

STILL FAIR AFTER ALL THESE YEARS?  
HOW CLAIM PRECLUSION AND ISSUE PRECLUSION SHOULD BE  
MODIFIED IN CASES OF COPYRIGHT'S  
FAIR USE DOCTRINE

Karen L. Jones<sup>\*</sup>

*This Comment explores the puzzle of how adjudications of fair use under the Copyright Act should be treated over time. The discussion weighs the importance of copyright law and the incentives created thereby against the policy concerns driving claim and issue preclusion. Currently, the preclusive effect of litigation that concludes in a finding of fair use may bar a copyright holder from subsequent litigation. This cripples the copyright holder's ability to protect her work and can have a damaging effect on an author's incentives to create. Such incentives are at the heart of copyright protection and must be preserved in order to promote public benefit from creative works.*

*Claim and issue preclusion, however, evolve from valuable policy concerns as well, such as finality, efficiency, and fairness. Limiting the application of these doctrines in fair use cases has the potential to stifle the creativity of secondary authors—those individuals utilizing existing works in their creations under the fair use doctrine. Because such creations are valuable to the public, copyright law aims to preserve incentives among these secondary authors as well. This Comment proposes a modified application of claim and issue preclusion in cases of fair use, which balances the importance of incentivizing all creative authors while simultaneously preserving the important doctrinal goals of claim and issue preclusion.*

INTRODUCTION .....	1072
I. BACKGROUND.....	1078
A. Copyright Law and the Fair Use Defense.....	1078
1. Purpose and Character of the Use .....	1080
2. Nature of the Copyrighted Work .....	1080
3. Amount and Substantiality of the Portion Used in Relation to the Copyrighted Work as a Whole .....	1081
4. Effect of the Use Upon the Potential Market for or Value of the Copyrighted Work .....	1081

---

<sup>\*</sup> Senior Editor, UCLA Law Review, Volume 58. J.D. Candidate, UCLA School of Law, 2011; B.A., Boston College, 2001. I am grateful to Professor Doug Lichtman for his assistance in developing this Comment and his guidance and feedback throughout the writing process; to the board and staff of the UCLA Law Review for their careful editing, especially Ken Frazier for his thoughtful comments and suggestions; to Brandon Braga for his endless and unwavering support; and to my family for their love and constant encouragement.

5.	The Importance and Overlap of Factors One and Four.....	1082
B.	Prior Adjudication as a Bar to Future Litigation.....	1083
1.	Claim Preclusion.....	1084
2.	Issue Preclusion.....	1087
3.	Common Law Doctrines of Comity.....	1089
4.	Rigid Doctrines.....	1090
II.	CLAIM AND ISSUE PRECLUSION APPLIED TO FINDINGS OF FAIR USE.....	1092
A.	<i>Scott v. Scribd, Inc.</i> .....	1093
1.	Background.....	1093
2.	Fair Use Analysis.....	1094
3.	Application of Claim Preclusion.....	1097
B.	<i>Sony Corp. of America v. Universal City Studios, Inc.</i> .....	1100
1.	Background.....	1100
2.	Fair Use Analysis.....	1102
3.	Application of Issue Preclusion.....	1103
III.	LENIENT APPLICATIONS OF CLAIM AND ISSUE PRECLUSION.....	1105
A.	Nuisance Law.....	1106
B.	Real Property Assessment.....	1108
C.	Zoning Law.....	1109
IV.	PROPOSED SOLUTION.....	1111
A.	New Purpose: Changed Use Under Factor One.....	1112
1.	Uses Implicating a Nonexclusive Right.....	1112
2.	Uses Implicating an Exclusive Right.....	1115
B.	Market Harm: Changed Conditions Under Factor Four.....	1115
1.	Justifications for Modification.....	1118
2.	Plaintiff's Burdens.....	1119
3.	A Limited Exception.....	1120
	CONCLUSION.....	1120

## INTRODUCTION

Scribd, an online publishing company, has been dubbed “YouTube for Writers,”<sup>1</sup> “YouTube of e-books,”<sup>2</sup> and “YouTube for Documents.”<sup>3</sup> As the nicknames imply, Scribd is a website where users may publish “nearly any file—including PDF, Word, PowerPoint and Excel—[as] a web document that’s discoverable through search engines, shared on social networks and read on

1. Jessica Pritchard, *Scribd: YouTube for Writers*, AM. HIST. ASS’N (Aug. 25, 2009), <http://blog.historians.org/resources/855/scribd-youtube-for-writers>.

2. Amy Farnsworth, *Scribd, the YouTube of e-Books, Signs Major New Deal*, CHRISTIAN SCI. MONITOR (June 12, 2009), <http://www.csmonitor.com/Innovation/Horizons/2009/0612/scribd-the-youtube-of-e-books-signs-major-new-deal>.

3. Nick Gonzalez, *Scribd “YouTube for Documents” Gets \$300K*, TECH CRUNCH (Mar. 6, 2007), <http://www.techcrunch.com/2007/03/06/scribd-youtube-for-text-gets-300k>.

billions of mobile devices,” simply by uploading the document to the website.<sup>4</sup> While Scribd provides a wonderful avenue for people to quickly and easily share and search documents, the San Francisco–based website has recently been under attack by claims of both direct and secondary copyright infringement,<sup>5</sup> much like its not-so-distant relative, YouTube.<sup>6</sup>

Initially, the potential litigation Scribd could have faced as a result of its business model appeared rather straightforward: Users might upload unauthorized copyright-protected material onto the website for the world to see, constituting copyright infringement.<sup>7</sup> Once posted, the infringing material would be accessible to be downloaded or printed by any of the website’s 55 million monthly visitors.<sup>8</sup> This creates great concern for copyright owners of written works who have an exclusive right to create copies of their original forms of expression.<sup>9</sup>

Clearly anticipating such issues, Scribd developed a Copyright Management System (CMS) to quickly locate and remove uploaded works that infringe an owner’s copyright.<sup>10</sup> The CMS checks every uploaded document against a filtering database containing copies of copyright-protected works.<sup>11</sup> Each time Scribd receives a takedown request from a copyright holder, a copy of the work is created and then placed in the filtering database to compare to future uploads.<sup>12</sup> It is likely that as long as Scribd maintains this system of prompt recognition and removal of unauthorized works, it will be protected from both direct and secondary liability for the copies of infringing material that temporarily appear on its website.<sup>13</sup>

---

4. *About Scribd*, SCRIBD, <http://www.scribd.com/about> (last visited Mar. 22, 2011).

5. See Complaint at 17–19, *Scott v. Scribd, Inc.*, No. 09CV03039 (S.D. Tex. Sept. 18, 2009) [hereinafter *Scott Complaint*]; Complaint at 6–7, *Williams v. Scribd, Inc.*, No. 09CV01836 (S.D. Cal. Aug. 25, 2009).

6. See Complaint at 32–34, *Football Ass’n Premier League Ltd. v. YouTube*, No. 07CV3582 (S.D.N.Y. May 4, 2007); Complaint at 18–26, *Viacom Int’l Inc. v. YouTube*, No. 07CV2103 (S.D.N.Y. Mar. 13, 2007); Complaint at 9–10, *Tur v. YouTube*, No. CV06-4436 (C.D. Cal. July 14, 2006).

7. Copyright infringement occurs when any of the exclusive rights granted to copyright holders is violated. See H.R. REP. NO. 94-1476, at 61 (1976); see also *infra* Part I.A.

8. Dan Sabbagh, *Authors Fight Free Books Site Scribd for ‘Pirating’ Their Work*, *TIMES* (London) (Mar. 30, 2009), [http://technology.timesonline.co.uk/tol/news/tech\\_and\\_web/theweb/article5998918.ece](http://technology.timesonline.co.uk/tol/news/tech_and_web/theweb/article5998918.ece).

9. Section 106 of the Copyright Act grants valid copyright holders the exclusive right “to reproduce the copyrighted work in copies or phonorecords.” 17 U.S.C. § 106(1) (2006).

10. See *Copyright Management System*, SCRIBD, <http://www.scribd.com/copyright> (last visited Mar. 22, 2011).

11. See *id.*

12. See *id.* Authors may also upload their works directly to the filtering database. *Id.*

13. Scribd would likely constitute a service provider under the Digital Millennium Copyright Act (DMCA), which defines service provider as “an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of

However, one lawsuit that Scribd currently faces has taken a unique approach to alleging copyright infringement. In *Scott v. Scribd, Inc.*,<sup>14</sup> plaintiffs are copyright holders who claim that Scribd violates their exclusive right to reproduce their works by creating a copy of their work to be placed in Scribd's filtering database.<sup>15</sup> Assuming Scribd will assert a fair use defense to this infringement claim, and assuming that such a defense will be successful,<sup>16</sup> the court will essentially be deeming Scribd's unauthorized copies of the protected works as noninfringing.<sup>17</sup> The question then arises: How will claim preclusion limit the plaintiffs' ability to later challenge any *alternative* use Scribd may make of those copies? Stated generally: How should courts apply the claim preclusion doctrine to prior findings of fair use when the secondary use of the work has changed over time?

The well-known Betamax Case,<sup>18</sup> *Sony Corp. of America v. Universal City Studios, Inc.*,<sup>19</sup> frames another puzzle regarding how courts should treat fair use over time. In the mid-1970s, Sony developed and released an early version of the VCR, then known as the Betamax VTR, or video tape recorder.<sup>20</sup> Sony marketed the device for private use and was quickly greeted with a lawsuit filed by owners of several copyrights on television programs.<sup>21</sup> The plaintiffs alleged, among other things, that the act of recording a television program to watch at a later time—referred to as time-shifting<sup>22</sup>—infringed their exclusive right

---

material of the user's choosing, without modification to the content of the material as sent or received." 17 U.S.C. § 512(k)(1)(A). The DCMA limits the liability of service providers and states in pertinent part:

A service provider shall not be liable for . . . infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider, if the service provider . . . upon obtaining such actual knowledge or awareness [of infringing material], acts expeditiously to remove, or disable access to, the material.

17 U.S.C. § 512(c).

14. No. 09CV03039 (S.D. Tex. Sept. 18, 2009).

15. Scott Complaint, *supra* note 5, at 17.

16. See *infra* Part II.A.2 for an analysis of a fair use defense to this claim.

17. See 17 U.S.C. § 107 ("[F]air use of a copyrighted work . . . is not an infringement of copyright."); see also *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 454–56 (1984) (holding that copies of a work that are deemed fair use are noninfringing).

18. Matthew W. Bower, Note, *Replaying the Betamax Case for the New Digital VCRs: Introducing TiVo to Fair Use*, 20 CARDOZO ARTS & ENT. L.J. 417, 418 (2002).

19. 464 U.S. 417.

20. See *Corporate History*, SONY GLOBAL, <http://www.sony.net/SonyInfo/CorporateInfo/History/history.html> (last visited Mar. 22, 2011).

21. See *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 432 (C.D. Cal. 1979), *rev'd*, 659 F.2d 963 (9th Cir. 1981), *rev'd*, 464 U.S. 417 (1984).

22. *Sony*, 464 U.S. at 423.

to create copies of their works.<sup>23</sup> In response, defendants argued that such recording of television programs was fair use.<sup>24</sup>

The U.S. Supreme Court ultimately held that copying a television program through time-shifting was a fair use of the plaintiffs' copyrighted work and thus did not constitute infringement.<sup>25</sup> This decision hinged largely on the fact that plaintiffs were unable to show evidence of any financial harm that had resulted or was likely to result as a consequence of the time-shifting.<sup>26</sup> Ultimately, the Court did not appear to believe that the copies created by time-shifting were substitutions for any other available form of the original work.<sup>27</sup>

Fast-forward to present day, when TiVo<sup>28</sup> and other digital video recorders (DVRs) are becoming fixtures in American households.<sup>29</sup> These advanced versions of the VCR allow users to engage in time-shifting with significantly increased ease.<sup>30</sup> However, the greater convenience and incidence of time-shifting is not all that has changed over the last thirty years regarding television programming. Copyright holders of television programs—typically

---

23. See *id.* at 420.

24. See Brief for the Petitioners at 32, *Sony*, 464 U.S. 417 (No. 81-1687) (“The recording made in the course of reception by home VTR of free off-the-air TV programming is not an infringement, but rather is a ‘fair use’, of any such programming which is copyrighted.”).

25. See *Sony*, 464 U.S. at 454–56 (“[W]e must conclude that this record amply supports the District Court’s conclusion that home time-shifting is fair use . . . . The Betamax is, therefore, capable of substantial noninfringing uses.”).

26. The Court in *Sony* made the following references to the plaintiffs’ failure to provide evidence of past or future harm:

[T]he two respondents in this case, who do assert objections to time-shifting in this litigation, were unable to prove that the practice has impaired the commercial value of their copyrights or has created any likelihood of future harm. Given these findings, there is no basis in the Copyright Act upon which respondents can hold petitioners liable for distributing VTR’s to the general public.

*Id.* at 421.

“[R]espondents failed to demonstrate that time-shifting would cause any likelihood of nonminimal harm to the potential market for, or the value of, their copyrighted works.” *Id.* at 456.

27. See *id.* at 453 (affirming the district court’s finding that “respondents’ suggestion that ‘theater or film rental exhibition of a program will suffer because of time-shift recording of that program’ ‘lacks merit’” (quoting *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 467 (C.D. Cal. 1979), *rev’d*, 659 F.2d 963 (9th Cir. 1981), *rev’d*, 464 U.S. 417 (1984))).

28. TiVo is a prominent brand of digital video recorder (DVR). See *What Is TiVo?*, TiVo, <http://www.tivo.com/whatistivo/tivois/index.html> (last visited Mar. 22, 2011).

29. See Keith Shaw, *Study: DVR Becomes Can’t-Live-Without Device*, NETWORK WORLD (Sept. 3, 2008), <http://www.networkworld.com/community/node/32214> (“According to the NDS DVR Report, more than 80 percent of Americans say they can’t live without a DVR, and other than the washing machine (97 percent) and microwave oven (86 percent), no other device in the home is more essential.”).

30. For example, TiVo allows users to search for shows to record by title, by time, and by channel. See *How to Search for TV Shows*, TiVo, [http://www.tivo.com/mytivo/howto/getthemostoutoftv/howto\\_search.html](http://www.tivo.com/mytivo/howto/getthemostoutoftv/howto_search.html) (last visited Mar. 22, 2011). Or a user can simply highlight a listing on the programming guide and press the record button on her remote control. *Id.*

studios<sup>31</sup>—began selling prerecorded copies of popular television programs—often referred to as television boxed sets—in retail stores, online, and to rental companies such as Blockbuster and Netflix. For example, today you can walk into Walmart and choose from over two thousand DVDs containing full-length television programs.<sup>32</sup> Not enough options? Simply go online and search among over tens of thousands of titles featuring uninterrupted episodes of your favorite show.<sup>33</sup>

The widespread availability of prerecorded television shows for sale by the studios arguably changes the effect of time-shifting on the potential market for the copyrighted work.<sup>34</sup> User-created copies of television shows, recorded at home with a TiVo or similar DVR device, act as a direct substitute for purchasing or renting boxed sets. This substitution imposes a direct and negative financial impact on the studios. However, as discussed above, the Supreme Court in *Sony* held that time-shifting was fair use. This raises the question: How does issue preclusion limit the studios' ability to challenge the fair use of time-shifting achieved by products such as TiVo under the current market conditions? Stated generally: How should courts apply the issue preclusion doctrine to prior findings of fair use when the market conditions have changed over time?

This Comment proposes solutions to the questions posed in the above hypotheticals and evaluates how adjudications of fair use under the Copyright Act should be treated over time. This discussion weighs the importance of copyright law and the incentives created thereby against the policy concerns driving claim and issue preclusion. Currently, the preclusive effect of litigation that concludes in a fair use finding may bar a copyright holder from subsequent litigation. This cripples the copyright holder's ability to protect her work and can have a damaging effect on an author's incentives to create.

