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Equity's Unstated Domain: The Role of Equity in Shaping Copyright Law

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ARTICLE

EQUITY'S UNSTATED DOMAIN: THE ROLE OF EQUITY IN SHAPING COPYRIGHT LAW

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INTRODUCTION

As used today, the term "equity" connotes a variety of related, but nonetheless distinct, ideas. In most contexts, equity refers to the body of

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rules and doctrines that emerged in parallel with the common law, and which merged with the common law by the late nineteenth century.[1] At a purely conceptual level, some trace the term back to Aristotle's notion of *epieikeia*, or the process of infusing the law with sufficient flexibility to avoid injustice.[2] Lastly, at a largely practical level, a few treat equity as synonymous with a set of remedies that courts can authorize, all of which are characterized by being "extraordinary" and "discretionary" in form and substance.[3]

While equity is often understood as either a repository of substantive rules and doctrines, or, more generally, as a parallel court system that developed in seventeenth and eighteenth century England with its own set of procedural rules and uniquely discretionary remedies, this understanding is incomplete in one important respect. Equity also represents a distinctive approach to legal reasoning within a primarily statute-centric area of law, involving an increased role for courts in the lawmaking process and a ready recourse to a set of ethical principles that are presumed to be normatively superior to the strict letter of the law.[4] In the traditional common law this use of equity came to be known as the process of "equitable interpretation"[5] or as determining the "equity of the statute."[6] Used in this conception, it authorized courts to extend or restrict the otherwise clear words of a statute to give effect to the statute's "*ratio* or purpose."[7]

In this Article, we argue that equity, understood in this sense, is deeply influential in the construction and operationalization of copyright doctrine.

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1 *See* 1 JAMES KENT, COMMENTARIES ON AMERICAN LAW 489-91 (2d ed. 1832); THEODORE F.T. PLUCKNETT, A CONCISE HISTORY OF THE COMMON LAW 673-74 (5th ed. 1956); ROSCOE POUND, READINGS ON THE HISTORY AND SYSTEM OF THE COMMON LAW 118 (1904); Douglas Laycock, *The Triumph of Equity*, 56 LAW & CONTEMP. PROBS. 53, 53-59 (1993).

2 *See* Anton-Hermann Chroust, *Aristotle's Conception of "Equity" (Epieikeia)*, 18 NOTRE DAME LAW. 119, 121-26 (1942). *See generally* Darien Shanske, *Revitalizing Aristotle's Doctrine of Equity*, 4 LAW, CULTURE & HUMAN. 352 (2008); Roger A. Shiner, *Aristotle's Theory of Equity*, 27 LOY. L.A. L. REV. 1245, 1256 (1994); Jesús Vega, *Legal Rules and* Epieikeia *in Aristotle: Post-positivism Rediscovered*, *in* ARISTOTLE AND THE PHILOSOPHY OF LAW: THEORY, PRACTICE AND JUSTICE 171, 180 (Liesbeth Huppos-Cluysenaer & Nuno M.M.S. Coelho eds., 2013) (23 IUS GENTIUM: COMP. PERSP. ON L. & JUST.).

3 *See* Zygmunt J.B. Plater, *Statutory Violations and Equitable Discretion*, 70 CALIF. L. REV. 524, 534-35 (1982); *see also* Ronald M. Levin, *"Vacation" at Sea: Judicial Remedies and Equitable Discretion in Administrative Law*, 53 DUKE L.J. 291, 315-23 (2003); Robert F. Nagel, *Separation of Powers and the Scope of Federal Equitable Remedies*, 30 STAN. L. REV. 661 (1978).

4 *See* John F. Manning, *Textualism and the Equity of the Statute*, 101 COLUM. L. REV. 1 (2001); Raymond B. Marcin, Epieikeia; *Equitable Lawmaking in the Construction of Statutes*, 10 CONN. L. REV. 377 (1978).

5 Manning, *supra* note 4, at 29.

6 *Id.* at 29-30; *see also* RICHARD EKINS, THE NATURE OF LEGISLATIVE INTENT 275 (2012).

7 Manning, *supra* note 4, at 22.

While copyright law is obviously statutory in origin, the influence of equity on its working is best seen in relation to the role that the federal courts—primarily the U.S. Supreme Court—have had on its shape and direction. In a variety of doctrinal areas, the Supreme Court's copyright jurisprudence reveals a distinct pattern of curbing behavior that, while in strict compliance with the letter of the law, is inconsistent with the values and purposes of the copyright system. The Supreme Court's efforts to align the text of the statute's directives with its perceived goals thus partakes of what the common law characterized as the process of giving effect to the equity of the statute. While premised on the notion of gap filling, the process was routinely directed at curtailing opportunistic behavior on the part of litigants who sought to take advantage of the statute's literal terms, while violating the unstated normative goals of the legislation. A careful examination of Supreme Court decisions on core copyright issues over the last few decades reveals the profound role that the equity of the statute has had on the content of copyright doctrine. In addition, it sheds light on the real and all too often overlooked role that courts play in the creation and construction of both copyright doctrine and the copyright system's underlying goals and values.

To understand why copyright law has maintained such a close rapport with this understanding of equity, it is necessary to understand the symbiotic relationship between copyright law and technology. Very few legal areas are as profoundly affected by technological change as is copyright law. This reality of constant technological change, as well as the development of new business models in the market for informational goods and services, has required copyright law to update the applicability of its core goals and ideals to new situations. The formal content of its statutory directives has routinely proven to be outdated, and legislative reforms have often proven to be an inadequate means of redress.[8] In these myriad situations, the Court has had to step in and use its interpretive powers to protect the normative integrity of our copyright system. In engaging in this process, the Court has effectively determined the equity of the copyright statute's substantive content, despite occasional allusions to Congressional intent.[9] We term this shaping of copyright's core substantive rights by reference to an actual or imputed purpose (or set of goals) for the institution, the process of determining the "substantive equity of the statute."

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[8] For a recent account by the Register of Copyright, see Maria A. Pallante, *The Next Great Copyright Act*, 36 COLUM. J.L. & ARTS 315, 319-20 (2013).

[9] *But see* EKINS, *supra* note 6, at 275 (treating equitable interpretation as an act of discerning legislative intent).

Beginning with the Supreme Court's famed decision in *Harper & Row*, where the Court introduced a "good faith" requirement into the statutory fair use analysis in order to hold the defendant liable,[10] the Court has expanded, constricted, and molded the directives of the copyright statute by reference to the institution's primary purposes. The same basic approach, we argue, serves to explain the Court's decisions in the areas of: originality,[11] secondary liability,[12] the first sale doctrine and its applicability to grey-market imports,[13] and, most recently, in the public performance right.[14] In each of these instances the Court's stated objective was to bring the substantive content of copyright doctrine in line with its own conception of copyright's principal values and ideals, recognizing that the text of the law allowed actors to ensure token compliance with the system, while subverting its motivating goals and objectives. An unstated recourse to the "equity of the statute" allowed the Court to shape copyright law to realign its content with its purposes.

Somewhat interestingly, equity's role as an unstated substantive gloss on copyright doctrine is to be contrasted with equity's express influence on the adjectival content of the copyright statute. We see equity playing a more overt role in shaping the copyright statute's procedural and remedial dimensions. In these areas, copyright law is conceived of by the Court as having been built against a set of background principles relating to the interaction between equity and the common law as parallel systems. The Court's copyright jurisprudence in these domains can be seen as balancing this interaction and preserving the traditional virtues of equitable decisionmaking—flexibility, discretion, and remedial equilibration—to allow future courts to give effect to copyright's goals and purposes on a situational basis.[15] This flexibility and discretion are in turn meant to be directed at policing parties' use of the copyright system to ensure that such use conforms to the underlying purposes of the system. Here too, the Court's jurisprudence can be seen as an effort to determine the equity of the statute. We characterize this approach as relating to the "adjectival equity of the statute."

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10 *See* Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539, 562 (1985); *see infra* subsection II.A.1.

11 *See* Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340 (1991); *see infra* subsection II.A.2.

12 *See* Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 545 U.S. 913 (2005); *see infra* subsection II.A.3.

13 *See* Kirtsaeng v. John Wiley & Sons, 133 S. Ct. 1351 (2013); *see infra* subsection II.A.4.

14 *See* Am. Broad. Cos. v. Aereo, Inc., 134 S. Ct. 2498 (2014); *see infra* subsection II.A.5.

