

INTRODUCTION TO DAVID NIMMER'S MODEST PROPOSAL

JUSTIN HUGHES*

Cardozo is very fortunate to have David Nimmer as a regular part of our Intellectual Property Law Program. As our Burns Senior Lecturer in Intellectual Property, Professor Nimmer spends a couple of days each year lecturing in classes, meeting with students, doing roundtables, and contributing to the IP program's evening symposia.

This year's evening symposia with David Nimmer took up the issue of fair use in copyright law. As a long-time student of "fair use," Professor Nimmer appreciates its strengths, but is troubled by its *ex ante* uncertainty—uncertainly which he has documented in his own survey of judicial opinions on fair use.¹ Intellectual property scholars assume that this uncertainty has chilling effects on those who use copyrighted works for subsequent education, scholarship, commentary, and for new, transformative works. The existence of these chilling effects assumes, of course, that "downstream" users understand copyright law, including fair use—an assumption as important as it is empirically untested.² For that reason, we also invited Marjorie Heins of the Brennan Center for Justice to the fair use symposium to talk about four focus groups and an online survey of artists done by the Center to explore how much artists know about copyright and fair use. The results of the survey and focus groups as well as a critical examination of select "cease and desist" letters can be found in the Free Expression Policy Project report *Will Fair Use Survive?*³

In addition to describing the fair use case law, Professor Nimmer decided to give the symposium audience a legislative proposal to ameliorate fair use's *ex ante* uncertainty while retaining the doctrine's flexibility. The evening symposium was rounded out with Professors Margaret Jane Radin of Stanford and Hugh Hansen

* Associate Professor and Director, Intellectual Property Law Program, Benjamin N. Cardozo School of Law, New York.

¹ David Nimmer, *"Fairest of Them All" and Other Fairy Tales of Fair Use*, 66 LAW & CONTEMP. PROBS. 263 (2003).

² Of course, the chilling effects assumes not just knowledge, but that downstream users are rational actors with moderate risk aversion.

³ MARJORIE HEINS & TRICIA BECKLES, *WILL FAIR USE SURVIVE? FREE EXPRESSION IN THE AGE OF COPYRIGHT CONTROL* (2005), available at <http://www.fepproject.org/policyreports/fairuseflyer.html>.

of Fordham offering comments on Professor Nimmer's proposal as well as Ms. Heins' recent study.

THE NIMMER PROPOSAL IN THE CARDOZO CONTEXT

We were delighted with Professor Nimmer's idea to make a legislative proposal because it is in keeping with the Cardozo IP program's effort to connect scholarly ideas with genuine understanding of law and policy making, whether in Washington or Brussels, Geneva or Sacramento. Beginning in 2004, Cardozo started a conference series called "Some Modest Proposals" in which scholars are challenged to turn their reform ideas into legislative language, with commentary by both scholars and policy experts. In its first two iterations, "Modest Proposals" has hosted legislative proposals from Dan Burk and Michael Meurer, F. Scott Kieff, Mark Lemley, Michael Madison, William W. Fisher III and Talha Syed, Susan Freiwald, Arti Rai, Pam Samuelson, Katherine Strandberg, Peter Swire, and Alfred C. Yen, with policy commentary from present and former staff of the House Judiciary Committee, the Senate Judiciary Committee, the U.S. Patent and Trademark Office (USPTO), the Office of the U.S. Trade Representative (USTR), the White House's Office of Science and Technology Policy, and the World Intellectual Property Organization (WIPO).⁴ "Modest Proposals 3.0" will be hosted at Cardozo in February 2007.

In addition to Modest Proposals, Cardozo regularly hosts events that bring together policy makers and scholars like the fall 2004 "Nethead/Bellhead" conference on the FCC and the Internet, organized by Professor Susan Crawford, and the fall 2005 evening symposium on geographical indications, featuring Commissioner of Trademarks Lynn Beresford, Assistant USTR Victoria Espinel, and Denis Croze, a Senior Counselor at WIPO.