---

31. Copyright holders of television shows are typically networks and studios like the plaintiffs in *Sony*. See *Getting Permission*, COPYRIGHT KIDS, <http://www.copyrightkids.org/permission-information.htm> (last visited Mar. 22, 2011) (listing NBC Studios—a subsidiary of Universal—and Walt Disney Television Animation as copyright holders of television shows); see also *Universal Studios Milestones*, NBC UNIVERSAL, [http://www.nbcuni.com/About\\_NBC\\_Universal/Company\\_Overview/overview10.shtml](http://www.nbcuni.com/About_NBC_Universal/Company_Overview/overview10.shtml) (last visited Jan. 12, 2010).

32. See *TV Shows*, WALMART, <http://www.walmart.com/catalog/catalog.gsp?cat=530719> (follow "See all TV Shows" hyperlink) (last visited Mar. 22, 2011) (listing 2256 DVDs available in store).

33. See *id.* (listing 10,407 DVDs available online); *TV Shows on DVD*, AMAZON, [http://www.amazon.com/Television-DVD/b/ref=sv\\_d\\_5?ie=UTF8&node=163450](http://www.amazon.com/Television-DVD/b/ref=sv_d_5?ie=UTF8&node=163450) (follow "All Titles" hyperlink) (last visited Mar. 22, 2011) (listing 22,623 DVDs available online).

34. For a detailed discussion of the change in market effect, see *infra* Part II.B.3.

Such incentives are at the heart of copyright protection and must be preserved to promote public benefit from creative works.<sup>35</sup>

Claim and issue preclusion, however, evolve from valuable policy concerns as well, such as finality, efficiency, and fairness.<sup>36</sup> Limiting the application of these doctrines in fair use cases has the potential to stifle the creativity of secondary authors—those individuals utilizing existing works in their creations under the fair use doctrine. Because such creations are valuable to the public, copyright law aims to preserve incentives among these secondary authors in addition to copyright holders. This Comment proposes a modified application of claim and issue preclusion in fair use cases that balances incentivizing all creative authors while simultaneously preserving the important doctrinal goals of claim and issue preclusion.

Part I provides an overview of relevant copyright law and the fair use doctrine, as well as an explanation of both claim and issue preclusion. Additionally, it explains the relevance of the federal courts' rigid application of claim and issue preclusion, and why some state courts' more lenient application of these doctrines may provide useful tools for reshaping the preclusion doctrines as they apply to fair use over time. Part II applies the current doctrines of claim and issue preclusion to the hypotheticals raised above, and evaluates the potential problems posed by these doctrines as they likely apply to findings of fair use.<sup>37</sup> Part III discusses areas of the law that enjoy relative leniency in the application of claim and issue preclusion and pinpoints the justifications for this leniency to provide a basis for restructuring the doctrines as they apply to fair use. Finally, Part IV proposes a framework for applying claim and issue preclusion when there has been a prior finding of fair use that incorporates the strategies employed in other areas of the law to achieve ideal and equitable results. This proposal aims to maximize incentives for authors to create and to minimize the sacrifice of efficiency, fairness, and finality of judgments provided by claim and issue preclusion.

---

35. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 450 (1984) ("The purpose of copyright is to create incentives for creative effort.").

36. See *In re Microsoft Corp. Antitrust Litig.*, 355 F.3d 322, 325 (4th Cir. 2004); see also *infra* Part I.B.

37. There has not yet been a case in which issue or claim preclusion has been raised as a defense to a claim of copyright infringement after a finding of fair use by the court.

## I. BACKGROUND

### A. Copyright Law and the Fair Use Defense

Authors enjoy copyright protection of their original, fixed creations under the Copyright Act of 1976.<sup>38</sup> Copyright law was initially established as a method of “foster[ing] the growth of learning and culture for the public welfare.”<sup>39</sup> Congress believed that granting authors limited protection in their works would achieve this goal by incentivizing authors to create.<sup>40</sup> Thus, the protection granted to authors by Congress exists to encourage authors to innovate, thereby benefiting the public with new creations.

This protection includes providing copyright owners with the exclusive rights to do and to authorize any of the following acts:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
- (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.<sup>41</sup>

Congress intentionally drafted these rights with some considerable overlap. Although closely related, each right is separate and independent, affording a copyright holder various tools with which to defend her original creations.<sup>42</sup> This framework also provides a copyright holder with an avenue for seeking various remedies from different parties. As Congress further explains, “Infringement takes place when any one of the rights is violated: where, for

---

38. See ROBERT A. GORMAN & JANE C. GINSBURG, COPYRIGHT 8 (Robert C. Clark et al. eds., 7th ed. 2006) (“The key provisions of the 1976 law included the following: (1) A single federal system of protection for all ‘original works of authorship,’ published or unpublished, from the moment they are fixed in a tangible medium of expression.”). The Copyright Act of 1976 is codified as amended at 17 U.S.C. §§ 101–810 (2006).

39. GORMAN & GINSBURG, *supra* note 38, at 14; see also U.S. CONST. art. I, § 8, cl. 8.

40. See GORMAN & GINSBURG, *supra* note 38, at 14; see also *Sony*, 464 U.S. at 450 (“The purpose of copyright is to create incentives for creative effort.”).

41. 17 U.S.C. § 106.

42. See H.R. REP. NO. 94-1476, at 61 (1976).



example, a printer reproduces copies without selling them or a retailer sells copies without having anything to do with their reproduction.”<sup>43</sup>

The Copyright Act provides for several limitations to these exclusive rights,<sup>44</sup> but none is murkier nor has created more uncertainty than the doctrine of fair use.<sup>45</sup> Fair use was originally a judge-made doctrine but was eventually codified in the Act<sup>46</sup> as a defense to a claim of copyright infringement.<sup>47</sup> Such an affirmative defense “permits courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.”<sup>48</sup> Thus, Congress recognized that the incentive to create must be preserved for all types of creative authors, including those who utilize existing works in their creations under the doctrine of fair use. Indeed, both original works and works created under the fair use doctrine benefit the public.<sup>49</sup> Accordingly, when allowing the unauthorized violation of some exclusive right “in some way advance[s] the public benefit, without substantially impairing the present or potential economic value of the first work,” courts will deem the use to be fair and will deem the violation to be noninfringement.<sup>50</sup>

When evaluating a fair use defense, courts consider four factors:

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

---

43. *Id.*

44. Sections 107–122 provide limitations on a copyright holder’s exclusive rights under section 106. See 17 U.S.C. §§ 107–122.

45. See *Sony*, 464 U.S. at 475 (Blackmun, J., dissenting) (“The doctrine of fair use has been called, with some justification, ‘the most troublesome in the whole law of copyright.’” (quoting *Dellar v. Samuel Goldwyn, Inc.*, 104 F.2d 661, 662 (2d Cir. 1939))).

46. See 17 U.S.C. § 107; see also H.R. REP. NO. 94-1476, at 65–66 (“The judicial doctrine of fair use, one of the most important and well-established limitations on the exclusive right of copyright owners, would be given express statutory recognition for the first time in section 107.”).

47. See 17 U.S.C. § 107 (“Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, . . . is not an infringement of copyright.”).

48. *Stewart v. Abend*, 495 U.S. 207, 236 (1990) (quoting *Iowa State Univ. Research Found., Inc. v. Am. Broad. Cos.*, 621 F.2d 57, 60 (2d Cir. 1980)).

49. See, e.g., Rich Fiscus, *Study Highlights Economic Importance of Fair Use in the US*, AFTER DAWN (Sept. 14, 2007), [http://www.afterdawn.com/news/article.cfm/2007/09/14/study\\_highlights\\_economic\\_importance\\_of\\_fair\\_use\\_in\\_the\\_us](http://www.afterdawn.com/news/article.cfm/2007/09/14/study_highlights_economic_importance_of_fair_use_in_the_us) (noting that “many businesses might not even be able to operate without copyright exemptions” under fair use, and that in 2006, “fair use [was] responsible for nearly 17% of U.S. GDP . . . and employ[ed] approximately 1/8 of the American workforce”).

50. GORMAN & GINSBURG, *supra* note 38, at 715.

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.<sup>51</sup>

These factors are taken into consideration by the court in their totality, although—as discussed below—factors one and four receive considerably more attention from the court in its fair use analysis.

### 1. Purpose and Character of the Use

The first factor considers whether the secondary use is for commercial as opposed to nonprofit or educational purposes.<sup>52</sup> Commercial use is not dispositive, however, especially when the use is particularly transformative.<sup>53</sup> To determine whether the use is sufficiently transformative, the court looks to “whether the new work merely ‘supersede[s] the objects’ of the original creation”<sup>54</sup> or if it “instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message.”<sup>55</sup> In the former instances, a use is less likely to be deemed fair.<sup>56</sup> This factor, along with factor four regarding market harm, tends to be a focus of the court’s fair use analysis.

### 2. Nature of the Copyrighted Work

The second factor focuses on “the value of the material taken” from the first work.<sup>57</sup> Here, the court determines if the original work is the type of creative work that goes to the core of copyright values, or if it is instead more factual in nature.<sup>58</sup> This factor tends to have minimal effect on the court’s fair use analysis, as typically the original work is precisely the type of work that copyright laws were designed to protect.<sup>59</sup> Additionally, if the original work has

---

51. 17 U.S.C. § 107.

52. *Id.*

53. See *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994) (“[T]he more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.”).

54. *Id.* (alteration in original) (quoting *Folsom v. Marsh*, 9 F. Cas. 342, 348 (C.C.D. Mass. 1841) (No. 4901)).

55. *Id.* (citing Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1111 (1990)).

56. See *Folsom*, 9 F. Cas. at 344–45.

57. *Id.* at 348.

58. *Campbell*, 510 U.S. at 586.

59. See *id.* (noting that the second factor “is not much help” nor “likely to help much . . . in a parody case, since parodies almost invariably copy publicly known, expressive works”); *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 612 (2d Cir. 2006) (“[T]he second factor may be of limited usefulness where the creative work of art is being used for a transformative purpose.” (citing *Campbell*, 510 U.S. at 586)).

already been published—as is often the case—this tends to neutralize the second factor, which would otherwise weigh in favor of the plaintiff, often resulting in a finding of fair use.<sup>60</sup> Courts routinely place little weight on the second factor and it rarely, if ever, tips the balance of the fair use analysis.<sup>61</sup>

### 3. Amount and Substantiality of the Portion Used in Relation to the Copyrighted Work as a Whole

The third factor focuses on whether the quantity and value of the original material used is reasonable in relation to the purpose of the new work.<sup>62</sup> Thus, the court focuses on whether the defendant took more of the original work than was necessary in light of the purpose of the new use.<sup>63</sup> Much like the second factor, the third factor tends to play a minor role in the overall fair use analysis.<sup>64</sup> Indeed, even when the entirety of an original work is used in the second work, courts rarely treat this factor with much significance when making a determination regarding fair use,<sup>65</sup> and may even find that using the entire original work weighs in favor of fair use.<sup>66</sup>

### 4. Effect of the Use Upon the Potential Market for or Value of the Copyrighted Work

The fourth factor considers “whether unrestricted and widespread conduct of the sort engaged in by the defendant would result in a substantially adverse

---

60. See *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 820 (9th Cir. 2003) (“Published works are more likely to qualify as fair use because the first appearance of the artist’s expression has already occurred.”).

61. See Joseph P. Liu, *Two-Factor Fair Use?*, 31 COLUM. J.L. & ARTS 571, 572 (2008).

62. See *Leibovitz v. Paramount Pictures Corp.*, 137 F.3d 109 (2d Cir. 1998) (“[C]onsideration must be given not only to the quantity of the materials taken but also to ‘their quality and importance’ to the original work.” (quoting *Campbell*, 510 U.S. at 587)).

63. See *Kelly*, 336 F.3d at 820–21.

64. See Barton Beebe, *An Empirical Study of U.S. Copyright Fair Use Opinions, 1978–2005*, 156 U. PA. L. REV. 549, 583 (2008) (“As for factors two and three . . . commentators tend to regard these, if they regard them at all, as peripheral to the outcome of the test.”).

65. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 449–50 (1984) (“[W]hen one considers the nature of a televised copyrighted audiovisual work . . . the fact that the entire work is reproduced . . . does not have its ordinary effect of militating against a finding of fair use.”); *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 613 (2d Cir. 2006) (noting that copying the entire original work “does not necessarily weigh against fair use because copying the entirety of a work is sometimes necessary to make a fair use of the image”); *Kelly*, 336 F.3d at 821 (holding that the third factor did not weigh for or against fair use even though the entire original work was copied).

66. See *S&L Vitamins, Inc. v. Austl. Gold, Inc.*, 521 F. Supp. 2d 188, 215 (E.D.N.Y. 2007) (“The Court finds [the third] factor weighs in favor of S&L’s use. Although S&L used the entire work, such use was reasonable in light of the purpose . . .”).

impact on the potential market' for the original."<sup>67</sup> The court's fourth factor analysis often contemplates whether the new use would tend to be a substitute for the original or if the new use focuses on a different market, audience, or function.<sup>68</sup> This factor tends to be the primary focus and driving force of most courts' fair use analyses.<sup>69</sup> Additionally, when two of the factors weigh in favor of the plaintiff and the other two factors weigh in favor of the defendant, the court's ruling will typically reflect the result of its fourth factor analysis.<sup>70</sup>

##### 5. The Importance and Overlap of Factors One and Four

Congress recognized that "no generally applicable definition" of fair use is possible, as it is derived from fairness and reason.<sup>71</sup> The four factors, therefore, were designed to give courts some criteria for "balancing the equities" and no single factor was intended to be determinative.<sup>72</sup> However, courts have clearly favored the first and fourth fair use factors.<sup>73</sup> Additionally, the fourth factor, often hailed as the most important factor,<sup>74</sup> overlaps considerably with the

67. *Campbell*, 510 U.S. at 590 (quoting 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.05(A)(4), at 13-102.61 (1993)).

68. See *Kelly*, 336 F.3d at 821-22 (noting that the defendant's use of plaintiff's photographs serves a different function than the originals and is not a substitute for the originals).

69. See *Stewart v. Abend*, 495 U.S. 207, 238 (1990) ("The fourth factor is the 'most important, and indeed, central fair use factor.'" (quoting 2 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.05(A), at 13-81 (1989))); *Beebe*, *supra* note 64, at 582 ("Each factor, it seems, has its champions and its detractors, though most courts and commentators assume that, in practice, the outcome of the section 107 test relies primarily on the outcome of the fourth factor . . . ." (footnote omitted)).

70. See, e.g., *Gulfstream Aerospace Corp. v. Camp Sys. Int'l*, 428 F. Supp. 2d 1369, 1380-81 (S.D. Ga. 2006) (noting the "import of the fourth factor" when holding a copying to be fair use, despite only the second and fourth factors weighing in favor of fair use); *S&L Vitamins, Inc.*, 521 F. Supp. 2d at 215 (holding a copying to be fair use, despite only the third and fourth factors weighing in favor of fair use).

71. H.R. REP. NO. 94-1476, at 65-66 (1976).

72. *Id.* at 65; see also *Campbell*, 510 U.S. at 578 ("Nor may the four statutory factors be treated in isolation, one from another. All are to be explored, and the results weighed together, in light of the purposes of copyright." (citing Pierre N. Leval, *Commentary: Towards a Fair Use Standard*, 103 HARV. L. REV. 1105, 1110-11 (1990); William F. Patry & Shira Perlmutter, *Fair Use Misconstrued: Profit, Presumptions, and Parody*, 11 CARDOZO ARTS & ENT. L.J. 667, 685-87 (1993))).

73. See *Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 931 (2d Cir. 1994) (singling out the first and fourth factors as "important"); *Dahlen v. Mich. Licensed Beverage Ass'n*, 132 F. Supp. 2d 574, 587 (E.D. Mich. 2001) (deeming the first and fourth factors "crucial"); see also *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 496 (1984) (Blackmun, J., dissenting) ("The [second and third] statutory factors are all but ignored by the Court . . . ."); *Beebe*, *supra* note 64, at 583; see generally *Liu*, *supra* note 61 (proposing a two-factor fair use test considering only the purpose and character of the use and market harm).

