

REFLECTIONS ON THE HOPE POSTER CASE

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I. INTRODUCTION

In January of 2008, Shepard Fairey used a photograph of Barack Obama as a reference work when creating what came to be known as the “Hope Poster.” The Associated Press (“AP”), the owner of the copyright in the photograph, demanded compensation from Fairey, who had used the photograph without permission. When negotiations broke down, Fairey initiated litigation, seeking a declaratory judgment that he had not engaged in copyright infringement. Two years later, the parties settled the suit.

The authors of this Article were involved in the litigation in various ways. Fairey was one of the principals. Meir Feder, William Fisher, Edwin Fountain, and Geoffrey Stewart were among the lawyers who represented Fairey pro bono.¹ Frank Cost and Marita Sturken served as expert witnesses for Fairey.²

This Article sets forth the authors’ thoughts about the case. Although all of the authors believe that Fairey’s legal position was stronger than that of the AP, the purpose of the Article is not to defend that belief. Rather, the Article aspires to derive from the case some

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² Other expert witnesses for Fairey included Professor Steven Shavell of Harvard Law School (who generously volunteered his time), Jeff Brandlin of Brandlin & Associates, and John Jarosz of the Analysis Group.

insights into the increasingly complex intersection of art, technology, and law.

Part II lays the foundation for the analysis by summarizing the facts of the case, the history of the litigation, and the arguments advanced by the two primary parties. Part III then offers a series of reflections....

III. REFLECTIONS...

D. What's Wrong with the Copyright Regime (Meir Feder, Edwin Fountain & Geoffrey Stewart)

The Hope Poster case illustrates how great a shortfall exists between the ambitious purposes of the fair use doctrine and the doctrine's limited utility in serving those purposes. Courts and commentators alike have emphasized that the protection of fair use is "thought necessary to fulfill copyright's very purpose, [t]o promote the Progress of Science and useful Arts."³ Fair use is understood to be "a fundamental policy of the copyright law,"⁴ without which copyright would threaten to "stifle the very creativity which that law is designed to foster."⁵ "Monopoly protection of intellectual property that impeded referential analysis and the development of new ideas out of old would strangle the creative process."⁶ Indeed, the Supreme Court has suggested on more than one occasion that protection of fair use is required by the First Amendment.⁷

To fulfill these purposes, one would expect an incentive structure designed to encourage — or at least create a reasonably safe harbor for — fair use. Such attention to real-world incentives would seem particularly appropriate in that the entire notion of copyright is incentive-based: copyright protection exists precisely because of its presumed incentive effects in "motivat[ing] the creative activity of authors and inventors."⁸ First Amendment implications of fair use might increase that likelihood, given the particular sensitivity of First

3. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 575 (1994) (quoting U.S. CONST. art. I, § 8, cl. 8).

4. Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1135 (1990).

5. *Stewart v. Abend*, 495 U.S. 207, 236 (1990) (internal quotation marks omitted).

6. Leval, *supra* note 4, at 1109.

7. *Eldred v. Ashcroft*, 537 U.S. 186, 219–21 (2003) (describing fair use laws as "First Amendment accommodations" and "free speech safeguards"); *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 559–60 (1985).

8. *Harper & Row*, 471 U.S. at 545–46 (internal quotation marks omitted). This focus on incentives is evident in the Copyright Clause of the Constitution — which gives Congress the power to protect copyright as a means "[t]o promote the Progress of Science and useful Arts," U.S. CONST. art. I, § 8, cl. 8, and by the original British Statute of Anne, whose preamble states that it is "for the Encouragement of Learned Men to compose and write useful Books." Act for the Encouragement of Learning, 1709, 8 Ann., c. 19 (Eng.).

Amendment law to the ways in which potential liability can chill protected speech.⁹ Yet in reality, a system of disincentives powerfully deters fair use — more powerfully, in fact, than the law deters most non-speech forms of tortious conduct.

Those disincentives include an uncertain and unusually fact-specific legal standard that provides no safe harbor for fair use;¹⁰ potentially crushing litigation and discovery expenses; and an overtly punitive system of remedies — including fee shifting, disgorgement remedies, and statutory damages — that seems particularly incompatible with a doctrine ostensibly designed to protect and encourage fair use. As detailed below, the Hope Poster litigation illustrates how these provisions systematically favor plaintiffs (especially ones with deep pockets) and create untenable risks for defendants — even in a case involving a strong claim of fair use and a fair-use defendant with some resources and the benefit of *pro bono* representation.

In short, notwithstanding the lip service courts pay to the importance of fair use, the reality is that one using an existing work “as raw material, transformed in the creation of new information, new aesthetics, new insights and understandings — [i.e.,] the very type of activity that the fair use doctrine intends to protect for the enrichment of society”¹¹ — does so at one’s own peril, and with little assurance that one’s cultural contribution will not result in financial ruin.

