

## COMMENTS

### THAT'S NOT FAIR USE: WHY RULE 68 COPYRIGHT DEFENDANTS CANNOT RECOVER POST-OFFER ATTORNEY'S FEES

RYAN KAISER\*

*Federal Rule of Civil Procedure 68 (Rule 68) is a cost-shifting rule that allows a non-prevailing defendant who made an offer of judgment more favorable than the final judgment to recover costs incurred from the point the offer was made. Until the mid-1980s, whether the rule could apply to the attorney's fees was the source of much debate. In 1985, the U.S. Supreme Court provided a partial answer when it decided *Marek v. Chesny*, holding that Rule 68 operates to preclude a civil rights plaintiff from recovering post-offer attorney's fees. The Court stated that Rule 68 costs include all costs "properly awardable" under the relevant substantive statute. The relevant statute in *Marek* was 42 U.S.C. § 1988, which allowed (as it does today) fees to the prevailing party.*

*Whether defendants can recover post-offer attorney's fees under Rule 68 has been an open question since *Marek*. Courts deciding copyright cases are split on the answer. This Comment argues that copyright defendants cannot recover post-offer attorney's fees under the rule. Such fees are not "properly awardable" under the plain language of 17 U.S.C. § 505 because that statute allows for attorney's fee awards only to the prevailing party, and in any Rule 68 scenario, the defendant will necessarily be the non-prevailing party. Furthermore, shifting*

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\* Note & Comment Editor, *American University Law Review*, Volume 71; J.D. Candidate, May 2023, *American University Washington College of Law*, B.A., Criminology and Criminal Justice, 2010, *University of South Carolina*. Thank you to the fantastic *American University Law Review* staff for their thoughtful edits and careful attention to this piece. I would also like to thank my faculty advisor, Michael Carroll, for his guidance and input. Finally, thank you to my family and my wife, Chelsea, for their unconditional support.

*a defendant's post-offer attorney's fees to a prevailing plaintiff frustrates § 505's purpose of encouraging meritorious litigation, which works to shape the contours of copyright law.*

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#### INTRODUCTION

Rule 68 of the Federal Rules of Civil Procedure (Rule 68) allows a defendant to make an offer of judgment to the plaintiff at least fourteen days before the date set for trial.<sup>1</sup> If the plaintiff rejects the offer and later recovers a judgment less favorable than the defendant’s Rule 68 offer, the plaintiff must pay the defendant’s “costs” from the point of rejection through the end of the litigation.<sup>2</sup> The purpose of the rule is to encourage parties to settle cases early, thereby reducing the costs of litigation for both sides and preserving judicial resources for other matters.<sup>3</sup> But what do those costs include in copyright cases?

In *Marek v. Chesny*,<sup>4</sup> the Supreme Court considered the scope of Rule 68 costs in the context of civil rights claims brought under 42 U.S.C. § 1983.<sup>5</sup> The Court determined that such “costs” include all costs “*properly awardable* under the relevant substantive statute.”<sup>6</sup>

The relevant substantive statute in the copyright context is § 505 of the Copyright Act.<sup>7</sup> Section 505 provides that a court “may . . . award a reasonable attorney’s fee to the *prevailing* party as part of the costs.”<sup>8</sup> In 2016, the Supreme Court clarified the standard for awarding attorney’s fees in copyright infringement cases under § 505 in *Kirtsaeng v. John Wiley & Sons, Inc.*<sup>9</sup> In doing so, the Court emphasized that any such standard should advance the “well settled” goals of the Copyright Act.<sup>10</sup> It explained that plaintiffs and defendants “should be ‘encouraged to litigate’” meritorious claims and defenses “to the same extent.”<sup>11</sup> The

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1. FED. R. CIV. P. 68(a).

2. FED. R. CIV. P. 68(d).

3. See FED. R. CIV. P. 68 advisory committee’s note to 1946 amendment (explaining that the rule seeks to discourage prolonged litigation).

4. 473 U.S. 1 (1985).

5. *Id.* at 3.

6. *Id.* at 9 (emphasis added).

7. 17 U.S.C. §§ 101–1401.

8. *Id.* § 505 (emphasis added).

9. 136 S. Ct. 1979 (2016).

10. *Id.* at 1986.

11. *Id.* at 1985 (quoting *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 527 (1994)).