74. See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 566 (1985) (referring to the fourth factor as "undoubtedly the single most important element of fair use"); *Triangle Publ'ns, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171, 1177 (5th Cir. 1980) (noting that the fourth factor "is widely accepted to be the most important" factor); David Nimmer, "Fairness of Them All" and

first factor in the fair use analysis.<sup>75</sup> Specifically, a court's finding that a "defendant's use is 'transformative' or 'noncommercial' under factor one" will likely result in a finding that defendant's use will not have an adverse impact on the market for plaintiff's work.<sup>76</sup> Because of the overwhelming importance of factors one and four, this Comment focuses on circumstances and conditions that primarily influence the fair use analysis in the context of these two factors.<sup>77</sup>

## B. Prior Adjudication as a Bar to Future Litigation

Two related doctrines, claim preclusion<sup>78</sup> and issue preclusion,<sup>79</sup> bar litigation in certain circumstances because of prior adjudication.<sup>80</sup> Summarized in greater detail below, the basic premise is that certain complaints related or equivalent to those that have already received a final judgment from an appropriate court cannot be relitigated.<sup>81</sup> The rationales for these doctrines include efficiency in the form of preserving court resources, finality in the form of respecting court decisions, and fairness in the form of providing consistent and predictable judgments and protecting individuals from unending litigation.<sup>82</sup> However, these doctrines are in tension with the due process clauses of the Fifth and Fourteenth Amendment, which provide individuals specific

---

*Other Fairy Tales of Fair Use*, 66 LAW & CONTEMP. PROBS. 263, 267 n.25 (2003) ("My own opinion is that the fourth factor is the most important.")

75. See *Sony*, 464 U.S. at 451 (noting that a commercial use under the first factor creates a presumption of market harm under the fourth factor); *Pac. & S. Co. v. Duncan*, 744 F.2d 1490, 1496 (11th Cir. 1984) ("The fourth fair use factor, the effect on the potential market for the work, is closely related to the first [factor]."); *Original Appalachian Artworks, Inc. v. Topps Chewing Gum, Inc.*, 642 F. Supp. 1031, 1035 (N.D. Ga. 1986) ("The fourth fair use factor—the effect upon the potential market—is closely related to the first factor.")

76. Beebe, *supra* note 64, at 583; see also *In re Microsoft Corp. Antitrust Litig.*, 336 F.3d 811, 821 (9th Cir. 2003) ("A transformative work is less likely to have an adverse impact on the market of the original than a work that merely supersedes the copyrighted work." (citing *Campbell*, 510 U.S. at 591)).

77. The *Scribd* case explores the effects that changes under factor one would produce, while the *Sony* case looks at the effects that changes under factor four may generate.

78. Claim preclusion is sometimes referred to as *res judicata*. However, causing some confusion, *res judicata* is also often used to collectively refer to both issue and claim preclusion. To maximize clarity, this Comment uses the terms claim preclusion and issue preclusion. When the term *res judicata* is used in a quotation, it refers to both claim and issue preclusion unless otherwise noted.

79. Issue preclusion is also commonly referred to as collateral estoppel. For purposes of clarity, this Comment uses the term issue preclusion. However, the term collateral estoppel may appear in quoted language throughout this Comment.

80. See DAVID L. SHAPIRO, CIVIL PROCEDURE: PRECLUSION IN CIVIL ACTIONS 10 (2001).

81. See ROBERT C. CASAD & KEVIN M. CLERMONT, RES JUDICATA: A HANDBOOK ON ITS THEORY, DOCTRINE, AND PRACTICE 3 (2001) (summarizing claim and issue preclusion as "the impact of a previously rendered adjudication in the course of subsequent civil litigation").

82. See *In re Microsoft Corp. Antitrust Litig.*, 355 F.3d 322, 325 (4th Cir. 2004); *Doe v. Allied-Signal, Inc.*, 985 F.2d 908, 913 (7th Cir. 1993); SHAPIRO, *supra* note 80, at 16–18.

procedural protections including the opportunity to be heard in court.<sup>83</sup> Thus, the application of claim and issue preclusion includes careful consideration of whether each party has had a fair opportunity to litigate a claim or issue in any related prior case.<sup>84</sup> Despite adhering to important constitutional rights and deriving from valid policy concerns, claim and issue preclusion have been met with resistance from judges,<sup>85</sup> scholars,<sup>86</sup> and litigants.<sup>87</sup>

### 1. Claim Preclusion

A defendant wishing to challenge the plaintiff's ability to bring a suit based on prior litigation between the parties may raise claim preclusion as an affirmative defense.<sup>88</sup> Claim preclusion bars a party from relitigating a claim that was raised or could have been raised in prior litigation against the same defendant if the first claim received final judgment from a court of competent jurisdiction.<sup>89</sup> Thus, broken down, the elements of claim preclusion can be expressed as (1) same parties; (2) an instance in which the first case reached

---

83. See *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 327 n.7 (1979) ("It is a violation of due process for a judgment to be binding on a litigant who . . . has never had an opportunity to be heard." (citing *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 329 (1971); *Hansberry v. Lee*, 311 U.S. 32, 40 (1940))); *Wolfson v. United States*, 336 F. App'x 792, 794 (10th Cir. 2009) ("At the core of due process are the requirements of notice and a meaningful opportunity to be heard." (citing *Mullane v. Cent. Hanover Bank & Trust Co.*, 339 U.S. 306, 313 (1950))). The Fifth Amendment of the U.S. Constitution applies to the federal government and provides in relevant part: "No person shall . . . be deprived of life, liberty, or property, without due process of law . . ." U.S. CONST. amend. V. Additionally, the Fourteenth Amendment applies to the individual states and provides: "[N]or shall any state deprive any person of life, liberty or property, without due process of law." U.S. CONST. amend. XIV, § 1.

84. See *P.R. Mar. Shipping Auth. v. Fed. Mar. Comm'n*, 75 F.3d 63, 68 n.4 (1st Cir. 1996); *Williamson v. Columbia Gas & Elec. Corp.*, 186 F.2d 464, 469 (3d Cir. 1950).

85. See *Riordan v. Ferguson*, 147 F.2d 983, 988 (2d Cir. 1945) (Clark, J., dissenting) ("The defense of *res judicata* is universally respected, but actually not very well liked.")

86. See Debra Lyn Bassett, *Just Go Away: Representation, Due Process, and Preclusion in Class Actions*, 2009 BYU L. REV. 1079, 1080 (2009) (acknowledging the "fear and loathing that the preclusion doctrines tend to evoke").

87. See SHAPIRO, *supra* note 80, at 11–12 (noting the hostility towards the preclusion doctrines on the part of litigants, commentators, and courts).

88. See *Taylor v. Sturgell*, 553 U.S. 880, 907 (2008) (citing *Blonder-Tongue Labs., Inc.*, 402 U.S. at 350; FED. R. CIV. P. 8(c)).

89. See *Curtis v. Citibank, N.A.*, 226 F.3d 133, 139 (2d Cir. 2000) (quoting *Federated Dep't Stores, Inc. v. Moitie*, 452 U.S. 394, 398 (1981)); see also Diane Vaksdal Smith, *Finality of Judgment: Issue Preclusion, Claim Preclusion and Law of the Case*, 35 COLO. LAW. 43, 45 (2006) (citing *Rantz v. Kaufman*, 109 P.3d 132, 138 (Colo. 2005)), available at <http://www.burgsimpson.com/pdf/civiltjulyv01clean.pdf>.

final judgment on the merits in a court of competent jurisdiction; and (3) same claim.<sup>90</sup>

The first element, same parties, encompasses the exact same plaintiff and defendant, any party who is in privity with either of the original parties, or anyone who enjoys a substantive legal relationship in which she assumes the legal rights of one of the original parties.<sup>91</sup> Rarely are individuals who are not a party to the initial litigation barred from subsequent litigation, as courts make careful consideration of the constitutional right to be heard in court, provided by the due process clauses:

Because preclusion based on privity is an exception to the deep rooted historic tradition that everyone should have his own day in court . . . courts must ensure that the relationship between the party to the original suit and the party sought to be precluded in the later suit is sufficiently close to justify preclusion.<sup>92</sup>

The second element has three subparts: (a) final judgment; (b) on the merits; and (c) court of competent jurisdiction. Final judgment is achieved “when the trial court has concluded all regular proceedings on the claim, other than award of costs and enforcement of judgment.”<sup>93</sup> A final judgment must be on the merits<sup>94</sup> to have a preclusive effect. A judgment is considered to have been made on the merits if it “determines the substantive validity of the claim”<sup>95</sup> as opposed to dismissing a claim based on “certain procedural defects in the form or manner of its presentation.”<sup>96</sup> Again, this element ties back to the due process clauses by recognizing the concern that “[a] claimant should not be penalized to the extent of losing the right to a fair day in court on the substantive merits of

---

90. See *Roche Palo Alto LLC v. Apotex, Inc.*, 526 F. Supp. 2d 985, 997 (N.D. Cal. 2007) (quoting *Mpoyo v. Litton Electro-Optical Sys.*, 430 F.3d 985, 987 (9th Cir. 2005)).

91. See *Transamerica Occidental Life Ins. Co. v. Aviation Office of Am., Inc.*, 292 F.3d 384, 391 (3d Cir. 2002).

92. *Bouchart v. Champion Prods.*, 327 F. Supp. 2d 537, 543 (D. Md. 2003) (alteration in original) (quoting *Tyus v. Schoemehl*, 93 F.3d 449, 455 (8th Cir. 1996)); see also *Tice v. Am. Airlines, Inc.*, 162 F.3d 966, 972 (7th Cir. 1998).

93. *CASAD & CLERMONT*, *supra* note 81, at 51; see also *Green Tree Fin. Corp.-Ala. v. Randolph*, 531 U.S. 79, 86 (2000) (defining a final decision as one “that ‘ends the litigation on the merits and leaves nothing more for the court to do but execute the judgment’” (quoting *Digital Equip. Corp. v. Desktop Direct, Inc.*, 511 U.S. 863, 867 (1994))).

94. “The phrases ‘with prejudice’ and ‘on the merits’ are synonymous terms, both of which invoke the doctrine of claim preclusion.” *Citibank, N.A. v. Data Lease Fin. Corp.*, 904 F.2d 1498, 1501 (11th Cir. 1990).

95. *CASAD & CLERMONT*, *supra* note 81, at 85.

96. *Id.* at 86; see also *Sellan v. Kuhlman*, 261 F.3d 303, 311 (2d Cir. 2001) (“Adjudicated on the merits’ has a well settled meaning: a decision finally resolving the parties’ claims, with res judicata effect, that is based on the substance of the claim advanced, rather than on a procedural, or other, ground.”).

the claim just because of a technical error.<sup>97</sup> Finally, the original court must have had proper jurisdiction over the initial claim to give preclusive effect to a subsequent court.<sup>98</sup>

The third element of claim preclusion—same claim—is most often at the heart of contention by the parties, and courts tend to primarily focus their analysis on this element.<sup>99</sup> There are two main views on defining same claim under a claim preclusion defense. The first view follows the Second Restatement of Judgments<sup>100</sup> and is often referred to as the transactional approach.<sup>101</sup> This approach is accepted by the majority of both federal courts<sup>102</sup> and state courts.<sup>103</sup> This traditional view defines same claim broadly to include anything related to the transaction or series of transactions from which the first claim arose.<sup>104</sup> This

97. CASAD & CLERMONT, *supra* note 81, at 86.

98. See Gargallo v. Merrill Lynch, Pierce, Fenner & Smith, Inc., 918 F.2d 658, 664 (6th Cir. 1990) (holding that prior state court judgment could not be given preclusive effect under claim preclusion because the state court lacked subject matter jurisdiction over the original claim).

99. See SHAPIRO, *supra* note 80, at 34.

100. The Restatement (Second) of Judgments provides:

(1) When a valid and final judgment rendered in an action extinguishes the plaintiff's claim pursuant to the rules of merger or bar . . . the claim extinguished includes all rights of the plaintiff to remedies against the defendant with respect to all or any part of the transaction, or series of connected transactions, out of which the action arose.

(2) What factual grouping constitutes a "transaction", and what groupings constitute a "series", are to be determined pragmatically, giving weight to such considerations as whether the facts are related in time, space, origin, or motivation, whether they form a convenient trial unit, and whether their treatment as a unit conforms to the parties' expectations or business understanding or usage.

RESTATEMENT (SECOND) OF JUDGMENTS § 24 (1982).

101. See SHAPIRO, *supra* note 80, at 35.

102. See Woods v. Potter, 63 F. App'x 590, 591 (2d Cir. 2003) ("[T]he federal *res judicata* [claim preclusion] doctrine . . . requires a transactional analysis of whether a claim is precluded from adjudication by a previous decision."); Godley v. Ameritech Corp., No. 97-4236, 1999 U.S. App. LEXIS 5983, at \*4 (6th Cir. Mar. 30, 1999) ("The federal courts have adopted the standard in the RESTATEMENT (SECOND) OF JUDGMENTS § 24 (1982), which essentially equates a party's claim for *res judicata* [claim preclusion] purposes with the 'transaction or occurrence' test of the federal joinder rules." (citing 18 CHARLES A. WRIGHT, ARTHUR R. MILLER & EDWARD H. COOPER, FEDERAL PRACTICE AND PROCEDURE § 4407, at 62 (1981))); see also Laurel Sand & Gravel, Inc. v. Wilson, 519 F.3d 156, 162 (4th Cir. 2008); Ammex, Inc. v. United States, 334 F.3d 1052, 1056 (Fed. Cir. 2003); Ellis v. Amex Life Ins. Co., 211 F.3d 935, 938 (5th Cir. 2000); Hamilton v. State Farm Fire & Cas. Co., No. 96-4141, 1997 U.S. App. LEXIS 30065 (6th Cir. Oct. 23, 1997); Interoceanica Corp. v. Sound Pilots, 107 F.3d 86, 90 (2d Cir. 1997); Nixon v. United States, 978 F.2d 1269, 1298 (D.C. Cir. 1992); Clark v. Haas Group, Inc., 953 F.2d 1235, 1238 (10th Cir. 1992); Lane v. Peterson, 899 F.2d 737, 742 (8th Cir. 1990); Car Carriers, Inc. v. Ford Motor Co., 789 F.2d 589, 593 (7th Cir. 1986); Manego v. Orleans Bd. of Trade, 773 F.2d 1, 5 (1st Cir. 1985); Harris v. Jacobs, 621 F.2d 341, 344 (9th Cir. 1980). *But see* I.A. Durbin, Inc. v. Jefferson Nat'l Bank, 793 F.2d 1541, 1549 (11th Cir. 1986) ("The principal test for determining whether the causes of action are the same is whether the primary right and duty are the same in each case.").

103. See SHAPIRO, *supra* note 80, at 35.

104. See RESTATEMENT (SECOND) OF JUDGMENTS § 24(1).



creates an essential focus on the way claims are drafted, as under this view, a claim that is even somewhat related to a previously adjudicated claim will be barred even though it was never litigated.<sup>105</sup>

Under the transactional approach, courts utilize various criteria in determining whether the same claim is involved in the two lawsuits, including (1) whether rights or interests established in the prior judgment would be destroyed or impaired by prosecution of the second action; (2) whether substantially the same evidence is presented in the two actions; (3) whether the two suits involve infringement of the same right; and (4) whether the two suits arise out of the same transactional nucleus of facts.<sup>106</sup>

The second view of same claim is known as the primary rights theory.<sup>107</sup> This view is much narrower and focuses on whether the same primary right of the plaintiff was violated in each case. But despite being narrower, this approach may still have a damaging effect on a plaintiff who failed to adequately state all related claims in the initial complaint. The Ninth Circuit, in applying California law, summarized this approach:

California has consistently applied the “primary rights” theory, under which the invasion of one primary right gives rise to a single cause of action. As we recently observed, California’s “primary rights” theory does not mean that different causes of action are involved just because relief may be obtained under either of two legal theories. *Res judicata* (claim preclusion) prevents litigation of all grounds for, or defenses to, recovery that were previously available to the parties, regardless of whether they were asserted or determined in the prior proceeding.<sup>108</sup>

## 2. Issue Preclusion

Issue preclusion differs only slightly from claim preclusion and is based on the same policy concerns. Different elements give issue preclusion a narrower

---

105. See CASAD & CLERMONT, *supra* note 81, at 61 (“[C]laim preclusion can reach not only matters actually asserted in the prior action but also matters within the scope of the claim that might have been but were not presented for decision.”); see also Krepps v. Reiner, 377 F. App’x 65 (2d Cir. 2010) (holding that the plaintiff’s fraud claim against the defendant was barred by claim preclusion despite not being previously litigated because the fraud claim arose out of the same contract that was the subject of the plaintiff’s prior suit against the defendant for breach).