1. Unpredictability

One of the major forces undermining the utility of fair use doctrine is the sheer unpredictability of the protection it offers. In other areas of the law, the courts readily recognize that uncertainty about the legal consequences of conduct will necessarily deter that conduct. The most prominent example is the “actual malice” rule of *New York Times Co. v. Sullivan*, which is premised on the recognition that without such a rule critics “may be deterred from voicing their criticism, even though it is believed to be true and even though it is in fact true, because of doubt whether it can be proved in court or fear of the expense of having to do so.”¹² Likewise, the qualified immunity doctrine protecting public officials permits liability only for violations of “clearly established” law, in recognition of “the danger that fear of being sued will dampen the ardor of all but the most resolute, or the

9. See, e.g., *New York Times Co. v. Sullivan*, 376 U.S. 254, 272 (1964) (creating safe harbor for false statements about public officials made without actual malice).

10. See, e.g., William W. Fisher III, *Reconstructing the Fair Use Doctrine*, 101 HARV. L. REV. 1659, 1693 (“[T]he disarray of the doctrine impairs the ability of the creators and users of intellectual products to ascertain their rights and to adjust their conduct accordingly.”).

11. *Castle Rock Entm’t, Inc. v. Carol Publ’g Grp., Inc.*, 150 F.3d 132, 142 (2d Cir. 1998) (quoting Leval, *supra* note 4, at 1111).

12. 376 U.S. at 279.

most irresponsible [public officials], in the unflinching discharge of their duties.”¹³

Those engaging in fair use face precisely the sort of uncertainty that these doctrines seek to avoid. Indeed, not only does copyright law contain no well-defined safe harbor for fair use, but the fair use doctrine is expressly structured as one that is multi-factored and case-specific and abjures hard-and-fast rules. The Supreme Court has termed it “an equitable rule of reason,”¹⁴ meaning it is subject to all the vagaries and indefiniteness encompassed within the adjective “reasonable.” One leading treatise states that “[n]o copyright doctrine is less determinate than fair use,” and that fair use is “a fact-specific doctrine that aims to negotiate liability in situations too fine-grained for Congress to address specifically in the statute.”¹⁵ It is “a quintessentially pragmatic doctrine that proceeds from case to case, with precedent, not theory, as its guide.”¹⁶ The complexity and indeterminacy of the defense are reflected in the fact that the number of articles with “fair use” in its title from 1990 to 2005 was more than double the number of court opinions about fair use.¹⁷

One reason for the indeterminacy of the defense lies in the structure of the statute itself. Section 107 was intended to codify the common law of fair use.¹⁸ It first attempts to define some contours for the defense by setting forth some representative types of use that presumptively qualify as fair, such as criticism, comment, news reporting, teaching, and the like.¹⁹ It goes on to prescribe that in determining whether the use of a copyrighted work is a fair use, a court or jury must consider four factors:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

13. *Harlow v. Fitzgerald*, 457 U.S. 800, 814 (1982) (citing *Gregoire v. Biddle*, 177 F.2d 579, 581 (2d Cir. 1949)) (alteration in the original) (internal quotation marks omitted).

14. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 449 n.31 (1984).

15. II GOLDSTEIN ON COPYRIGHT § 12.1, at 12:3 (3d ed., 2011 Supp.) [hereinafter GOLDSTEIN]; see also *Princeton Univ. Press v. Mich. Document Servs., Inc.*, 99 F.3d 1381, 1392 (6th Cir. 1996) (“Fair use is one of the most unsettled areas of the law.”).

16. GOLDSTEIN, *supra* note 15, at 12:5.

17. Barton Beebe, *An Empirical Study of U.S. Fair Use Opinions, 1978–2005*, 156 U. PA. L. REV. 549, 565 n.64 (2008).

18. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577 (1994).

19. 17 U.S.C. § 107 (2006).

(4) the effect of the use upon the potential market for or value of the copyrighted work.²⁰

The Supreme Court has identified the considerable play in the joints of the statutory characterization of fair use:

The text employs the terms “including” and “such as” in the preamble paragraph to indicate the “illustrative and not limitative” function of the examples given . . . which thus provide only general guidance about the sorts of copying that courts and Congress most commonly had found to be fair uses. Nor may the four statutory factors be treated in isolation, one from another. All are to be explored, and the results weighed together, in light of the purposes of copyright.²¹

Moreover, the four factors set forth by the court are not meant to be exclusive.²²

The consequence of this statutory approach is that the task of ascertaining fair use “is not to be simplified with bright-line rules.”²³ Congress “eschewed a rigid, bright-line approach to fair use,”²⁴ and identified “various factors that enable a court to apply an ‘equitable rule of reason’ analysis to particular claims of infringement,”²⁵ one that calls for “a sensitive balancing of interests.”²⁶

Courts and commentators have described the indeterminacy brought about by the statute:

Congress adopted three considerably inconsistent ways of doing nothing: simple reference to fair use, specification of what is fair use by illustrative examples, and prescription of nonexclusive “factors to be considered” in determining whether a particular use is fair. As Hercule Poirot observed about the murder on the Orient Express, the problem is not that there are too few clues but that there are too many.²⁷

20. *Id.*

21. *Campbell*, 510 U.S. at 577–78.