15 *See, e.g.*, Wesley Newcomb Hohfeld, *The Relations Between Equity and Law*, 11 MICH. L. REV. 537, 542 (1913); Roscoe Pound, *The Decadence of Equity*, 5 COLUM. L. REV. 20 (1905).

The Supreme Court's jurisprudence relating to the copyright statute's remedial and procedural rules offers a good illustration of this phenomenon. In the areas of awarding a prevailing party reasonable attorneys' fees,[16] understanding the requirement of copyright registration as a prerequisite for a civil action,[17] and most recently relating to the availability of an independent laches defense to infringement,[18] we see the Court rejecting doctrinal formulations aimed at minimizing judicial discretion. When presented with two competing interpretations of the statute, both of which further copyright's purposes in some measure, the Court is seen to prefer the one that would preserve its flexibility for the future: a flexibility that it characterizes as necessary to realize an alignment between copyright's systemic goals and individual litigants' motives.

Equity thus modulates copyright law as both a substantive and adjectival gloss on doctrine. In the former, equity's mechanism is subtle, unstated, and often masked by a recourse to congressional intent; in the latter, it is overt, express, and tied to equity's emphasis on discretion and flexibility. Beyond shedding light on the role of equity in copyright law, the interplay between the two approaches also explains an important and often ignored attribute of copyright law that relates directly to the central theme of this Symposium: the perceived and actual role that courts play in determining the content of copyright doctrine and the goals of the copyright system.

An important caveat is in order here. In describing the Supreme Court's use of the statute's equity to develop copyright law *under* the copyright statute, we should not be understood as suggesting that the Court's substantive outcomes in the individual cases were "equitable" in the sense of being fair and just, nor indeed that the rule developed by the Court in the case was equitable in that sense. We do not make any such claim. Our concern in this Article is with explaining the process of lawmaking adopted by the Court in its copyright jurisprudence, and its efforts to *fit* and *justify* the process and outcome as a matter of copyright law and policy.[19] The ambition of this Article is, therefore, purely explanatory, not normative.

The Article unfolds in three Parts. Part I provides a brief overview of equity and the various ways in which the term has been used in legal thinking. Part II then illustrates the working of equity in copyright law, and differentiates between equity's role as a substantive and adjectival gloss on

16 *See* Fogerty v. Fantasy, Inc., 510 U.S. 517 (1994).

17 *See* Reed Elsevier, Inc. v. Muchnick, 130 S. Ct. 1237 (2010).

18 *See* Petrella v. Metro-Goldwyn-Meyer, Inc., 134 S. Ct. 1962 (2014).

19 *See* Ronald Dworkin, *Hard Cases*, 88 HARV. L. REV. 1057, 1058-60 (1975).

copyright doctrine. The paper then concludes by relating equity's role in copyright law to the question of how doctrine is created, shaped, and legitimized by courts in the copyright discourse.

I. THE "EQUITY" OF THE STATUTE

To Aristotle, equity represented the phenomenon of closing the gap between justice and the formal or written law, or as he puts it "a correction of law, where law falls short because of its universality."[20] Later he describes the idea again as "that justice which lies beyond the written law."[21] In these early uses of the term, "equity" represented an effort to discern the spirit or ideal of a law, to ensure that the formal structural and institutional limitations of the law do not impede its realization and produce injustice. Today, "equity" means a variety of different things in contemporary legal discourse. Yet, Aristotle's conceptualization has remained influential in shaping our understanding of equity and its use by courts. Consequently, equity continues to be thought of as a mechanism for interpreting and supplementing the formal law to ensure just and correct results.[22]

This gap-filling notion of equity predates the development of equity as a separate basis for jurisdiction in the Courts of Chancery in sixteenth-century England.[23] To mitigate the perceived rigidities of the formal common law, as developed and dispensed by the King's Courts, a mechanism developed in England for petitioning the Lord Chancellor for relief on a discretionary basis, which came to be known as equity.[24] While this system originated in the ideal of discretion, it soon came to acquire a formal rigidity akin to the common law, and thus emerged as a parallel system. Only in the mid–nineteenth century did the two systems—equity and the common law—come to be formally merged in England.[25] In the exercise of this jurisdiction, the Courts of Chancery, in turn, came to develop and administer a variety of special remedies, which continued to be described as "equitable" long after equity ceased to remain an independent jurisdiction.

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20 Shiner, *supra* note 2, at 1247 (translating the quote from ARISTOTLE, ETHICA NICOMACHEA bk. V, at 111 (I. Bywater ed., 1894) (c. 384 B.C.E.)).

21 *Id.* (translating the quote from ARISTOTLE, ARS RHETORICA bk. I, at 59 (W.D. Ross ed., 1959) (c. 330 B.C.E.)).

22 *See, e.g.*, William T. Quillen, *Constitutional Equity and the Innovative Tradition*, 56 LAW & CONTEMP. PROBS. 29, 51 (1993) (describing the role of equity in the Delaware Chancery Court).

23 William H. Loyd, *The Equity of a Statute*, 58 U. PA. L. REV. 76, 76 (1909).

24 *See* 1 WILLIAM S. HOLDSWORTH, A HISTORY OF ENGLISH LAW 194-263 (7th ed. 1956); George Burton Adams, *The Origin of English Equity*, 16 COLUM. L. REV. 87 (1916).

25 1 WILLIAM S. HOLDSWORTH, A HISTORY OF ENGLISH LAW 638 (3d ed. 1922) (discussing the role of the Judicature Acts in effecting this merger).

As a mechanism of gap-filling, equity assumed special significance within the common law when it came to the interpretation, application, and elaboration of statutes. This occurred through the doctrine of the "equity of the statute" or "equitable interpretation."[26] The doctrine finds elaboration in the leading accounts of equity and the common law.[27] John Norton Pomeroy, in his well-known treatise on equity thus notes that it

> [T]akes place when the provisions of a statute, being perfectly clear, do not in terms embrace a case which, in the opinion of the judge, would have been embraced if the legislator had carried out his general design. The judge . . . interprets the statute extensively, or according to its equity, and treats it is as though it actually did include the particular case.[28]

Similarly, Sir Edward Coke defines it as the

> [C]onstruction made by the Judges, that cases out of the letter of a statute yet being within the same mischiefe, or cause of the making of the same, shall bee within the same remedie that the Statute provideth; And the reason hereof is for that the Law-maker could not possibly set downe all cases in expresse termes . . . .[29]

The doctrine of the equity of the statute refers to the process by which a court seeks to align the purpose or general design of the statute with its doctrinal directives, even when the literal terms of those directives do not suggest such an alignment.[30] It entails imputing indeterminacy to the textual content of the statute and then resolving that indeterminacy by recourse to the normative goals and purposes of the statute or area in question. In essence then, "equitable interpretation," or the approach of discerning the equity of a statute, shares several important characteristics with the core tenets of Legal Realism: a belief in the insufficiency of formal law (i.e., textual law) as a mechanism for deciding individual cases, the need to resort to normative considerations of policy and purpose to understand and apply the law, and the recognition that courts—namely, judges—do

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26 *See* Frederick J. deSloovère, *The Equity and Reason of a Statute*, 21 CORNELL L.Q. 591 (1936); Loyd, *supra* note 23, at 76; Manning, *supra* note 4, at 22; Marcin, *supra* note 4, at 392-97.

27 *See, e.g.*, 2 JOHN AUSTIN, LECTURES ON JURISPRUDENCE 596-97 (Robert Campbell ed., 4th ed. 1873); 4 MATTHEW BACON, A NEW ABRIDGEMENT OF THE LAW 649 (3d ed. 1768); 1 WILLIAM BLACKSTONE, COMMENTARIES *91; 4 JOHN COMYNS, A DIGEST OF THE LAWS OF ENGLAND 379 (1785).

28 1 JOHN NORTON POMEROY, A TREATISE ON EQUITY JURISPRUDENCE § 44 (4th ed. 1918).

29 EDWARD COKE, INSTITUTES OF THE LAWES OF ENGLAND (1608), *reprinted in* 2 THE SELECTED WRITINGS AND SPEECHES OF SIR EDWARD COKE 573, 682 (Steve Sheppard ed., 2003).

