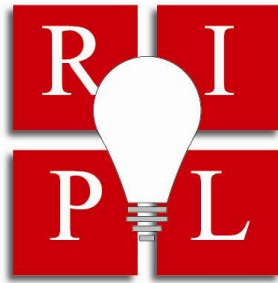


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SHOULD THERE BE A PRESUMPTION FAVORING AWARDS OF ATTORNEY'S FEES IN COPYRIGHT LITIGATION?

WILLIAM T. MCGRATH

ABSTRACT

Section 505 of the Copyright Act allows courts to award attorney's fees to the prevailing party in a copyright case. Almost twenty years ago, the Supreme Court in *Fogerty* resolved a split among the circuits over the interpretation of that statute. First, it held that courts should apply several nonexclusive factors when determining if the prevailing party, whether defendant or plaintiff, should be entitled to recover attorney's fees. Second, the Court refused to apply a presumption that the prevailing party will automatically recover attorney's fees, opting instead for the districts courts to apply "equitable discretion" in awarding fees. But in recent years, the Seventh Circuit has called for "presumptive entitlement" of attorney's fees to the prevailing party. It also isolated two factors as being primary in its analysis: the strength of the prevailing party's case and the amount of damages the prevailing party obtained. Because the prevailing defendant typically receives no monetary award, the Seventh Circuit's factors tend to favor the defendant. This paper points out the number of problems with such a presumption, including: 1) its conflicts with the statute; 2) conflicts with the principles of *Fogerty*; and 3) its chilling effect on plaintiffs with legitimate claims.

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WILLIAM T. MCGRATH*

INTRODUCTION

Almost twenty years ago, in *Fogerty v. Fantasy, Inc.*,¹ the Supreme Court addressed the question of how courts are to apply § 505 of the Copyright Act, which allows a court to award attorney's fees to the prevailing party in a copyright case.² Wisely, the Court did not attempt to micromanage the issue, but rather set forth two overriding principles gleaned from the language and the purposes of the Act.³ First, there is to be no double standard: prevailing plaintiffs and prevailing defendants are to be treated in an "evenhanded" manner.⁴ Second, the decision is not to be governed by any automatic rules, but rather is a matter of the district court's discretion.⁵

Commentators have discussed the impact of *Fogerty* generally,⁶ but none have discussed in detail an important issue stemming from a line of cases decided over the past several years by the Seventh Circuit Court of Appeals: should courts apply a presumption favoring the award of attorney's fees to prevailing parties in copyright litigation?

I. THE BACKSTORY

Saul Zaentz and John Fogerty are very different people and they do not get along well. Zaentz was born in Passaic, New Jersey in 1921.⁷ He is a renowned film producer, and has won three Academy Awards (*One Flew Over the Cuckoo's Nest*;

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¹ 510 U.S. 517 (1994).

² *Id.* at 519.

³ *Id.* at 535–36.

⁴ *Id.*

⁵ *Id.* at 538.

⁶ Robert A. Hyde & Lisa M. Sharrock, *A Decade Down the Road but Still Running Through the Jungle: A Critical Review of Post-Fogerty Fee Awards*, 52 U. KAN. L. REV. 467, 467–68 (2004); Paul Marcus & David Nimmer, *Forum on Attorney's Fees in Copyright Cases: Are We Running Through the Jungle Now or Is the Old Man Still Stuck Down the Road?*, 39 WM. & MARY L. REV. 65, 65 (1997); Douglas YBarbo, *On Fee-Shifting and the Protection of Copyright*, 44 J. COPYRIGHT SOC'Y U.S.A. 23, 24 (1996).

⁷ *Saul Zaentz: Full Biography*, N.Y. TIMES, <http://movies.nytimes.com/person/117764/Saul-Zaentz/biography> (last visited May 13, 2013).

Amadeus; The English Patient).⁸ During the 1960s, he was also the owner of a small record company called Fantasy Records⁹. John Fogerty, born in 1945 in Berkeley, California, is best known as the songwriter and lead singer of the “swamp rock” band Creedence Clearwater Revival (CCR).¹⁰

Their fates enmeshed in the mid-‘60s when Fogerty, then a stock boy for Fantasy, got to know Zaentz.¹¹ Zaentz subsequently agreed to produce a record for Fogerty’s band, and the band signed a deal with Fantasy.¹² Over the next few years, CCR became one of the most popular bands in the world thanks to Fogerty’s unique vocal style and songwriting ability. During its relatively brief lifespan, CCR had 20 songs in the Top 20.¹³ In 1969, CCR outsold even the Beatles, making a tidy profit for Fantasy and Zaentz, who owned the copyrights to CCR’s songs under the contract with Fogerty.¹⁴

Success bore resentment between the artist and the label. When the group disbanded in 1972, Fogerty had to give up a substantial portion of his royalties to extricate himself from his Fantasy contract so that he could sign with another label.¹⁵

His creativity stymied, Fogerty’s career floundered until 1985 when he made a comeback with the album *Centerfield*.¹⁶ Three songs on that album are of particular relevance to this article. “The Old Man Down the Road” was the subject of the copyright infringement suit that culminated in the Supreme Court’s 1994 opinion in *Fogerty v. Fantasy, Inc.*¹⁷ Two other songs on the album are notable not because they were part of the copyright infringement case, but because they were quite probably the *casus belli*. Fogerty no doubt took delight in writing “Zanz Kant Danz,” a song about a con artist pig who “can’t dance, but he’ll steal your money.”¹⁸ No less subtle is “Mr. Greed” in which Fogerty sings “Mr. Greed, why you get to own everything you see? . . . You’re a devil of consumption. I hope you choke, Mr. Greed.”¹⁹ It is no wonder the parties fought all the way to the Supreme Court about attorney’s fees.