Court also noted that courts must treat plaintiffs and defendants the same when determining whether to award attorney's fees.<sup>12</sup>

The goals of Rule 68 and § 505 of the Copyright Act are in tension with one another.<sup>13</sup> Rule 68, on the one hand, promotes early settlement.<sup>14</sup> Section 505, on the other, encourages parties to litigate meritorious claims so “that the boundaries of copyright law be demarcated as clearly as possible.”<sup>15</sup>

Further confusion arises from competing interpretations of *Marek's* “properly awardable” language. Courts that have considered the issue—including some district courts within the same district—are split on the outcome. The U.S. Courts of Appeals for the Seventh and Ninth Circuits have denied post-offer attorney's fees to copyright defendants under Rule 68.<sup>16</sup> Although the U.S. Court of Appeals for the Fifth Circuit has not squarely decided the question, it has indicated in dicta that it would do the same.<sup>17</sup> The U.S. Court of Appeals for the Eleventh Circuit, however, has awarded post-offer attorney's fees to non-prevailing defendants in copyright cases under Rule 68.<sup>18</sup>

The U.S. Court of Appeals for the Second Circuit—which has presided over thousands of copyright infringement cases in recent years<sup>19</sup>—has not yet ruled on the issue.<sup>20</sup> However, its lower courts are

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12. *Id.*

13. *Infra* Section II.A.2.

14. *Infra* Section I.B.2.

15. *Fogerty*, 510 U.S. at 527.

16. *Harbor Motor Co. v. Arnell Chevrolet-Geo, Inc.*, 265 F.3d 638, 646–47 (7th Cir. 2001); *UMG Recordings, Inc. v. Shelter Cap. Partners LLC*, 718 F.3d 1006, 1034 (9th Cir. 2013).

17. *See Energy Intel. Grp., Inc. v. Kayne Anderson Cap. Advisors, L.P.*, 948 F.3d 261, 279–80 (5th Cir. 2020).

18. *See Jordan v. Time, Inc.*, 111 F.3d 102, 104–05 (11th Cir. 1997) (per curiam).

19. *Just the Facts: Intellectual Property Cases—Patent, Copyright, and Trademark*, U.S. CTS. (Feb. 13, 2020), <https://www.uscourts.gov/news/2020/02/13/just-facts-intellectual-property-cases-patent-copyright-and-trademark> [<https://perma.cc/2KFM-WSUE>]; *see* Andrew L. Deutsch, *Substantial Similarity in Copyright: It Matters Where You Sue*, DLA PIPER (Dec. 22, 2020), <https://www.dlapiper.com/en/us/insights/publications/2020/12/ipt-news-q4-2020/substantial-similarity-in-copyright> [<https://perma.cc/ZR6M-CMZL>] (labeling the Second Circuit as one of “the most important circuits for copyright law developments”).

20. *Seidman v. Authentic Brands Grp. LLC*, No. 19-CV-8343 (LJL), 2020 WL 1922375, at \*5 (S.D.N.Y. Apr. 21, 2020); *Mango v. Democracy Now! Prods., Inc.*, No. 18CV10588 (DLC), 2019 WL 3325842, at \*4 (S.D.N.Y. July 24, 2019).

divided.<sup>21</sup> On April 21, 2020, Judge Lewis J. Liman of the U.S. District Court for the Southern District of New York issued an opinion in *Seidman v. Authentic Brands Group*,<sup>22</sup> in which he agreed with the Seventh Circuit that post-offer attorney's fees are not recoverable in copyright cases under Rule 68.<sup>23</sup> Judge Liman's view was adopted by another judge in that district several months later.<sup>24</sup> Those recent decisions run contrary to what had been the prevailing view in the Southern District of New York and elsewhere in the Second Circuit.<sup>25</sup> Given the significant amount of copyright infringement litigation in the Second Circuit, it is fairly surprising that the jurisdiction lacks a consistent holding on the interplay between § 505 and Rule 68.