30 Manning, *supra* note 4, at 22-27.

more than just declare the law in individual cases.[31] It is therefore no simple coincidence that some of the most vocal defenders of this doctrine in the early twentieth century were major figures in the Legal Realist movement, including Max Radin and James Landis.[32]

Determining the equity of a statute was thus unquestionably a process of lawmaking, a reality the proponents of the doctrine readily acknowledged and embraced.[33] Those who favored its use preferred it as an interpretive approach to textualism (which emphasized looking to the bare text of a statute and its plain meaning) and intentionalism (which looked to Congressional intent as the touchstone of interpretation).[34]

Indeed, the Legal Realist critique of legislative intent formed the backdrop for the mid–twentieth century revival of the doctrine of the equity of the statute.[35] Its proponents routinely described it as integral to the "collaborative" model of lawmaking, where courts were seen as engaged in a continuous dialogue with Congress (or other legislative bodies) not just about the application of the law but also about its normative and doctrinal content.[36] As a practical matter then, the process of determining the equity of a statute consciously conflated the judicial roles under the common law and under a statutory regime, relying extensively on the development of a corpus of judge-made precedents to influence the future growth and direction of the law in an inductive manner.

One may of course question whether this conception of equity bears any real connection to equity as a body of discretionary rules and remedies at all, or whether it is a mere attempt at a repurposing of the term for what is, in effect, a process of "purposive" statutory interpretation. Despite appearances to the contrary, there remains an important relationship between the two. Insofar as equity developed as a body of rules and as a method of lawmaking that served to supplement the rigidity of the common

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31 For an account of the idea that courts do indeed make law in individual cases, see Karl N. Llewellyn, *A Realistic Jurisprudence—The Next Step*, 30 COLUM. L. REV. 431, 452 (1930).

32 *See, e.g.*, James McCauley Landis, *Statutes and Sources of Law*, *in* HARVARD LEGAL ESSAYS 213 (Roscoe Pound ed., 1934); Max Radin, *A Short Way with Statutes*, 56 HARV. L. REV. 388 (1942); *see also* Marcin, *supra* note 4, at 398 ("[I]t was left to the American realists . . . to once again release the gremlin of equitable lawmaking by judges . . . .").

33 Manning, *supra* note 4, at 22-25.

34 *Id.* at 25.

35 For the Legal Realist's critique of legislative intent, see JOHN CHIPMAN GRAY, THE NATURE AND SOURCES OF LAW 172-73 (Macmillan 1921); and Max Radin, *Statutory Interpretation*, 43 HARV. L. REV. 863, 870-71 (1930); see also *United States v. Klinger*, 199 F. 2d 645, 648 (2d Cir. 1952).

36 *See, e.g.*, William N. Eskridge, Jr., *Dynamic Statutory Interpretation*, 135 U. PA. L. REV. 1479 (1987); William D. Popkin, *The Collaborative Model of Statutory Interpretation*, 61 S. CAL. L. REV. 541 (1988).

law and to ensure that opportunistic behavior by litigants in individual cases did not go unaddressed in the absence of more fine-grained tools,[37] equity in both its stand-alone and statutory conceptions can be seen as aimed at accomplishing the same result or goal. Of course, the primary difference is that, in one instance, the blunt instrument being corrected (or supplemented) is itself judge-made, adding an element of institutional legitimacy to the process. In the other, it is legislative, requiring an added institutional account to justify heightened judicial involvement therein. To be sure, scholars—principally of the textualist bent—have critiqued courts' reliance on the doctrine of the equity of the statute on precisely these grounds, namely, for violating the separation of powers ideal.[38]

For the purposes of this Article, we use the term "equity" primarily to refer to the process of normative legal reasoning and statutory interpretation, characterized by the doctrine of a statute's equity. In the copyright context, it represents situations in which courts develop a rule of copyright law that intermeshes the textual directives of the statute with their own understandings of copyright's goals and objectives. While the equity of the statute is our primary concern here, we also look to how that process itself understands and elaborates certain traditional rules of equity—now understood as a body of discretionary rules and remedies. In other words, as we show in our discussion of the adjectival equity of the statute, the superimposition of the equity of the statute over equitable rules *contained* in the statute presents an interesting account of what equity entails in this domain of copyright law.

II. THE EQUITY OF THE COPYRIGHT STATUTE

As a purely formal matter today, federal copyright law is governed by a statute, the Copyright Act.[39] Copyright is structured as a set of exclusive rights that relate to an original work of expression.[40] In the typical case, the exclusive set of rights vests in the author, who may freely alienate or license those exclusive rights to others, much like ordinary personal property.[41] The copyright owner's exclusive rights revolve around the central idea of

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37 For an account of equity that understands this function in terms of curbing opportunistic behavior, see Henry E. Smith, An Economic Analysis of Law Versus Equity 6-38 (Oct. 22, 2010) (unpublished manuscript), *available at* http://www.law.yale.edu/documents/pdf/LEO/HSmith_LawVersusEquity7.pdf.

38 For the leading account, see Manning, *supra* note 4, at 56-126.

39 17 U.S.C. §§ 101–1332 (2012).

40 *Id.* § 102.

41 *Id.* § 201.

reproduction, without which an infringement typically does not occur.[42] Generally, an unauthorized reproduction, distribution, performance, display, or adaptation of the protected work amounts to an "infringement" that the copyright owner has the option of enforcing through the statute's private law machinery.[43]

To establish an infringement, a copyright owner must generally prove that she owns a valid copyright in the work in question, that the defendant copied protected expression from the work, and that such copying was "substantial" enough to be treated as actionable.[44] Once the plaintiff establishes a prima facie case of infringement, the defendant can invoke any of the statute's applicable defenses to copyright infringement. While some of these immunities are of general applicability—such as the fair use doctrine[45] and the doctrine of first sale[46]—others are subject-matter specific or pertain to certain categories of protected works.[47]

Copyright law is complex and builds on a host of different concepts, drawn from property, torts, unjust enrichment, and contract law. This complex edifice of the institution is at its base meant to be in service of a higher ideal, one that is enshrined in the U.S. Constitution, where Article I, Section 8, Clause 8 empowers Congress to enact copyright legislation "[t]o promote the progress of science and the useful arts."[48] Ever since its origins in Anglo-American law, copyright has been understood as serving a predominantly utilitarian goal, captured in the idea of the "encouragement of learning" and the prevention of "detriment" and "ruin" to authors and their families.[49] Over the years, courts, scholars, and legislators have given this utilitarian ideal more concrete expression through the notion of creator incentives, under which copyright's structure of exclusive rights is taken to encourage authors to produce creative expression, which is in turn seen to inure to the benefit of society more broadly.[50] All the same, copyright's

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42 2 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 8.01[A] (2011) ("[A]bsent copying, there can be no infringement of copyright . . . ."). For an elaboration, see Shyamkrishna Balganesh, *The Obligatory Structure of Copyright Law: Unbundling the Wrong of Copying*, 125 HARV. L. REV. 1664, 1669 (2012).

43 17 U.S.C. §§ 501(a)–(b).

44 4 NIMMER & NIMMER, *supra* note 42, §§ 13.01–.05.

45 17 U.S.C. § 107.

46 17 U.S.C. § 109. It is to be noted that the first sale defense applies only to the exclusive right of distribution but not to other exclusive rights. *Id.*

47 *See, e.g.*, 17 U.S.C. §§ 108, 110, 112, 117, 119, 121, 122.

48 U.S. CONST. art. I, § 8, cl. 8.

49 These phrases were used in the first copyright statute, the Statute of Anne. Copyright Act, 1709, 8 Ann., c. 19 (Gr. Brit.).

50 *See* WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 13 (2003).

bundle of exclusive rights operates as a limited monopoly, and in so doing imposes costs on the public by restricting their ability to use and copy a work, once produced and protected. Since copyright is, in the end, justified by reference to its public (or social) benefit, its utilitarian ideal of encouraging creativity comes to be qualified by the public's need for access.[51] It is in the balance between the two that modern copyright law's primary purpose is taken to lie.