⁸ THE SAUL ZAENTZ CO., *About Saul Zaentz*, http://www.zaentz.com/files/about_saul_zaentz.html (last visited May 13, 2013).

⁹ Dennis McDougal, *The Trials of John Fogerty: Singer, Executive Locked in Decade-Old Legal Feud*, L.A. TIMES, Nov. 15, 1988, at 1.

¹⁰ *John Fogerty Biography*, ROLLING STONE, <http://www.rollingstone.com/music/artists/john-fogerty/biography> (last visited May 13, 2013).

¹¹ *Id.*

¹² *Id.*

¹³ Anthony DeCurtis, *John Fogerty is Closer to Peace with a Label*, N.Y. TIMES (Nov. 1, 2005), <http://www.nytimes.com/2005/11/01/arts/music/01foge.html>.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 519–20 (1994).

¹⁸ JOHN FOGERTY, *Vanz Kant Danz*, on *CENTERFIELD* (Warner Bros. 1985). The song was quickly changed from “Zanz Kant Danz” to “Vanz Kant Danz” after Zanz’s lawyers threatened to file suit. Robert Hilburn, *If ‘Zanz’ Kant Danz, Kan ‘vanz?’*, L.A. TIMES, Feb. 7, 1985.

¹⁹ JOHN FOGERTY, *Mr. Greed*, on *CENTERFIELD* (Warner Bros. 1985).

II. SETTING THE STAGE FOR *FOGERTY*

Section 505 of the Copyright Act of 1976 provides:

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.²⁰

The language "as otherwise provided" is important because under § 412 of the Act, a prevailing plaintiff is not eligible for attorney's fees unless it has made a timely registration.²¹

Before *Fogerty*, there was a split among circuits concerning awards of attorney's fees under § 505.²² Some courts, following an approach used in civil rights cases, applied a dual standard in deciding whether to award attorney's fees in copyright cases.²³ Under this approach, prevailing plaintiffs (assuming eligibility under § 412) would be awarded fees as a matter of course, while prevailing defendants would be required to show that the suit was frivolous or brought in bad faith.²⁴ Other courts followed what was called the evenhanded approach. Under the evenhanded approach, no special distinction was made between prevailing plaintiffs and prevailing defendants.²⁵ The determination was made based on consideration of several nonexclusive factors, including; "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."²⁶ These particular factors, drawn from the Third Circuit case *Lieb v. Topstone Industries, Inc.*, are sometimes referred to as the *Lieb* factors.

²⁰ 17 U.S.C. § 505 (2012).

²¹ 17 U.S.C. § 412. In general, timeliness requires registration prior to infringement. With one exception, a plaintiff is not eligible for attorney's fees unless the effective date of the registration is prior to the date the infringement commences. *Id.* The exception provides a limited grace period for published works. *Id.* If a copyright owner registers a published work within three months after first publication, it will still be eligible for attorney's fees, even if the infringement commenced prior to registration. *Id.* § 412(2).

²² Hyde & Sharrock, *supra* note 6, at 470.

²³ *Id.*

²⁴ *Id.*; see also *Diamond v. Am-Law Publ'g Corp.*, 745 F.2d 142, 148 (2d Cir. 1984) (finding that fees are "generally awarded to prevailing plaintiffs" while defendant are only entitled to fees when the "plaintiff's claims are objectively without arguable merit"); *Video Views, Inc. v. Studio 21, Ltd.*, 925 F.2d 1010, 1022 (7th Cir. 1991) ("[A] prevailing defendant should not be awarded its costs or fees unless it can also demonstrate that the copyright owner brought the action in bad faith or that the action was frivolous."). *But see McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316, 322 (9th Cir. 1987) (acknowledging the dual standard between plaintiffs and defendants, but cautioning against awarding victorious plaintiffs attorney's fees as a matter of course).

²⁵ *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 536 (1994).

²⁶ *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (3d Cir. 1986); see also *Sherry Mfg. Co. v. Towel King of Fla., Inc.*, 822 F.2d 1031, 1034 (11th Cir. 1987) ("[T]he losing plaintiff's good faith is a factor which the district court can consider in its discretion to justify the denial of fees.").

