' objective had been to authorize the assessment of attorneys' fees against defendants who make completely groundless contentions for purposes of delay, no new statutory provision would have been necessary, for it has long been held that a federal court may award counsel fees to a successful plaintiff where a defense has been maintained "in bad faith, vexatiously, wantonly, or for oppressive reasons."[82]

With this in mind, I think it is obvious that the post-*Fogerty* application of section 505 essentially mirrors the venerable bad faith exception. This result may be due to the Supreme Court's treatment of the *Lieb* decision in *Fogerty*. The four *Lieb* factors, upon which the Supreme Court (perhaps inadvertently) placed its imprimatur in *Fogerty*, are more or less a *de facto* test for the bad faith standard: frivolousness, motivation, objective unreasonableness, and compensation/deterrence.

Thus, the background of the entire corpus of U.S. law provides formidable interpretive constraints on section 505's meaning. Those constraints squeeze section 505 snugly in between the "exceptional case standard" of the federal patent and trademark statutes, and the British rule. Therefore, the correct interpretation of section 505 is more liberal than the culpability-based standard that courts are now applying.

VII. The Trial Courts' Application of *Fogerty* Frustrates the Purposes of the Copyright Act--It Results in Under-Enforcement of Copyright Owners' Rights

Again, one theme of this Article is that the trial courts have misapplied the holding in *Fogerty*, as evidenced by its effect. The *Fogerty* Court-- following its decisions in *Christianburg* and *Piggie Park*--strongly believed that the fee-shifting standard should advance the purposes of the Copyright Act by influencing litigants' behavior.[83] Moreover, the Court believed that the goal of encouraging enforcement actions was best achieved by awarding fees to copyright plaintiffs who successfully litigated meritorious claims of infringement.[84] The following section shows that these goals have been frustrated by the trial courts interpretation of the *Fogerty* holding. This new "*Fogerty* rule" will actually discourage plaintiffs from bringing suit and defendants from asserting meritorious defenses.

The drastic shift in the standard for awarding attorney's fees under section 505 may have two adverse effects. First, it may cause an under-enforcement problem in that too few meritorious suits will be brought. Second, the new section 505 standard ***251** may inhibit the already stunted development of copyright law. These two issues are discussed in more detail below.

A vague fee-shifting standard--which putative plaintiffs are unable to incorporate into their enforcement decision-making--will inhibit enforcement of copyright owners' rights.[85] When compared with the other intellectual property regimes, copyright law is doctrinally impoverished. One commentator quite aptly remarked that litigating a copyright dispute is like building a bridge but having to begin by first deriving Newtonian mechanics.[86] A legal rule that does not allow a plaintiff to recover his or her attorney's fees after prevailing at trial, or that makes the award so uncertain that it does not actually influence the plaintiff's decision to bring suit, will contribute to that condition. Vigorously litigated disputes are necessary to develop legal doctrine. Or, as Benjamin Cardozo noted in his uniquely prosaic style: " T he sordid controversies of litigants are the stuff out of which great and shining truths will ultimately be shaped."[87] While this may generally be true about every area of law, it is perhaps most relevant in copyright law, as discussed below. Although fewer lawsuits are generally desirable, that is probably not true in this instance. To reiterate, the issue is whether too few *meritorious* suits are being brought, as frivolous lawsuits should never be encouraged.

Empirical data gathered by another commentator independently suggests that copyrights are under-enforced. Professor Eisenberg studied success rates after trial for over 30 different case types.[88] This study revealed that plaintiffs in copyright disputes enjoyed one of the highest success rates among all case types--71%.[89] However, statistics also showed that plaintiffs were still relatively lax in litigating their copyright claims. This, in turn, indicates that there is an under-enforcement problem.