While the copyright act strives to be comprehensive in its coverage of copyright's core principles, its directives remain incomplete in capturing the system's analytical and normative complexity. Several of copyright's most important doctrines find no mention at all in the text of the statute,[52] or instead find passing mention at best.[53] Moreover, all of the statutory dictates are susceptible to a related, yet distinct, problem: their adaptability to new circumstances and new technologies. As technology has developed, it has spawned new forms of creativity. At the same time, it has resulted in the proliferation of new technologies for using and copying existing works, and, in turn, facilitated new kinds of behavior among both creators and users. The text of the copyright statute—crystallized as it was in 1976—has had to keep up with these realities, and give effect to the system's core objectives, especially as they emanate from copyright's constitutionally enshrined utilitarian goals. It is in this latter respect that federal courts have resorted to the equity of the copyright statute to ensure that behavior and new technologies come to be governed by the spirit and purposes of the copyright system, even if not expressly by the terms of the copyright statute. Through a complex interplay between the text of the copyright statute and these purposes, courts have successfully updated copyright doctrine.

In this process courts rarely, if ever, expressly mention the doctrine of the equity of the statute. All the same, there can be no doubt that in many cases, courts do more than merely apply the statute. Rather, they engage in lawmaking. Somewhat interestingly, this tracks the very evolution in the use of the doctrine of equity of the statute over the last century. By the late nineteenth century, courts across the country began to reject parties' express reliance on the doctrine, especially in situations where it was seen as a

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51 *Id.* at 20-21.

52 For instance, copyright's requirement of "substantial similarity" is not mentioned in the statute. 4 NIMMER & NIMMER, *supra* note 42, § 13.01. For a fuller account, see Shyamkrishna Balganesh, *The Normativity of Copying in Copyright Law*, 62 DUKE L.J. 203 (2012).

53 For example copyright's "originality" requirement, which is mentioned once in the statute. *See* 17 U.S.C. § 102 (2012). For a normative reconstruction based on this ambiguity, see Gideon Parchomovsky & Alex Stein, *Originality*, 95 VA. L. REV. 1505 (2009).

method of annulling the directives of a statute.[54] Central to this rejection was the recognition that the doctrine enabled courts to overtly exercise "the power of legislation,"[55] which was seen as repugnant to contemporary "views as to the function of the judiciary."[56] Thus emerged the modified position that the best way of interpreting a statute was instead to look to the legislature's "intent," when the text produced anomalous results. The Supreme Court's decision in *Holy Trinity* is a prime example of this move. There, the Court constructed the "spirit" of the legislation, but concluded that this spirit was embodied in the "intention" of the legislators, and therefore was a legitimate way to construe the statute in question.[57] The intentionalist approach thus came to replace the ready recourse to the equity of the statute and soon dominated the landscape.[58]

A central aim of Legal Realism was to have courts lay bare their normative influences when deciding cases, rather than hide behind doctrinal categories and formal rules. To the Realists, hiding behind the cloak of legislative intent was therefore an anathema.[59] In addition, they sought to expose the reality that courts were actively engaging in lawmaking, rather than merely declaring the law, which they in turn viewed as largely unproblematic. Their solution was thus to resurrect courts' reliance on the equity of the statute as a method of interpretation and lawmaking. The intentionalist approach was seen as a form of "dissembling."[60] Their revived vision for the equity of the statute doctrine was not just one that annulled the terms of the statute when unfavorable but rather one where judges regularly supplemented and augmented the legislation with policy considerations. It was thus "purposive" and actively embraced judicial lawmaking.[61] This was in contrast to the intentionalist approach that saw judicial lawmaking as illegitimate, and to the old invocation of the equity of the statute that was largely agnostic on this issue. To realize this revival, the Legal Realists did not need courts to use the idea of a statute's equity explicitly, given their supplementing (rather than annulling) role. Thus, by the mid–twentieth century, the Supreme Court's realist justices came to

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54 *See, e.g.*, Tompkins v. First Nat'l Bank, 18 N.Y.S. 234 (N.Y. Sup. Ct. 1892); Encking v. Simmons, 28 Wis. 272 (1871).

55 Loyd, *supra* note 23, at 84.

56 *Id.*

57 Church of Holy Trinity v. United States, 143 U.S. 457, 459 (1892) ("It is a familiar rule that a thing may be within the letter of the statute and yet not within the statute, because not within its spirit, nor within the intention of its makers.").

58 Manning, *supra* note 4, at 15.

59 *See supra* note 31 and accompanying text.

60 Landis, *supra* note 32, at 219.

61 Manning, *supra* note 4, at 24.

describe the doctrine as an "artificial canon"[62] and as entailing a "loose conception,"[63] even though their actual decisions in these cases themselves focused on the statute's goals and purposes to construct and supplement its text. The equity of the statute was now playing a principally unstated role.

In his well-known piece on the canons of statutory interpretation, Karl Llewellyn thus concluded that:

> If a statute is to be merged into a going system of law, moreover, the court must do the merging, and must in so doing take account of the policy of the statute—or else substitute its own version of such policy. Creative reshaping of the net result is thus inevitable.[64]

"Creative reshaping" in light of the actual or constructed purpose and policy of a statute was thus seen as an inevitable consequence of doctrinal indeterminacy, the principal hallmark of the Realist critique. Llewellyn readily points out that in numerous situations, talk of legislative "intent" is meaningless; especially in situations where the statutory language "is called upon to deal with circumstances utterly uncontemplated at the time of its passage."[65] A "broad purpose" is thus to be "quarried" out of the statute in its application.[66] There is little doubt that Llewellyn describes in near-exact terms the modern version of the equity of the statute doctrine, in its unstated form.

And it is precisely such a "creative reshaping" that we see at play in the Supreme Court's copyright jurisprudence under the 1976 Act. While never once invoking the equity of the statute, the Court recognizes itself to be making new law, filling gaps in the doctrine, and performing a role analogous to that of traditional equity: ensuring that the bluntness of a general rule does not result in circumvention of its core purpose or spirit. We see this occurring in relation to both the substantive and adjectival (i.e., procedural and remedial) content of the Act. In what follows, we show that several of the Supreme Court's most prominent copyright decisions can be

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62 United States v. Ogilvie Hardware Co., 330 U.S. 709, 721 (1947) (Frankfurter, J., dissenting) ("I am no friend of artificial canons of construction, and I would not strain language in order to construe tax exemptions strictly. On the other hand, Revenue Acts are not the kind of legislation which should be loosely construed in order to grant exemptions.").

63 Lewyt Corp. v. Comm'r, 349 U.S. 237, 249 (1955) (Frankfurter, J., dissenting) ("Where the taxing measure is clear, of course, there is no place for loose conceptions about the 'equity of the statute.' Revenue laws are notoriously not expressions of an ordered system of reason and fairness.").

64 Karl N. Llewellyn, *Remarks on the Theory of Appellate Decision and the Rules or Canons About How Statutes Are to Be Construed*, 3 VAND. L. REV. 395, 400 (1950).

65 *Id.*

66 *Id.* (emphasis omitted).

understood as efforts to give effect to the substantive and adjectival equity of the copyright statute.[67]

A. *Copyright's Substantive Equity*

Most of copyright's substantive content—rights, liabilities, powers, and immunities—is specified in the Copyright Act of 1976. Despite this reality, courts attempting to understand and apply the statutory directives to specific situations soon realize that many of the questions posed by the modern day application of the statute were simply not foreseeable to Congress at the time that the statute was enacted. Consequently, courts cannot simply apply the law in those situations. The Supreme Court's preferred approach in such circumstances exhibits a remarkable resemblance to the equity of the statute doctrine.

In its copyright jurisprudence, the Court usually begins with a recognition that copyright law is principally statutory in origin, and that its own task is therefore one of applying the relevant statutory directive as the preexisting doctrine. Yet, a close reading of the statute reveals hardly any guidance as to how this task should be performed. The recognition that the law is indeterminate, in turn, allows the Court to discern an underlying purpose behind copyright's statutory scheme. This purpose usually manifests itself in varying levels of generality and abstraction: it may be traced back to copyright's utilitarian ideal as enshrined in the Constitution, translated into incentive terms, represented in the statute's contextual approach to realizing its utilitarian goal, or characterized in the statute's unique structural history. Once the purpose is discerned, the specific statutory directive in question is construed in light of this identified purpose, with alternative readings of the ambiguous term then treated as incompatible with the scheme of the statute.