III. THE FOGERTY CASE

In 1985, Fantasy sued Fogerty, claiming that Fogerty's song "The Old Man Down the Road" was substantially similar to Fogerty's earlier song "Run Through the Jungle," in which Fantasy/Zaentz owned the copyright.²⁷ In effect, Fantasy alleged that Fogerty infringed his own work. After years of litigation, the case went to trial and a jury returned a verdict in favor of Fogerty.²⁸ When Fogerty sought to recover his attorney's fees, the district court denied the request.²⁹ Applying the dual standard, the court found that Fantasy had not brought the suit frivolously or in bad faith.³⁰ The Ninth Circuit affirmed.³¹

The Supreme Court granted certiorari to resolve the split among the circuits on the dual approach versus the evenhanded approach.³² The Court, in a unanimous opinion delivered by Chief Justice Rehnquist, adopted the evenhanded approach, holding that "[p]revailing plaintiffs and prevailing defendants are to be treated alike, but attorney's fees are to be awarded to prevailing parties only as a matter of the court's discretion."³³

The Court found that the language of § 505 gives no indication that successful plaintiffs are to be treated differently than successful defendants.³⁴ The dual approach used in civil rights cases is inapposite, despite similar statutory language, because the Civil Rights Act provides incentives for plaintiffs to act as "private attorneys general."³⁵ In contrast, the goal of the Copyright Act to enrich the general public through access to creative works can be served by successful defendants as well as successful plaintiffs.

The Court also rejected the other extreme of adopting the "British Rule," which allows for recovery of attorney's fees by the prevailing party (whether plaintiff or defendant) as a matter of course, absent exceptional circumstances.³⁶ The statutory language clearly connotes discretion in awarding fees, and an automatic award would improperly "preempt the exercise of that discretion."³⁷ The Court noted that while § 505 modifies the "American Rule" (where each party bears its own attorney's fees), "we find it impossible to believe that Congress, without more, intended to adopt the British Rule. Such a bold departure from traditional practice would have surely drawn more explicit statutory language and legislative comment."³⁸ The Court eschewed an automatic rule and vested the assessment of fee awards in the district court's discretion, guided by the Act's goal of encouraging the creation and dissemination of copyrighted works.³⁹ At no point does the *Fogerty* opinion even hint

²⁷ *Fogerty*, 510 U.S. at 519.

²⁸ *Id.* at 520.

²⁹ *Id.*

³⁰ *Id.*

³¹ *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 520–21 (1994).

³² *Id.* at 521.

³³ *Id.* at 534.

³⁴ *Id.* at 523.

³⁵ *Id.* at 522–25.

³⁶ *Id.* at 533–35.

³⁷ *Id.* at 518.

³⁸ *Id.* at 534.

³⁹ *Id.*

that a presumptive entitlement for the prevailing party would be necessary or appropriate in the application of § 505.⁴⁰

In closing, the Court noted that there is no precise rule or formula for making these determinations, but instead courts should exercise “equitable discretion.”⁴¹ In a footnote, it identified the four factors from *Lieb v. Topstone*⁴² as the type of factors that “may 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 evenhanded manner.”⁴³ On remand, the district court awarded Fogerty \$1.3 million in fees, and the award was affirmed on appeal.⁴⁴

IV. THE ANATOMY OF A PRESUMPTION

In the following decade, courts began to apply the teachings of *Fogerty*.⁴⁵ Not surprisingly, empirical studies of the effect of *Fogerty* show that the rate at which prevailing plaintiffs recover fees remained constant, while the rate at which prevailing defendants recover fees increased sharply post-*Fogerty*.⁴⁶

Courts commonly acknowledge the discretionary nature of the determination, as emphasized by *Fogerty*, and make the determination by analyzing the *Lieb* (or similar) factors while avoiding the pre-*Fogerty* pro-plaintiff dual standard.⁴⁷

Initially, the Seventh Circuit appeared to follow this approach, working through the factors and emphasizing the district court’s discretion.⁴⁸ In 2002, however, the Seventh Circuit began to change the way it applied *Fogerty*. In *Gonzales v. Transfer Technologies, Inc.*,⁴⁹ the defendant willfully infringed plaintiff’s copyrighted designs.⁵⁰ The district court awarded minimum statutory damages and denied attorney’s fees.⁵¹ On appeal, the court, in an opinion by Judge Posner, emphasized the need to deter willful infringements, noting “[t]he smaller the damages, provided

⁴⁰ There are non-copyright cases that have also rejected the use of a presumption in determining awards of attorney’s fees. *See* *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 138 (2005) (finding that the attorney fee provision of the removal statute does not create a presumption in favor of awarding fees on remand, nor does it create a bias against fee awards); *Eddy v. Colonial Life Ins. Co. of Am.*, 59 F.3d 201, 203 (D.C. Cir. 1995) (rejecting presumptive entitlement to fee awards under ERISA).

⁴¹ *Fogerty*, 510 U.S. at 534.

⁴² 788 F.2d 151, 156 (3d Cir. 1986).

⁴³ *Fogerty*, 410 U.S. at 534 n.19.

⁴⁴ *Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 555 (9th Cir. 1996).

⁴⁵ *Martin*, 546 U.S. at 136; *T-Peg, Inc. v. Vt. Timber Works, Inc.*, 669 F.3d 59, 61–62 (1st Cir. 2012); *Bridgeport Music, Inc. v. Diamond Time, Ltd.*, 371 F.3d 883, 894 (6th Cir. 2004).