The reason is that in copyright cases, damages are exceedingly hard to prove; indeed, there are often no readily-quantifiable damages. In the 1909 Act (and carried forward in the 1976 Act) Congress recognized the problem of under-enforcement and added a statutory damages provision to the Act, thus relieving the copyright plaintiff of the burden of proving his or her actual loss (or defendant's ***252** gain) from the infringing activity. However, this has provided only a partial solution. The statutory damages provision provides that these damages may range from $500 to $20,000, and may be increased to $100,000 for willful infringement, or reduced to $200 for innocent infringement. These damages are assessed *per work* infringed. In practice, even though he or she proved willful infringement, the plaintiff is rarely awarded more than $5,000 per work infringed.[90] As a consequence, the amount spent by the copyright plaintiff vindicating his intellectual property rights will often be greater than his damages award. In a random sample of 55 cases in which attorney's fees were awarded to the prevailing plaintiff, I found that in close to half of the cases (21 out of 55), attorney's fees were *larger* than the total statutory damages award.[91] These data suggest that many copyright suits, at least those without fee-shifting, are negative expected-value suits. The presence of a fee-shifting scheme of course mitigates that result. Yet, negative expected-value suits are often brought even in the absence of any fee-shifting rule.[92] From this same sample, the mean damages award was $30,738 and the mean attorney's fee award was $24,158. Of course, the prevailing plaintiff in a copyright infringement suit is also generally awarded an injunction. Nevertheless, the results from my survey strongly suggest that any rule that disrupts the standard for awarding attorney's fees (particularly one that makes the standard more stringent) may cause an under-enforcement problem. The real concern expressed above is not that too few copyright suits will be brought, but that too

few suits of the type that will contribute to the development of the law will be brought. The data in Table II shows that, post-*Fogerty*, a plaintiff who prevails at summary judgment recovers his or her fees 100% of the time, but only 40% of the time if he or she prevails at trial. Thus, only lawsuits generally requiring trial will be systematically discouraged. Therefore, any time a plaintiff anticipates a highly fact-based or legally-complex defense (such as copyrightability, fair use, scope of protection, substantial similarity, merger doctrine, functionality doctrine, etc.) then he or she might be reluctant to bring suit.[93]

***253** Is there any evidence of this type of under-enforcement problem? Perhaps. Table III shows the total number of lawsuits filed in federal district courts for selected years between 1991 and 1996 in four different kinds of cases: copyright, patent, trademark, and all federal question cases.[94] These data show that the total number of filings has increased in *every* category of cases except copyright. Although the total number of copyright filings increased steadily between 1991 and 1994, it decreased significantly in 1996. This trend is not surprising considering that *Fogerty* was decided in March of 1996.

VIII. Conclusion

While the current application of *Fogerty* by the trial courts is not the best reading, it is certainly a fail-safe one. Trial courts, perhaps reluctant to be reversed on appeal, simply apply the entire text of *Fogerty* in a mechanical fashion without regard to their respective circuit's background rules, or without bothering to distinguish holding from *dicta*. *Fogerty* cited the *Lieb* factors with approval, so the trial courts apply them. No other "rule" is expressly mentioned, so the courts do not apply any. Obviously then, the Fifth Circuit needs to resolve this issue. And the way it should resolve this problem is by directing the trial courts to apply the pre-*Fogerty* standard, as this approach was entirely consonant with the Supreme Court's position in *Fogerty*.

Table I

% of cases awarding costs under § 505 upon request by the prevailing party

	pre-*Fogerty*				post-*Fogerty*
prevailing party:	**circuits: 2,7,8,9,D.C.**	**circuits: 3,4,5,11**	**circuits: 1,6,10**	**all circuits**	**all circuits**
plaintiff	97.5%	100%	100%	96.3%	76.0%
defendant	21.4%	33.3%	0%	27.3%	54.5%

Table II

Sensitivity of frequency of § 505 award to point of termination

(% of cases awarding § 505 costs as a function of point of termination of the litigation)

	pre-*Fogerty*		post-*Fogerty*	
prevailing party:	**plaintiff**	**defendant**	**plaintiff**	**defendant**
point of termination:				
when the dispute is terminated at summary judgment or earlier	100%	23.5%	100%	53.3%
when the dispute proceeds to trial	92.6%	40.0%	40.0%	57.1%

Table III

Total Number of Case Filings 1991-1996, Selected Years

Year	Copyright	Patent	Trademark	Federal Question	
1991	1,960	1,097	2,183		2,183
1993	2,256	1,461	2,314		2,314
1994	2,626	1,513	2,421		2,421
1996	2,244	1,602	2,532		2,532