Recall that the equity of the statute doctrine—in its Realist formulation—involved courts discerning a "spirit" or "purpose" behind the statute, and then using that to make law without explicitly overriding the terms of the statute. In area after area of substantive copyright jurisprudence, we find the Court relying on copyright's core goals to glean

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67 We do not claim that our theory applies to *all* of the Supreme Court's copyright decisions, some of which were motivated by altogether independent considerations. A few, for instance, were driven by the Court's reliance on constitutional principles. *See, e.g.*, Golan v. Holder, 132 S. Ct. 873 (2012); Eldred v. Ashcroft, 537 U.S. 186 (2003) (analyzing the constitutional validity of the Copyright Term Extension Act); Feltner v. Columbia Pictures Television, Inc., 523 U.S. 340 (1998) (interpreting the Seventh Amendment's right to a jury trial as applicable to copyright trials involving statutory damages).

meaning from otherwise plain statutory language. The discussion below illustrates this pattern using areas from the Court's substantive copyright jurisprudence.

1. Fair Use: *Harper & Row*

The fair use doctrine, copyright's principal safety valve, allows courts to treat specific acts of copying as non-infringing under certain circumstances. Originally a creation of the federal courts,[68] the fair use doctrine was codified in section 107 of the Copyright Act of 1976.[69] As codified, section 107 delineates four non-exhaustive statutory factors that courts are to consider during a fair use determination.[70]

In *Harper & Row*, the plaintiff was a publisher that had entered into a contract to publish President Ford's memoir as a book.[71] Prior to the publication of the book, the defendant, the Nation Magazine, obtained a purloined copy of the manuscript from an undisclosed source, and proceeded to run a news story, excerpting from the book and revealing its central part. In the news industry, this was a practice known as "scooping."[72] Unhappy with these actions, the plaintiff commenced an action for copyright infringement against the defendants, who in turn claimed that their actions constituted fair use—especially since they were engaged in news reporting.[73]

The Court began its opinion with a discussion of copyright's overall purpose, which it identified as being to "motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired."[74] This purpose, the Court noted, was manifest in the "scheme established by the Copyright Act."[75] These

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68 Folsom v. Marsh, 9 F. Cas. 342, 344-45 (C.C.D. Mass. 1841) (No. 4901).

69 17 U.S.C. § 107 (2012).

70 These factors include:

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

Id.

71 Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539, 542-44 (1985).

72 *Id.* at 556.

73 *Id.* at 543-44.

74 *Id.* at 546 (quoting Sony Corp. of Am. v. Universal City Studios, 464 U.S. 417, 429 (1984)).

75 *Id.* at 545.

observations were more than mere rhetoric, for the Court then proceeded to recognize that among the copyright owner's important rights that derive from this logic was the right of first publication, which it reasoned was essential to motivating creativity.[76] The right of first publication finds no explicit mention in the list of exclusive rights mentioned in the Act, and yet the Court relied in large part on the overall scheme of the Act, copyright's ideal of motivating creativity, and the legislative history—which indicated that Congress intended to equate publication with distribution—in order to read this right into the copyright entitlement.[77]

Upon reading this right into the Act, the Court proceeded to carry out its analysis of fair use. Building on its prior logic, the Court treated the right of first publication as "shift[ing]" the "balance of equities" in favor of the plaintiff.[78] In the Court's view, the unpublished nature of the work operated to "negate a defense of fair use."[79] Moving to a direct application of the four factors, the Court then used this idea to weigh some of the obvious fair use factors, which might have otherwise favored fair use, against the defendant. It relied on the unpublished nature of the work, together with the fact that the defendant used the work knowing that the copy it possessed had been stolen to scoop its content, as a basis for characterizing the defendant's behavior as lacking "good faith."[80] The unpublished nature of the work also allowed the Court to overcome the reality that the work itself was largely factual/historical, rather than original, in content.[81] Finding that the copying was substantial and had produced an adverse market effect on the plaintiff's work, the Court denied the defendant's fair use claim, despite the fact that (1) "news reporting" is enumerated in the statute as a form of fair use,[82] (2) the statute does not enumerate good faith as a relevant factor in fair use determinations,[83] and (3) the right of first publication was likewise not mentioned in the statute.

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76 *Id.* at 549.

77 *Id.* at 551-52; *see also* 2 NIMMER, *supra* note 42, § 8.11[C][1][b] ("The opinion went out of its way to confer special solicitude on the right of first publication in safeguarding it against a capacious fair use construction . . . .").

78 *Harper & Row*, 471 U.S. at 553.

79 *Id.* at 554.

80 *Id.* at 562-63.

81 *Id.* at 563-64.

82 17 U.S.C. § 107 (2012).

83 *Id.* Indeed, not only is there not a single mention of good faith, but the statute also explicitly provides that fair use can be found even for unpublished works. "The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors." *Id.*

While the Court in *Harper & Row* certainly made every effort to appear to be working *within* the directives of the Act, its reasoning unquestionably transcended the terms of the statute, and the Court drew extensively from its own reconstruction of Congress's goals behind the copyright system, which it projected into specific elements of copyright doctrine.

2. Originality: *Feist*

Copyright protects "original works of authorship."[84] Beyond this fleeting mention of the term, the statute nowhere defines nor operationalizes the idea of originality—despite the reality that historically courts have treated it as a critical prerequisite for copyright protection. In 1991, the Supreme Court was called upon to give content to the idea for the first time under the Act of 1976.[85]

Feist involved a plaintiff that produced an alphabetically arranged telephone directory consisting of the names, addresses, and telephone numbers of individuals and businesses in a region.[86] The defendant, another manufacturer of telephone directories, copied significant portions of the plaintiff's directory into its own directory.[87] The question before the Court was whether the plaintiff's telephone directory was sufficiently original to receive copyright protection as a compilation.[88] The Court answered the question in the negative, and in so doing, transformed the doctrine of originality.

In trying to give meaning to "originality," the Court began by attempting to tie the term to copyright's overall purpose. Since the Constitution authorizes Congress to protect only the "writings" of "[a]uthors," the Court treated this as requiring some "intellectual labor," deriving from the "creative powers of the mind."[89] Originality was thus seen as requiring a "creative component."[90] The Court therefore concluded that originality was constitutionally mandated, and that it required a "modicum of creativity" on the part of the author.[91]

To get to this position, however, the Court had to overcome a line of cases that had developed a theory of copyright known as the "sweat of the brow" doctrine, which equated originality with any labor on the part of the

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84 17 U.S.C. § 102(a).
85 Feist, Publ'ns., Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 345 (1991).
86 *Id.* at 342.
87 *Id.* at 342-44.
88 *Id.* at 344.
89 *Id.* at 346-47.
90 *Id.* at 346.
91 *Id.* at 362.

creator, whether creative or not.[92] In enacting the Act of 1976, Congress did not expressly overrule this doctrine.[93] Nor was the legislative history explicit about a legislative intent to so overrule.[94] It was therefore left to the Court to craft an argument that delegitimized the "sweat of the brow" doctrine. The Court stated that the doctrine "flouted basic copyright principles."[95] Comparing the terms of the 1976 Act to its predecessor, the 1909 Act, and the former's use of the term "originality" in its definition of a "compilation," the Court concluded that the statutory structure unquestionably recognizes that copyright (in a compilation) cannot arise from mere labor, since every compilation entails *some* labor, but the Act limits protection to *original* compilations.[96] This meant that some compilations may indeed not qualify for protection without some "creative" selection or arrangement.[97] Building on this logic, the Court eventually concluded that there was "no doubt" that originality replaced "sweat of the brow" given the Act's guiding purposes—in turn enabling it to equate originality with creativity, and "sweat of the brow" with mere labor.[98]

Feist provides a powerful example of the Court's tacit invocation of the equity of the copyright statute to inform its substantive content. Rooting originality in the overall constitutionally dictated purposes of the Act, even in the absence of express guidance within the statute, allowed the Court to reconstruct copyright doctrine in the image of its own vision for what copyright law was striving to do in protecting works of expression: encouraging *creative* labor.

3. Secondary Liability: *Sony* and *Grokster*

In addition to imposing potential liability on actors who infringe any of the exclusive rights granted to owners under the Act, copyright law also imposes such liability on actors who "contribute" to the infringement, while not infringing the work themselves. Known as indirect infringement, or secondary liability, this form of liability finds but a passing mention in the 1976 Act, which grants copyright owners exclusive rights "to do and to authorize" certain actions.[99] In two cases, the Court had to grapple with the scope of secondary liability.

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92 *Id.* at 352-53.
93 *Id.* at 355-56.
94 *Id.*
95 *Id.* at 354.
96 *Id.* at 356-58.
97 *Id.* at 359.
98 *Id.* at 359-60.
99 17 U.S.C. § 106 (2012).