This Comment argues that attorney's fees are not "properly awardable" to a Rule 68 copyright defendant for two reasons. First, a Rule 68 defendant is, by definition, the non-prevailing party, and § 505 of the Copyright Act allows attorney's fees only to the prevailing party.<sup>26</sup> Second, attorney's fees are not properly awardable to a Rule 68 copyright defendant because such an application of the rule frustrates § 505's purpose of encouraging parties to litigate meritorious claims and defenses.<sup>27</sup>

Part I of this Comment discusses Congress's constitutional authority to legislate in the copyright sphere and examines the recently enacted Copyright Alternative in Small-Claims Enforcement Act of 2020<sup>28</sup> (the CASE Act) and § 505 of the Copyright Act.<sup>29</sup> This Part proceeds to explore Rule 68 of the Federal Rules of Civil Procedure, including the

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21. *Infra* Section I.D.3.

22. No. 19-CV-8343 (LJL), 2020 WL 1922375 (S.D.N.Y. Apr. 21, 2020).

23. *Id.* at \*5.

24. *Kalfus v. God's World Publ'ns, Inc.*, No. 20 CIV. 4601 (KPF), 2020 WL 6690660, at \*2–3 (S.D.N.Y. Nov. 13, 2020) (acknowledging split within the district and opting to follow the *Seidman* court's holding that attorney's fees are not properly awardable to Rule 68 copyright defendants).

25. *See, e.g., Wilson v. D'Apostrophe Design Inc.*, No. 20-CV-0003 (LAK) (KHP), 2020 WL 4883849, at \*3 (S.D.N.Y. Aug. 20, 2020) (claiming that "it is well-held that when a plaintiff in a copyright case recovers less than the defendant's Rule 68 offer of judgment, the plaintiff is required to pay the defendant's post-offer attorney's fees"); *Mango*, 2019 WL 3325842, at \*4 (holding same); *Lee v. W Architecture & Landscape Architecture, LLC*, No. 18-CV-05820 (PKC) (CLP), 2019 WL 2272757, at \*4 (E.D.N.Y. May 28, 2019) (holding same).

26. *Infra* Section II.A.1.

27. *Infra* Section II.A.2.

28. Pub. L. No. 116-260, § 212, 134 Stat. 1182, 2176–201.

29. *Infra* Sections I.A.1–3.

rule's purpose of encouraging settlement, its operation, and failed attempts to amend it in response to various criticisms.<sup>30</sup> Part I then examines the Supreme Court's decision in *Marek*, as well as the resulting split not only among the circuit courts but also among the Second Circuit's district courts.<sup>31</sup> Part II argues that attorney's fees are not properly awardable to a copyright defendant under Rule 68.<sup>32</sup> This Part additionally discusses various policy considerations weighing in favor of adopting this interpretation of *Marek*'s properly awardable language.<sup>33</sup> Finally, it urges that, to the extent a legislative solution is desirable, any amendment to § 505 should clearly state that copyright defendants may not recover post-offer attorney's fees under Rule 68.<sup>34</sup>

## I. BACKGROUND

This Part explores Congress's constitutional role in implementing copyright law and policy and highlights two pieces of legislation relevant to the discussion here: the CASE Act and § 505 of the Copyright Act. It then discusses the operation, purpose, and relevant history of Rule 68 of the Federal Rules of Civil Procedure. Next, it examines the Supreme Court's decision in *Marek*, which held that Rule 68 may operate to *bar* a *plaintiff* from recovering post-offer attorney's fees. Finally, it surveys a split of authority in copyright cases on a question the *Marek* case left open: whether a court can *award* post-offer attorney's fees to a Rule 68 *defendant*.

### A. Copyright Law in the United States

The U.S. Constitution confers broad authority on Congress in the copyright domain.<sup>35</sup> This Section discusses that constitutional grant, along with two examples of the legislative branch using its power under the Copyright Clause. One is the passage of the CASE Act, which created a small-claims court for copyright disputes.<sup>36</sup> The other is § 505 of the Copyright Act, which governs attorney's fee awards in copyright cases.<sup>37</sup>

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30. *Infra* Sections I.B.1–3.

31. *Infra* Sections I.C, I.D.

32. *Infra* Section II.A.

33. *Infra* Section II.B.

34. *Infra* Section II.C.

35. U.S. CONST. art. I, § 8, cl. 8; *see* *Golan v. Holder*, 565 U.S. 302, 324 (2012).

36. Pub. L. No. 116-260, § 212, 134 Stat. 1182, 2176–201 (codified at 17 U.S.C. § 1502).

37. 17 U.S.C. § 505.