Figure 1

Pure British (compulsory fee-shifting)	Award to prevailing plaintiff in all but exceptional cases (e.g., Title VII of the Civil Rights Act of 1964 (42 U.S.C. §2000e-5(k)); *Christiansburg Garment Co. v. EEOC*; 434 U.S. 412 (1978))	In the court's discretion to the prevailing party (e.g., 15 U.S.C. §505; *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994))	Fee-shifting only in "exceptional cases" (e.g., 35 U.S.C. §285 (Patent Code), 15 U.S.C. §1117(a) (Lanham Act); *Interspiro USA, Inc. v. Figgie International, Inc.*, 18 F.3d 927 (Fed. Cir. 1994))	1. The American Rule, even in the absence of an express statutory provision, permits recovery of attorney fees by defendant who brought a lawsuit in "bad faith" (*Alyeska Pipeline Service Co. v. Wilderness Society*; 421 U.S. 240, 258 (1975)) 2. Fed. R. Civ. P. Rule 11(b) (sanctions, including monetary sanction, if plaintiff's complaint is, *inter alia:* • "[p]resented for any improper purpose...." • "[t]he claims...are [not] warranted by existing law....") 3. Fed. R. App. P. Rule 38, for "frivolous" appeals	Pure American Rule (each party bears its own litigation costs) (e.g., common law tort cases)

Footnotes

[a] Fulbright & Jaworski, L.L.P., Houston, Texas; J.D. University of Chicago; M.S. Massachusetts Institute of Technology. The author gratefully acknowledges the excellent editorial assistance of Sarah Welch and Amy Werner.

[1] 17 U.S.C. § 505 (1994).

[2] In this Article, I say little about the meaning of the term, "prevailing party." You might expect that the prevailing party in a copyright suit is not difficult to identify, however, this is not always the case. Confusion as to the identify of the prevailing party occurs most often when the plaintiff has pled infringement of multiple copyrights, and the plaintiff prevails as to some of the issues but not others. *See, e.g.*, Screenlife Establishment v. Tower Video, Inc., 868 F. Supp 47, 50, 33 U.S.P.Q.2d (BNA) 1295, 1297 (S.D.N.Y. 1994) ("In order to be deemed a 'prevailing party' the party must succeed 'on a significant issue in the litigation that achieves some of the benefits the party sought in bringing suit.'") (quoting Hensley v. Eckerhart, 461 U.S. 424, 433 (1983)); *see also* MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 14.10[B], 14-143 to 14-146 (1996) [hereinafter NIMMER ON COPYRIGHT].

[3] (*Fogerty II*) 510 U.S. 517, 29 U.S.P.Q.2d (BNA) 1881 (1994). The Fogerty case was heard twice by the Ninth Circuit and once by the U.S. Supreme Court. Since all three cases will be discussed, this Article adopts the shorthand citation used by the Ninth Circuit in its second hearing to identify the cases. "*Fogerty I*" refers to the first Ninth Circuit case. Fantasy, Inc. v. Fogerty, 984 F.2d 1524 (9th Cir. 1993), affirming the district courts decision to deny attorney's fees on the basis of lack of bad-faith and frivolousness. "*Fogerty II*" refers to the Supreme Court's case which reversed *Fogerty I*, and remanded to the district court, 510 U.S. 517, 29 U.S.P.Q.2d (BNA) 1881 (1994). "*Fogerty II*" refers to the second Ninth Circuit case, Fantasy v. Fogerty, 94 F.3d 553, 39 U.S.P.Q.2d (BNA) 1933 (9th Cir 1996), affirming the district court's decision to award attorney's fees on remand from *Fogerty II*.

[4] Another reason is the disparity in the parties' respective estimates of winning. Cases involving pessimistic defendants often settle, whereas disputes involving overly optimistic parties have less chance of doing so.

[5] Fantasy, Inc. v. Fogerty, (*Fogerty III*) 94 F.3d 553, 39 U.S.P.Q.2d (BNA) 1933 (9th Cir. 1996).

[6] *See infra* Part V.

[7] *See infra* Part VI.

[8] *See infra* Part VII.

[9] *Fogerty II*, 510 U.S. 517, 29 U.S.P.Q.2d (BNA) 1881 (1994).

[10] *Id.* at 520-21, 29 U.S.P.Q.2d at 1883.

[11] McCulloch v. Albert E. Price, Inc., 823 F.2d 316, 323, 3 U.S.P.Q.2d (BNA) 1503, 1508 (9th Cir. 1987).

[12] Roth v. Pritikin, 787 F.2d 54, 57, 229 U.S.P.Q. (BNA) 388, 389 (2d Cir. 1986).

[13] *Cf.* Lodi v. Lodi, 173 Cal. App. 3d 628 (1985) (Individual filed complaint against himself.).

[14] That the two circuits apply the same standard is not surprising since the Fifth Circuit was split into the Fifth and Eleventh Circuit in 1981.