Without spoiling the fun, Professor Nimmer proposes a statutorily-established board of "fair use arbiters" who, upon request from a prospective user of a copyright work, issue advisory yea/nay opinions on whether the person's proposed use is "fair." And the opinion of these arbiters would have bite—directly affecting the damages—up or down—to which a party would be subject if they proceeded with the proposed fair use. While developing this idea, Professor Nimmer shared different drafts with me and his concept has remained simple and straightforward.

⁴ Information on the 2005 "Modest Proposals 2.0" conference, including the legislative proposals, can be found at www.somemodestproposals.com.

Without footnotes, his legislative proposal on February 12 was less than 950 words; what you see here—shorn of “whereas” clauses and legislative history—is still a modest 1,129 words.

Professor Nimmer’s proposal really needs no further introduction than that: the “whereas” provisions and “legislative history” amply fill in the background. In that sense, the reader may want to proceed directly to the proposal *now*—because the next couple of paragraphs will offer some comments on the proposal, placing it in a broader intellectual property context and raising a few small, probably inevitable, problems with a proposal of this sort.

CONCEPTUAL (ALBEIT DISTANT) RELATIVES TO THE NIMMER PROPOSAL

While Professor Nimmer’s proposal is brand new in the copyright context, there are a few related processes in other parts of intellectual property law. The relatedness of these processes is not obvious, but they show both the strength and at least one weakness in the Nimmer proposal.

First, any expedited, streamlined process for intellectual property questions has certainly become more credible in light of our experience with the Uniform Dispute Resolution Policy (UDRP) for trademark/domain name disputes.⁵ UDRP administrative arbitrations are mandatory, but non-binding. They are mandatory because agreement to be subject to the administrative process is now written into every domain name registration contract, but the process is also non-binding in the sense that losing parties are free to go to their national courts to vindicate either their trademark or domain name rights against their opponents. Almost all UDRP cases come before a single arbitrator, although complainants can request a three member panel. Done entirely by email (and courier service for exhibits), UDRP cases are usually completed within a few weeks from the time the complaint is filed with one of the administrative bodies recognized by ICANN to oversee these arbitrations.⁶ There is no

⁵ The UDRP was established by the International Corporation for Assigned Names and Numbers (ICANN), following the recommendations in a WIPO report. The entire UDRP can be found at <http://www.icann.org/udrp/udrp.htm>. For some background on the UDRP’s development and influence, see Justin Hughes, *The Internet and the Persistence of Law*, 44 B.C. L. REV. 359, 376-81 (2003).

⁶ For example, the World Intellectual Property Organization reports that its arbiters usually decide cases within fourteen days of receiving the Complaint and documentation. WIPO Press Release 435, *WIPO Responds to Significant Cybersquatting Activity in 2005*, Geneva, Jan. 25, 2006, available at http://www.wipo.int/edocs/prdocs/en/2006/wipo_pr_2006_

hearing, everything is done on documentary records, and the cost is low. It is fair to say, despite some initial concerns,⁷ that the UDRP process has been an extraordinary success story in alternative dispute resolution.

Indeed, the success of the UDRP prompted at least two scholars, Mark Lemley and Tony Reese, to propose fashioning a similar streamlined process for copyright infringement actions against people making unauthorized downloads from peer-to-peer systems.⁸ In the same way, the success of UDRP enhances the practical credibility of Professor Nimmer's proposal.

Professor Nimmer's proposal also has two distant relatives in more traditional processes—and these relatives can give us some early warning about a couple of problems that are likely to arise with an advisory opinion system for fair use. The first is the much-debated issue of opinion letters—and a defendant's failure to get them—in determinations of willful infringement in patent litigations. The second is the effect of a USPTO trademark registration decision on a subsequent trademark infringement case between the same parties.

In the realm of patents, these days almost every claim of patent infringement comes with a charge of willfulness—because willful infringement exposes the defendant to greatly enhanced damages.⁹ Willfulness in patent infringement is formulated in different ways, but generally speaking occurs when the defendant knew of an existing patent and that he was likely to be infringing that patent with his product or process.¹⁰ Until 2004, a patent infringement defendant's failure to get an opinion letter from patent counsel on the likelihood of infringement resulted in an adverse inference of willfulness. In *Knorr-Bremse Systeme Fuer*

435.html. Assuming a couple of weeks for arbiter selection and transmission of the file, the process is done in less than two months.