22. *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 560 (1985).

23. *Campbell*, 510 U.S. at 577; accord *Harper & Row*, 471 U.S. at 561.

24. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 449 n.31 (1984) (referring to the Senate Committee’s views as expressed in the Senate Report).

25. *Id.* at 448.

26. *Id.* at 455 n.40.

27. See, e.g., Lloyd L. Weinreb, *Fair’s Fair: A Comment on the Fair Use Doctrine*, 103 HARV. L. REV. 1137, 1139 (1990) (footnotes omitted).

Having grappled with the fair use doctrine in deciding two cases that were subsequently reversed on appeal, Judge Pierre Leval of the U.S. District Court for the Southern District of New York lamented:

Beyond stating a preference for the critical, educational, and nonprofit over the commercial, the statute tells little about what to look for in the “purpose and character” of the secondary use. It gives no clues at all regarding the significance of “the nature of” the copyrighted work [I]t provides no guidance for distinguishing between acceptable and excessive levels. Finally, although leaving open the possibility that other factors may bear on the question, the statute identifies none.²⁸

Thus, the result of the 1976 Copyright Act, along with the Supreme Court decisions applying it, “has been, if anything, confusion compounded [T]he statute merely made the common law’s uncertainties explicit.”²⁹

Consequently, courts have emphasized the case-by-case nature of the fair use inquiry. As the Court held in *Sony*, “since the doctrine is an equitable rule of reason, no generally applicable definition is possible, and each case raising the question must be decided on its own facts.”³⁰ One of the authors of this Article previously noted the Court’s first two attempts to articulate the fair use doctrine in *Sony* and *Harper & Row*, lacked an “effort to prescribe a rule to govern future controversies. The consensus of the Court was that ‘fair use analysis must always be tailored to the individual case.’”³¹ Judge Leval thus lamented that “neither the decisions that have applied [the fair use doctrine] for nearly 300 years, nor its eventual statutory formulation, undertook to define or explain its contours or objectives.”³²

Because the fair use inquiry is not susceptible to clear rules but is to be made on a case-by-case basis, a copyright defendant faces the prospect of a jury trial, with all of the uncertainty that jury determina-

28. Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1106 (1990).

29. Weinreb, *supra* note 27, at 1137.

30. 464 U.S. at 449 n.31 (quoting H.R. REP. NO. 94-1476, at 65–66 (1976)); *see also id.* at 479–80 (Blackmun, J., dissenting) (“The inquiry is necessarily a flexible one, and the endless variety of situations that may arise precludes the formulation of exact rules.”); *Campbell*, 510 U.S. at 577 (“[T]he statute, like the doctrine it recognizes, calls for case-by-case analysis.”).

31. Fisher, *supra* note 10, at 1668 (quoting *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 552 (1985)).

32. Leval, *supra* note 4, at 1105.

tions entail.³³ In early cases applying the 1976 Copyright Act, courts indicated a presumption in favor of jury trials, deeming that the assessment of the four fair use factors under Section 107 “in a particular case is obviously a fact specific inquiry for which summary judgment is ill-suited.”³⁴

Since these early cases, summary judgments have now become more prevalent.³⁵ However, predicting the outcome of a summary judgment motion (or cross-motions for summary judgment), as a copyright defendant must do when balancing the likelihood of success on the merits against the consequences of defeat, is no easy task. As Judge Leval observed:

Judges do not share a consensus on the meaning of fair use. Earlier decisions provide little basis for predicting later ones. Reversals and divided courts are commonplace Decisions are not governed by consistent principles, but seem rather to result from intuitive reactions to individual fact patterns.³⁶

Lower courts also often disregard Supreme Court precedent when deciding fair use.³⁷ As a consequence, “[t]he field is littered with the corpses of overturned opinions, like Judge Leval’s.”³⁸ Indeed, the difficulty in applying the four factors of Section 107 is illustrated by the fact that in each of the three Supreme Court decisions addressing fair use, the Court reversed a court of appeals, which had in turn reversed a district court’s application of the factors.³⁹

The Hope Poster case helps to illustrate the uncertainty inherent in any fair use defense. Under Second Circuit precedent, particularly *Blanch v. Koons*,⁴⁰ Fairey had a strong case for prevailing on fair use⁴¹ as a matter of law — if not before the district court on summary

33. See *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 340 (1998) (indicating that as long as a material dispute of fact must be resolved in a copyright action, there is a constitutional right to a jury trial).

34. *Diamond v. Am-Law Publ’g Corp.*, 745 F.2d 142, 147 (2d Cir. 1984); see also *DC Comics, Inc. v. Reel Fantasy, Inc.*, 696 F.2d 24, 28 (2d Cir. 1982) (stating that the four factors in Section 107 “raise essentially factual issues and . . . are normally questions for the jury”).

35. See *infra* note 46 and accompanying text.

36. Leval, *supra* note 4, at 1106–07.

37. See Beebe, *supra* note 17, at 572, 604–06.

38. Weinreb, *supra* note 27, at 1137.

39. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994); *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539 (1985); *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

40. 467 F.3d 244 (2d Cir. 2006).