In *Sony Corp v. Universal City Studios*, the Court was called upon to examine the liability of a VCR manufacturer under the theory of contributory infringement.[100] The plaintiffs claimed that the defendant's device was being actively used by consumers for infringing purposes, rendering its act of introducing the device into the stream of commerce an act of contributory infringement.[101] In its well-known opinion, the Court found for the defendant. Readily recognizing that the statute was quiet on the scope and extent of such liability, the Court located the doctrine's purpose in "the recognition that adequate protection of a monopoly may require courts to look beyond actual duplication . . . to the products or activities that make such duplication possible."[102] At the same time, the Court recognized that this necessitated a balance between enhanced protection and the "rights of others freely to engage in . . . commerce."[103] Drawing on the doctrine of contributory infringement as developed in patent law, the Court developed its own version of the balance: liability for contributory infringement could be avoided if the device or product was "capable of substantial noninfringing uses."[104] Applying the test to the VCR, the Court concluded that users could engage either in time-shifting that was authorized by copyright owners or in unauthorized time-shifting that could qualify as fair use, which rendered the VCR capable of substantial noninfringing uses.[105]

Sony's principal contribution thus lies in its development of the "substantial noninfringing use" defense to contributory infringement. While it was developed in common law fashion owing to the absence of any express statutory directive, the Court nonetheless sought to ensure that its formulation was compatible with the overall goals and purposes of the Copyright Act. In finding for the defendants, the Court's opinion also seems to reject the idea that it was *making* new law when it concluded that "it is not our [i.e., the Court's] job to apply laws that have not yet been written."[106] Rather, the Court viewed its opinion as merely "[a]pplying the copyright statute, as it now reads . . . ."[107] Unquestionably then, the Court in *Sony* determined the equity of the statute and translated it into an

100 Sony Corp. v. Universal City Studios, Inc., 464 U.S. 417, 420 (1984).
101 *Id.*
102 *Id.* at 442.
103 *Id.*
104 *Id.* at 456.
105 *Id.* at 442-56.
106 *Id.* at 456.
107 *Id.*

altogether new defense, which it viewed as entailed by the spirit of the copyright statute.

Two decades later, the Court was called upon to revisit its holding in *Sony* in another case involving secondary liability, *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd*. Here, the technology in question was a peer-to-peer file sharing service that allowed individual users to share unauthorized copies of music and video with each other over the Internet.[108] The distributors of the technology, unlike the defendants in *Sony*, were shown to have known about such infringing uses, done nothing about it, and indeed, according to the Court, encouraged infringements by end-users.[109] The Court was asked to examine whether the "substantial noninfringing use" defense it had developed in *Sony* might apply here.

Once again, the Court began its decision with a reference to the need for "a sound balance" between encouraging creativity, on the one hand, and promoting innovation in new communication technologies—copyright's core utilitarian goal—on the other.[110] Instead of reconsidering its decision in *Sony*, however, the Court chose to skirt the issue by concluding that the *Sony* defense had no application to the case.[111] Having summarily disposed of *Sony*, the *Grokster* Court then chose to develop an altogether new theory of secondary liability, once again by reference to patent law: liability for inducement, which attaches to "one who distributes a device with the object of promoting its use to infringe copyright."[112] It then used this new standard to find against the defendants in the case and impose liability.[113] Much like the *Sony* Court, the *Grokster* Court was also motivated by the need to balance the conflicting demands of incentives and access. Yet, unlike in *Sony*, it saw the balance tilting in favor of the plaintiffs.

Unlike in *Sony*, the Court in *Grokster* made no effort to argue that its reasoning was no more than an application of the statute itself. This was perhaps in express recognition that two decades after *Sony*, it was rather obvious to all that the Court was not just applying the statute to a new case, but was indeed making altogether new law.

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108 Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd., 545 U.S. 913, 919-27 (2005).
109 *Id.* at 925-26.
110 *Id.* at 928.
111 *Id.* at 934.
112 *Id.* at 936.
113 *Id.* at 941.

4. First Sale: *Kirtsaeng*

The exclusive right to distribute copies of the work to the public is among the exclusive rights that the Copyright Act grants authors.[114] The "first sale" doctrine emerged as one of the earliest exceptions to this right. The doctrine deals with the bifurcation of the ownership of the physical medium embodying the copyrighted content and of the copyright in the underlying work.[115] In other words, the first sale doctrine permits purchasers of products containing a copyrighted work (e.g., a book containing a literary work) to transfer the physical product to others, without thereby violating the copyright owner's distribution right.

The 1976 Act codified the first sale defense for the first time, but limited its application to owners of particular copies that were "lawfully made" under the Act.[116] Additionally, the Act also treated the unauthorized importation of copies acquired outside the country into the United States as a violation of the distribution right.[117] While it was accepted that the first sale doctrine applied to such importations, the question arose whether the phrase "lawfully made" required the product or copy in question to have been manufactured domestically.[118]

In *Quality King Distributors v. L'Anza Research*,[119] the Supreme Court was asked to determine the relationship between the first sale doctrine and the ban on unauthorized importation of copies of protected works, as it appears in § 602(a). L'Anza, a manufacturer of hair care products, brought suit against Quality King Distributors for purchasing L'Anza's products abroad and subsequently importing and selling them in the United States.[120] L'Anza claimed that this practice violated the anti-importation ban in § 602(a) since L'Anza's hair care products bore copyrighted labels.[121] Quality King argued that the suit should be dismissed since its actions came within the scope of the first sale doctrine, which allowed owners of lawfully made copies of copyrighted works to deal with them as they see fit, inter alia, by reselling them.[122] In response L'Anza asserted that the first sale privilege

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114 17 U.S.C. § 106(3) (2012).

115 Bobbs-Merrill Co. v. Straus, 210 U.S. 339, 350 (1908) ("The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it.").

116 17 U.S.C. § 109(a).

117 17 U.S.C. § 602(a)(1).

118 Quality King Distribs., Inc. v. L'anza Research Int'l, Inc., 523 U.S. 135, 145-46 (1998).

119 *Id.*

120 *Id.* at 139-40.

121 *Id.* at 140.

122 *Id.*

applied only to copies purchased in United States, while those purchased abroad were subject to the anti-importation ban in § 602(a).[123] In other words, the key disagreement between the parties concerned the geographic reach of the first sale doctrine. Writing for the Court, Justice Stevens concluded that the right granted to the plaintiff by § 602(a) was unquestionably subject to § 109(a).[124] The Court proceeded to explain that "[a]fter the first sale of a copyrighted item 'lawfully made under this title,' any subsequent purchaser, whether from a domestic or from a foreign reseller, is obviously an 'owner' of that item" and could resell it under the first sale doctrine.[125]

The opinion of the Court seemed to have closed the door on any attempt by copyright owners to expand the scope of their protection by attempting to ban importation of lawful copies of copyrighted work. But not quite. The Court was invited to revisit the issue in *Kirtsaeng v. John Wiley & Sons*.[126]

In *Kirtsaeng*, the defendant had legally purchased authorized, low-priced editions of books that were published and printed outside the United States and resold them in the United States for significantly higher prices, making a large profit in the process.[127] The publisher-plaintiff argued that these actions were not covered by the first sale doctrine because the books were not "lawfully made" within the United States.[128] The defendant, on the other hand, argued that the phrase did not impose a geographic requirement but simply suggested that the defense would apply as long as the manufacturing of the books was "in compliance with" the general terms of the statute.[129]

The Court's reasoning in *Kirtsaeng*, unlike in other copyright cases, was less about trying to make affirmative sense out of the statute's directives and creating a new rule and more about seeking to limit the application and reach of the statute's blunt-edged directive. The plaintiff's reading of the term would have expanded the reach of the statute quite significantly, thereby rendering large swaths of established practices in the market for second-hand goods unlawful. In preferring the defendant's reading of the phrase, the Court was influenced in large measure by the "consequences" of the plaintiff's expansive reading, which it saw as likely to produce a parade

123 *Id.* at 145-46.
124 *Id.*
125 *Id.* at 145.
126 133 S. Ct. 1351 (2013).
127 *Id.* at 1356-57.
128 *Id.* at 1357-58.
129 *Id.* at 1358.

of "horribles" when translated into practice.[130] Despite offering a linguistic rationale for its holding,[131] the Court drew on the common law basis of the first sale doctrine and its importance in commerce—which it argued was presumptively important even under the terms of the 1976 Act—to eventually conclude that the plaintiff's interpretation was neither required by the statute, nor indeed preferable given the underlying scheme and purposes of the doctrine as codified.[132]

Kirtsaeng, unlike the Court's other decisions in the area, can thus be seen as an effort to apply the equity of the statute to annul a partially ambiguous provision, all in the interests of rendering the copyright system compatible with a variety of common sense–driven commercial goals underlying the first sale doctrine. The "lawfully made" requirement was, as a result, rendered largely redundant after the decision.