⁷ See generally Laurence R. Helfer & Graeme B. Dinwoodie, *Designing Non-National Systems: The Case of the Uniform Domain Name Dispute Resolution Policy*, 43 WM. & MARY L. REV. 141 (2001); A. Michael Froomkin, *ICANN's "Uniform Dispute Resolution Policy"—Causes and (Partial) Cures*, 67 BROOKLYN L. REV. 605 (2002).

⁸ Mark A. Lemley & R. Anthony Reese, *A Quick and Inexpensive System for Resolving Peer-to-Peer Copyright Disputes*, 23 CARDOZO ARTS & ENT. L.J. 1 (2005); Mark A. Lemley & R. Anthony Reese, *Reducing Digital Copyright Infringement Without Restricting Innovation*, 56 STAN. L. REV. 1345 (2004).

⁹ Under 35 U.S.C. 284, damages in a patent infringement action may be "enhanced" up to three times the compensatory amount in the discretion of the trial court. The statute does not dictate the conditions under which the court should exercise such discretion, but the Federal Circuit "has approved such awards where the infringer acted in wanton disregard of the patentee's patent rights, that is, where the infringement is willful." *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992); see also *Mathis v. Spears*, 857 F.2d 749, 754 (Fed. Cir. 1988).

¹⁰ 7 CHISUM ON PATENTS, § 20.03[4][b][v] at 20-345 et seq. (2006).

Ntuzfahreuge v. Dana Corp.,¹¹ the Federal Circuit eliminated this adverse inference, concluding that while there continues to be “an affirmative duty of due care to avoid infringement,” that is not a legal duty to obtain an advisory opinion on infringement.¹²

If the Nimmer “fair use arbiter” system were put in place, parallel issues would arise. What would be the effect of a party choosing *not* to seek an initial advisory opinion before proceeding with the contested use of the copyrighted work? Would we *permit* an adverse inference from failure to consult the fair use arbiters? Professor Nimmer does take sides on this issue: his proposal provides that “[t]o the extent that either or both parties failed to avail themselves of the arbitration process, the court shall not accord any weight to that circumstance.” But people may ask themselves if that is always the right result. We might feel differently if the defendant—say a motion picture studio—had already used the fair use arbiter process in many other situations. And if the statute provides as Professor Nimmer proposes, would we permit plaintiff’s counsel to explain the fair use arbiter system to jurors—and the fact that the defendant failed to avail herself of it? Would a jury instruction that the jurors should give that “no weight” produce the right result?

One of the traditional reasons for the adverse inference in patent law was that the defendant might *have* an opinion letter and fail to produce it. Of course, this would not apply with Professor Nimmer’s system since there would be a public record of the arbiters’ opinion. But most of the other reasons for or against the adverse inference in patent law would apply to copyright law once the arbiters system was in place. Creating such an inference—or permitting failure to get an opinion to be introduced as evidence of willfulness—would have the salutary effect of pushing people toward the advisory opinion and, we hope, ultimately reducing litigations. On the other hand, there is something troubling about saying it’s a completely voluntary system (as opinion letters from private patent counsel are), but if you fail to use it, you may ultimately be penalized. That seems to be where Professor Nimmer lands.

Another analog of sorts comes in the relationship between USPTO determinations and court determinations on “likelihood of confusion” in trademark law. A classic example of this problem

¹¹ 383 F.3d 1337 (Fed. Cir. 2004).

¹² *Id.* at 1345 (quoting *L.A. Gear Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1127 (Fed. Cir. 1993)).

is when party A seeks to register a trademark at the USPTO and party B files an opposition to the registration on the grounds that A's claimed trademark is likely to cause confusion with B's older trademark. When the USPTO upholds B's opposition and refuses to register A's trademarks, that does not stop A from using the trademark in commerce. What happens when A *does* use the trademark in commerce and B sues—again on the grounds that A's trademark is likely to cause confusion with B's mark? What effect should we give to the USPTO's previous determination that the B trademark was confusingly similar to the A trademark?