106. Harris, 621 F.2d at 343.

107. See Crowley v. Katleman, 881 P.2d 1083, 1090 (Cal. 1994).

108. Kay v. City of Rancho Palos Verdes, 504 F.3d 803, 809 (9th Cir. 2007) (quoting Robi v. Five Platters, Inc., 838 F.2d 318, 324 (9th Cir. 1988)) (internal citations and quotation marks omitted).

but deeper effect of barring litigation.<sup>109</sup> Although issue preclusion does not require the same parties, it does require that the same issue was actually litigated and determined.<sup>110</sup> Additionally, such a determination must have been essential to the judgment in the first case and the first case must have reached final judgment on the merits in a court of competent jurisdiction.<sup>111</sup> Thus, the elements of claim preclusion can be summarized as: (1) same issue; (2) actually litigated, determined, and central to the judgment; and (3) an instance in which the first case reached final judgment on the merits in a court of competent jurisdiction.

The analysis thus closely follows that of claim preclusion. The first element, same issue, raises some of the same problems that occur in defining same claim.<sup>112</sup> Additionally, the third element requires subparts identical to those required in claim preclusion. However, since under the second element only issues actually litigated and determined are barred in a second suit, this doctrine places less pressure on the plaintiff's initial pleadings. Another unique requirement of the second element is that the issue be essential to the judgment. This requirement avoids precluding litigation over an issue that was not fully and fairly contested in the initial suit.<sup>113</sup>

Issue preclusion also differs from claim preclusion because the same parties are not a required element of issue preclusion, and thus nonmutuality or asymmetry is acceptable.<sup>114</sup> This characteristic enables a party who was never involved in a prior lawsuit to effectuate a bar to litigation. However, under the due process clauses, the party against whom issue preclusion is being asserted must have had a fair opportunity to fully litigate the issue in the first case.<sup>115</sup> Thus, issue preclusion can be offensive—in which a new plaintiff bars a

---

109. See Smith, *supra* note 89, at 43 (“Issue preclusion is both broader and narrower than claim preclusion—broader in that it applies to claims for relief different from those litigated in the first action and narrower in that it applies only to issues actually litigated.”).

110. RESTATEMENT (SECOND) OF JUDGMENTS § 27 (1982); see also *Arizona v. California*, 530 U.S. 392, 414 (2000).

111. RESTATEMENT (SECOND) OF JUDGMENTS § 27; see also *Arizona*, 530 U.S. at 414.

112. See CASAD & CLERMONT, *supra* note 81, at 114–15.

113. See *id.* at 127 (“[A] determination not strictly necessary to reaching the court’s ultimate result is not binding. The idea behind this requirement is that such a determination in the nature of dicta may not have been fully and fairly contested and considered . . .”).

114. See RESTATEMENT (SECOND) OF JUDGMENTS § 29.

115. For example, a defendant who has already successfully litigated a particular issue with Plaintiff One cannot assert defensive issue preclusion against Plaintiff Two. If Plaintiff Two has not had an opportunity to litigate her issue, she cannot be barred by issue preclusion. However, if Plaintiff One has successfully litigated a particular issue with Defendant, Plaintiff Two can assert offensive issue preclusion against Defendant as long as Defendant had an opportunity and incentive to fully litigate the issue in the suit brought by Plaintiff One (and all other requirements of issue preclusion have been met). See SHAPIRO, *supra* note 80, at 105–06.

defendant from relitigating an issue that the defendant previously litigated in a suit filed by a prior plaintiff<sup>116</sup>—or defensive—in which a new defendant bars a plaintiff from litigating an issue that the plaintiff already litigated against a prior defendant.<sup>117</sup>

### 3. Common Law Doctrines of Comity

Claim and issue preclusion are both common law doctrines of comity and remain “almost entirely judge-made bod[ies] of law.”<sup>118</sup> Few states have explicitly codified these doctrines,<sup>119</sup> although the Restatement (Second) of Judgments provides influential guidance in applying the concepts.<sup>120</sup> Because these doctrines are heavily policy-driven, the result is varying degrees of leniency as each jurisdiction may employ a slightly different application of these principles.<sup>121</sup>

The different applications of these doctrines among courts can have dispositive effects, as whether claim or issue preclusion bars litigation in a subsequent case is determined according to the laws of the court that decided the first case.<sup>122</sup> Specifically, the Constitution’s Full Faith and Credit Clause requires that jurisdictionally valid judgments of one court be given the same effect in all other courts.<sup>123</sup> Thus, even if the laws in the jurisdiction of the second court would allow the case to proceed, the second court must apply the doctrine as it would be applied in the court of original jurisdiction to determine whether the prior case bars the current litigation.

In cases of fair use as an affirmative defense to an allegation of copyright infringement, the court of original jurisdiction will always be a federal court. Per federal statute, the federal courts have exclusive jurisdiction over copyright

---

116. This is an option for a new plaintiff unless the second plaintiff could have easily joined the first suit between the first plaintiff and the defendant. See *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 331 (1979).

117. See *Kanter v. Comm’r*, 590 F.3d 410, 419 (7th Cir. 2009).

118. *CASAD & CLERMONT*, *supra* note 81, at 5.

119. Louisiana has created a fairly general codification of claim and issue preclusion. See LA. REV. STAT. ANN. §§ 13:4231–32 (2006). Similarly, New Jersey has a statute that has been interpreted as a codification of these doctrines. See *Opdycke v. Stout*, 233 F. App’x 125, 129 n.3 (3d Cir. 2007) (characterizing New Jersey’s Entire Controversy Doctrine “as that state’s ‘specific, idiosyncratic, application of traditional *res judicata* principles’” (quoting *Rycoline Prods., Inc. v. C&W Unlimited*, 109 F.3d 883, 886 (3d Cir. 1997))).

120. See *CASAD & CLERMONT*, *supra* note 81, at 7.

121. See *id.* at 4–6.

122. See *Gargallo v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 918 F.2d 658, 663 (6th Cir. 1990).

123. U.S. CONST. art. IV, § 1.

cases.<sup>124</sup> Thus, in assessing whether litigation is barred by a prior fair use determination, both the first court and the second court will be federal courts. Additionally, the court presiding over the second case will look to the rendering court's law of issue or claim preclusion when deciding whether the second action is barred:

The federal retroverse approach to the conflicts question regarding judgments binds federal courts throughout the nation. Indeed, even in case of difference in law between circuits, the subsequent federal court should apply the rendering federal court's view of the federal law of *res judicata*.<sup>125</sup>

#### 4. Rigid Doctrines

Despite the fact that fair use cases only arise in federal court, it is helpful to review the different approaches that some states take in their application of claim and issue preclusion. In some instances courts apply these doctrines less stringently than in other times.<sup>126</sup> In such cases, state courts may consider fairness as a factor when determining whether litigation should be barred in the specific instance. These cases and the rationale put forth by the presiding courts provide insight into potential adjustments that can be made to the strict application of claim and issue preclusion in fair use cases.

Generally, the doctrines of claim and issue preclusion are applied quite rigidly. Indeed, most courts explicitly agree that “[e]xceptions to the doctrine of claim preclusion are rare . . . [and] [f]airness is not an element of claim preclusion.”<sup>127</sup> Furthermore, even a change in the law will not commonly influence the preclusive effect of a prior adjudication, much less a change in

---

124. See 28 U.S.C. § 1338(a) (2006) (“The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.”).

125. CASAD & CLERMONT, *supra* note 81, at 226 (citing 18 WRIGHT, MILLER & COOPER, *supra* note 102, § 4466). The relevance of the federal courts' exclusive jurisdiction over copyright claims is that any proposal for a change in the application of the doctrines of claim and issue preclusion in cases of fair use applies only to the federal courts' application of these doctrines.

126. An explanation of the specific areas of the law that enjoy leniency in the application of claim and issue preclusion is discussed more thoroughly in Part III, *infra*.

127. *Samuels Recycling Co. v. Cont'l Cas. Co.*, No. 2005AP1517, 2006 Wisc. App. LEXIS 214, at \*3 (Ct. App. Mar. 9, 2006) (citing *Kruckenber v. Harvey*, 694 N.W.2d 879, 891 (Wis. 2005)); see also *Roche Palo Alto LLC v. Apotex, Inc.*, 531 F.3d 1372, 1380 (Fed. Cir. 2008) (“The district court, however, correctly recognized that there is no ‘change of law’ or fairness exception to prevent application of claim preclusion.” (citing *Federated Dep’t Stores, Inc. v. Moitie*, 452 U.S. 394, 398 (1981))).

circumstances, facts, or conditions.<sup>128</sup> Specifically, courts have noted, “The general rule . . . throughout the nation, is that changes in the law after a final judgment do not prevent the application of *res judicata* and collateral estoppel, even though the grounds on which the decision was based are subsequently overruled.”<sup>129</sup>

Such a rigid application of these doctrines is unfavorable considering the infinite number of factual combinations that any case may present. Courts should allow careful consideration of the unique facts of each case in the application of claim or issue preclusion to comport with the specific situation.<sup>130</sup> At the same time, there is a strong need to carefully balance the policy concerns related to fairness with those of efficiency, finality, and comity. Some courts find that the latter concerns outweigh the former:

In applying the doctrine of *res judicata*, it is also important to keep in mind that *res judicata* is a principle of peace. Under its influence an end is put to controversies. Parties and their privies are made to abide definitive and final judgments and litigations are concluded. . . . [T]he rule of *res judicata* does not go on whether the judgment relied on was a right or wrong decision. It rests on the finality of judgments in the interest of the end of litigation and it requires that the fact or issue adjudicated remain adjudicated.<sup>131</sup>

Some courts, however, explicitly consider fairness as a factor in their issue preclusion analysis. For example, in *Trickett v. Ochs*,<sup>132</sup> the Supreme Court of Vermont noted:

Collateral estoppel “bars the relitigation of an issue, rather than a claim, that was actually litigated by the parties and decided in a prior case.” Collateral estoppel applies when (1) preclusion is asserted against one who was a party in the prior action; (2) the same issue was raised in the prior action; (3) the issue was resolved by a final judgment on the merits; (4) there was a full and fair

---

128. Cf. *Precision Air Parts, Inc. v. Avco Corp.*, 736 F.2d 1499, 1504 (11th Cir. 1984) (noting that there may be a rare exception in cases involving “momentus [sic] changes in important, fundamental constitutional rights”).

129. *Id.* at 1503.

130. See *CASAD & CLERMONT*, *supra* note 81, at 40 (“Careful attention by the lawmaker as to when to cast a rule and when to create an exception can aid mightily in shaping the best [claim preclusion and issue preclusion] law[s] possible.”).

131. *Kemp v. Birmingham News Co.*, 608 F.2d 1049, 1052 (5th Cir. 1979) (alteration in original) (quoting *Stevenson v. Int'l Paper Co.*, 516 F.2d 103, 109 (5th Cir. 1975)) (internal quotations omitted).

132. 838 A.2d 66 (Vt. 2003).

opportunity to litigate the issue in the prior action; and (5) *applying preclusion is fair*.<sup>133</sup>

Notably, this consideration is not common, and the majority of courts make no such deliberation. Furthermore, some scholars believe that considerations of fairness have no place in a court's claim and issue preclusion analysis:

The doctrine[s'] overall aim is to distinguish preclusion situations from nonpreclusion situations in accord with the tiltings of the policy balance. . . . The rules cannot embody the infinitely fine adjustments that would yield individualized precision. Instead, the rules must draw a limited series of lines that only approximate the myriad of desired outcomes.<sup>134</sup>

Despite these concerns, some assert that there is a growing trend among courts to recognize instances in which exceptions to the application of claim or issue preclusion should be made.<sup>135</sup> As long as the rules outlining these exceptions are expressed clearly by the courts, the policy concerns surrounding these doctrines can be preserved.

## II. CLAIM AND ISSUE PRECLUSION APPLIED TO FINDINGS OF FAIR USE

As discussed in Part I.A, fair use analysis is by no means an exact science, and a court must carefully weigh the specific circumstances and details surrounding each set of facts. Therefore, even minor differences in facts can shift a fair use analysis one way or the other.<sup>136</sup> This characteristic leaves fair use quite vulnerable to varying conditions, which raises concerns about barring litigation that was adjudicated based on prior conditions. If circumstances have changed, significantly altering the fair use analysis, should there be an exception to the application of claim and issue preclusion? This Part evaluates these concerns in two compelling cases: *Scott v. Scribd, Inc.*<sup>137</sup> and *Sony Corp. of America v. Universal City Studios, Inc.*<sup>138</sup>

---

133. *Id.* at 70 (emphasis added) (citing *In re Tariff Filing of Cent. Vt. Pub. Serv. Corp.*, 769 A.2d 668, 673 (Vt. 2001)); see also *Trepanier v. Getting Organized, Inc.*, 583 A.2d 583, 587–88 (Vt. 1990) (“[T]he party opposing collateral estoppel must show the existence of circumstances that make it appropriate for an issue to be relitigated.” (citing *Carter-Wallace, Inc. v. United States*, 496 F.2d 535, 539 (Ct. Cl. 1974))).

134. CASAD & CLERMONT, *supra* note 81, at 40.

135. See *id.* at 36.

136. See H.R. REP. NO. 94-1476, at 65–66 (1976) (“[T]he endless variety of situations and combinations of circumstances that can rise in particular cases precludes the formulation of exact rules [regarding fair use] in the statute.”).

137. No. 09CV03039 (S.D. Tex. Sept. 18, 2009).

138. 464 U.S. 417 (1984).

A. *Scott v. Scribd, Inc.*

## 1. Background

Scribd is an online publishing company that allows users to convert nearly any electronic file into a web document and quickly and easily share it with the world.<sup>139</sup> The San Francisco–based company was launched in 2007 and boasts 10 million total documents published to the site by tens of millions of users.<sup>140</sup> While Scribd users greatly enjoy the ability to browse through such an extensive collection of shared works, the company also creates unease among authors regarding copyright infringement. Because of the overwhelming volume of works being uploaded to the website,<sup>141</sup> some illegal publishing of copyright-protected works is practically inevitable.<sup>142</sup> This leaves Scribd vulnerable to copyright infringement suits under a secondary liability theory of infringement.<sup>143</sup> Scribd anticipated this problem and developed a Copyright Management System (CMS) to prevent such infringement.<sup>144</sup>

The CMS appears to work quite well in identifying and removing infringing works (although some argue that it works too well).<sup>145</sup> Scribd maintains a filtering database containing tens of thousands of copyright-protected works. Each document uploaded to the Scribd website is compared to every work in the database.<sup>146</sup> If the uploaded document matches a protected work, it is automatically removed from the website, and the user is notified of both the removal and the reason for the removal.<sup>147</sup>

---

139. *About Scribd*, *supra* note 4.

140. *Id.*

141. Jury Trial Demanded at ¶ 20, *Scott*, No. 09CV03039 [hereinafter *Scott* Jury Trial Demanded] (“More than 50,000 new documents are uploaded to Scribd every day.” (citing Ex. 5)).

142. *Id.* at ¶ 21 (“Scribd admits they regularly infringe copyrighted works.” (citing Ex. 4)); *id.* at ¶ 22 (noting that a Scribd employee admitted that they “can’t control” infringement (citing Ex. 6)).