41. As described in greater detail in Part II.C, fair use was not Fairey’s only defense to the AP’s infringement claim. In particular, the Hope image had taken little substantively from the Garcia photograph beyond the outlines of Barack Obama’s facial features, and even this fell squarely within the doctrine of *scènes à faire*. See *supra* Part II.C.

judgment, then on appeal. But as noted above, courts themselves can be inconsistent and unpredictable in applying the fair use doctrine, which has been called “one of the most unsettled areas of the law.”⁴² And in the *Fairey* case, the trial court stated in open court — before any summary judgment motions were filed — that it likely would not resolve the case on summary judgment, meaning that the validity of Fairey’s fair use defense, along with his other defenses, would be subject to all the uncertainties of a jury trial.

In addition to the uncertainties inherent in any jury trial, the multi-factor nature of the fair use determination would have made the outcome of a trial particularly difficult to predict. Fairey’s purpose in creating the Hope image was political; the image was intended as a campaign poster, and later was incorporated into larger works commissioned by the Presidential Inaugural Committee (“PIC”) and MoveOn.org, to be used in posters and stickers celebrating Obama’s victory and inauguration. But political purposes are not addressed by the statute, either in the preamble or in the four enumerated factors, leaving their treatment as fair use up to the decision of a jury. Fairey did not intend any commercial use of the image — anticipating that any proceeds of sales would be plowed back into paying for the cost of hundreds of thousands of posters to be distributed for free to Obama supporters — but months later he received considerable royalties from the PIC and MoveOn.org for his inauguration posters, as well as on sales of fine art versions of the image. The case law provides little guidance on the fair use analysis as it applies to a work that was initially undertaken for no commercial gain, but which subsequently yields unintended remunerative uses. The parties disputed vigorously how the portions of the Garcia photo used by Fairey — Obama’s likeness and the pose and expression captured by Garcia — should be treated under the third statutory factor (“the amount and substantiality of the portion of the work used in relation to the copyrighted work as a whole”).⁴³ The fourth factor, “the effect of the use upon the potential market for or value of the copyrighted work,”⁴⁴ seemed to favor Fairey, since a New York gallery owner began selling fine art quality prints of the Garcia photo for upwards of \$1000 a copy after its linkage with the Hope Poster became known.

2. Jury Prejudice Against Copying and Copiers

In addition to the uncertainties inherent in the multi-factor fair use legal standard, another obstacle for assertions of fair use is that, as

42. *Princeton Univ. Press v. Mich. Document Servs., Inc.*, 99 F.3d 1381, 1392 (6th Cir. 1996).

43. 17 U.S.C. § 107 (2006).

44. *Id.*

jury research and practical experience reveal, lay jurors instinctively dislike people who copy the work of others. Consequently, copyright defendants enter the courtroom under a cloud. Although the jury will be instructed that it is the plaintiff who bears the burden of going forward, videotaped deliberations of mock juries reveal that, as often as not, it is up to the defendant to prove he did not infringe. Obviously, this dynamic is worse in cases where the burden of proof shifts.

This prejudice can nullify principles that should maintain balance between the protection of expression and artistic creativity. In *Fairey v. Associated Press*, one important element of Fairey's defense was that his Hope Poster had, in fact, taken very little of the expressive content from Mannie Garcia's photograph of Barack Obama — mainly the outlines of Obama's face — and possibly none of the photograph's protected content.⁴⁵ Nevertheless, juxtaposition of the poster and the photograph made one look like a copy of the other. Jurors unwilling to go through the analytical steps the Copyright Act requires could readily find infringement even if Fairey's conduct was protected.

Judges often conclude that the level of analysis required in a copyright action is beyond the ken of lay jurors. It is possibly for this reason that a surprising number of copyright cases are decided on summary judgment.⁴⁶ Again, however, in the *Fairey* case, because the judge had informed the parties that he did not intend to resolve the case by summary judgment, the complex issues of fair use and protected content would have been decided by the jury.

3. Punitive and Asymmetrical Penalties

Perhaps the most troubling aspect of the legal regime applicable to fair use cases is the punitive, and potentially bankrupting, set of remedies to which a defendant — even one who has acted in the good-faith belief that his or her work qualified as a fair use — is subject if a fair use defense is unsuccessful. The Supreme Court has recognized that cases “raising reasonable contentions of fair use” are “worlds apart” from “most [copyright] infringements,” which are “simple piracy,”⁴⁷ yet such cases of arguable fair use are subject to the same system of remedies designed to punish and deter “simple pira-

45. *Cf. Blanch*, 467 F.3d at 253 (“When, as here, the copyrighted work is used as ‘raw material,’ in the furtherance of distinct creative or communicative objectives, the use is transformative [and constitutes fair use.]”) (internal citations omitted).

46. Ned Snow, *Judges Playing Jury: Constitutional Conflicts in Deciding Fair Use on Summary Judgment*, 44 U.C. DAVIS L. REV. 483, 485 (2010).

47. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578 n.10 (1994) (internal quotation marks omitted).

cy.”⁴⁸ This system includes overlapping damages remedies that entitle plaintiffs to not only their own lost profits but also any additional profits received by the defendant, burden-shifting mechanisms that create presumptions of damages in favor of plaintiffs that defendants have the burden of disproving, the possibility of statutory damages when actual damages cannot be proved, and the possibility of attorneys’ fee awards that can far exceed the amount of damages.

A. Damages and Remedies

“The Copyright Act provides the owner of a copyright with a potent arsenal of remedies against an infringer of his work,”⁴⁹ which creates several incentives encouraging copyright holders to bring lawsuits. Foremost among these is the Act’s system for awarding damages. Section 504(b) of the Act permits the copyright owner “to recover the actual damages suffered by him or her as a result of the infringement.”⁵⁰ In addition to his damages, the owner may seek disgorgement of “any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages.”⁵¹ Damages are typically measured by either the plaintiff’s lost sales as a result of the infringement (often calculated by reference to the infringer’s own sales, where the infringer directly competes with the plaintiff),⁵² or by a hypothetical lost license fee, a royalty that the copyright holder would reasonably have expected to obtain from the infringer.⁵³ A third measure is the loss in market value of the copyrighted work caused by the infringement.⁵⁴ The copyright plaintiff need not prove damages with exact precision, and uncertainties are resolved in favor of the plaintiff.⁵⁵ The copyright holder’s damages

48. There is one statutory provision limiting the damages liability of “an infringer [who] believed and had reasonable grounds for believing that his or her use of the copyrighted work was a fair use,” but the provision limits only statutory damages, and applies only to defendants who are employees or agents of certain nonprofit institutions. 17 U.S.C. § 504(c)(2) (2006 & Supp. IV 2010).

49. *Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417, 433 (1984).

50. 17 U.S.C. § 504(b) (2006).

51. *Id.*

52. *See, e.g.*, *Robert R. Jones Assocs. v. Nino Homes*, 858 F.2d 274, 280–81 (6th Cir. 1988); *Stevens Linen Assocs. v. Mastercraft Corp.*, 656 F.2d 11, 15 (2d Cir. 1981); *Design Res., Inc. v. John Wolf Decorative Fabrics*, 229 U.S.P.Q. 418, 424 (S.D.N.Y. 1985); *RSO Records, Inc. v. Peri*, 596 F. Supp. 849, 860 (S.D.N.Y. 1984).

53. *See, e.g.*, *Polar Bear Prods., Inc. v. Timex Corp.*, 384 F.3d 700, 708–09 (9th Cir. 2004) (upholding jury award of lost license fees).

54. *See, e.g.*, *Abend v. MCA, Inc.*, 863 F.2d 1465, 1479 (9th Cir. 1988), *aff’d on other grounds sub nom. Stewart v. Abend*, 495 U.S. 207 (1990); *Cream Records, Inc. v. Jos. Schlitz Brewing Co.*, 754 F.2d 826, 827–28 (9th Cir. 1985); *Mfrs. Techs., Inc. v. Cams, Inc.*, 728 F. Supp. 75, 80 (D. Conn. 1989).

55. *Cf. On Davis v. GAP, Inc.*, 246 F.3d 152, 166 (2d Cir. 2001).

and the infringer's profits are cumulative, not alternative,⁵⁶ except in cases where the infringer's profits constitute lost sales suffered by the holder.⁵⁷ And when these remedies fail, a copyright owner has available the backstop of statutory damages.⁵⁸

One notable aspect of this remedial scheme is that it contains an unmistakably punitive component that goes beyond mere compensation. "Damages are awarded to compensate the copyright owner for losses from the infringement, and profits are awarded to prevent the infringer from unfairly benefiting from a wrongful act."⁵⁹ The disgorgement of the infringer's profits, as one court put it, thus "overlaps substantially with the goals of punitive damages awards."⁶⁰ While punitive remedies may be justified as a means of deterring copyright infringements that amount to blatant theft, applying the same system of penalties to cases of arguable fair use necessarily deters exercises of fair use.

Moreover, the Copyright Act and courts applying the Act have created various burden-shifting presumptions that heighten the risks to copyright defendants. In the case of the copyright holder's actual damages as measured by the infringer's sales, the infringer bears the burden of proving that the plaintiff would not have made the sales made by the defendant, absent the defendant's infringement — i.e., that the defendant would have made the sales by non-infringing means, or that some third competitor would have taken the defendant's sales.⁶¹

Actual Damages. In the *Fairey* case, the AP's actual damages were questionable. The AP did not contend that the Hope Poster took sales away from the AP's news photograph; a news editor looking for an image of the candidate to illustrate an article would not choose the Hope Poster — a stylized, non-realistic image of Obama — instead of the Garcia Obama photograph. To the contrary, the evidence was clear that *Fairey's* Hope image had increased the value of the Garcia Obama photograph and the AP's revenues from the photograph. The value of the Garcia photograph itself soared once its association with

56. *See Eales v. Envtl. Lifestyles, Inc.*, 958 F.2d 876, 880 (9th Cir. 1992) (plaintiff entitled to recover the fair market value of her architectural plans in addition to profits the infringer earned from sales of houses built from the infringing plans).