5. Public Performance: *Aereo*

Another right that the 1976 Act grants authors is the exclusive right "to perform the copyrighted work publicly."[133] In an effort to cover cable television, which was fresh in Congress's mind at the time of drafting, the Act further defines a "public performance" as either a performance in a public place or a transmission by a device or process regardless of whether members of the public "receive it in the same place or in separate places and at the same time or at different times."[134]

Aereo involved a service that picked up free over-the-air broadcast signals using antennae and then retransmitted the underlying content over the Internet for a fee to its subscribers. In order to differentiate itself from regular CATV services—which Congress had chosen to regulate under the terms of the Copyright Act—Aereo used thousands of dime-sized antennas, each of which was assigned to an individual subscriber when the subscriber chose to receive a stream of a near-live show.[135] Additionally, to avoid seeming as though it were merely retransmitting the content, Aereo's technology made a local copy of the content on its servers and streamed that local copy seconds after the recording began.[136] The key question was

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130 *Id.* at 1366.
131 *Id.* at 1358-60.
132 *Id.* at 1371.
133 17 U.S.C. § 106(4) (2012).
134 *Id.* § 101.
135 Am. Broad. Cos. v. Aereo, Inc., 134 S. Ct. 2498, 2503 (2014).
136 *Id.*

whether Aereo's service violated the plaintiffs' public performance right in their works.[137]

The Court found that it did.[138] Its logic was that Aereo's service was far too similar to cable television, despite its differing technology.[139] While the Court began with the statute's definition of a public performance, its opinion soon placed *all* of its emphasis on Congress's presumptive purpose in creating the public performance right—the regulation of cable television and analogous technologies.[140] Looking to the state of the industry at the time of the 1976 Act, the Court characterized the Act's public performance right as motivated by "Congress' regulatory objectives"[141] contained in its singular desire to "bring the activities of cable systems within the scope" of the statute.[142] In light of this, to the Court, "Congress would as much have intended to protect a copyright holder from the unlicensed activities of Aereo as from those of cable companies."[143]

In *Aereo*, therefore, the Court directly discerned the equity of the copyright statute in order to expand its reach to a new technology.[144] While couched in terms of a presumptive legislative intent, the Court's reasoning comes down to its reconstruction of the Act's "regulatory" logic,[145] the idea that the statute's balance—as embodied in the public performance right—extends to *all* technologies of retransmission that follow the same structure of cable television by building a commercial model of delivery around freely available television broadcasts. In no uncertain terms, the Court's opinion expanded the substantive content of the Act into new and potentially unforeseeable areas, a reality that the dissent in the case all too readily criticized.[146]

B. *Copyright's Adjectival Equity*

When it comes to the remedial and procedural dimensions of the Act, the Court's approach is analytically different from its approach to the substantive dimension. In dealing with the Act's adjectival dimensions, the

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137 *Id.* at 2504.

138 *Id.* at 2506.

139 *Id.*

140 *Id.* at 2505-06.

141 *Id.* at 2508.

142 *Id.* at 2506.

143 *Id.* at 2509.

144 For an account of *Aereo* along these lines, but which draws a different conclusion than the Court, see Andrew Tutt, *Textualism and the Equity of the Copyright Act: Reflections Inspired by* American Broadcasting Companies, Inc. v. Aereo, Inc., 89 N.Y.U. L. REV. ONLINE (2014).

145 *Aereo*, 134 S. Ct. at 2508.

146 *Id.* at 2518 (Scalia, J., dissenting).

Court is less concerned with determining the actual content of the law by reference to its own conception of copyright's goals. Instead, its focus is on ensuring that the law remains sufficiently flexible, so as to allow future courts to apply it situationally in ways that further the copyright system's goals and purposes.

The Court's approach to the Act's adjectival component can be understood as driven by the need to preserve a central role for judicial discretion. The Court tailors the system's procedures and remedies on an individual basis, so as to align them contextually with copyright's goals. Copyright's goals and purposes therefore remain motivational but enter the equation only as a *justification* for flexibility, rather than as a substantive influence to resolve doctrinal indeterminacy. In its jurisprudence, the Court consciously rejects readings of the Copyright Act that serve to limit the judicial function in policing and molding the remedies or processes that are applied to copyright cases. Seen as driven by an effort to preserve judicial discretion, the Court's adjectival jurisprudence in copyright law represents an effort to use the equity of the statute to create a zone of equitable discretion within the functioning of the copyright system.

1. Attorneys' Fees: *Fogerty*

Among the several remedies available to parties under the Copyright Act is a provision that allows courts in civil actions to "award a reasonable attorney's fee to the prevailing party . . . ."[147] The question that soon emerged in a series of lower courts cases was whether this provision allowed a prevailing defendant to seek attorneys' fees as well, or whether it was restricted in its scope to prevailing plaintiffs.

The plaintiff in *Fogerty* argued that the Act incorporated a "dual approach" in § 505, which restricted attorneys' fees to prevailing plaintiffs.[148] Among the reasons offered by the plaintiff was the argument that "equitable considerations" embodied in the goals of the Act required adherence to the dual approach.[149] The Court adamantly rejected this argument and held that the provision applies to prevailing defendants as well.[150] It concluded that the dual approach adopts a "one-sided view of the purposes" underlying the Act.[151] Tracing copyright's goals back to the Constitution, the Court emphasized the "limited" nature of the copyright

147 17 U.S.C. § 505 (2012).
148 Fogerty v. Fantasy, Inc., 510 U.S. 517, 525 (1994).
149 *Id.* at 522.
150 *Id.* at 534.
151 *Id.* at 526.

monopoly,[152] which in its view required encouraging defendants to litigate claims when they believe they might have "meritorious copyright defenses."[153] Such a "successful defense," the Court argued, "may further the policies of the Copyright Act" as well.[154]

While the Court rejected the dual approach, it also simultaneously refused to formulate a rule that would mandate an award of attorneys' fees to any prevailing party.[155] Instead, the Court chose to emphasize the importance of discretion: both parties were entitled to invoke the provision, but ultimately the decision whether to award attorneys' fees was left to the "court's discretion" as exercised in light of the individual circumstances of each case.[156]

In adopting this intermediate approach, the Court's principal concern appears to have been enabling future courts to tailor their awards to the unique circumstances of each case, regardless of whether it involves a successful plaintiff or a successful defendant. "Equitable discretion" was thus the touchstone of the provision for the Court, which it saw as essential for the realization of copyright's goals and purposes. The system's objectives were therefore a justification for the Court's entrenchment of an equitable space in this area for future courts.

2. Registration: *Reed Elsevier*

Since 1988, the registration of a work is no longer a prerequisite for protection under the Act. However, § 411(a) of the Act requires a work to be registered with the Copyright Office before a "civil action for infringement" can be commenced in a federal court.[157] In a vast majority of cases, this involves a plaintiff registering the work immediately prior to the commencement of an infringement action, and the provision serves no immediate purpose. The question that recently emerged, however, was whether this requirement barred a federal court from entertaining a lawsuit that involved both registered and unregistered works.

In *Reed Elsevier*, the Court had to decide whether the registration requirement could be understood as a jurisdictional restriction, which would deny a federal court subject matter jurisdiction, or as a mere "claim-

152 *Id.*
153 *Id.* at 527.
154 *Id.*
155 *Id.* at 533.
156 *Id.* at 534.
157 17 U.S.C. § 411(a) (2012).

processing rule[]," which would not.[158] A jurisdictional requirement operates as a limit on a court's power to adjudicate a case by depriving the court of subject matter jurisdiction, thereby effectively limiting the statute's reach and scope in certain domains.[159] A claim-processing rule, on the other hand, gives a party raising the rule as a defense the possibility of procedural relief.[160] All the same, when that party fails to raise the rule, it does not limit the ability of the court to reach the merits of the issue. In this conception, failure to register a work might be raised by a defendant for a dismissal of the case, but when not raised it places no bar on a court that chooses to hear the case. Treating § 411(a) as a jurisdictional rule would have significantly curtailed the ability of federal courts to reach the merits of a case when the defendant forfeits the defense. Examining the structure and purpose of the requirement the Court rather unequivocally concluded that the provision was a mere claim-processing requirement, with no jurisdictional effect.[161] Courts were thus within their powers to hear infringement claims even when the work was unregistered.