[15] Micromanipulator Co. v. Bough, 779 F.2d 255, 259-60, 228 U.S.P.Q. (BNA) 443, 446 (5th Cir. 1985). *See also* McGaughey v. Twentieth Century Fox Television, 12 F.3d 62, 65, 29 U.S.P.Q.2d (BNA) 1552, 1555 (5th Cir. 1994).

[16] *Micromanipulator*, 779 F.2d at 259, 228 U.S.P.Q. at 446 (citing Engel v. Teleprompter Corp., 732 F.2d 1238, 1241 (5th Cir. 1984)). For trial court opinions citing *Micromanipulator, see, e.g.*, Sailor Music v. Davis, 32 U.S.P.Q.2d (BNA) 1853, 1854 (N.D. Tex. 1994); Swallow Turn Music v. Wilson, 831 F. Supp 575, 582, 28 U.S.P.Q.2d (BNA) 1924, 1929 (E.D. Tex. 1993); Broadcast Music Inc. v. Beach Ball Benny's Inc., 30 U.S.P.Q.2d (BNA) 1231, 1234 (E.D. La. 1993); Almo Music Corp. v. T&W Communications Corp., 798 F. Supp. 392, 394, 25 U.S.P.Q.2d (BNA) 1891, 1894 (N.D. Miss. 1992).

[17] Original Appalachian Artworks, Inc. v. Toy Loft, Inc., 684 F.2d 821, 832, 215 U.S.P.Q. (BNA) 745, 755 (11th Cir. 1982).

[18] *See, e.g.*, Diamond Star Bldg. Corp. v. Freed, 21 F.3d 59, 30 U.S.P.Q.2d (BNA) 1491 (4th Cir. 1994); Lieb v. Topstone Indus., 788 F.2d 151, 229 U.S.P.Q. (BNA) 426 (3d Cir. 1986).

[19] *See, e.g.*, Almo Music Corp. v. Chehade, Inc., No. 91-CV-71513-DT, 1992 WL 464100 at *2 (E.D. Mich. July 28, 1992) ("Thus it does not appear that this circuit has adopted a definite standard for awarding attorney's fees in copyright cases. In reviewing the cases from other circuits, the Court finds the Third Circuit's decision in [*Lieb*] to be well-reasoned and persuasive."); Bankers Promotional Mktg. Group, Inc. v. Orange, 14 U.S.P.Q.2d (BNA) 1669, 1671 (D. Minn. 1989) ("The Eighth Circuit has not adopted a definitive standard awarding attorney fees in copyright infringement cases ....").

[20] *Fogerty II*, 510 U.S. at 533, 29 U.S.P.Q.2d at 1888.

[21] "[A] successful defense of a copyright infringement action may further the policies of the Copyright Act every bit as much as the successful prosecution of an infringement claim by the holder of a copyright." *Id.* at 527, 29 U.S.P.Q.2d at 1885.

[22] *Id.* at 533, 29 U.S.P.Q.2d at 1888. The Ninth Circuit noted that the 1976 Copyright Act changed the fee-shifting standard from a mandatory one to a discretionary one. *Fogerty III*, 94 F.3d at 560, 39 U.S.P.Q.2d at 1938. Consider the shift in language between the 1909 and 1976 Acts, *from* "full costs shall be awarded" (Copyright Act of 1909, 17 U.S.C. § 116 (1976)) *to* "[t]he court in its discretion may allow the recovery of full costs" (Copyright Act of 1976, 17 U.S.C. § 505 (1994)). As evidenced by the 1909 Act fee-shifting provision, Congress certainly knows how to use mandatory language when it wants.

[23] *See Fogerty II*, 510 U.S. at 531, 29 U.S.P.Q.2d at 1887.

[24] *Id.* at 534, 29 U.S.P.Q.2d at 1888.

[25] 788 F.2d 151, 229 U.S.P.Q. (BNA) 426 (3d Cir. 1986).

[26] *Fogerty*, 510 U.S. at 534 n.19, 29 U.S.P.Q.2d at 1888 n.19 (citing *Lieb*, 788 F.2d at 156, 229 U.S.P.Q. at 429).

[27] *Id.* (emphasis added).

[28] *Id.*

[29] *Lieb*, 788 F.2d at 156, 229 U.S.P.Q. at 429.