### *1. Congress's copyright authority under the Constitution*

The Constitution grants Congress alone the power “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>38</sup> Acting under the authority of this “Copyright Clause,” Congress enacted the first federal copyright act in 1790.<sup>39</sup> A little more than one hundred years later, President Theodore Roosevelt, Jr. lobbied for Congress to modernize American copyright law.<sup>40</sup> After numerous floor debates, extensive hearings in the House and Senate, and four different committee reports on the issue, Congress passed the Copyright Act of 1909.<sup>41</sup> The 1909 Act controlled copyright law for most of the twentieth century.<sup>42</sup> In the 1970s, Congress again sought to provide a “general revision” of U.S. copyright law.<sup>43</sup> While the resulting Copyright Act of 1976<sup>44</sup> substantially updated certain areas of the law, it preserved the attorney’s fee provision included in the 1909 Act.<sup>45</sup>

Given Congress’s Article I responsibility for promoting “the Progress of Science,” the judiciary has long deferred to the legislative branch on matters of copyright policy.<sup>46</sup> For example, when Congress extended copyright duration by twenty years in 1998 via the Sonny Bono

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38. U.S. CONST. art. I, § 8, cl. 8. Interestingly, and as Justice Ginsburg has noted, “[p]erhaps counterintuitively[,] . . . Congress’ copyright authority is tied to the progress of science,” whereas its patent authority is linked “to the progress of the useful arts.” *Golan*, 565 U.S. at 324.

39. CRAIG JOYCE ET AL., COPYRIGHT LAW 21 (11th ed. 2020). The law was based on the Statute of Anne, which was the first copyright statute passed in England eighty years prior. *Id.* at 17, 20, 21.

40. *Id.* at 21; see also 1 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 2:6 (2021) (noting President Roosevelt’s criticisms of the existing laws, including the rigidity of its formalities).

41. Pub. L. No. 60-349, 35 Stat. 1075 (1909); 1 PATRY, *supra* note 40, § 2:6.

42. JOYCE ET AL., *supra* note 39, at 21–22.

43. H.R. REP. NO. 94-1476, at 1 (1976).

44. Pub. L. No. 94-553, 90 Stat. 2541 (1976).

45. H.R. REP. NO. 94-1476, at 35; S. REP. NO. 94-473, at 30 (1975); see also *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 523 (1994) (noting that the 1976 Act’s attorney’s fee provision “was carried forward *verbatim* from the 1909 Act with very little discussion”). This provision is examined in Section I.A.3. The 1976 Act took effect on January 1, 1978. Pub. L. No. 94-553, 90 Stat. 2541 (1976); JOYCE ET AL., *supra* note 39, at 22.

46. See Marci A. Hamilton, *Copyright at the Supreme Court: A Jurisprudence of Deference*, 47 J. COPYRIGHT SOC’Y U.S.A. 317, 322–23, 347 (2000) (noting the Supreme Court’s “extreme deference” to Congress on copyright issues, particularly in the eighteenth and nineteenth centuries).

Copyright Term Extension Act,<sup>47</sup> the Supreme Court upheld the law as constitutional, recognizing “that it is generally for Congress, not the courts, to decide how best to pursue the Copyright Clause’s objectives.”<sup>48</sup> Likewise, when Congress restored copyright protection for certain foreign works that had passed into the public domain, the Court reiterated that “the Clause ‘empowers Congress to determine the intellectual property regimes that, overall, in that body’s judgment, will serve the ends of the Clause.’”<sup>49</sup>

The Constitution’s explicit grant coupled with the judicial branch’s historical deference thus highlights Congress’s broad and exclusive power to determine copyright policy.

## 2. *The CASE Act*

All copyright infringement cases in the United States—large and small—are currently brought in federal court.<sup>50</sup> Some copyright plaintiffs will soon have another option.<sup>51</sup> On December 27, 2020, the CASE Act was signed into law.<sup>52</sup> The Act creates within the Copyright Office a small claims court where copyright owners can bring actions for damages of \$30,000 or less.<sup>53</sup> This “Copyright Claims Board” (“the Board”) will consist of three full-time officers appointed by the Librarian of Congress.<sup>54</sup> Each officer will be an attorney having at least seven years of legal experience, and two of the three officers will have

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47. Pub L. No. 105-298, 112 Stat. 2827 (1998).