143. Secondary liability arises in copyright law in “circumstances in which it is just to hold one individual accountable for the actions of another.” *Sony*, 464 U.S. at 435. Whether a court would find Scribd liable under a theory of secondary liability for infringing copies uploaded to the site by users is beyond the scope of this Comment. For the purposes of this Comment, it is important to understand only that the potential exposure to liability factored into Scribd’s motivation to create its Copyright Management System (CMS).

144. *Copyright Management System*, SCRIBD, <http://www.scribd.com/copyright> (last visited Mar. 22, 2011).

145. Jeffrey Tucker, *Goodbye Scribd!!!*, MISES ECON. BLOG (Apr. 19, 2009), <http://blog.mises.org/archives/009811.asp> (noting that Scribd’s CMS erroneously flagged his document as infringing his own company’s copyright and removed it from the website).

146. See *Copyright Management System*, *supra* note 144.

147. Tucker, *supra* note 145.

The filtering database is compiled through two main methods. First, whenever Scribd receives a takedown request<sup>148</sup> from an author claiming that an infringing copy of her work has been uploaded, a copy of the original work is added to the database to facilitate detection of future unauthorized copies of the protected work. Second, authors and publishers are able and, in fact, encouraged to submit original works to the database themselves so that subsequent uploads can be compared to the protected works and infringing copies can be promptly removed.<sup>149</sup>

The system is admittedly not perfect, and the possibility of infringing material making its way onto the Scribd website still remains.<sup>150</sup> However, the most interesting complaint against Scribd is not that the site hosts infringing material that somehow slipped through the cracks of the CMS. Rather, it is a suit filed against Scribd accusing the publishing company of illegally copying protected works to populate its filtering database of copyrighted works.<sup>151</sup> Specifically, “[t]he suit maintains that the copying and insertion of a copyrighted work into [the] filtering system without compensating the copyright holder, or obtaining their consent, is a violation of the Copyright Act.”<sup>152</sup>

## 2. Fair Use Analysis

The suit has struck commentators as bizarre, as the contested use of copies currently appears to be a benefit to the plaintiffs and other similarly situated copyright owners.<sup>153</sup> Accordingly, it is likely that Scribd will assert a fair use defense and a court will find that copying protected works to use in the filtering system is, indeed, fair use.

Under the first fair use factor, copying the work is not directly commercial in nature, as no user has access to the works compiled in the filtering system.<sup>154</sup> Thus, although the income Scribd derives through selling advertisements on

---

148. Section 512(c)(3) of the Digital Millennium Copyright Act (DMCA) provides that all takedown requests alleging infringement must meet several conditions to be effective. See 17 U.S.C. § 512(c)(3) (2006).

149. *Copyright Management System*, *supra* note 144.

150. *Id.* (“While the technology is not yet perfect, we are constantly working to improve it.”).

151. See Scott Jury Trial Demanded, *supra* note 141, at ¶ 23 (“Scribd illegally copies the work into its copyright protection system, without permission or compensation to the author.”).

152. David Kravets, *Lawsuit: Copyright Filtering Technology Infringes*, WIRED (Sept. 21, 2009), <http://www.wired.com/threatlevel/2009/09/infringingfiltering>.

153. Mike Masnick, *Scribd Lawsuit Even More Bizarre: It's the Filter That Infringes?*, TECHDIRT (Sept. 22, 2009, 1:46 PM), <http://www.techdirt.com/articles/20090922/0355596276.shtml>.

154. See *How Does Scribd Help Protect the Rights of Authors?*, SCRIBD SUPPORT DESK (Feb. 26, 2009), <http://scribd.zendesk.com/entries/25057-how-does-scribd-help-protect-the-rights-of-authors>.



the site is arguably tied to the size of the user base, plaintiffs cannot assert that users are drawn to the site to view the works contained in the filtering database because the database is not accessible by the public.<sup>155</sup> Therefore, Scribd is not obtaining increased revenue from advertisers as a result of maintaining the copies in the filtering database.

Furthermore, and perhaps more importantly, the use is highly transformative. The copies are not being used for their original function of scholarship, entertainment, or art.<sup>156</sup> Rather, Scribd has used the copies in a way that facilitates a filtering system to exclude copyright-protected works from its website. Thus, because of an indirect commercial nature and a highly transformative use, the court will likely determine that the first factor favors a finding of fair use.

Under the second factor, the original works are clearly creative in nature and thus at the core of what copyright law aims to protect.<sup>157</sup> However, this factor has consistently been given less weight than the other factors, and the creative nature of the original works is certainly not dispositive.<sup>158</sup> Additionally, if the original works have already been published, this reduces the significance of their creative nature under the second factor.<sup>159</sup> Thus, it is likely that this factor will weigh only slightly, if at all, against a finding of fair use.

Under the third factor, although the entire work has been copied, this is similarly not dispositive and does not necessarily warrant a finding against fair use.<sup>160</sup> Given the nature of the use as a filtering tool, it is necessary to

---

155. See *id.*

156. See *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 819 (9th Cir. 2003). In *Kelly*, in its evaluation of the first factor, the court noted:

Arriba's use of the images serves a different function than Kelly's use—improving access to information on the internet versus artistic expression. Furthermore, it would be unlikely that anyone would use Arriba's thumbnails for illustrative or aesthetic purposes because enlarging them sacrifices their clarity. Because Arriba's use is not superseding Kelly's use but, rather, has created a different purpose for the images, Arriba's use is transformative.

*Id.* Additionally, in *Scribd*, it is not poor quality that would prevent the works from being used, as is the case in *Kelly*. Rather, the works are not even accessible by the general public for viewing, let alone downloading.

157. See 17 U.S.C. § 102(a)(1) (2006) (listing “literary works” as “works of authorship” warranting copyright protection).

158. See *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 612 (2d Cir. 2006) (“[T]he second factor may be of limited usefulness where the creative work of art is being used for a transformative purpose.” (citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 586 (1994))).

159. See *Kelly*, 336 F.3d at 820 (“Published works are more likely to qualify as fair use because the first appearance of the artist's expression has already occurred.” (citing *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 564 (1985))).

160. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 449–50 (1984) (“[W]hen one considers the nature of a televised copyrighted audiovisual work . . . the fact that the entire work is reproduced . . . does not have its ordinary effect of militating against a finding of fair use.”); *Kelly*, 336 F.3d at 821 (holding that factor three did not weigh for or against fair use even though the

copy the entire work in order to recognize and flag unauthorized copies containing any portion of the original document.<sup>161</sup> Therefore, it is likely that this factor will neither weigh for nor against a finding of fair use.

Finally, under the fourth factor, it will be difficult to show that plaintiff copyright owners have suffered or will suffer any economic harm as a result of the unauthorized copies. Because the copies are contained in an internal database, the general public does not have access to the copies.<sup>162</sup> Thus, while being used to flag unauthorized copies of the work, each copy is certainly not acting as a substitution for the original work.<sup>163</sup> Given the lack of harm to the market for the original work, this factor will likely weigh in favor of a finding of fair use.

By weighing all of the factors, the court will very likely find that the copies made for the filtering database constitute fair use. Other cases with similar facts have been deemed fair use by courts.<sup>164</sup> For example, in *Kelly v. Arriba Soft Corp.*,<sup>165</sup> the Ninth Circuit found that the defendant's use of plaintiff's copyrighted photographs was fair use. There, the defendant company made copies of plaintiff's photographs to use on its search engine webpage. The court found that under factor one, the use of the photographs to facilitate image-based internet searches was significantly transformative. Under the second factor, the court found that the original work was sufficiently creative to go to the heart of copyright, but that this factor only weighed slightly in favor of the plaintiff because the photographs had previously been published. The court found that although the defendant used the entire work under factor three, it took no more than was needed in light of the use. Finally, under factor four, the court found that there was no market harm because the small, thumbnail images were of such low resolution that they would not be a substitute for the plaintiff's original images.<sup>166</sup>

---

entire original work was copied); *Bill Graham Archives*, 448 F.3d at 613 (holding that copying the entire original work "does not necessarily weigh against fair use because copying the entirety of a work is sometimes necessary to make a fair use of the image").

161. See *Kelly*, 336 F.3d at 820–21 ("It was necessary for Arriba to copy the entire image to allow users to recognize the image . . .").

162. See *How Does Scribd Help Protect the Rights of Authors?*, *supra* note 154.

163. See *Campbell*, 510 U.S. at 581 n.14 (noting that "when there is little or no risk of market substitution . . . because of . . . the new work's minimal distribution in the market," this goes against a finding of fair use).

164. See, e.g., *Kelly*, 336 F.3d 811; *Bill Graham Archives, LLC v. Dorling Kindersley Ltd.*, 386 F. Supp. 2d 324 (S.D.N.Y. 2005).

165. 336 F.3d 811.

166. See *id.* at 818–22.

### 3. Application of Claim Preclusion

Assuming that a court will find the copies created for Scribd's filtering database to be a fair use of the original works, the battle may not be over in the eyes of the plaintiffs. Such a ruling would permit Scribd to continue creating unauthorized copies of protected works to upload to its database for the purpose of filtering out infringing content. While this appears to be a reasonable ruling, there remains a significant concern for plaintiffs: What happens if Scribd ever decides to use the copies for a different purpose? Will a ruling of fair use in the current case preclude plaintiffs from challenging any future use Scribd makes of those copies?

Claim preclusion may potentially bar the plaintiffs in *Scott v. Scribd, Inc.*<sup>167</sup> from bringing a subsequent copyright infringement suit against Scribd if Scribd ever chose to use the copies for a purpose other than filtering content. The first element of claim preclusion, same parties, would clearly be met: The same exact parties would be involved in the second litigation. The authors would again be bringing the suit, and Scribd would again be the defendant.<sup>168</sup> Additionally, the original case's finding of fair use in favor of Scribd would be considered a final judgment. In such a case, the court would have decided the case on the merits, and not on procedural grounds. Finally, we can assume for this discussion that the initial court was one of competent jurisdiction.

The question of whether the second suit would address the same claim is not as clear cut as the other elements of claim preclusion, and it requires a somewhat more detailed discussion. Plaintiffs in *Scott* are alleging copyright infringement, arguing that Scribd infringes their exclusive right under section 106(1) of the Copyright Act to make reproductions of the work. The analysis regarding same claim takes different forms as we consider the potential future uses of the creative works.

For the first hypothetical, assume that Scribd decides to post the filtering database on its website, making all of the copies therein accessible to the public. Perhaps Scribd is angry that authors are not more concerned with the public good, and it wants to take advantage of its prior legal victory to share some works with the public. Thus, all works in the filtering database, including those with copyrights held by the authors in *Scott*, would be accessible and

---

167. No. 09CV03039 (S.D. Tex. Sept. 18, 2009).

168. If any of the authors in *Scott v. Scribd, Inc.* sold or otherwise transferred ownership of their copyright, the new owner would still be considered the same party for the purpose of claim preclusion because assignees of the legal rights of the initial party are similarly barred from future litigation (assuming all other elements of claim preclusion are met). See, e.g., *Perry v. Globe Auto Recycling, Inc.*, 227 F.3d 950, 953 (7th Cir. 2000).

downloadable by Scribd's millions of members. At first blush, this may appear to be the same claim and thus precluded from litigation. After all, the exact same unauthorized copies are at issue, and a court already found the copies to be noninfringing.

However, a closer look reveals that this claim could stand on its own. As noted in Part I.A, the exclusive rights of a copyright holder overlap considerably, and several acts may constitute more than one violation under section 106. Thus, in copyright infringement cases, there may be relief for the author in a second round of litigation under a different theory of infringement.

In this first hypothetical, the second claim would actually be a section 106(3) violation of the author's exclusive right to distribute copies of the work to the public.<sup>169</sup> A separate statutory right of the author was violated, and different facts—such as Scribd publicly posting all of the documents—would need to be alleged to state the new claim. Furthermore, the plaintiffs did not have the ability to bring the claim in the first case because there had been no such violation at the time. In this case, the claim would likely be viewed as a new and different claim under either the traditional view or the primary rights view and would thus not be barred by claim preclusion.

The cases that will present a much stronger challenge will be those in which the secondary use of the work is the same section 106 violation or, in an even more difficult case, involves a use that is not explicitly protected under the Copyright Act, but would not have been possible had it not been for the initial finding of fair use. Hence, in this second hypothetical, assume a Scribd employee accesses the filtering database at home and reads some of the protected works aloud to her children as bedtime stories. In this case, there has been no additional copy made, and thus no additional violation of section 106(1); the employee is accessing the copy that exists in the private Scribd filtering database.<sup>170</sup> There would be no section 106(2) violation because the

---

169. Section 106(3) of the Copyright Act grants the owner of the copyright the exclusive right "to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending." 17 U.S.C. § 106(3) (2006).

170. The idea that the version of the work that appears on the employee's home computer is an additional copy is an argument that can be asserted, but this argument is outside the scope of this Comment. Additionally, this argument does not avoid a similar type of problem in other situations, such as copying music to a CD. Consider a parallel hypothetical: A professor makes an unauthorized copy of a song by copying it onto a CD for his music theory class. The author brings a suit against the professor, alleging a section 106(1) violation, and the professor's fair use defense prevails because the use of the song is for educational purposes. See 17 U.S.C. § 107 (explicitly listing teaching as an example of a fair use of a copyrighted work). The professor later brings the CD home and plays the song for his family. The use is a private performance and outside the protection provided by section 106. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 468–69 (1984) (Blackmun, J., dissenting).

employee is not creating any sort of derivative work, such as a spin-off of the original children's book.<sup>171</sup> Additionally, regardless of any inadvertent or intentional deviation or alteration, the employee is not fixing the story in any way, such as by capturing her words with an audio or video recorder while she reads aloud.<sup>172</sup> The employee is not committing a violation of section 106(3) in this case, as no additional copy is involved.<sup>173</sup> Under section 106(4), the employee's reading of the story may certainly be a performance under the definition of the Copyright Act, as he is directly reciting the work.<sup>174</sup> However, the performance would not be considered public.<sup>175</sup> Similarly, there would be no violation of the author's exclusive right to publicly display the work under section 106(5). The final exclusive right of performance of a sound recording, covered by section 106(6), would not apply here.<sup>176</sup>

---

However, the use is beyond the scope of teaching, and yet the fair use determination arguably bars the author from bringing a suit against the professor for his personal use of the copy.

171. The Act provides the following definition of derivative work:

A "derivative work" is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a "derivative work."

17 U.S.C. § 101.

172. Courts have held that a derivative work must be fixed. See *Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc.*, 964 F.2d 965, 967 (9th Cir. 1992) ("A derivative work must incorporate a protected work in some concrete or permanent 'form.'"); see also Edward G. Black & Michael H. Page, *Add-On Infringements*, 15 HASTINGS COMM. & ENT. L.J. 615, 625 (1993).

173. See *supra* note 170.

174. The Act provides the following definition of perform:

To "perform" a work means to recite, render, play, dance, or act it, either directly or by means of any device or process or, in the case of a motion picture or other audiovisual work, to show its images in any sequence or to make the sounds accompanying it audible.

17 U.S.C. § 101.

175. The Copyright Act provides:

To perform or display a work "publicly" means—

(1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or

(2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

*Id.*

176. The work here is clearly not a sound recording, defined in the Act as a "work[] that result[s] from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture or other audiovisual work, regardless of the nature of the material objects, such as disks, tapes, or other phonorecords, in which they are embodied." *Id.*

The employee in this second hypothetical is privately performing the work. The scope of the exclusive rights of a copyright holder is somewhat narrow and such a use is not protected under the Copyright Act.<sup>177</sup> In fact, most authors are not concerned with these types of private uses because such uses are often expected of a consumer who legally obtains a copy of a work.<sup>178</sup> The rationale is that—in addition to the fact that a private performance does not harm the copyright owner—the author typically has already been compensated when the individual lawfully obtained the work. Here, we have no such rationale because the author was never compensated for the copy of the work the employee obtained from the Scribd filtering database. Because the copy is excused by the court's fair use determination, the author has no avenue to prevent the private performance and receives no income in connection with the employee's private use of the author's work.

Under these facts, the author can only argue that the new use of the copy does not constitute fair use—a claim that reverts back to the original section 106(1) violation. Consequently, it would be very difficult to avoid claim preclusion under the current application of the doctrine if the initial copying for the filtering database has already been litigated and deemed fair use.