⁴⁶ *Hyde & Sharrock*, *supra* note 6, at 473 (reporting that awards to prevailing defendants rose from a pre-*Fogerty* rate of 16 percent to a post-*Fogerty* rate of 61 percent.); *YBarbo*, *supra* note 6, at 240.

⁴⁷ *Bridgeport*, 371 F.3d at 894.

⁴⁸ *See, e.g.*, *Susan Wakeen Doll Co. v. Ashton Drake Galleries*, 272 F.3d 441, 457 (7th Cir. 2001); *Harris Custom Builders, Inc. v. Hoffmeyer*, 140 F.3d 728, 730 (7th Cir. 1998); *FASA Corp. v. Playmates Toys, Inc.*, 108 F.3d 140, 144 (7th Cir. 1997).

⁴⁹ 301 F.3d 608 (7th Cir. 2002).

⁵⁰ *Id.* at 609–10.

⁵¹ *Id.* at 609.

there is a real, and especially a willful, infringement, the stronger the case for an award of attorneys' fees."⁵² It urged this point "not as a rule to be mechanically applied," but as a serious consideration for district judges, adding "we go so far as to suggest, by way of refinement of the *Fogerty* standard, that the prevailing party in a copyright case in which the monetary stakes are small should have a presumptive entitlement to an award of attorneys' fees."⁵³

Two years later, the Seventh Circuit (in another opinion by Judge Posner) again addressed the question of attorney's fees, this time from the perspective of a prevailing defendant.⁵⁴ Referring to the *Lieb* factors identified in footnote 19 of *Fogerty*, Judge Posner in *Assessment Technologies v. Wiredata, Inc.*,⁵⁵ stated, "The list . . . is non-exclusive, arguably dictum, and in need of simplification—a process begun in this circuit in *Gonzales* . . . and continued here."⁵⁶ The court did not explain why "simplification" was needed or why a robust set of factors would not lead to a more reasoned application of § 505.⁵⁷

The court then recited what it considered the two most important considerations in determining fee awards: the strength of the prevailing party's case and the amount of damages the prevailing party obtained.⁵⁸ The latter factor seems sensible if the prevailing party is the plaintiff, but is an unusual factor to apply to defendants because they do not receive monetary awards for a successful defense. The court elevated this factor into the foundation for solidifying the presumption suggested in *Gonzalez*.⁵⁹ It stated, "When the prevailing party is the defendant, who by definition receives not a small award but no award, the presumption in favor of awarding fees is very strong."⁶⁰ The court reasoned that "without the prospect of such an award, the [defendant] might be forced into a nuisance settlement or deterred altogether from exercising his rights."⁶¹ The court was concerned that a party's cost of vindicating its rights must not exceed the private benefit to the party.⁶² To address this, it established a presumption that would have the effect of shifting the entire cost of defending those rights to the unsuccessful plaintiff.⁶³ Notably, the court characterized this presumption as "very strong" despite recognizing that other courts have not used such a presumption when applying *Fogerty*, but instead left it to judicial discretion under *Fogerty*'s "laundry list of factors."⁶⁴

Within a year after *Assessment Technologies*, the Seventh Circuit's "refinement" of *Fogerty* continued and the presumption became further entrenched. In *Woodhaven*

⁵² *Id.* at 610.

⁵³ *Id.*

⁵⁴ *Assessment Techs. v. Wiredata, Inc.*, 361 F.3d 434 (7th Cir. 2004).

⁵⁵ *Id.*

⁵⁶ *Id.* at 436 (citations omitted). In *Gonzales*, Judge Posner referred to the factors as "rather miscellaneous and ill-assorted." *Gonzales v. Transfer Techs.*, 301 F.3d 608, 609 (1st Cir. 2002).

⁵⁷ *Assessment Techs.*, 361 F.3d at 436.

⁵⁸ *Id.*

⁵⁹ *Gonzales v. Transfer Techs.*, 301 F.3d 608, 610 (1st Cir. 2002).

⁶⁰ *Assessment Techs. v. Wiredata, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004).

⁶¹ *Id.*

⁶² *Id.*

⁶³ *Id.*

⁶⁴ *Id.* at 436–37.

Homes & Realty, Inc. v. Hotz,⁶⁵ the court remanded the lower court's denial of fees to the prevailing defendant for reconsideration in light of *Assessment Technologies*.⁶⁶ The *Woodhaven* case treated Judge Posner's comments as a holding, stating: "In *Assessment Technologies* . . . we held that prevailing defendants in copyright cases, are presumptively entitled (and strongly so) to recover attorney fees."⁶⁷ Since *Woodhaven*, at least three more cases in the Seventh Circuit have reversed a district court's denial of fees to a prevailing defendant, citing the presumption created in *Assessment Technologies*.⁶⁸

The refinement and simplification of *Fogerty* is now complete in the Seventh Circuit. The suggestion of a presumptive entitlement first offered "not as a rule to be mechanically applied but rather as a consideration for district judges to weigh seriously" has been transformed into a "very strong" presumption. Despite *Fogerty*'s rejection of the British Rule and its emphasis that fees are to be awarded to a prevailing party only as a matter of the district court's discretion, the Seventh Circuit says that "[t]he presumption in a copyright case is that the prevailing party . . . receives an award of fees."⁶⁹