The Second Circuit faced this question squarely in the 1997 case of *Levy v. Kosher Overseers Association of America*.¹³ In *Levy*, the USPTO's Trademark Trial and Appeals Board (TTAB) had sustained Levy's opposition to the registration of the Kosher Overseers (KOA) certification mark on the grounds that it was confusingly similar to Levy's already registered certification mark for kosher foods. Although the TTAB has refused registration of the KOA mark, KOA continued to use the mark in commerce. Levy then sued for trademark infringement and the district court concluded that the prior TTAB determination that there was a likelihood of confusion should have collateral estoppel effect against KOA.

The Second Circuit reversed on the grounds that the TTAB had only considered the trademark application file against the USPTO records of the previously-registered trademark ("the TTAB relied solely on a visual examination of the two marks"¹⁴), and that the TTAB had made its comparison of the marks without any knowledge of how the marks were *actually being used in the marketplace*. In an earlier case, the Second Circuit had also rejected collateral estoppel effects from a similar refusal to register on the grounds that the Federal Circuit (the case had been appealed from the TTAB) had considered only the two trademarks (BEAM and BEAMISH) as typewritten¹⁵—failing to consider how the

¹³ 104 F.3d 38 (2d Cir. 1997).

¹⁴ *Id.* at 42.

¹⁵ *Jim Beam Brands Co. v. Beamish & Crawford, Ltd.*, 937 F.2d 729, 735 (2d Cir. 1991) ("Thus, though both the BEAMISH and the BEAM labels were part of the administrative record, the TTAB and Federal Circuit discussions of the degree of similarity of the parties' respective marks made no mention of the actual use or appearance of those marks. The TTAB's factual findings made no reference to either party's labels, and its legal conclusions rested solely on the relationship between the appearances and pronunciation of the typewritten marks BEAM and BEAMISH and on the significance of the "-ISH" suffix. The Federal Circuit, in reaching a different legal conclusion, also relied solely on the relationship between the 'BEAM' and 'BEAMISH' marks in the abstract. Thus, the district court correctly observed that the TTAB 'compar[ed] only the typewritten mark[s]').

trademarks sounded, how the labels looked, or how the marks were used in the marketplace. In effect, the Second Circuit has concluded that a prior determination of likelihood of confusion in the USPTO registration process can have preclusive effect vis-à-vis a likelihood of confusion claim in the real world only if the “entire marketplace”—something equivalent to all the *Polaroid* factors—was taken into account in the earlier proceedings.¹⁶ The *Levy* approach has subsequently been endorsed by the Fourth Circuit¹⁷ and has not been rejected by any courts. For all practical purposes, this standard requires the USPTO proceedings and/or court actions challenging USPTO decisions to make extensive factual determinations in order to have collateral estoppel effect.¹⁸

What does this have to do with the Nimmer proposal? Aside from the advisory ruling’s impact on damages, section 107(b)(8) of the Nimmer proposal states that “[t]he court shall not be obligated to accord any weight to the ruling of the Fair Use Arbitrator(s).” Of course, even if not “obligated” many courts will give great weight to the arbiters’ ruling—and when a court does, the *Levy* case points to one of the weaknesses of any advisory opinion system. If dragged into court, the party who loses the advisory opinion proceeding will *always* argue that the defendant’s *actual* use ended up being different from the use proposed before the fair use arbiters. This seems to me a structural weakness in what is a fine proposal. Because the advisory opinion is sought *before* the actual downstream use, the arbiters will never have *ex ante* all the information before them that a court can consider relevant to its *ex post* fair use determination.

If the downstream user received a favorable fair use advisory

¹⁶ *Levy*, 104 F.3d at 42 (“For a TTAB or Federal Circuit determination of “likelihood of confusion” to have collateral estoppel effect in a trademark infringement action, the TTAB or the Federal Circuit must have taken into account, in a meaningful way, the *context* of the marketplace.”); see also 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION 32.31[2], at 32-125 (3d ed. 1996).

¹⁷ Miguel Torres, S.A. v. Cantine Mezzacorona, S.C.A.R.L., 108 Fed. Appx. 816, 820, 2004 U.S. App. LEXIS 20808 (4th Cir. 2004); see also Carefree Trading, Inc. v. Life Corp., 83 F. Supp. 2d 1111, 1119 (D. Ariz. 2000).