[30] Boz Skaggs Music v. KND Corp., 491 F. Supp. 908, 208 U.S.P.Q. (BNA) 307 (D. Conn. 1980).

[31] *Id.* at 915, 208 U.S.P.Q. at 312. (citations omitted).

[32] Note that these statistics do not represent the percentage of cases in which fees were awarded, but rather the percentage of cases in which fees were awarded *when requested* by the prevailing party. I believe that the difference between these two numbers is probably very small. The reason is that in copyright cases, the prevailing party almost always requests fees under section 505.

[33] That the frequency of section 505 awards differs depending upon the prevailing party does not mean that section 505 is being misapplied by the courts. I doubt that the *Fogerty* court intended "even-handed" to mean that attorney's fees should be awarded once to the defendant, and once to the plaintiff. For instance, a peculiar selection bias in copyright law--a factor which affects how litigated disputes are selected from among the total collection of litigable disputes--may favor section 505 awards to one party or the other. Hence, even-handed treatment will result in a disparity of the awards. Nevertheless, a comparison of the frequency of section 505 awards is the most reliable proxy to test the "even-handedness" of the application of section 505.

[34] *See supra*, notes 7-16 and accompanying text.

[35] The majority of copyright cases terminating in summary judgment for the plaintiff are performance rights cases brought by one of the two performance rights societies, BMI or ASCAP. In these cases, the defendant (generally a nightclub owner) plays recorded music in his establishment without a BMI or ASCAP license. There is usually no substantial dispute over infringement since undercover investigators have caught the defendant red-handed. Nor is there any rational debate over innocent versus willful infringement since the defendant is repeatedly offered a license even after infringement is discovered, but refuses the license and continues the infringing activity. The only issue usually disputed is the number of works infringed (since the calculation of statutory damages turns on this figure). *See, e.g.*, Swallow Turn Music v. Wilson, 831 F. Supp 575, 28 U.S.P.Q.2d (BNA) 1924 (E.D. Tex. 1993); Tempo Music Inc. v. Christenson Food & Mercantile Co., 806 F. Supp 816, 26 U.S.P.Q.2d (BNA) 1947 (D. Minn. 1992); Little Mole Music v. Spike Investment, Inc., 720 F. Supp 751, 13 U.S.P.Q.2d (BNA) 1876 (W.D. Mo. 1989).

[36] In the 1995 Term, the Court only heard one copyright case.

[37] *Fogerty II*, 510 U.S. at 534, 29 U.S.P.Q.2d at 1888 (quoting Hensley v. Eckerhart, 461 U.S. at 436).

[38] *Fogerty II*, 510 U.S. at 533, 29 U.S.P.Q.2d at 1888 (citing 17 U.S.C. § 505). Also, the Court expressly rejected the proposition that section 505 adopted the "British Rule." *Id.* The "British Rule" refers to the overall practice in British Courts of awarding attorney's fees in all cases to the prevailing party except in exceptional circumstances. *Id.*

[39] See, The Micromanipulator Co., v. Bough, 779 F.2d 255, 228 U.S.P.Q. (BNA) 443 (5th Cir. 1985.); Original Appalachian Artworks, Inc. v. Toy Loft, 684 F.2d 821, 215 U.S.P.Q. (BNA) 745 (11th Cir. 1982).

[40] Major Bob Music v. Stubbs, 851 F. Supp. 475, 482, 31 U.S.P.Q.2d (BNA) 1113, 1119 (S.D. Ga. 1994).

[41] Creations Unlimited Inc. v. McCain, 889 F. Supp. 952, 954, 36 U.S.P.Q.2d (BNA) 1670, 1672 (S.D. Miss. 1995).

[42] *Id.* The Fifth Circuit had not previously applied the Third Circuit's test in *Lieb*.

[43] Compaq Computer Corp. v. Procom Tech. Inc., 908 F. Supp. 1409, 37 U.S.P.Q.2d (BNA) 1801 (S.D. Tex. 1995).

[44] *Id.* at 1429, 37 U.S.P.Q.2d at 1816.

[45] *Id.* (citing *Micromanipulator*).

[46] *Id.*

[47] *See supra* note 27 and accompanying text.

[48] Kebodeaux v. Schwegmann Giant Super Markets, 33 U.S.P.Q.2d (BNA) 1223 (E.D. La. 1994).

[49] *Id.*

[50] *See infra* notes 49-55 and accompanying text.