No other courts of appeals have embraced the "presumptive entitlement" approach of the Seventh Circuit. The Fifth Circuit comes closest, although it does not refer to its rule as a "presumption." The Fifth Circuit's approach emanates from a pre-*Fogerty* case, *McGaughey v. Twentieth Century Fox Film Corp.*⁷⁰ *McGaughey* held that although fee awards cases are discretionary, "[fees] are the rule rather than the exception and should be awarded routinely."⁷¹ Several years after *Fogerty*, in *Hogan Systems, Inc. v. Cybersource International, Inc.* the Fifth Circuit upheld *McGaughey*, saying that the "discretionary but routinely awarded" standard is in accord with *Fogerty*.⁷² Though *Hogan* did not require use of the *Lieb* factors, subsequent cases in the Fifth Circuit have relied on those factors as a guide to the exercise of the court's discretion.⁷³ Similarly, the Sixth Circuit has stated that fees should be "routinely" awarded to prevailing parties in copyright litigation.⁷⁴ Neither the Fifth nor Sixth Circuit, however, has gone so far to say that there is a presumption favoring the prevailing party.

⁶⁵ 396 F.3d 822 (7th Cir. 2005).

⁶⁶ *Id.* at 824.

⁶⁷ *Id.*

⁶⁸ *Eagle Servs. Corp. v. H2O Indus. Servs., Inc.*, 532 F.3d 620, 624–25 (7th Cir. 2008); *Mostly Memories, Inc. v. For Your Ease Only, Inc.*, 526 F.3d 1093, 1099 (7th Cir. 2008); *Riviera Distribs., Inc. v. Jones*, 517 F.3d 926, 928 (7th Cir. 2008).

⁶⁹ *Eagle Servs.*, 532 F.3d at 625 (citation omitted).

⁷⁰ 12 F.3d 62 (5th Cir. 1994).

⁷¹ *Id.* at 65.

⁷² *Hogan Sys., Inc. v. Cybersource Int'l, Inc.*, 158 F.3d 319, 325 (5th Cir. 1998).

⁷³ See *Positive Black Talk Inc. v. Cash Money Records, Inc.*, 394 F.3d 357 (5th Cir. 2004) (denying fees to prevailing defendant); *Creations Unlimited, Inc. v. McCain*, 112 F.3d 814 (5th Cir. 1997) (also denying fees to prevailing defendant).

⁷⁴ *Balsley v. LFP, Inc.*, 691 F.3d 747, 773 (6th Cir. 2012); *Bridgeport Music, Inc. v. WB Music Corp.*, 520 F.3d 588, 592 (6th Cir. 2008).

Although some district courts outside the Seventh Circuit mention the *Assessment Technologies* presumption,⁷⁵ there do not appear to be any cases in other circuit courts that have expressly adopted it. In fact, courts outside the Seventh Circuit have not been receptive to applying a presumption in determining attorney's fees awards. In *Lava Records, LLC v. Amurao*,⁷⁶ the Second Circuit refused to create a presumption that a prevailing defendant should receive fees, noting that it would be contrary to the statutory language that makes awards discretionary.⁷⁷ Though it did not refer specifically to any cases from the Seventh Circuit, the court noted that "case law from other circuits" creating a presumption is "unpersuasive."⁷⁸ In *Jovani Fashion, Ltd. v. Cinderella Divine, Inc.*,⁷⁹ the court declined to apply a presumption and criticized *Assessment Technologies*, arguing that applying a presumption more forcefully to prevailing defendants conflicts with *Fogerty*.⁸⁰ In *Modular Arts, Inc. v. Interlam Corp.*, the court refused to apply the *Assessment Technologies* presumption, noting that *Fogerty* rejected the British Rule.⁸¹

V. THE IMPACT OF THE PRESUMPTION ON DISTRICT COURTS

There is clearly tension, if not complete antithesis, between a decision that is a matter only of the court's discretion and a decision that is dictated by a presumption. The tension is certainly increased when the presumption is labeled as "strong." The term "presumption" is an elusive concept that can mean different things and is often used carelessly by courts and commentators.⁸² One problem is that the word "presumption" is often incorrectly used to identify what is in fact a mere "inference."⁸³

A presumption involves a relationship between two facts: a basic fact and a presumed fact. The Wright treatise describes a presumption as an assumption of fact resulting from a rule which requires that fact to be assumed from another fact

⁷⁵ *Oravec v. Sunny Isles Luxury Ventures, L.C.*, No. 04-22780-CIV, 2009 WL 6337121, at *12–13 (S.D. Fla. Jan. 12, 2009); *Crown Awards, Inc. v. Discount Trophy & Co*, 564 F. Supp.2d 290, 294–95 (S.D.N.Y. July 9, 2008); *Lil' Joe Wein Music, Inc. v. Jackson*, No. 06-20079-CIV, 2008 WL 2688117, at *4 (S.D. Fla. July 1, 2008); *Milton H. Greene Archives, Inc. v. Julien's Auction House, LLC*, No. CV 05-7686 AHM (FMOx), 2007 WL 4898365 (E.D. Cal. Dec. 20, 2007), *aff'd*, 345 F. App'x 244 (9th Cir. 2009). Though mentioning the presumption, all of these cases applied the *Lieb* factors in awarding fees to the prevailing defendant. One district court, however, has expressly stated that it agrees with the reasoning for the presumption in *Assessment Technologies*. *Chambers v. Ingram Book Co.*, No. 09-14731, 2012 WL 933237, at *5 (E.D. Mich. Mar. 20, 2012).