B. *Sony Corp. of America v. Universal City Studios, Inc.*<sup>179</sup>

The *Sony* case provides another example of how a prior adjudication of fair use can bar a plaintiff's subsequent copyright infringement claims, this time in the context of issue preclusion.

1. Background

In 1975, Sony released the Betamax VTR, one of the first devices of its kind.<sup>180</sup> The VTR functioned much like a VCR, allowing users to record live television broadcasts for playback at a later time.<sup>181</sup> This practice, known as time-shifting,<sup>182</sup> was a great convenience for anyone who could not be home during

---

177. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 468–69 (1984) (Blackmun, J., dissenting).

178. See Mike Masnick, *According to Author's Guild, You Cannot Read Books Out Loud*, TECHDIRT (Feb. 10, 2009, 10:35 AM), <http://techdirt.com/articles/20090210/1014293724.shtml>.

179. 464 U.S. 417.

180. See *Milestones: Development of VHS, a World Standard for Home Video Recording, 1976*, IEEE GLOBAL HIST. NETWORK, [http://www.ieeeahn.org/wiki/index.php/Milestones:Development\\_of\\_VHS,\\_a\\_World\\_Standard\\_for\\_Home\\_Video\\_Recording,\\_1976](http://www.ieeeahn.org/wiki/index.php/Milestones:Development_of_VHS,_a_World_Standard_for_Home_Video_Recording,_1976) (last visited Mar. 22, 2011).

181. *Sony*, 464 U.S. at 422 (“The separate tuner in the Betamax enables it to record a broadcast off one station . . . for later viewing.”).

182. *Id.* at 421.

the original broadcast of the television shows they wished to view.<sup>183</sup> At the time, the only alternative to time-shifting in such a situation was to wait until the show aired again as a rerun, and even then there was no guarantee the broadcast time would be convenient for the viewer.<sup>184</sup>

A few years after the release of the Betamax, two major entertainment studios, Universal City Studios, Inc. and Walt Disney Productions, brought a suit against Sony for copyright infringement. Plaintiffs alleged:

[S]ome individuals had used Betamax video tape recorders (VTR's) to record some of [plaintiffs'] copyrighted works which had been exhibited on commercially sponsored television and contended that these individuals had thereby infringed [plaintiffs'] copyrights. [Plaintiffs] further maintained that [Sony was] liable for the copyright infringement allegedly committed by Betamax consumers because of [Sony's] marketing of the Betamax VTR's.<sup>185</sup>

To prevail, plaintiffs had the burden of showing that Sony should be held liable for the infringing acts of Betamax users.<sup>186</sup> After drawing a comparison between copyright and patent law, the Supreme Court determined that Sony could not be held liable for the infringing activity of Betamax users so long as the Betamax device was "merely . . . capable of substantial noninfringing uses."<sup>187</sup>

In order to make such a determination, the Court looked to the most common use of the Betamax.<sup>188</sup> The Court noted surveys indicating that "the primary use of the machine for most owners was 'time-shifting.'"<sup>189</sup> Therefore, the Court analyzed whether unauthorized time-shifting constituted infringement. Initially, the Court found that "even a single videotape recording at home" met the definition of a copy under the Act, and concluded that "VTR recording is contrary to the exclusive rights granted by § 106(1)."<sup>190</sup>

While the recordings made by Betamax users appeared to violate plaintiffs' exclusive right to reproduce their works under section 106(1), the copies did

---

183. *Id.* at 422–23 ("[T]he Betamax . . . enabl[es] an intended viewer to record programs that are transmitted when he or she is not at home. Thus a person may watch a program at home in the evening even though it was broadcast while the viewer was at work during the afternoon.").

184. For the purposes of this example, I am only considering the viewing and time-shifting of television shows, and not movies.

185. *Sony*, 464 U.S. at 420.

186. *Id.* at 434.

187. *Id.* at 442.

188. *See id.* ("[W]e need not explore *all* the different potential uses of the machine and determine whether or not they would constitute infringement. Rather, we need only consider whether on the basis of the facts as found by the District Court a significant number of them would be noninfringing.").

189. *Id.* at 424 n.4.

190. *Id.* at 464 (Blackmun, J., dissenting).

not necessarily constitute infringement.<sup>191</sup> The Court acknowledged that “all reproductions of [a] work . . . are not within the exclusive domain of the copyright owner . . . Any individual may reproduce a copyrighted work for a ‘fair use’; the copyright owner does not possess the exclusive right to such a use.”<sup>192</sup> Thus, “[t]aping a copyrighted television program is infringement *unless* it is permitted by the fair use exemption contained in 107 of the 1976 Act.”<sup>193</sup>

## 2. Fair Use Analysis

The Court began its fair use analysis by noting that, under the first factor, the use of “time-shifting for private home use must be characterized as a noncommercial, nonprofit activity.”<sup>194</sup> However, the Court acknowledged that this factor was not determinative as “[e]ven copying for noncommercial purposes may impair the copyright holder’s ability to obtain the rewards that Congress intended him to have.”<sup>195</sup>

The Court appears to have skipped over the second factor, although it is clear that the works are significantly creative and original and thus certainly go to the heart of copyright law.<sup>196</sup> However, the Court may have also found this fact to be less significant due to the original works being published at the same time the copies were being made. Thus, it is likely that this factor was either neutral in the analysis or only slightly weighed against a finding of fair use.

In addressing the fact that the works were copied in their entirety when the recordings were created, the Court noted that under the circumstances, the third factor did not strongly weigh against a finding of fair use:

[W]hen one considers the nature of a televised copyrighted audiovisual work . . . and that time-shifting merely enables a viewer to see such a work which he had been invited to witness in its entirety free of charge, the

---

191. See *id.* at 462 (“[T]he fair use of a copyrighted work is not an infringement of copyright.” (quoting 17 U.S.C. § 107 (2006))).

192. *Id.* at 433 (majority opinion).

193. *Id.* at 475 (Blackmun, J., dissenting) (emphasis added).

194. *Id.* at 449 (majority opinion).

195. *Id.* at 450.

196. Section 102(a) of the Copyright Act states that “[w]orks of authorship include . . . motion pictures and other audiovisual works . . .” 17 U.S.C. § 102(a). Section 101 defines audiovisual works as:

[W]orks that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.

*Id.* § 101.



fact that the entire work is reproduced, see § 107(3), does not have its ordinary effect of militating against a finding of fair use.<sup>197</sup>

The Court then turned its focus to the fourth factor. Having deemed time-shifting a noncommercial use, the Court noted that under the fourth factor it must be shown that the use is harmful or, if widespread, “would adversely affect the potential market for the copyrighted work.”<sup>198</sup> The Court quickly dismissed any finding of current harm, noting that “[p]laintiffs have admitted that no actual harm to their copyrights has occurred to date.”<sup>199</sup> The Court also agreed with the district court’s findings that the majority of plaintiffs’ predictions of future harm were merely speculative and concluded that plaintiffs failed to show likelihood of future harm due to widespread time-shifting.<sup>200</sup> Thus, the Court concluded that the fourth factor weighed in favor of fair use.

In balancing the factors, the Court found that the act of time-shifting was fair use and therefore a noninfringing use of plaintiffs’ works.<sup>201</sup> Ultimately, this determination played a pivotal role in the Court’s finding that Sony could not be held liable for user-made copies of plaintiffs’ works achieved with the Betamax.<sup>202</sup>

### 3. Application of Issue Preclusion

When the Court handed down the *Sony* decision over twenty-five years ago, boxed sets and prerecorded copies of television shows were not nearly as readily available as they are today. Although plaintiffs in *Sony* argued that time-shifting would cause reduced profits from rentals or sales of television shows,<sup>203</sup> this argument was dismissed by the court with minimal discussion for “lack[ing] merit.”<sup>204</sup> The court found that “the live viewer is no more likely to

---

197. *Sony*, 464 U.S. at 449–50.

198. *Id.* at 451.

199. *Id.* at 452 (quoting *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 451 (C.D. Cal. 1979)).

200. *Id.* at 451–52.

201. *Id.* at 454–56.

202. *See id.* at 456.

203. *See id.* at 453 (noting that plaintiffs claimed “theater or film rental exhibition of a program will suffer because of time-shift recording of that program” (quoting *Universal*, 480 F. Supp. at 467)).

204. *Id.* (quoting *Universal*, 480 F. Supp. at 467). *But see Sony*, 464 U.S. at 483 (Blackmun, J., dissenting) (“The Studios have identified a number of ways in which VTR recording could damage their copyrights. VTR recording could reduce their ability to market their works . . . through the rental or sale of prerecorded videotapes or videodiscs . . .”).

buy prerecorded videotapes than is the time-shifter. . . . [N]o live viewer would buy a prerecorded videotape if he did not have access to a VTR.<sup>205</sup>

However, in present-day conditions, the Court's argument fails to account for those viewers who are unable to watch live broadcasts and do not have a recording device, such as a TiVo or DVR. In the current market, those individuals who wish to watch a television show, but are unable to view it during the live broadcast, would arguably buy or rent a prerecorded version of the show if they did not have access to a DVR.<sup>206</sup> Thus, the recordings created by today's DVR users are a direct substitute for the prerecorded television shows now widely offered for sale by the studios.

Both Universal and Walt Disney—the plaintiffs in *Sony*—have joined the trend of releasing boxed sets for additional profits.<sup>207</sup> However, these studios have also certainly lost potential customers who are able to watch the same shows after the original air date through the use of TiVo or other DVR device. As noted, without the availability of a DVR, viewers who missed live broadcasting are arguably more likely to purchase boxed sets. Thus, the *Sony* plaintiffs are experiencing losses in revenue as a result of TiVo and its time-shifting capabilities.<sup>208</sup>

If either Universal or Walt Disney wanted to bring a suit against TiVo arguing that the company facilitates time-shifting, which infringes their copyright and causes a direct loss in profits from boxed sets, it is likely that both studios would be precluded from bringing the suit. TiVo would assert defensive, nonmutual issue preclusion, arguing that the plaintiffs already had the opportunity to fully litigate the issue of time-shifting in *Sony*, and the court would likely agree.

In evaluating the elements of issue preclusion, it is likely that a court would find that the second suit involves the same issue as *Sony*. Regardless of how the second issue was defined, the issues of infringement under section 106(1), market harm, and fair use were all litigated in *Sony*. Additionally, the Supreme Court

---

205. *Sony*, 464 U.S. at 450 n.33.

206. If a viewer wants to watch a show and is not home when it airs, she can either record it with a TiVo or a DVR, or she can rent or buy the boxed set when it is released by the studios. Viewers without a DVR have only the latter option (not including waiting for the show to air again as a rerun, which is uncertain). Although some television shows are also available online for free viewing, some are only available for a limited time, while others are never made available by the copyright holder on the internet.

207. For example, Universal City Studios is the copyright holder of boxed sets of *The Office*, a popular sitcom. See *The Office: Season Five*, TV SHOWS ON DVD, <http://www.tvshowsondvd.com/news/Office-Season-5/11984> (last visited Mar. 22, 2011). Walt Disney is the copyright holder of boxed sets of *Hannah Montana*, a popular children's show. See *Hannah Montana*, TV SHOWS ON DVD, <http://www.tvshowsondvd.com/shows/Hannah-Montana/9790> (last visited Mar. 22, 2011).

208. See *infra* note 211.

was certainly a court of competent jurisdiction.<sup>209</sup> The issue was determined on the merits and was essential to the judgment: In finding that time-shifting was fair use, the Court deemed time-shifting to be a noninfringing use of the Betamax and subsequently concluded that Sony could not be held secondarily liable for copyright infringement.<sup>210</sup>

Even if TiVo conceded that the plaintiffs' recent production and sale of boxed sets is negatively affected by time-shifting, the second lawsuit would still be precluded.<sup>211</sup> Despite a change in the market conditions, the finality of the original adjudication would be respected. Additionally, in the Court's evaluation of market harm in *Sony*, it generously considered potential future harm:

Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the evidence that *some* meaningful likelihood of future harm exists.<sup>212</sup>

Ultimately, the fact that, at the time of *Sony*, lost profits from boxed sets was not a conceivable future market harm bars litigating the issue now, even if the harm is actual, present, and severe.

### III. LENIENT APPLICATIONS OF CLAIM AND ISSUE PRECLUSION

To analyze why fair use cases may be an appropriate candidate for an exception to the rigid application of claim and issue preclusion, it is important to flesh out two main concepts. First, it is imperative to determine what types of cases or areas of the law currently enjoy any leniency in the application of claim and issue preclusion and, more importantly, the rationales for this relaxed treatment. Second, fair use cases must be compared and contrasted with these exceptions in order to determine whether the same rationales for leniency would apply equally to fair use cases. By analyzing the justifications and policy

---

209. U.S. CONST. art. III, § 2 ("The [federal] judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States.")

210. The Court made the explicit connection between market harm, fair use, and contributory infringement:

[R]espondents failed to demonstrate that time-shifting would cause any likelihood of non-minimal harm to the potential market for, or the value of, their copyrighted works. The Betamax is, therefore, capable of substantial noninfringing uses. Sony's sale of such equipment to the general public does not constitute contributory infringement of respondents' copyrights.

*Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 456 (1984).

211. The thrust of this Part is not whether or to what extent the *Sony* plaintiffs are suffering economic loss as a result of time-shifting, but rather that even if such a loss were conceded by TiVo, issue preclusion would bar plaintiffs from bringing a suit alleging infringement through time-shifting.

212. *Sony*, 464 U.S. at 451.

concerns considered by the courts in their varied application of the doctrines of claim and issue preclusion, we can better articulate the necessary exception that must be made in fair use cases.

#### A. Nuisance Law

Nuisance law can be roughly divided into two categories: abatable and unabatable nuisances. A nuisance is considered abatable if it is capable of being removed and unabatable if it is not.<sup>213</sup> The distinction between abatable and unabatable nuisances is very important in determining damages and whether a nuisance claim is barred by prior adjudication.

In *City of Birmingham v. Leberte (Leberte II)*,<sup>214</sup> the Supreme Court of Alabama contemplated the preclusive effect of a previous nuisance suit.<sup>215</sup> Several property owners brought a suit against the city of Birmingham, claiming that the City's failure to adequately maintain the drainage systems resulted in flooding of their properties, constituting a nuisance.<sup>216</sup> The City moved for summary judgment on the basis that the claims of many of the current plaintiffs were previously litigated and decided in *Leberte v. City of Birmingham (Leberte I)*.<sup>217</sup> In *Leberte I*, several property owners who were also plaintiffs in *Leberte II* received a judgment in their favor against the City and were awarded damages in compensation for the property damages caused by flooding.<sup>218</sup> The court in *Leberte II* held that the adjudication in *Leberte I* did not bar the same plaintiffs from litigating their current nuisance claims.

The court's decision to reject the City's claim preclusion defense turned on the determination that each flooding instance constituted a separate

---

213. See BLACK'S LAW DICTIONARY 1171 (9th ed. 2009). An unabatable nuisance is also considered a permanent nuisance. See *Beatty v. Wash. Metro. Area Transit Auth.*, 860 F.2d 1117, 1121 (D.C. Cir. 1988).

214. 773 So. 2d 440 (Ala. 2000).

215. Alabama recognizes both claim preclusion and issue preclusion as affirmative defenses. See *Lee L. Saad Constr. Co. v. DPF Architects, P.C.*, 851 So. 2d 507, 516 (Ala. 2002); see also ALA. R. CIV. P. 8(c).

216. See *Leberte II*, 773 So. 2d at 442. Plaintiff homeowners claimed:

As a result of the channelization of water onto plaintiffs' property and the inadequate and insufficient drainage and flood control systems for the Community, the plaintiffs' homes and real property [have], within the past two years, sustained damage and plaintiffs' right to the peaceful use and enjoyment of their property has been interfered with. Flooding events have occurred on at least six occasions during the six month period preceding the filing of this suit and despite knowledge in the past of the City, no repairs have been performed to the system. The flooding is continuing in nature. Plaintiffs aver that *each flooding event is a separate occurrence and injury*.