[51] Cited in *Fogerty III*, 94 F.3d 553, 556, 39 U.S.P.Q.2d 1933, 1934 (9th Cir. 1996).

[52] Central Point Software, Inc. v. Nugent, 903 F. Supp. 1057, 1061, 37 U.S.P.Q.2d (BNA) 1051, 1054 (E.D. Tex. 1995)

[53] *Id.* at 1061, U.S.P.Q.2d at 1054 (citing, *inter alia, Micromanipulator*).

[54] New Perspective Publishing Inc. v. Simon, 33 U.S.P.Q.2d (BNA) 1537, 1538 (E.D. Tex. 1994).

[55] A legal realist might explain this disparity in application of *Fogerty II* in the following manner. One of the Fifth Circuit cases applying the pre-*Fogerty II* standard, *New Perspective*, was a routine performance-rights case involving ASCAP as the plaintiff. In such cases, the defendant virtually always loses since the plaintiff can easily show that the defendant knowingly conducted live performances of copyrighted works licensed to ASCAP and that the defendant was offered a license but refused. In fact, *New Perspective* was decided on motion for default judgment. A case of this sort is a natural paradigm for an award of attorney's fees to the prevailing party--the prevailing party in *New Perspective* would have been awarded fees under the law in *any* circuit. (*New Perspective*, 33 U.S.P.Q.2d at 1537). Likewise, the other Fifth Circuit case applying the pre-*Fogerty* standard was decided on summary judgment in favor of the plaintiff; the defendant, representing himself, did not file a response. *Central Point Software*, 903 F. Supp. at 1057, 37 U.S.P.Q. at 1051. By contrast, in *Creations Unlimited*, the Fifth Circuit trial court decision holding that *Fogerty* overturned the prior Fifth Circuit standard was decided on a contested summary judgment motion for defendant. *Creations Unlimited*, 889 F. Supp. at 954, 36 U.S.P.Q. at 1672.

[56] *Compaq*, 908 F. Supp. at 1429, 37 U.S.P.Q.2d at 1816.

[57] *Creations Unlimited*, 889 F. Supp. at 954, 36 U.S.P.Q.2d at 1672.

[58] Garnier v. Andin Int'l, Inc., 884 F. Supp. 58, 63, 36 U.S.P.Q.2d (BNA) 1485, 1490 (D.R.I. 1995).

[59] *Kebodeaux*, 33 U.S.P.Q.2d at 1224.

[60] CK Co. v. Burger King Corp., 34 U.S.P.Q.2d (BNA) 1319, 1320 (S.D.N.Y. 1995).

[61] Belmore v. City Pages, Inc., 880 F. Supp. 673, 680, 34 U.S.P.Q.2d (BNA) 1295, 1301 (D. Minn. 1995).

[62] *See, e.g.*, Screenlife Establishment v. Tower Video, Inc., 868 F. Supp. 47, 50, 33 U.S.P.Q.2d (BNA) 1295, 1297 (S.D.N.Y. 1994); *see also* Branch v. Ogilvy & Mather, Inc., 772 F. Supp. 1359, 1366, 20 U.S.P.Q.2d (BNA) 1928, 1933 (S.D.N.Y. 1991).

[63] Warner Bros., Inc. v. Dae Rim Trading, Inc., 695 F. Supp. 100, 8 U.S.P.Q.2d (BNA) 1823 (S.D.N.Y. 1988), *aff'd in part, rev'd in part*, 877 F.2d 1120 (2d Cir. 1989).

[64] The amount shown on the attorney's billing records is often perceived as the starting point from which to begin reducing the award upon consideration of various factors. *See, e.g.*, Kelley v. Metropolitan County Bd. of Educ., 773 F.2d 677, 683 (6th Cir. 1985) (instructing the district courts to consider the time and labor required, the novelty and difficulty of the litigation, and the experience, reputation and ability of the attorneys.). Moreover, the circuit courts have warned lower courts that they are not to "[a]ccept uncritically plaintiffs' counsel's representations concerning the time expended." Frank Music Corp. v. Metro-Goldwyn-Mayer Inc., 886 F.2d 1545, 1557, 12 U.S.P.Q.2d (BNA) 1412, 1422 (9th Cir. 1989) (citing Sealy, Inc. v. Easy Living, Inc., 743 F.2d 1378, 1385, 224 U.S.P.Q.2d (BNA) 364, 368 (9th Cir. 1984)).

[65] 17 U.S.C. § 505 (1994).