⁷⁶ 354 F. App'x 461 (2d Cir. 2009).

⁷⁷ *Id.* at 462.

⁷⁸ *Id.*

⁷⁹ 820 F. Supp. 2d 569 (S.D.N.Y. 2011).

⁸⁰ *Id.* at 575.

⁸¹ No. C07-382Z, 2009 WL 151336, at *1 (W.D. Wash. Jan. 20, 2009).

⁸² Charles V. Laughlin, *In Support of the Thayer Theory of Presumptions*, 52 MICH. L. REV. 195, 195–206 (1953–1954) (finding that courts had used "presumption" with no less than eight different meanings); 21B CHARLES A. WRIGHT ET AL., FED. PRAC. & PROC. EVID. § 5122 (2d ed. 2012) ("[S]ome have seen the problem less in any inherent complexity of presumptions but more in the careless use of the essential concepts.").

⁸³ WRIGHT ET AL., *supra* note 82, § 5122.

established in the action.⁸⁴ Under the Seventh Circuit approach to § 505, if the basic fact is that a defendant is the prevailing party in a copyright case, the presumed fact is that the defendant is entitled to a fee award.⁸⁵ Another concise definition is: “[a] presumption is a deduction which the law expressly directs to be made from particular facts.”⁸⁶ The hallmark of a presumption is compulsion. The court or jury *must* take account of the relationship between the two facts.⁸⁷ In contrast, the hallmark of an inference is its voluntary nature. The court or jury chooses whether or not to infer fact B from proof of fact A.⁸⁸ The result of applying a presumption is that it shifts the burden of persuasion from one party to the other.

The mandatory nature of a presumption, when applied in a post-*Fogerty* fee determination, puts a district court in a difficult position. The court is instructed by *Fogerty* to make a determination that is supposed to be an exercise of its “equitable discretion.”⁸⁹ Being compelled to find the presumed fact would unnecessarily “pretermitt” its discretion, contrary to the teaching of *Fogerty*.

Perhaps no case more vividly illustrates how the presumption “pretermitts” the exercise of discretion than *Bosch v. Ball-Kell*.⁹⁰ In *Bosch*, the plaintiff survived summary judgment and her copyright case proceeded to trial, where the jury ruled in favor of the defendant.⁹¹ In ruling on defendant’s motion for fees in the district court, Judge Mihm stated that plaintiff’s suit was neither frivolous nor brought in bad faith.⁹² The court was reluctant to grant an award of fees to the prevailing defendant, but felt compelled to do so under Seventh Circuit precedent.⁹³ Judge Mihm wrote:

[Plaintiff] *Bosch* argues that the balance of the *Fogerty* factors militates against an award of fees. Had *Fogerty* not been clarified by *Assessment Technologies* and *Woodhaven*, the Court might have been inclined to agree. . . . While *Bosch* is correct that an award of fees remains discretionary, she fails to apprehend the strength of the current presumption in this Circuit that prevailing Defendants are entitled to an award of fees. She cites cases from the Ninth, Fifth, Second, First, and Sixth Circuits declining to award fees to defendants who successfully resisted claims of copyright infringement, yet this is a hierarchical system, and this Court is bound by the controlling precedent of the Seventh Circuit. . . . Accordingly, the Court finds that under the current state of

⁸⁴ *Id.* §§ 5122, 5124.

⁸⁵ *Id.* § 5124.

⁸⁶ *Id.*

⁸⁷ *Id.* In contrast to a presumption, the hallmark of an inference is its voluntary nature. The court or jury chooses whether or not to infer fact B from proof of fact A.

⁸⁸ *Id.* §§ 5122.1, 5124.

⁸⁹ *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994).

⁹⁰ No. 03-1408, 2007 WL 2994085 (C.D. Ill. Oct. 11, 2007).

⁹¹ *Id.* at *5.

⁹² *Id.*

⁹³ *Id.*

the law in the Seventh Circuit, Defendants are entitled to an award of fees.⁹⁴

Bosch is a clear indication of how the presumption language of the Seventh Circuit inhibits the discretion of district courts.⁹⁵

VI. THE PROBLEMS WITH THE PRESUMPTION

Using a presumption to determine attorney's fees in copyright cases presents several problems: it conflicts with the statute, it conflicts with the principles of *Fogerty*, and it creates a chilling effect on parties with legitimate claims.