*Id.* (emphasis added).

217. No. CV-95-2946 (Jefferson Cir. Ct. Apr. 26, 1995).

218. *Leberte II*, 773 So. 2d at 442-43.

occurrence—and thus, a separate claim—because the nuisance was abatable and therefore not permanent. The court noted:

The theory of law as argued is well sustained if applicable. We may restate the rules as follows: For an *abatable nuisance* the cause of action does not arise until the harmful consequences occur, and *each occurrence or recurrence of such damages constitutes a separate cause of action*. But for an injury by a permanent and unabatable condition the damages are estimated on the hypothesis of an indefinite continuance of the nuisance, and thus affecting the permanent value of the property. In such event, one may not recover in successive suits, but his damages are awarded in *solido* in one action.<sup>219</sup>

The court explained that, had the flooding been a result of faulty construction of the sewage system, it would constitute a permanent nuisance and damages would be calculated by estimating the total damage that would result in the future. However, the flooding was deemed to be a result of negligent maintenance of the drainage system, which the court held constituted an abatable nuisance. Specifically, the court observed:

[T]he plaintiffs' evidence tended to show that the City had undertaken to maintain a storm-water drainage system, consisting of ditches and pipes to direct water away from the houses of the neighborhood. . . . The record contains ample evidence indicating that the City had systematically neglected or refused to remove obstructions from the ditches and pipes, and that the failure to remove them had contributed to the damage incurred by the plaintiffs . . . .<sup>220</sup>

Ultimately, the nuisance that occurred each time plaintiffs' properties were flooded was the result of a separate act of negligence by the City, thus constituting separate and unique claims. In justifying this determination, the court expressed concern with the City's argument that the court should declare the flooding a permanent nuisance:

[T]he approach urged by the City would effectively absolve it of all responsibility for maintaining a storm-water system it had assumed the responsibility to provide and would shield a municipality from liability for abatable nuisances in virtual *perpetuity*. This was not the intent of the Legislature or of this Court.<sup>221</sup>

The court's disapproval is well founded and applies to any other situation in which a party could potentially avoid all existing responsibilities

---

219. *Id.* at 444–45 (emphasis added) (quoting *Harris v. Town of Tarrant City*, 130 So. 83, 84–85 (Ala. 1930)) (internal citations omitted).

220. *Id.* at 446.

221. *Id.* at 447.

by arguing that the resulting harm was unavoidable and therefore permanent. Additionally, this application of claim preclusion does not lessen the finality of judgments, but rather shapes the definition of claim preclusion to reflect fairness concerns.

#### B. Real Property Assessment

Real property is commonly assessed and classified each year to calculate property taxes owed by the property owner. The classification is often determined by the highest and best use of the property and can have a considerable effect on the amount of taxes for which the homeowner is responsible.<sup>222</sup> Courts often must consider how the potential change in property use affects the application of claim and issue preclusion to litigation regarding property assessment and classification.

In *Colvin v. Story County Board of Review*,<sup>223</sup> the Supreme Court of Iowa addressed this very issue. The Story County assessor reclassified Thomas and Sonya Colvin's property from agricultural to residential in 1999—a change that would have significantly increased the Colvins' annual property taxes.<sup>224</sup> The Colvins challenged the 1999 reclassification in a suit against the Story County board of review brought in the Iowa district court (the 1999 case).<sup>225</sup> The Colvins were unsuccessful and subsequently appealed.<sup>226</sup> While the appeal was pending, the assessor reassessed the Colvins' property in 2000, which resulted in an increased residential valuation.<sup>227</sup> The Colvins brought a second claim in the Iowa district court challenging the 2000 assessment (the 2000 case) and were successful.<sup>228</sup> In fact, the court found that the property was agricultural rather than residential and reversed the board's decision.<sup>229</sup> Satisfied, the Colvins dismissed their appeal of the 1999 case.<sup>230</sup>

The board then appealed the 2000 case and argued that the 1999 case barred the Colvins from challenging the 2000 assessment on a theory of claim preclusion.<sup>231</sup> The court concluded that because “each tax year presents a new cause of action for an owner or taxpayer of property who is dissatisfied with

---

222. See Bonnie H. Keen, *Tax Assessment of Contaminated Property: Tax Breaks for Polluters?*, 19 B.C. ENVTL. AFF. L. REV. 885, 889 (1992).

223. 653 N.W.2d 345 (Iowa 2002).

224. *Id.* at 347.

225. *Id.*

226. *Id.*

227. *Id.*

228. *Id.*

229. *Id.*

230. *Id.*

231. *Id.*

an assessment . . . a tax liability judgment for a previous year is not conclusive with respect to a subsequent tax year under the doctrine of claim preclusion.”<sup>232</sup> Rather than strictly applying claim preclusion and barring a property owner from relitigating a tax assessment in a subsequent year, the court applied “a rebuttable presumption that the use of the property has remained the same since the time the assessor reclassified the property in [the prior year].”<sup>233</sup>

In justification of this standard, the court noted:

When it is admitted that the use of the real property is the same as it was in the prior years when the court adjudicated its classification, there is a strong presumption that no change has occurred. The court should not be obligated to reexamine the same facts again and again. A *condition* once shown may be presumed to continue until the contrary is shown.<sup>234</sup>

This explanation is consistent with the general justifications for claim preclusion, including efficiency and the preservation of judicial resources. However, Iowa’s law allowing property owners to challenge their property’s assessment each year recognizes that changes in conditions do warrant the court’s reevaluation.<sup>235</sup>

### C. Zoning Law

In several states, courts consider whether there has been a substantial change in conditions when analyzing the application of claim and issue preclusion in the context of zoning laws.<sup>236</sup> For example, in *In re Appeal of Armitage*,<sup>237</sup> a zoning board granted Pittsford Enterprises, LLP, and Joan S. Kelley (applicants) a permit to construct a new post office.<sup>238</sup> However, neighbors of the proposed location appealed to Vermont Environmental Court, which reversed the zoning board’s grant of the permit and denied the application.<sup>239</sup>

---

232. *Id.* at 348; *see also* IOWA CODE § 441.37(1) (2008) (“Any property owner or aggrieved taxpayer who is dissatisfied with the owner’s or taxpayer’s assessment may file a protest against such assessment with the board of review on or after April 16, to and including May 5, of the year of the assessment.”).

233. *Colvin*, 653 N.W.2d at 349.

234. *Id.* (quoting *Cott v. Bd. of Review*, 442 N.W.2d 78, 81 (Iowa 1989)).

235. *See* IOWA CODE § 441.37(1).

236. *See In re Appeal of Armitage*, 917 A.2d 437, 439 (Vt. 2006) (Vermont); *Kollock v. Sussex Cnty. Bd. of Adjustment*, 526 A.2d 569, 572–74 (Del. 1987) (Delaware); *Driscoll v. Gheewalla*, 441 A.2d 1023, 1027 (Me. 1982) (Maine); *Fisher v. City of Dover*, 412 A.2d 1024, 1027 (N.H. 1980) (New Hampshire); *Whittle v. Bd. of Zoning Appeals of Balt. County*, 125 A.2d 41, 45 (Md. 1956) (Maryland).

237. 917 A.2d 437.

238. *Id.* at 438.

239. *Id.*

The Environmental Court noted erosion, traffic volume, and safety problems as the reasons for denial.<sup>240</sup>

Months later, applicants revised their application and resubmitted it to the zoning board. The revised application was approved and, again, the neighbors appealed the approval to the Environmental Court. This time, the court upheld the zoning board's grant, finding that the revised application addressed and resolved the erosion and traffic issues, and conditioned the approval on applicants taking additional steps to provide for traffic safety.<sup>241</sup>

The neighbors appealed to the Supreme Court of Vermont, arguing that applicants' relitigation of the traffic and safety issues should have been barred by issue preclusion.<sup>242</sup> In addressing this issue, the court noted that the doctrine of issue preclusion "generally applies to zoning so that 'a zoning board or planning commission may not entertain a second application concerning the same property after a previous application has been denied, *unless a substantial change of conditions ha[s] occurred.*'"<sup>243</sup> The court also explained that the burden of showing changed conditions fell on the applicant and that this requirement is satisfied "when a revised proposal addresses all concerns that prevented approval of the prior application."<sup>244</sup>

The court summarized its rationale in a subsequent decision in 2008:

Ordinarily, Rule 60(b) is the only way to avoid claim preclusion and reopen "[u]n appealed final judgments." However, claim preclusion "does not apply to administrative proceedings as an inflexible rule of law." Although the principles of claim preclusion "generally apply in zoning cases as in other areas of the law," the "successive-application doctrine" is a distinct set of preclusive rules developed specifically for zoning proceedings.<sup>245</sup>

As noted in Part II, this "substantial change of conditions" exception is not present in the federal application of issue preclusion. The exception does, however, also exist in Maine,<sup>246</sup> and the Supreme Judicial Court of Maine

240. *Id.*

241. *Id.*

242. *Id.*

243. *Id.* at 439 (alteration in original) (emphasis added) (quoting *In re Carrier*, 582 A.2d 110, 113 (Vt. 1990)).

244. *Id.* (citing *In re Carrier*, 582 A.2d at 114).

245. *In re Dunkin Donuts S.P. Approval* (Montpelier), 969 A.2d 683, 685 (Vt. 2008) (internal citations omitted).

246. See *Driscoll v. Gheewalla*, 441 A.2d 1023, 1027 (Me. 1982) ("[T]he general rule is that a board of zoning appeals or board of adjustment may not entertain a second application for a variance concerning the same property after a previous application has been denied, *unless a substantial change of conditions had occurred* . . . between the time of the first adjudication and the subsequent application." (emphasis added)).



explains the rationale for this exception in the context of zoning laws:

The reasons underlying the rule consist in providing finality to proceedings before the appellate zoning authority, giving protection to the integrity of the zoning plan, immunizing board decisions from change at the whim of agency personnel and shielding its members from possible improper influences, and, finally, stabilizing property interests and sparing property owners the harassment which repetitive variance requests would undoubtedly generate.<sup>247</sup>

Many of the same traditional underlying justifications for claim and issue preclusion are addressed by the court. Additionally, however, the court addressed the following concerns centered on fairness:

Should the ordinance's prohibition against a rehearing or subsequent application . . . be interpreted to bar absolutely . . . any request for a variance notwithstanding the existence of substantial changes in the use to be made under the later proposal from that advanced in the previous hearing, then a serious question respecting the constitutionality of that part of the ordinance would arise because of substantial deprivation of property without compensation or abuse of the police power.<sup>248</sup>

Ultimately, these state courts have found a way to balance the important policy concerns driving issue and claim preclusion with those at the heart of zoning laws by considering relevant changes in conditions when reviewing subsequent applications.

These decisions provide valuable insight into the justifications for a modified application of claim and issue preclusion in various areas of the law. Understanding these court opinions and the preservation of policy goals that they provide guide the basis for restructuring the doctrines as they apply to fair use.

#### IV. PROPOSED SOLUTION

In considering any change to the application of claim and issue preclusion to fair use cases, the focus centers on the heart of the justifications for copyright protection. Copyright law exists to provide incentives to authors so that they will be encouraged to innovate, create, and share, all for the

---

247. *Id.*

248. *Id.*

benefit of the greater public.<sup>249</sup> Any negative effects that the doctrines of claim and issue preclusion have on author incentives must be evaluated as to their severity and weighed against the policy concerns dictating the application of these doctrines.

A. New Purpose: Changed Use Under Factor One

The *Scribd* litigation outlines an issue concerning how fair use determinations should be treated over time when there has been a change in the secondary use of a protected work. The crux of the concern is that, currently, claim and issue preclusion may leave authors with no available remedy against individuals who obtain the right to use an existing work under a theory of fair use, and then subsequently use the work in a different way. Whether this causes authors to suffer any loss of incentive to create dictates whether changes to the application of claim and issue preclusion in such instances are warranted.

1. Uses Implicating a Nonexclusive Right

Initially, one could argue that if the new use is not covered under section 106 of the Copyright Act—listing an author’s exclusive rights<sup>250</sup>—then we should not be concerned about it in the first place, as Congress clearly did not intend any other rights to be exclusive to the author. Thus, we do not worry about the private performance of the *Scribd* employee as he reads Scott’s children’s story aloud after accessing a copy of the work from the filtering database, because the author has no exclusive right to a private performance.

The flaw in this argument is that it fails to consider the reasoning for the six exclusive rights codified in section 106. For instance, Congress has no need to include private performance as an exclusive right, as this type of use will be commonplace with many legally obtained works. A mother will read a book aloud to her child; a family will gather around their home television and watch a movie; and a teenager will play her favorite CD in her room for a small group of friends. Forbidding such uses under copyright law would discourage dissemination of creative works among the public—the very thrust

---

249. See GORMAN & GINSBURG, *supra* note 38, at 14; see also *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 450 (1984) (“The purpose of copyright is to create incentives for creative effort.”).

250. See *supra* Part I.A.

of the incentive theory behind copyright law.<sup>251</sup> Additionally, enforcing such a restriction would be next to impossible due to the private nature of these uses.

Authors are not typically concerned with these types of uses because such uses are usually only possible after the author has been compensated for a copy of her work. The author would also benefit financially from the lawful creation of the copy or the transfer of the work to the individual. In this sense, the exclusive right to produce copies—under section 106(1)—and the exclusive right to distribute copies to the public—under section 106(3)—provide the copyright holder with enough control of her original work to ensure she receives compensation for the work before a private performance could even occur.

Considering the above examples, even if the subjects in these scenarios did not directly compensate the author for the works, we can imagine facts where the copyright holder will have still received profits from the work in question. If the mother with the children's book, for instance, obtained it from the library, the book was likely purchased with taxpayer dollars from a retailer. The retailer would have paid the copyright holder directly or indirectly for that particular copy.<sup>252</sup> Or consider the movie example: Perhaps the movie is being viewed on free television, and thus, the family has not paid a dime to watch it in their home. The television station, however, would have obtained the movie through a distributor, who would have, in turn, received the rights to distribute the movie either directly or indirectly from the copyright holder in exchange for compensation. Finally, the CD example: Even if a friend brought the copy from home, having snagged it from her father's collection, at some point the father purchased the copy from a retailer, which compensated the copyright holder upon the initial sale.

Thus, copyright holders do not need the exclusive right to private performances—or various other uses—as long as such uses can only be achieved through authorized means whereby the copyright holder is justly compensated. The issue arises—as in the Scribd bedtime story hypothetical—when compensating the author for her work is circumvented by a determination of fair use, and all subsequent uses that are not covered under section 106 are suddenly fair game.

Here, the concern is that this loophole could be quickly abused by individuals hoping to avoid the cost of purchasing works, the cost of licensing

---

251. See H.R. REP. NO. 94-1476, at 61 (1976) (citing U.S. CONST. art. I, § 8).

252. Copyright's first sale doctrine limits the copyright holder's ability to restrict the distribution of a particular copy of a work once it is initially sold. See 17 U.S.C. § 109(a) (2006). Therefore, a copyright holder may price an initial copy of her work to "reflect[ ] not only the value of the copy to the initial purchaser but also some of the value of subsequent uses of the copy." Anthony Reese, *The First Sale Doctrine in the Era of Digital Networks*, 44 B.C. L. REV. 577, 591 (2003).

rights from a copyright holder, or the frustration of being denied use of the works. The plan would be to simply find a use for the work that a court deems to be noninfringing under the fair use doctrine. Once the ruling comes down in an individual's favor, simply altering the use of the work would protect the individual from the litigation to which she likely would have been subject without the protection of the initial fair use determination.<sup>253</sup>

This is certainly a dangerous outcome for authors. And, based on the intentions of Congress in enacting the Copyright Act, this would be an undesirable result. The goal of the Act is to give authors enough incentive to create so that the public can benefit from the creative works.<sup>254</sup> An author's incentive to create could drastically diminish if she were aware that her economic gain might be negatively affected by individuals finding a fair use of her work and exploiting this loophole.