[66] *See, e.g.*, Broadcast Music, Inc. v. 315 West 44th St. Rest. Corp., CCH ¶ 27,467, 28,641, 28,645 (S.D.N.Y. 1995) (plaintiff sought $1,200 in attorney's fees; the court awarded $600); Shapiro, Bernstein & Co. v. Club Lorelei Inc., 35 U.S.P.Q.2d (BNA) 1852, 1855 (W.D.N.Y. 1995) (plaintiff sought $7,756.25 in fees; the court awarded $1,534); Princeton Univ. Press v. Michigan Document Servs. Inc., 869 F. Supp. 521, 33 U.S.P.Q.2d (BNA) 1638 (E.D. Mich. 1994) (plaintiff sought $328,847.25 in fees; the court awarded $295,962.52); *and* Almo Music Corp. v. T&W Communications, 798 F. Supp. 392, 25 U.S.P.Q.2d (BNA) 1891 (N.D. Miss. 1992) (plaintiff sought $135 per hour; the court, finding this not in line with that ordinarily awarded in the district, reduced the attorney's billable rate for fee award purposes to $100, though the defendant did not object to the reasonableness of the requested rate).

[67] *See, e.g.*, Fantasy, Inc. v. Fogerty (*Fogerty III*), 94 F.3d 553, 39 U.S.P.Q.2d (BNA) 1933 (9th Cir. 1996); *see also Frank Music*, 886 F.2d at 1557, 12 U.S.P.Q.2d at 1422.

[68] *See* Budinich v. Beckton Dickinson & Co., 807 F.2d 155 (10th Cir. 1986); *see also* Exchange National Bank v. Daniels, 763 F.2d 286 (7th Cir. 1985).

[69] *Fogerty II*, 510 U.S. at 534, 29 U.S.P.Q. at 1888 (quoting *Hensley*, 461 U.S. at 436).

[70] I believe *Fogerty* was correctly decided insofar as it chose the correct standard from among the two choices presented. Yet, more guidance as to how to apply the even-handed approach would have been helpful.

[71] Black's Law Dictionary defines "discretion" as: "A liberty or privilege to decide and act in accordance with what is fair and equitable under the peculiar circumstances of the particular case, *guided by the spirit and principles of the law*...." BLACK'S LAW DICTIONARY 467 (6th ed. 1990) (citing Manekas v. Allied Discount Co., 166 N.Y.S.2d 366, 369 (N.Y. Sup. Ct. 1957) (emphasis added).

[72] *Fogerty II*, 510 U.S. at 533, 29 U.S.P.Q.2d at 1888 ("The automatic awarding of attorney's fees to the prevailing party would pretermit the exercise of that discretion.").

[73] All I mean by "quasi fee-shifting" is a provision providing for the award of attorney's fees outside any substantive statute (e.g.,

FED. R. CIV. P. 11) as opposed to provisions subsumed within a substantive cause of action.

74 *See, e.g.*, U.S. v. Bacon, 21 F.3d 209, 212 (8th Cir. 1994) ("[I]t is a cardinal and long-revered canon of statutory construction that Congress is not to be presumed to have done a vain thing, namely, using superfluous language."). *See also*, Mosquera-Perez v. INS, 3 F.3d 553, 556 (1st Cir. 1993); Allende v. Shultz, 845 F.2d 1111, 1119 (1st Cir. 1988); Abourezk v. Reagan, 785 F.2d 1043, 1054 (D.C. Cir. 1986) ("A familiar canon of statutory construction cautions the court to avoid interpreting a statute in such a way as to make part of it meaningless.") (citing, N. SINGER, SUTHERLAND STATUTORY CONSTRUCTION § 46.06 (4th ed. 1984)).

75 Also, section 505 has virtually no legislative history to hint at its interpretation. The *Fogerty* court mentions this as well. *Fogerty*, 510 U.S. at 526, 29 U.S.P.Q.2d at 1884.

76 *See, e.g.*, Avia Group Int'l, Inc. v. L.A. Gear California, Inc., 853 F.2d 1557, 1567, 7 U.S.P.Q.2d (BNA) 1548, 1556 (Fed. Cir. 1988); Bayer Aktiengesellschaft v. Duphar Int'l Research B.V., 738 F.2d 1237, 1242, 222 U.S.P.Q. (BNA) 649, 652 (Fed. Cir. 1984).