A. The Statute

The plain language of § 505 does not create a presumption or suggest that fees are to be awarded as a matter of course to the prevailing party. The statute says courts “may” award fees to the prevailing party, not that they “shall.”⁹⁶ Nor does the legislative history suggest such a presumption. The sparse legislative history on awarding attorney's fees simply notes that the matter is “left to the court's discretion.”⁹⁷

There is no hint in § 505 that Congress intended to shift the burden of persuasion with respect to attorney fee awards. In contrast, there are other sections of the Copyright Act where Congress expressly shifts the burden. For example, § 410(c) provides that a certificate of registration made within five years after first publication constitutes prima facie evidence of validity of the copyright and the facts stated in the certificate.⁹⁸ Notably, the evidentiary weight of registrations made after five years, and thus not entitled to this presumption of validity, is left to the court's “discretion.”⁹⁹ Congressional burden shifting also occurs in § 504(b), which

⁹⁴ *Id.*

⁹⁵ See also *Ill. Coal. Against Handgun Violence v. Ill. Council Against Handgun Violence*, No. 02 C 4130, 2003 WL 1340198, at *2 (N.D. Ill. Mar. 18, 2003) (rigidly applying the *Gonzales* presumption, the district court stated “[w]hile I am generally reluctant to award such a high sum of attorneys' fees, I am bound by Seventh Circuit precedent, which requires that I award attorneys' fees in a case such as this in which damages are low”).

⁹⁶ 17 U.S.C. § 505 (2012).

⁹⁷ H.R. REP. NO. 94-1476, at 163 (1976); *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 524 n.11 (1994) (noting that the legislative history supports the plain language of § 505 that courts are to use their discretion).

⁹⁸ 17 U.S.C. § 410(c).

⁹⁹ *Id.* Section 410(c) states:

In any judicial proceedings the certificate of a registration made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate. The evidentiary weight to be accorded the certificate of a registration made thereafter shall be within the discretion of the court.

reallocates the burden of proof for establishing profits of the infringer.¹⁰⁰ The plaintiff is “required to present proof only of the infringer’s gross revenue”; Congress places on the infringer the burden to prove any deductible expenses.¹⁰¹

B. *The Fogerty Case*

Fogerty does not create a presumption that the prevailing party receives fees. Rather, the determination is to be made “only as a matter of the court’s discretion.”¹⁰² The use of the word “only” in that statement suggests that the determination should not be cabined by preconceived presumptions. In footnote 19, the Court endorses the use of the *Lieb* factors to guide the court’s discretion, so long as the factors are applied in an evenhanded manner.¹⁰³ The Court’s repeated emphasis of the discretionary nature of fee determination does not contemplate a presumption.

The presumption, as articulated and applied by the Seventh Circuit, also conflicts with the evenhandedness directive of *Fogerty*. What began in *Gonzales* as a suggested “presumptive entitlement” for plaintiffs who make only small recoveries despite willful infringement developed into a presumption that in the case of a prevailing defendant is “very strong.”¹⁰⁴ There are no cases in which the presumption is characterized as “strong” or “very strong” when applied to a prevailing plaintiff. The only Seventh Circuit case awarding fees to a copyright plaintiff after *Gonzales* makes no reference at all to the presumption of fees to the prevailing party.¹⁰⁵ This disparate characterization of the presumption as “strong” when it is applied to defendants stems from the court’s assertion that one of the two “most important considerations” in determining whether to award fees is the amount of damages the prevailing party obtained. Choosing this factor among all possible

Id.

¹⁰⁰ 17 U.S.C. § 504.

¹⁰¹ *Id.* § 504(b). Section 504(b) states in relevant part: “In establishing the infringer’s profits, the copyright owner is required to present proof only of the infringer’s gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyright work.”

¹⁰² *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994).

¹⁰³ *Id.* at 534 n.19.

¹⁰⁴ *See, e.g.*, *Johnson v. Cypress Hill*, 641 F.3d 867, 873 (7th Cir. 2011). The “very strong” characterization was introduced in the *Assessment Technologies* case, and has been frequently repeated since then by courts in the Seventh Circuit. *Id.*; *see also* *Eagle Servs. Corp. v. H2O Indus. Servs., Inc.*, 532 F.3d 620, 624 (7th Cir. 2008); *Mostly Memories, Inc. v. For Your Ease Only, Inc.*, 526 F.3d 1093, 1098 (7th Cir. 2008).

¹⁰⁵ *JCW Invs., Inc. v. Novelty, Inc.*, 482 F.3d 910, 921 (7th Cir. 2007) (awarding fees for lower court proceedings); *JCW Invs., Inc. v. Novelty, Inc.*, 509 F.3d 339, 343 (7th Cir. 2007) (awarding fees for appellate proceedings). One district court case awarding fees to the prevailing plaintiff referred to the presumption favoring the “prevailing party,” but did not characterize it as “strong.” *White v. Marshall*, 771 F. Supp. 2d 952, 959 (E.D. Wis. 2011). Two district court cases after *Gonzales* have denied fees to a prevailing plaintiff, and neither case mentioned a presumption. *Janky v. Lake Cnty. Convention & Visitors Bureau*, No. 3:05 cv 217, 2007 WL 2413021, at *9 (N.D. Ind. Aug. 20, 2007) (refusing to award fees to the plaintiff, despite the favorable presumption, because the amount of the jury verdict was considered large); *Bryant v. Gordon*, 503 F. Supp. 2d 1062, 1067 (N.D. Ill. 2007) (denying fees to a prevailing plaintiff under the *Lieb* factors).

relevant factors necessarily favors defendants because they do not receive compensatory awards absent a counterclaim. It then morphs from an important factor into the rationale for a very strong presumption.¹⁰⁶ Creating a presumption that favors a prevailing defendant in every case, but favors a prevailing plaintiff only sometimes, is not evenhanded. Nor is it evenhanded to label such a presumption “very strong” when applied to defendants but indicating no such enhanced strength when applied to plaintiffs.