Another undesirable outcome may result if authors become hesitant to bring a suit of infringement, fearing that if the court finds that the use is fair, the author would be precluded from later challenging any future uses of the work by the same party. The result would be fewer cases alleging copyright infringement, and likely increasing instances of infringement because of the reduced likelihood of facing a lawsuit.

The potential effects are serious; however, it is important to note that this type of scenario will be quite infrequent. Indeed, it is far more common for a subsequent use to violate a separate section 106 right.<sup>255</sup> Additionally, uses such as private performance are nearly impossible to track due to their private nature, and thus these cases are unlikely to influence the author's actions. Furthermore, litigation is costly and uncertain, and it is doubtful that many people would be willing to assert a fair use defense in court for the sole purpose of gaining access to protected works for free. Thus, while the current preclusive effects of a fair use determination leave copyright holders without a remedy for nonexclusive future uses, the instances—and resulting harms—would be relatively few.

Therefore, in situations where a changed use implicates a nonexclusive right under section 106, the current application of claim preclusion is better left alone. Little will be accomplished with any alteration to the current approach,

---

253. Recall the hypothetical of the music theory professor presented in note 170, *supra*. If people were able to similarly obtain an unauthorized copy of a song under a theory of fair use, the copyright holder would have no remedy against subsequent private performances of the work. If such a practice were employed on a large scale, this would have a negative effect on the author's incentive to create new music.

254. See H.R. REP. NO. 94-1476, at 61.

255. See *infra* Part IV.A.2.

and an already complex doctrine would be unruly with proposed changes that would produce minimal—if any—results. By maintaining incentives for authors, the public continues to benefit from new creations. Therefore, no change to the application of claim and issue preclusion in these situations is warranted.

## 2. Uses Implicating an Exclusive Right

Alternatively, when the new use violates a separate section 106 right, current law protects the author, and even the existing rigid application of claim and issue preclusion will not bar a second infringement suit. Therefore, because the current application of claim and issue preclusion allows for the plaintiff to bring a new claim based on a new statutory violation, such instances similarly warrant no change to the present application of these doctrines.

For example, recall the Scribd hypothetical in which the new use was posting the database on the website, making it available to all Scribd users. This is clearly a new use of the copies in question and, more importantly, this constitutes distributing the work to the public, a clear violation of section 106(3). Regardless of how broadly a court construes the definition of same claim, this new use violates a separate right of the plaintiff and, accordingly, a new infringement claim will not be barred. Additionally, the copyright holder would not have had an opportunity to litigate this new claim in the first suit because the event of posting the filtering database to the website had not yet occurred. Thus, in comporting with the values of the due process clauses, claim preclusion could not bar the plaintiff from bringing the subsequent litigation for a violation of section 106(3) without denying her right to a day in court.

Ultimately, an author is unlikely to suffer any loss of incentive resulting from the current application of claim and issue preclusion to findings of fair use when the secondary use has changed over time. Thus, regardless of whether the new use implicates an exclusive right under section 106, the negative effects of claim and issue preclusion on authors are minimal and thus do not warrant any modification to the existing application of these doctrines in cases of changed use over time.<sup>256</sup>

### B. Market Harm: Changed Conditions Under Factor Four

*Sony*<sup>257</sup> presents a slightly different puzzle of how fair use determinations should be treated over time. There, the issue is a change in market harm

---

256. Notably, if a changed use over time affected the author's economic harm, the case would more appropriately fall under the analysis in Part IV.B, *infra*.

257. 464 U.S. 417 (1984).

significant enough to alter a court's fair use analysis under factor four. In order to preserve author incentives, the law must protect authors from existing as well as future harms resulting from another person's use of the author's original work. Thus, to the extent that claim and issue preclusion fail to accommodate market changes that facilitate future harms, this could have a stifling effect on authors' incentives to create.

Of initial importance is how courts currently contemplate future market harm in their fair use analysis. In *Sony*, the Supreme Court noted:

Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the evidence that *some* meaningful likelihood of future harm exists. If the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated.<sup>258</sup>

Although this language appears to favor the copyright holder, the effective reach of a court's consideration of future harm is often fairly narrow. This is surprising, considering that "[t]he Supreme Court [has] referred to the impact on the market as 'undoubtedly the single most important element of fair use.'"<sup>259</sup>

Despite the importance placed on this factor, courts must use caution in anticipating potential future harms. Such a determination is frequently difficult to assess because of the danger of erring too far in either direction. On one extreme, courts will rarely—if ever—find that there is fair use because, with some imagination, they can almost always come up with a future scenario in which the new use causes market harm to the original author.<sup>260</sup> On the other extreme, if courts never consider future uses, this may reduce authors' incentives to create and share new works for fear that they will eventually be harmed financially by others who piggyback on their original ideas.

But are secondary users really just piggybacking on original works? Certainly the fair use doctrine recognizes that some uses of original works are transformative or useful enough to warrant their protection.<sup>261</sup> If a primary

---

258. *Id.* at 451.

259. *Maxtone-Graham v. Burtchaell*, 803 F.2d 1253, 1263 (2d Cir. 1986) (quoting *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 567 (1985)).

260. See, e.g., Carol M. Silberberg, *Preserving Educational Fair Use in the Twenty-First Century*, 74 S.CAL. L. REV. 617, 630 (2001).

261. See *Stewart v. Abend*, 495 U.S. 207, 236 (1990) ("[Fair use] permits courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster." (quoting *Iowa State Univ. Research Found., Inc. v. Am. Broad. Cos.*, 621 F.2d 57, 60 (2d Cir. 1980))).

purpose of copyright law is ultimately to benefit the public through exposure to creative new works, then all authors and creators must be given some incentive through protection. It is imperative that courts recognize that the public frequently benefits from the innovation of defendants in fair use cases.<sup>262</sup> These secondary authors, who may copy existing works to create new ones under the doctrine of fair use, are also authors who deserve protection and motivation to create. It is in the public's best interest for the law to incentivize these innovators as well so that the public may benefit from their creations.<sup>263</sup>

This delicate line between plaintiff and defendant, infringement and fair use, harm and no harm is truly a balancing act between preserving incentives among all who may further the public benefit of having access to new works. If secondary authors cannot rely on fair use in their own creative process, they will lose incentive to use existing works to create new ones. In turn, the public will lose out on these creative contributions.

Considering the importance of balancing protection and incentives for both authors and secondary authors, I propose an adjusted application of claim and issue preclusion in certain fair use cases that would extend the opportunity for relitigation by borrowing elements and justifications from nuisance law, real property assessment, and zoning law, while folding in a statute of limitations. This proposal (1) applies only to fair use determinations in which the initial court made explicit findings regarding a lack of market harm; (2) requires that the plaintiff prove there has been a change in conditions; (3) requires that the plaintiff show current, actual harm; and (4) limits the period in which relitigation is available to a plaintiff to a period of four years following the initial fair use determination.

Therefore, for four years following a court's finding of fair use, in which the court explicitly found that there was no current market harm or potential for future market harm, a plaintiff may relitigate her infringement claim. However, in the second suit, the plaintiff will bear the burden of proving both a significant change in conditions and a present economic harm as a result of the defendant's use.

---

262. See, e.g., Rich Fiscus, *Study Highlights Economic Importance of Fair Use in the US*, AFTER DAWN (Sept. 14, 2007), [http://www.afterdawn.com/news/article.cfm/2007/09/14/study\\_highlights\\_economic\\_importance\\_of\\_fair\\_use\\_in\\_the\\_us](http://www.afterdawn.com/news/article.cfm/2007/09/14/study_highlights_economic_importance_of_fair_use_in_the_us) (noting that "many businesses might not even be able to operate without copyright exemptions" under fair use, and that in 2006, "fair use [was] responsible for nearly 17 percent of U.S. GDP . . . and employ[ed] approximately 1/8 of the American workforce").

263. See *id.*; see also *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 820 (9th Cir. 2003) ("The Copyright Act was intended to promote creativity, thereby benefitting the artist and the public alike.").

### 1. Justifications for Modification

Initially, this proposal recognizes the extreme importance of factor four in the fair use analysis. Because author incentives are largely driven by economic benefit, authors are most likely to suffer a loss of incentive to create when they may suffer market harm resulting from changes in conditions. Thus, the policy concern to maximize authors' incentives warrants modification of claim and issue preclusion under such circumstances.

The rationale for modifying the application of claim and issue preclusion to findings of fair use stems from nuisance law. Nuisance law applies a different treatment for abatable and unabatable nuisances under a theory of claim or issue preclusion.<sup>264</sup> Specifically, litigation regarding harm caused by an abatable nuisance is not barred by prior adjudication because the initial suit would actually address a separate occurrence from that causing later harm.<sup>265</sup> On the other hand, in an initial suit regarding an abatable nuisance, claim and issue preclusion apply in their traditional rigid form.<sup>266</sup>

Fair use should be approached like abatable nuisances, and changed market conditions should receive the same treatment under the preclusive doctrines as the new occurrence of a nuisance. The logic for this proposal stems from the rationale behind nuisance law that we do not want responsible parties to avoid accountability for future harm under a shield of claim or issue preclusion. There is a similar relationship between the original author and the secondary author in a fair use case: Arguably, the secondary author owes the original author a responsibility to protect the original author from future harm because the secondary author is gaining the benefit of access to the original author's work through the fair use doctrine. The more we treat this relationship as one of respect between the parties, the more we preserve incentives for both authors to continue to create, thereby maximizing the public benefit.

Furthermore, although we acknowledge the balance of encouraging both original authors and secondary authors to innovate, it is necessary to note

---

264. *Leberte II*, 773 So. 2d 440, 444-45 (Ala. 2000). There, the court notes:

The theory of law as argued is well sustained if applicable. We may restate the rules as follows: For an *abatable nuisance* the cause of action does not arise until the harmful consequences occur, and *each occurrence or recurrence of such damages constitutes a separate cause of action*. But for an injury by a permanent and unabatable condition the damages are estimated on the hypothesis of an indefinite continuance of the nuisance, and thus affecting the permanent value of the property. In such event, one may not recover in successive suits, but his damages are awarded in *solido* in one action.

*Id.* (emphasis added) (quoting *Harris v. Town of Tarrant City*, 130 So. 83, 84-85 (Ala. 1930)) (internal citations omitted).

265. *See id.*

266. *See id.*



that the secondary use would not be possible without the original work. Thus, to the extent that we must lean one way or the other in protection, it is logical to first aim to protect the original work, and secondly aim to protect the work that sprung from the first.<sup>267</sup>

## 2. Plaintiff's Burdens

The rationale for the dual burdens imposed on the plaintiff evolves from an approach utilized in both zoning law and real property assessment. In allowing a plaintiff to relitigate a claim where there has been a prior finding of fair use, the court should presume that conditions have not changed since the prior litigation, and thus the burden will fall on the plaintiff to show, not only changed conditions, but also actual current harm.

Therefore, like the approach in real property assessment, “there should be a strong presumption that no change has occurred. The court should not be obligated to reexamine the same facts again and again. A condition once shown may be presumed to continue until the contrary is shown.”<sup>268</sup> This standard is in line with the policy rationale of efficiency that provides a basis for claim and issue preclusion. The standard also comports with the importance of finality, as this is a much higher bar for a plaintiff and will accordingly result in a finding of infringement less frequently.

Additionally, after a prior finding of fair use, the plaintiff should be required to show actual and current market harm—not just potential for future harm—as a result of changed conditions. This standard narrows the test under factor four in light of having already litigated the claim, giving some deference to the prior decision and respecting the policy concern of comity among courts. Further, current harm is much less speculative than future harm, making it easier to evince actual damages. This standard mimics zoning law, in which the burden lies on the plaintiff to show that each concern underlying the initial denial has been addressed.<sup>269</sup> The same rationale applies here as well: There is still a considerable focus on finality and efficiency, as well as on preserving court resources; however, there is also a recognition that a flexible application of claim and issue preclusion serves to encourage innovation and development.<sup>270</sup>

---

267. See *Warner Bros. Entm't Inc. v. RDR Books*, 575 F. Supp. 2d 513, 551 (S.D.N.Y. 2008) (acknowledging the public benefit of both works created by original authors and secondary authors, but noting that the secondary use cannot cause a loss of incentive in the original author).

268. *Cott v. Bd. of Review*, 442 N.W.2d 78, 81 (Iowa 1989).

269. *In re Appeal of Armitage*, 917 A.2d 437, 439 (Vt. 2006) (citing *In re Carrier*, 582 A.2d 110, 113 (Vt. 1990)).

270. See *Driscoll v. Gheewalla*, 441 A.2d 1023, 1027 (Me. 1982).

### 3. A Limited Exception

Finally, the four-year limitation derives from 28 U.S.C. § 1658<sup>271</sup> and provides the plaintiff with protection from future harms that are looming, although not necessarily recognized by the court in the typical factor four analysis of fair use. While this factor remains of great importance in fair use determination, this standard would take some of the pressure off of courts to use their imagination in determining whether future harm is a possibility or a certainty. In light of rapid technological advances, this protects authors from unforeseen potential harms in the near future. Additionally, such a statute of limitations serves to protect the defendant from an unending string of lawsuits. Preserving some finality in fair use decisions will allow defendants to rely upon such determinations and in turn provide incentive for these secondary authors to use existing works in their creations.

Because *Sony* was decided in 1984, this four-year limitation would prevent relitigation today of the issue of market harm caused by time-shifting. Accordingly, secondary authors—the makers of TiVo and other DVRs—would still be protected from a sudden attack on their fair use of either Universal's or Disney's original works, thereby preserving claim and issue preclusion's important doctrinal goals. Insulation from an infringement lawsuit after a finite term would also preserve incentives for secondary authors to create, thereby addressing the thrust of copyright protection.

Although *Sony* plaintiffs would not benefit from my proposed modification, this four-year window would allow other original authors to develop and perfect products or services that compete with a new fair use, and subsequently bring a claim against secondary authors when actual market harm is clearly present. This opportunity would preserve an original author's incentive to create original works, while establishing new incentive to further invent and innovate.

## CONCLUSION

Claim and issue preclusion are valuable doctrines in promoting fairness, comity, efficiency, and finality. While the justifications for the doctrines are sound, the application is not always just. Competing considerations that provide

---

271. Section 1658 provides: "Except as otherwise provided by law, a civil action arising under an Act of Congress enacted after the date of the enactment of this section [enacted Dec. 1, 1990] may not be commenced later than 4 years after the cause of action accrues." 28 U.S.C. § 1658 (2006); see also *Jones v. R. R. Donnelley & Sons Co.*, 541 U.S. 369, 371 (2004) ("Congress enacted a catchall 4-year statute of limitations for actions arising under federal statutes enacted after December 1, 1990.").

the foundation for separate and unrelated doctrines—such as copyright law—are worth considering when applying these preclusive legal tools.

Copyright law benefits the public by securing specific and exclusive rights within the control of the copyright owner. These rights create incentives for authors and creators to innovate and make available their creations to the public. Perhaps more importantly, exceptions to these exclusive rights allow for an even broader mass of people to safely create new works, knowing that their time, efforts, and money are protected in the eyes of the law.

The most crucial exception to an author's exclusive rights is the doctrine of fair use. Works that are created by encroaching on the exclusive rights of the copyright holder are sometimes deemed to be noninfringing under the legal fair use framework. Such an exception allows more creative works to be available to the public. Additionally, because such scrutiny surrounds the fair use analysis, typically only uses that do not negatively affect the market for the original work will be deemed fair. This preserves incentives for authors to create original works and gives incentives to secondary authors to build off existing works in new and innovative ways.

The market effect on the original work is crucial in this process and plays a pivotal role in fair use determination. Accordingly, an author should enjoy an exception to the standard application of claim and issue preclusion when significant changes occur such that a use that was once deemed fair now imposes significant and current harm on the original author. By revisiting the economic effects on an original work within a limited time after a court's fair use determination, the original author receives added protection that extends beyond what the court may foresee at the time of litigation. This proposal does not abandon the very important policy concerns at the core of claim and issue preclusion, but rather maximizes author incentives and protection in an area of the law that is particularly sensitive to changes in conditions and extremely valuable to the public.