The defendant in the case also sought to argue that treating the registration requirement as a jurisdictional element would serve the underlying goals of the Act by encouraging registration of works.[162] Somewhat interestingly, the Court summarily dismissed this argument without examining whether there was any merit to this contention.[163] To the Court, preserving courts' jurisdiction to hear these cases appears to have been paramount, in order to preserve the integrity of the Act's "comprehensive statutory scheme" and to avoid having the "remedial scheme" of the Act interfere with its substantive rights.[164] Disempowering courts of their ability to hear copyright cases, merely because of noncompliance with the statute's formalities, was unquestionably problematic to the Court.

3. Laches: *Petrella*

The Court's most recent adjectival foray into the Copyright Act involved the equitable doctrine of laches. Laches, as understood in equity, involves a delay on the part of the plaintiff in commencing a lawsuit that

158 Reed Elsevier, Inc. v. Muchnick, 559 U.S. 154, 161 (2010).
159 *See, e.g.*, Arbaugh v. Y & H Corp., 546 U.S. 500 (2006).
160 *See, e.g.*, Henderson v. Shinseki, 131 S. Ct. 1197 (2011).
161 *Reed Elsevier*, 559 U.S. at 169.
162 *Id.* at 169 n.9.
163 *Id.*
164 *Id.* at 157-58.

prejudices or disadvantages the defendant and allows the court to deny the claim altogether.[165] It is traditionally invoked in situations where a statute contains no limitations period. The Copyright Act, however, does contain an express statute of limitations, requiring all civil actions to commence "within three years after the claim accrue[s]."[166] The question that arose was thus whether the doctrine of laches could be invoked to bar claims even within this period of limitations.

Again, the Court approached the question in terms of attempts to limit courts' discretionary powers. The Ninth Circuit had treated the doctrine of laches as a bright-line rule and concluded that the doctrine could be "presume[d]" to bar the claim in its entirety if any part of the wrongful conduct occurred outside the three year window.[167] In effect, the position of the Ninth Circuit, which the defendants supported before the Court, was that as long as some part of the defendants' conduct occurred before the three year window, laches could be presumed without any showing of prejudice. This effectively barred the claim altogether, even if the plaintiff was only seeking a forward-looking remedy, such as an injunction, or one restricted to the previous three years. The Court saw this as an attempt to limit its discretion in individual cases, and rejected altogether the applicability of the laches doctrine to "bar" the suit within the statute of limitations.[168] All the same, the Court recognized the need for such equitable flexibility, but concluded that it existed at the remedial level, in tailoring the kind of relief sought by the plaintiff, or through the doctrine of equitable estoppel.[169]

A primary justification for its conclusion was the idea that copyright owners should not feel compelled to bring economically unjustifiable lawsuits against infringers, merely in order to preserve their rights—something that the laches rule (as an absolute bar) would accomplish.[170] The "presumptive bar" approach to laches in effect amounted to an approach that curbed, rather than extended, courts' equitable discretion, and their ability to police when, why, or how copyright plaintiffs might choose to commence actions for infringement. The Court saw this limiting effect as antithetical to the realization of copyright's goals on an individual basis, causing it to take the laches defense off the table altogether. Once again

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165 JOHN NORTON POMEROY JR., A TREATISE ON EQUITABLE REMEDIES § 21 (1905).

166 17 U.S.C. § 507(b) (2012).

167 Petrella v. Metro-Goldwyn-Mayer, Inc., 695 F.3d 946, 951 (9th Cir. 2012), *rev'd* 134 S. Ct. 1962 (2014).

168 *Petrella*, 134 S. Ct. at 1978.

169 *Id.* at 1968, 1977.

170 *Id.* at 1975-76.

preserving courts' flexibility and discretion for the future seems to have been the Court's principal motivation, which it saw as crucial to the realization of copyright's goals.

CONCLUSION: THE SUPREME COURT AND REALISM IN COPYRIGHT LAW

A review of the Supreme Court's copyright jurisprudence reveals much about copyright lawmaking in the United States, the role of courts therein, and the influences on their thinking. To begin with, it confirms the idea that in deciding copyright cases, the Court is quite self-consciously engaged in the process of making copyright law, not just applying it. In the four decades since the enactment of the Copyright Act, the Court's own jurisprudence reveals a gradual and open acceptance of its lawmaking role, as other participants in the system have come to grow comfortable with the idea that courts do indeed make law in this area. In its most recent cases, however, the Court's opinions leave no doubt that it has embraced this reality, an enduring influence of early Legal Realism.

Our Article shows that given the statutory origins of copyright law, the Court's approach to copyright lawmaking involves discerning the unstated equity underlying the statute, and giving effect to it through its doctrinal (re)formulations. The Court's modus operandi in this regard begins with an identification of the indeterminacy of a statutory copyright directive, the formal doctrine so to speak. In theory, its lawmaking is confined to the interstices of the statute; rarely ever is the Court willing to overtly annul the terms of the statute. Its approach is thus to explicate the goals and purposes of the Copyright Act and creatively reshape doctrine in light of these purposes. The reshaping is always done by reference to a finite set of ideals, drawn to a large extent from the Constitution's utilitarian mandate for the institution. Whenever possible, the Court's lawmaking exercise attempts to develop a level of coherence and rationality within the working of the copyright system, drawn from these widely accepted purposes. In this sense, the Court's jurisprudence exhibits a strong urge for systemic "rationality," a trend seen among the later Legal Realists.[171] As scholars have pointed out, this rationalist impulse was in tension with the core idea of indeterminacy that motivated the early Realists, and yet it came to be seen as critical to the constructive (as opposed to critical) project of Legal

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171 For an excellent overview of this development, see Neil Duxbury, *Faith in Reason: The Process Tradition in American Jurisprudence*, 15 CARDOZO L. REV. 601, 611 (1993).

Realism.[172] This rationalist tendency in the Court's copyright jurisprudence is very much a Realist phenomenon and evinces a distinctively pragmatic bent. The Court's identification of doctrinal indeterminacy in the statute is therefore strongly complemented by its rationalist tendency, which of course takes different shapes depending on the particular question involved.

All the same, however, merely because the Court's jurisprudence in the area builds on the indeterminacy of extant copyright doctrine to justify its own lawmaking, one should not conclude that copyright doctrine—as contained in the statute—imposes no constraint whatsoever on the Court. Quite the contrary. The directives of the statute continue to influence the ways in which courts approach their lawmaking in the copyright context, which is why they implicitly resort to the process of determining the "equity of the statute."

In implicitly resorting to the "equity" of the copyright statute, rather than resorting to open-ended considerations of utility or social welfare, to resolve indeterminate doctrinal puzzles, the Court's copyright jurisprudence might also be seen as consciously mediating extra-legal normative considerations through doctrinal ideas. The copyright statute's equity is thus rendered a core part of copyright doctrine, constraining legal reasoning in the area.

In summary then, the Court's copyright jurisprudence since the passage of the Copyright Act of 1976 represents an extensive modern day application of the equity of the statute doctrine, as an unstated mechanism of lawmaking. In it, we see many of the lessons of Legal Realism internalized, in the process creating a robust equilibrium between the formal content of the statute and judge-made law. Rather than hide behind the indeterminacy of doctrine—be it statutory or otherwise—the Court appears to have actively embraced its role as a lawmaker in this area. Copyright law is regarded as "having purposes, not values in itself; and that the clearer visualization of the problems involved moves toward ever-decreasing emphasis on words, and ever-increasing emphasis on observable behavior."[173] Llewellyn would have been satisfied.

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172 *See* William N. Eskridge, Jr. & Philip P. Frickey, *An Historical and Critical Introduction to* The Legal Process (discussing this tension), *in* HENRY M. HART, JR. & ALBERT M. SACKS, THE LEGAL PROCESS: BASIC PROBLEMS IN THE MAKING AND APPLICATION OF LAW, at li, lxv (1994).

173 Llewellyn, *supra* note 31, at 464.