The imposition of a very strong presumption in favor of prevailing copyright defendants is, in effect, the same as the “British Rule,” which was explicitly rejected by the Court in *Fogerty*.¹⁰⁷ The nature of a presumption is mandatory, not discretionary.¹⁰⁸ The enhanced strength of the presumption makes the award virtually automatic. The message is that the presumption is only overcome in exceptional circumstances. Instructing district courts to apply a “very strong” presumption favoring prevailing defendants is equivalent to holding that fees should be awarded to a prevailing defendant as a matter of course, absent exceptional circumstances. That is the British Rule. And though the concerns about the potential for abusive discovery and nuisance settlements are genuine, those concerns are present in every copyright suit, and would only be eliminated by an absolute rule such as the British Rule. A better way for courts to address abusive discovery is through the Federal Rules of Civil Procedure, not through § 505 of the Copyright Act.

C. Chilling Effect

A strong presumptive entitlement to fee awards for prevailing defendants presents a substantial chilling effect on plaintiffs with legitimate claims. Squelching legitimate or even potentially successful claims undermines the purposes of the Copyright Act since it impairs the exercise of the rights that Congress provides to copyright owners in the Act.

Attorney fee awards are no trifling matter. In *Bosch v. Ball-Kell*, the case in which the district court was reluctant to award fees at all but for the strong presumption, the court eventually assessed fees of \$256,000 against plaintiff, an individual.¹⁰⁹ Other awards have been far greater.¹¹⁰

Given the potential of a staggering award of fees routinely awarded to a prevailing defendant, a reasonably prudent plaintiff who does not have unlimited resources would not risk bringing a case that is not airtight. Copyright cases often involve determinations that are very subjective and outcomes that are difficult to

¹⁰⁶ *Assessment Techs. v. Wiredata, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004) (“When the prevailing party is the defendant, who by definition receives not a small award but no award, the presumption in favor of awarding fees is very strong.”).

¹⁰⁷ *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 533 (1994).

¹⁰⁸ WRIGHT ET AL., *supra* note 82, § 5124.

¹⁰⁹ *Bosch v. Ball-Kell*, No. 03-1408, 2007 WL 2994085, at *5–6 (C.D. Ill Oct. 11, 2007).

¹¹⁰ *See Mostly Memories, Inc. v. For Your Ease Only, Inc.*, 594 F. Supp. 2d 931, 937 (N.D. Ill. 2009) (awarding \$765,000); *Ho v. Taflove*, No. 07 C 4305, 2010 WL 5313477, at *3 (N.D. Ill. Dec. 20, 2010) (\$745,000 against an individual plaintiff); *Eagle Servs. Corp. v. H2O Indus. Servs., Inc.*, No. 2:02-CV-36-PRC, 2012 WL 3255606, at *4 (N.D. Ind. Aug. 8, 2012) (awarding \$693,000).

predict, such as substantial similarity, fair use, or the idea-expression dichotomy. The fact that the presumption would be applied to the plaintiff if it prevails is cold comfort to a plaintiff who has even the slightest chance of losing. The presumption assuredly deters plaintiffs from attempting to vindicate rights in cases involving novel, complex, or unsettled issues of fact or law. If fee shifting is virtually automatic, plaintiffs would be inclined to exercise their rights in only the most indisputable cases. There is no reason to believe that Congress would confer the right to sue for copyright infringement, while at the same time discouraging its use in all but the most obvious cases.¹¹¹

CONCLUSION

A presumption in favor of the prevailing party in a copyright case, whether plaintiff or defendant, is unnecessary. District courts can achieve just results and accommodate the purposes of the copyright law by applying factors, as espoused in *Fogerty*. A presumption ties the hands of the district court, making fee awards routine and tending to replace reasoned analysis with predetermined results. Concerns about abusive discovery or extortionate settlement tactics can likewise be effectively addressed through a factor-based analysis together with the tools provided by the Federal Rules of Civil Procedure, which are more directly tailored to such abuses.

The *Fogerty* approach, which looks to factors rather than to presumptions, provides a sufficient deterrent to bringing unreasonable cases. The additional chilling effect resulting from a strong presumption favoring defendants goes too far in the effort to achieve the balance necessary to promote the goals of the copyright law as enunciated in *Fogerty*. The Seventh Circuit has done more than “refine” the *Fogerty* analysis; it has replaced it with a presumptive entitlement that is at odds with the key principles of *Fogerty*.

¹¹¹ See *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 140 (2005) (finding no basis for a presumption of fee shifting under the federal removal statute for improper removal).