57. *See, e.g., Taylor v. Meirick*, 712 F.2d 1112, 1120 (7th Cir. 1983).

58. 17 U.S.C. § 504(c)(1) (2006).

59. H.R. REP. NO. 94-1476, at 161 (1976); *see also McRoberts Software, Inc. v. Media 100, Inc.*, 329 F.3d 557, 568–69 (7th Cir. 2003) (award of infringer's profits meant to deter would-be infringers).

60. *Bridgeport Music, Inc. v. Justin Combs Publ'g*, 507 F.3d 470, 489 (6th Cir. 2007).

61. *See Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 567 (1985) ("[O]nce a copyright holder establishes with reasonable probability the existence of a causal connection between the infringement and a loss of revenue, the burden properly shifts to the infringer to show that this damage would have occurred had there been no taking of copyrighted expression."); *Stevens Linen Assocs. v. Mastercraft Corp.*, 656 F.2d 11, 15 (2d Cir. 1981).

the Hope Poster was known, as evidenced by sales of fine art reproductions of the photograph, and the AP's licensing revenues for the photograph also increased.

Instead, the AP claimed as actual damages its lost license fees — the fees that it alleged Fairey would have paid the AP for his use of the Garcia Obama photo. The fee that the AP claimed that it would have obtained was more than ten times the highest fee the AP had ever charged for a single photograph. However, juries decide cases with the benefit of hindsight, and the AP could point out that the Hope image had become one of the most stunningly successful derivative uses of a news photo in recent memory.

Fairey's Profits. The heart of the AP's damages claim, however, was not the foregone licensing fee, but rather damages based on Fairey's own direct and indirect profits. As to direct profits, the AP sought to recover approximately \$1 million in gross revenues that Fairey gained from the Hope image, and another \$2.3 million earned by OBEY Clothing, the clothing firm under license to Fairey that sold T-shirts and sweatshirts displaying the Hope image. Moreover, the AP claimed it was entitled to revenues from Fairey's non-Hope images and work that the AP alleged were due to the increased public profile Fairey enjoyed from his association with the Hope image.

A more threatening weapon in the plaintiff's arsenal of remedies is the claim to the infringer's indirect profits. The Copyright Act's language broadly permitting recovery of "any profits of the infringer that are attributable to the infringement"⁶² has been held to include profits not just on the sale of works that copy or incorporate the copyrighted work, but also profits that the infringer earns from other activities that were enhanced by the infringement. Thus, for instance, when a defendant uses copyrighted material in advertising, he may be liable for his profits on sale of the goods advertised, even though he did not earn a direct profit from the advertisement itself.⁶³

While plaintiffs have had less success in proving indirect profits,⁶⁴ the in terrorem effect can be considerable. In the *Fairey* case, the AP sought not only to recover Fairey's direct revenues from the Hope image, but also claimed that it was entitled to the entire increase in Shepard Fairey's art sales after creation of the Hope image, as well as revenues of Fairey's commercial graphic design firm, Studio One, on the theory that Fairey's later success was attributable entirely to the increased public profile Fairey enjoyed as a result of the Hope image. The AP sought \$2.8 million in these indirect damages from Fairey,

62. 17 U.S.C. § 504(b) (2006) (emphasis added).

63. See, e.g., *Polar Bear Prods., Inc. v. Timex Corp.*, 384 F.3d 700, 712–14 (9th Cir. 2004); *Andreas v. Volkswagen of Am., Inc.*, 336 F.3d 789, 797 (8th Cir. 2003).

64. E.g., *Bouchat v. Balt. Ravens Football Club, Inc.*, 346 F.3d 514, 516–17 (4th Cir. 2003); *On Davis v. GAP, Inc.*, 246 F.3d 152, 160–61 (2d Cir. 2001).

and another \$13.6 million in indirect profits from Obey Clothing (for a total damages claim of over \$20 million). While Fairey contended that there were significant conceptual and methodological flaws in The AP's claims, the prospect of such an extreme judgment had to be considered.

Deductible expenses and apportionment. In the ordinary course, a copyright defendant can offset against damages claims the expenses he incurred in creating and disseminating the accused work. But here again the Copyright Act incorporates a burden-shifting mechanism that increases the risks to copyright defendants. When proving the infringer's profits, the Copyright Act specifies that "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 copyrighted work."⁶⁵ If the infringer cannot prove his deductible expenses with reasonable certainty, then the copyright holder may recover the infringer's gross profits.⁶⁶ Proof of allocable indirect expenses can be a challenge for copyright defendants, and courts have scrutinized efforts to offset overhead expenses.⁶⁷ Some courts have held that defendants may not deduct overhead expenses when their infringement was willful.⁶⁸ Moreover, juries have been instructed that in calculating damages and the defendant's offsetting expenses, doubts should be resolved in favor of the copyright owner.⁶⁹

The same burden-shifting rule would have applied to Fairey's argument that the AP should be entitled to recover only the value of the contribution of the Garcia photo to the success of the Hope Poster, but not the value of the contributions made by Fairey and others. Fairey, and others working with him, made significant contributions to the success of the Hope image that were independent of the copyrighted photograph, providing Fairey with a strong argument that much of the revenues he ultimately obtained from the image were "attributable to factors other than the copyrighted work" and thus not recoverable as damages by the AP.⁷⁰ Fairey's use of the Garcia Obama photo in creating the Hope image was a derivative use in that he did not copy the

65. 17 U.S.C. § 504(b) (2006).