48. *Eldred v. Ashcroft*, 537 U.S. 186, 212 (2003); *cf.* *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 6 (1966) (“Within the limits of the constitutional grant, the Congress may, of course, implement the stated purpose of the Framers by selecting the policy which in its judgment best effectuates the constitutional aim.”).

49. *Golan v. Holder*, 565 U.S. 302, 325 (2012) (quoting *Eldred*, 537 U.S. at 222).

50. Daniel Grant, *US Copyright Law Comes Under Scrutiny as New Legislation Makes Its Way Before Congress*, ART NEWSPAPER (Mar. 27, 2020), <https://www.theartnewspaper.com/news/us-copyright-law-comes-under-scrutiny> [<https://perma.cc/H7AL-HVXV>].

51. See Copyright Alternative in Small-Claims Enforcement Act of 2020, Pub. L. No. 116-260, § 212, 134 Stat. 1182, 2199 (2020) (providing that the Copyright Claims Board should begin work within one year of the Act’s enactment, with the possibility for a six-month extension of that deadline).

52. Terrica Carrington & Keith Kupferschmid, *CASE Act Signed into Law: What This Means*, COPYRIGHT ALL. (Jan. 7, 2021), <https://copyrightalliance.org/case-act-signed-into-law> [<https://perma.cc/6WYE-AMUM>].

53. § 212, 134 Stat. at 2183; Carrington & Kupferschmid, *supra* note 52.

54. § 212, 134 Stat. at 2177; Carrington & Kupferschmid, *supra* note 52.



significant experience in litigating, adjudicating, or otherwise analyzing copyright infringement claims.<sup>55</sup>

Once a claim is filed, all parties have sixty days to “opt out” of having the claim heard by the Board.<sup>56</sup> If a party opts out, then the case is terminated, and the plaintiff is left to bring the claim (if at all) in federal court.<sup>57</sup> Otherwise, the case before the Board proceeds to a non-binding final determination.<sup>58</sup> Although a party to the proceeding can appeal the Board’s decision to a federal district court, only in exceptional cases can the reviewing court modify or vacate the Board’s decision.<sup>59</sup>

The Act embodies a decade-long effort by Congress—with input from the Copyright Office and the public—to make copyright remedies more accessible to small-claims plaintiffs.<sup>60</sup> Still, critics have

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55. § 212, 134 Stat. at 2177–79.

56. See § 212, 134 Stat. at 2187–88 (requiring a claimant to serve notice of the proceeding on the respondent in a form prescribed by the Register of Copyrights, with such form explaining the respondent’s right to opt out and the consequences of doing so or not doing so).

57. Carrington & Kupferschmid, *supra* note 52. Of course, the parties may also choose to engage in mediation or arbitration. *Id.*

58. Susan Neuberger Weller & Lei Xu, *Congress Considers Creation of a “Copyright Claims Board” as an Alternative to Handle Small Copyright Claims*, MINTZ (Jan. 8, 2020), <https://www.mintz.com/insights-center/viewpoints/2251/2020-01-congress-considers-creation-copyright-claims-board> [<https://perma.cc/YS3P-MX8X>]. The Board’s decisions do not bind Article III courts. *Id.* To be sure, the respondent is bound by the Copyright Claims Board’s final determination. See § 212, 134 Stat. at 2189–90 (stating that, if the respondent does not opt out, “the proceeding shall be deemed an active proceeding and the respondent shall be bound by the determination in the proceeding”). *But see id.* at 2196 (“If a party has timely opted out of a proceeding . . . before the Copyright Claims Board issues a final determination in the proceeding, the determination shall not be binding upon and shall have no preclusive effect with respect to that party.”).

59. See § 212, 134 Stat. at 2197–98 (listing the bases for challenging the Board’s decision, including fraud, default due to excusable neglect, and instances where the Board exceeds its authority or fails to issue a final determination); Weller & Xu, *supra* note 58.