77 *Fogerty II*, 510 U.S. at 525 n.12, 29 U.S.P.Q.2d at 1884 n.12.

78 Similarly, filing a groundless lawsuit is sanctionable conduct under Rule 11. Hence, the true section 505 standard must lie somewhere upstream of this standard. FED. R. CIV. P. 11(b).

79 *See, e.g.*, Vaughan v. Atkinson, 369 U.S. 527, 530-31 (1962) (awarding attorney's fees to a seamen plaintiff who brought an action in admiralty to recover maintenance and cure, where defendant ship owners "were callous in their attitude, making no investigation of [plaintiff's] claim .... As a result of that recalcitrance, [plaintiff] was forced to hire a lawyer and go to court to get what was plainly owed him under laws that are centuries old. The default was willful and persistent."). *See also* Rolax v. Atlantic Coast Line Co., 186 F.2d 473, 481 (4th Cir. 1941) (awarding attorney's fees to black persons who brought suit against a labor union to prevent discrimination). Finally, the bad faith exception is mentioned in *Lieb*, 788 F.2d at 155, 229 U.S.P.Q.2d at 429, the Third Circuit case cited with approval in *Fogerty*.

80 Christianburg Garment Co. v. EEOC, 434 U.S. 412, 417 (1978) (citing Alyeska Pipeline Co. v. Wilderness Society, 421 U.S. 240, 258 (1975)).

81 390 U.S. 400 (1968)

82 *Piggie Park*, 390 U.S. at 402, n.4 (citing 6 JAMES WM. MOORE ET AL., MOORE'S FEDERAL PRACTICE, 1352 (2d ed.1966)).

83 *Fogerty II*, 510 U.S. at 522-23, 29 U.S.P.Q.2d at 1883-84.

84 *Id.*, 510 U.S. at 527, 29 U.S.P.Q.2d at 1885.

85 At least one commentator has stated the opposite. *See* Christopher A. Bloom, *Hazy Fee-Shifting Rule Paves Way for Litigation: The Supreme Court Offers Lower Courts Little Guidance On When And How To Award Attorney Fees*, NAT'L L.J., C21, February 12, 1996 ("The lack of a clear standard by which attorney's fees are awarded is likely to breed, rather than curtail, litigation.")

86 JAMES BOYLE, SHAMANS, SOFTWARE, AND SPLEENS: LAW AND THE CONSTRUCTION OF THE INFORMATION SOCIETY, 19 (Harvard 1996).

[87] BENJAMIN N. CARDOZO, THE NATURE OF THE JUDICIAL PROCESS, 35 (Yale 1921).

[88] Theodore Eisenberg, *Testing The Selection Effect: A New Theoretical Framework With Empirical Tests*, 19 J. LEGAL STUD. 337, 358, Table A1 (1990).

[89] This statistic suggests that if plaintiffs filed lawsuits in every situation where a dispute arose, they would prevail 71% of the time.

[90] This conclusion is based on the sample of cases from which the statistics presented in Tables I and II were derived. *See, e.g.*, Peer Int'l Corp. v. Luna Records, Inc., 887 F. Supp. 560, 569 (S.D.N.Y. 1995) ("Plaintiffs also misstate the law when they argue that because the maximum amount of statutory damages for a non-willful infringement is $20,000, that figure should also represent the minimum amount of statutory damages upon a finding of willfulness.") (citing Warner Bros., Inc. v. Dee Rim Trading, Inc., 695 F. Supp. 100, 111 (S.D.N.Y. 1988)).

[91] *See, e.g.*, NIMMER ON COPYRIGHT, *supra* note 2, § 14.10[C] at 14-131 n.16.1 (indicating that the average cost of litigating a copyright case through trial in New York City in 1985 was between $58,000 and $107,000, with a medium cost of $87,000).

[92] *See* Lucian Arye Bebchuk, *A New Theory Concerning The Credibility And Success Of Threats To Sue*, 25 J. LEGAL STUD. 1 (1996).

[93] One commentator has remarked (in a law review article completed prior to *Fogerty*) that the nature of the defense should be the desired standard when awarding attorney's fees. Peter Jaszi, 505 *And All That--The Defendant's Dilemma*, 55 LAW & CONTEMP. PROBS. 107, 122 (1992).

[94] These data are taken from Table C4, Administrative Office, United States Courts, *Annual Report of the Director*, selected years. The data presented in Table C4 are actually "terminations" rather than new lawsuits filed.