¹⁸ The Second Circuit had reconciled two earlier cases—from the Seventh and Eighth Circuits—on these grounds: “In both cases, the TTAB’s determination on the issue of ‘likelihood of confusion’ was held to have collateral estoppel effect in subsequent trademark infringement actions where the TTAB had compared the visual *and* commercial uses of the trademarks.” *Levy*, 104 F.3d at 42 n.5. The two earlier cases are *EZ Loader Boat Trailers v. Cox Trailers*, 746 F.2d 375 (7th Cir. 1984) and *Flavor Corp. of America v. Kemin Industries, Inc.*, 493 F.2d 275 (8th Cir. 1974). Courts reviewing TTAB and/or Federal Circuit decisions may find such extensive fact finding. See *Alberto-Culver Co. v. Trevive, Inc.*, 199 F. Supp. 2d 1004, 1015 (C.D. Cal. 2002) (“Any fair reading of the Board and Federal Circuit opinions demonstrates that both the Board and Federal Circuit meaningfully considered the entire marketplace context in determining the likelihood of confusion issue.”).

opinion, then the copyright owner will argue in court that the actual downstream use was broader, more commercial, or less transformative than what had been proposed to the fair use arbiters. If the downstream user received an unfavorable advisory opinion, then she will argue in court that her actual use was narrower, less commercial, or more transformative than what she had originally proposed. She will credibly say “I learned from the advisory opinion that I needed to alter my usage. I made substantial changes in my use of the copyrighted work and you cannot use the advisory opinion against me.”

Professor Nimmer’s proposal avoids some of the worst abuses along these lines by requiring the applicant to provide “a detailed description of the usage that petitioner intends to make, and if possible an exemplar of the subject work that it intends to produce.” But in many bona fide situations the applicant will not be able to provide an “exemplar.” For example, a motion picture producer might have, at best, story boards.

These are relatively minor concerns. The important thing to see is Professor Nimmer’s modest proposal as part of a growing discussion about how to strengthen and clarify permitted uses in copyright law. In our country, that discussion ranges from legislative proposals on orphan works¹⁹ to “best practices” guidelines for documentary filmmakers²⁰ to continued debate about the fair use doctrine itself. Internationally, the discussion ranges from debates in Australia about adopting American-style fair use²¹ to the long list of permitted exceptions to copyright protection in the 2002 European Union Copyright Directive²² to the WTO’s decision on §110(5) of the American copyright act.²³

¹⁹ See UNITED STATES REGISTER OF COPYRIGHTS, REPORT ON ORPHAN WORKS (Jan. 2006), available at <http://www.copyright.gov/orphan/orphan-report-full.pdf>.

²⁰ ASSOCIATION OF INDEPENDENT VIDEO AND FILMMAKERS ET AL., DOCUMENTARY FILMMAKER’S STATEMENT OF BEST PRACTICES IN FAIR USE (Nov. 18, 2005), available at <http://www.centerforsocialmedia.org/rock/backgrounddocs/bestpractices.pdf>.

²¹ Australia Attorney-General’s Department, Fair Use and Other Copyright Exceptions: An examination of fair use, fair dealing, and other exceptions in the Digital Age (Issues Paper, May 2005), available at <http://www.ag.gov.au/agd/WWW/agdhome.nsf/AllDocs/E63BC2D5203F2D29CA256FF8001584D7?OpenDocument>.

²² European Union Copyright Directive, Directive 2001/29/EC of the European Parliament and the of the Council, May 22, 2001.

²³ This was the first significant judgment on what kinds of exceptions to copyright law are “certain special cases” that meet the requirements of Article 13 of the TRIPS Agreement and Article 9 of the Berne Convention. See World Trade Organization Dispute Settlement DS160, United States—Section 110(5) of the U.S. Copyright Act (Panel report, June 15, 2000), available at http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds160_e.htm.

What we are seeing is a robust, growing discourse about proper, reasonable and useful limits to copyright law; Professor Nimmer's proposal here falls squarely—and helpfully—into the midst of that debate.