60. See *Remedies for Copyright Small Claims*, U.S. COPYRIGHT OFF., <https://www.copyright.gov/docs/smallclaims> [<https://perma.cc/EDU3-KJXL>] (noting that Congress first solicited input from the Copyright Office on the issue in 2011). The Copyright Office spent two years studying small-claim dispute resolution under the existing system, along with potential alternatives. *Id.* That thorough study included four days of hearings as well as input from the public. *Id.* The Office subsequently issued a report recommending congressional action and supplying proposed legislative language. *Id.* While initial attempts to pass legislation based on

claimed the Act does not go far enough in protecting such plaintiffs, arguing that defendants will be incentivized to opt out so as to force plaintiffs to move their cases to the more expensive federal forum.<sup>61</sup> As explained later in this Comment, allowing copyright defendants to recover attorney's fees under Rule 68 would provide another substantial reason for a defendant to opt out of proceedings brought under the CASE Act, weakening the law's effect.<sup>62</sup>

### 3. *Attorney's fee awards under 17 U.S.C. § 505*

The default starting point for a federal court considering whether to award "attorney's fees is the bedrock principle known as the 'American Rule.'"<sup>63</sup> Under the American Rule, parties are generally responsible for their own attorney's fees, regardless of whether they win or lose the case.<sup>64</sup> In contrast, under the British Rule, the losing side typically pays the winning side's attorney's fees.<sup>65</sup> Deviations from the American Rule typically come from statutory law or contractual obligations.<sup>66</sup> Statutory deviations are fairly common—Congress has included fee-shifting provisions in over one hundred statutes.<sup>67</sup> Almost all of those statutes contemplate at least some degree of success by the party seeking fees.<sup>68</sup> For example, many allow fee awards to the "prevailing party."<sup>69</sup> Others

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the report stalled, many of the Office's recommendations were incorporated into the CASE Act, which, as noted above, was enacted in December 2020. *Id.*

61. See Grant, *supra* note 50 (reporting that many lawyers feel the opt-out clause "leav[es] the system with some bark but little bite").

62. See *infra* text accompanying notes 375–77.

63. *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 252–53 (2010) (quoting *Ruckelshaus v. Sierra Club*, 463 U.S. 680, 683–84 (1983) (noting that the "American Rule" is the "basic point of reference" for fee-award determinations)).

64. *Hardt*, 560 U.S. at 253; see *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 247–62 (1975) (discussing the history of awarding attorney's fees in the United States and explaining that the prevailing party is not typically entitled to such fees).

65. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 533–34 (1994); see *Ruckelshaus*, 463 U.S. at 684–85 (noting that courts in England have followed this rule for 750 years).

66. *Hardt*, 560 U.S. at 253.

67. *Ruckelshaus*, 463 U.S. at 684; see *Nantkwest, Inc. v. Iancu*, 898 F.3d 1177, 1193 n.8 (Fed. Cir. 2018) (citing a 2008 Congressional Research Service Report compiling several hundred fee-shifting statutes), *aff'd sub nom. Peter v. Nantkwest, Inc.*, 140 S. Ct. 365 (2019).

68. *Ruckelshaus*, 463 U.S. at 684.

69. *Hardt*, 560 U.S. at 253 (2010); *Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health & Hum. Res.*, 532 U.S. 598, 602–03 (2001); *e.g.*, 17 U.S.C. § 505; 42 U.S.C. § 1988(b).

call for courts to award fees to “successful” parties.<sup>70</sup> Still others permit it “whenever [the court] determines that such award is appropriate.”<sup>71</sup>

The controlling authority for awarding attorney’s fees in copyright cases is 17 U.S.C. § 505, which states:

In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney’s fee to the prevailing party as part of the costs.<sup>72</sup>

By its very language, then, § 505 is a “prevailing party” statute and a deviation from the American Rule.<sup>73</sup>

The term prevailing party is construed consistently across fee-shifting statutes.<sup>74</sup> According to the Supreme Court, “[t]he touchstone of the prevailing party inquiry must be the material alteration of the legal relationship of the parties in a manner which Congress sought to promote in the fee statute.”<sup>75</sup> Evidence of such a material alteration is a judgment on the merits—such as the type a Rule 68 plaintiff will have necessarily obtained—or a court-ordered consent decree.<sup>76</sup> Simply stated, a party whom the court has awarded some relief on the claim is the prevailing party.<sup>77</sup>

Against this backdrop, the Supreme Court has examined the standard for awarding fees under § 505 twice since the early 1990s.<sup>78</sup> In both instances, the Court carefully considered the goals of the Copyright Act.<sup>79</sup> In *Fogerty v. Fantasy, Inc.*,<sup>80</sup> John Fogerty of the band Creedence Clearwater Revival (CCR) sold the exclusive publishing rights to his song “Run Through the Jungle,” and those rights were

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70. *Ruckelshaus*, 463 U.S. at 684; *e.g.*, 12 U.S.C. § 3417(a)(4); 15 U.S.C. § 298(c).