66. *See, e.g.*, *Universal Furniture Int'l, Inc. v. Collezione Europa USA, Inc.*, 618 F.3d 417, 441 (4th Cir. 2010); *cf. Russell v. Price*, 612 F.2d 1123, 1131 (9th Cir. 1979) (applying the 1909 Copyright Act).

67. *See generally* *Hamil Am., Inc. v. GFI*, 193 F.3d 92, 106–07 (2d Cir. 1999); *Taylor v. Meirick*, 712 F.2d 1112, 1121 (7th Cir. 1983); *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 54 (2d Cir. 1939), *aff'd*, 309 U.S. 390 (1940).

68. *See, e.g.*, *Saxon v. Blann*, 968 F.2d 676, 681 (8th Cir. 1992); *Mfrs. Techs., Inc. v. Cams, Inc.*, 728 F. Supp. 75, 84 (D. Conn. 1989).

69. *See* *Syigma Photo News, Inc. v. High Soc'y Magazine, Inc.*, 778 F.2d 89, 95 (2d Cir. 1985) ("Confronted with imprecision in the computation of expenses, the court should err on the side of guaranteeing the plaintiff a full recovery.").

70. *See* 17 U.S.C. § 504(b) (2006); *accord Sheldon*, 309 U.S. at 396.

photograph verbatim, but rather eliminated some features of the photo (e.g., the flag in the background, the realistic lighting and coloring) and added elements of his own creation (e.g., the abstracted black-and-white contrast, the hand-crafted alterations to Obama's image, the unrealistic four-color scheme). The efforts of Fairey and others working with him to distribute the poster widely, along with Fairey's own established reputation as an artist, further contributed to the success of the poster. However, it was Fairey's burden to prove the proper apportionment. "With respect to apportionment of profits flowing from a copyright infringement . . . an infringer who commingles infringing and noninfringing elements 'must abide the consequences, unless he can make a separation of the profits so as to assure to the injured party that all justly belongs to him.'"⁷¹ In this case, the weighing of the relative contribution of the various elements is a matter more of judgment than of accounting, and would likely have devolved into a battle of experts.⁷² And again, uncertainties in the apportionment exercise would be resolved in favor of the AP.⁷³

The same burden-shifting provisions that apply in the case of awards of direct profits, with respect to deduction of expenses and apportionment of the effects of non-infringing factors, apply to indirect profits as well. Fairey would have had the task of disproving yet another negative, namely, that he would not have continued to enjoy professional success without the benefit of having created the *Hope* poster.

Statutory Damages. Finally, even if Fairey had been able to defeat the AP's efforts to recover its damages and Fairey's profits, the AP could fall back on statutory damages. When a copyright owner is unable to prove his actual damages or the infringer's profits, he may, "at any time before final judgment is rendered," elect to receive statutory damages instead, "in a sum of not less than \$750 or more than \$30,000 as the court considers just."⁷⁴

Exposure to statutory damages is compounded by the fact that the Copyright Act gives the court discretion to quintuple the statutory damages, to as much as \$150,000 per infringement, in the event a defendant is found to have acted "willfully."⁷⁵ The Act does not define willfulness; in fact, the statute goes out of its way to ensure that the

71. Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539, 567 (1985) (quoting *Sheldon*, 309 U.S. at 406).

72. See, e.g., Bridgeport Music, Inc. v. Justin Combs Publ'g, 507 F.3d 470, 484 (6th Cir. 2007).

73. See Frank Music Corp. v. Metro-Goldwyn-Mayer Inc., 886 F.2d 1545, 1549 (9th Cir. 1989) ("In performing the apportionment, the benefit of the doubt must always be given to the plaintiff, not the defendant.").

74. 17 U.S.C. § 504(c)(1) (2006).

75. 17 U.S.C. § 504(c)(2) (2006 & Supp. IV 2010).

term remains ambiguous.⁷⁶ Nor have courts agreed upon a meaningful definition of the term. This uncertainty is yet another problem for copyright defendants, since courts have found defendants to be willful infringers even when the defendant raised a plausible, if ultimately unsuccessful, fair use defense.⁷⁷ As a consequence, jury verdicts can result in extremely high statutory damage awards that bear no relation to actual damages.⁷⁸

4. Fee Shifting

A final threat to a copyright defendant is the Copyright Act's attorney's fee-shifting provisions. Under the Act, the court has discretion to award costs of litigation to the prevailing party, including an award of a reasonable attorney's fee.⁷⁹ Some courts have held that there is a presumption in favor of awarding fees.⁸⁰ Moreover, some courts have held that when damages are small, the prevailing party should have a "presumptive entitlement" to an award of attorney's fees, on the rationale that absent a presumption in favor of fee awards in such cases, minor copyright infringements would "be in effect privileged, immune from legal redress."⁸¹

As a large and deep-pocketed litigant (with annual revenues in excess of \$700 million), the AP was able to fund an enormously expensive litigation effort. Thus, Fairey faced potentially more liability for attorney's fees than he risked in money damages.⁸² Of course, the attorney's fee-shifting regime runs both ways — had Fairey prevailed at trial, he would have been entitled to have the AP pay his fees and expenses. Yet this result, too, is uneven, since the AP could readily have paid Fairey's attorney's fees, while Fairey faced personal bankruptcy if the AP prevailed.

76. *Cf.* 17 U.S.C. § 504(c)(3)(B) (2006) ("Nothing in this paragraph limits what may be considered willful infringement under this subsection.")

77. *See, e.g.*, *Rogers v. Koons*, 960 F.2d 301, 313 (2d Cir. 1992) (characterizing artist as a willful infringer); *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522, 1543–45 (S.D.N.Y. 1991) (finding commercial photocopier of college course packets a willful infringer).

78. For instance, in a peer-to-peer music file-sharing case, actual damages were less than \$54 but the jury awarded the plaintiff record company \$222,000 against an individual defendant. *Capitol Records Inc. v. Thomas*, 579 F. Supp. 2d 1210, 1227 (D. Minn. 2008). *See generally* Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy In Need Of Reform*, 51 WM. & MARY L. REV. 439, 441–43 (2009) (cataloging numerous cases where copyright statutory damage awards were inconsistent and excessive).

79. 17 U.S.C. § 505 (2006).

80. *See, e.g.*, *Eagle Servs. Corp. v. H20 Indus. Servs., Inc.*, 532 F.3d 620, 625 (7th Cir. 2008).

81. *E.g.*, *Gonzales v. Transfer Techs., Inc.*, 301 F.3d 608, 610 (7th Cir. 2002).

82. *See, e.g.*, *Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 555 (9th Cir. 1996) (affirming award of \$1.37 million in attorney's fees).

As a consequence, Fairey and the AP faced asymmetric risks. To the AP, a loss would have meant that it had spent its legal fees in vain, would not recover damages, and would possibly be liable for Fairey's litigation expenses, all of which were minor risks to an organization owned by the largest media corporations in the world. To Fairey, a loss could have meant financial disaster, particularly since copyright damages (which are a form of tort) are in some circumstances not dischargeable even in personal bankruptcy.⁸³

5. Conclusion

Trial lawyers frequently refer to the strength of their theories in terms of their percentage likelihood of success, instead of black-or-white truths, and then apply these percentages against the weight of the outcomes to assess overall litigation risk. Where, as here, the potential outcomes are asymmetrical, a large corporation with a relatively weak copyright case usually will have the litigation advantage against a smaller litigant, even when the smaller litigant has a strong case. Although the *Fairey* case raised novel and important issues of copyright law and free expression, especially at the boundaries of political expression and emerging art forms, none of those issues was resolved by the case, in large part because of the overwhelming risks Fairey would have assumed in order to litigate his *scène à faire* and fair use defenses to their conclusion. The *Fairey* case thus underscores how a statute that in theory balances competing interests fails to do so in practice. In the real world, copyright holders more often than not are large corporations or vested interests, and those with legitimate claims of fair use are the very creators of expression the Copyright Act was intended to protect. The Act's imprecision, overlapping and cumulative remedies, shifting of burdens of proof, and attorneys' fee-shifting regime mean that the real-life boundary for copyright infringement is not the one set forth theoretically in the Act, but instead is one that gives entrenched copyright interests greater leverage and unearned advantage than the words of the statute provide.

83. Section 523(a)(6) of the Bankruptcy Code provides that an individual debtor may not discharge a debt "for willful and malicious injury by the debtor to another entity or to the property of another entity." 11 U.S.C. § 523(a)(6) (2006). However,

[t]he dischargeability standard in bankruptcy under Section 523(a)(6) does not correspond with the liability standards for determining willful patent infringement, copyright infringement or trademark infringement. A finding of willful copyright or other IP infringement will not necessarily provide a basis for establishing either the "willful" or "malicious" elements under the Bankruptcy Code. The legal standards are different.

J. T. Westermeier, Philip S. Warden & Ana N. Damonte, BANKRUPTCY ISSUES IN COPYRIGHT 2010, at 517, 546 (PLI Course Handbook Ser. No. 1022, 2010); *see also In re Barboza*, 545 F.3d 702, 712 (9th Cir. 2008) (holding finding of willful copyright infringement did not mean jury had found willful and malicious injury under bankruptcy code).

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