71. *E.g.*, 42 U.S.C. § 7607(f).

72. 17 U.S.C. § 505.

73. *Id.*; *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 533–34 (1994).

74. *CRST Van Expedited, Inc. v. EEOC*, 136 S. Ct. 1642, 1646 (2016); *Buckhannon Bd. & Care Home, Inc.*, 532 U.S. at 602–03, 603 n.4.

75. *Tex. State Tchrs. Ass’n v. Garland Indep. Sch. Dist.*, 489 U.S. 782, 792–93 (1989); *CRST Van Expedited, Inc.*, 136 S. Ct. at 1646 (quoting *Tex. State Tchrs. Ass’n*, 489 U.S. at 792–93).

76. *Buckhannon Bd. & Care Home, Inc.*, 532 U.S. at 604; *CRST Van Expedited, Inc.*, 136 S. Ct. at 1646.

77. *Buckhannon Bd. & Care Home, Inc.*, 532 U.S. at 603.

78. *Fogerty*, 510 U.S. 517; *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979 (2016).

79. *Fogerty*, 510 U.S. at 525–35; *Kirtsaeng*, 136 S. Ct. at 1986–89.

80. 510 U.S. 517 (1994).

eventually transferred to Fantasy, Inc.<sup>81</sup> After CCR broke up in the early 1970s, Fogerty sought to publish his work with a different record label.<sup>82</sup> He eventually teamed up with Warner Brothers Records, Inc. and, in 1985, registered and published a copyright for the song “The Old Man Down the Road.”<sup>83</sup> Fantasy, Inc. sued Fogerty, claiming the song was simply a version of “Run Through the Jungle” with new lyrics.<sup>84</sup> The jury found in favor of Fogerty at trial, but the trial court subsequently denied his motion to recover attorney’s fees under § 505.<sup>85</sup> The court of appeals affirmed, and Fogerty petitioned the Supreme Court for review.<sup>86</sup> The Court took the case to resolve a circuit split over whether courts should treat copyright plaintiffs and defendants the same under § 505.<sup>87</sup>

Rejecting a standard that would have issued fees to successful plaintiffs as a matter of course, Chief Justice William Rehnquist explained that the Copyright Act’s complex policies require more “than simply maximizing the number of meritorious suits for copyright *infringement*.”<sup>88</sup> The Act’s principal objective is to “encourage the production of original literary, artistic, and musical expression for the good of the public,” and so defendants should be encouraged to litigate meritorious defenses just as much as plaintiffs are encouraged to litigate meritorious claims.<sup>89</sup>

Building on this analysis a few decades later in *Kirtsaeng v. John Wiley & Sons, Inc.*, Justice Elena Kagan explained that, to meet this end, the Act balances “rewarding authors’ creations while also enabling others

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81. *Id.* at 519.

82. *Id.*

83. *Id.*; see also Nathan Jolly, *When John Fogerty Was Sued for Sounding Too Much Like John Fogerty*, INDUS. OBSERVER (July 3, 2018), <https://theindustryobserver.thebrag.com/when-john-fogerty-was-sued-for-sounding-too-much-like-john-fogerty> [<https://perma.cc/WY5N-A2G3>] (noting that the song was one of two on the album that became top-ten singles).

84. *Fogerty*, 510 U.S. at 519–20; Jolly, *supra* note 83.

85. *Fogerty*, 510 U.S. at 520.

86. *Id.*

87. See *id.* at 520–21 (contrasting “dual”—standard where plaintiffs were awarded fees as a matter of course and defendants were awarded fees only upon a showing of bad faith—and “evenhanded” approach, where plaintiffs and defendants were treated alike). Compare *McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316, 322–23 (9th Cir. 1987) (following “dual” standard), with *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 155–56 (3d Cir. 1986) (following “evenhanded” approach).

88. *Fogerty*, 510 U.S. at 526 (emphasis added).

89. *Id.* at 524, 527.

to build on that work.”<sup>90</sup> Section 505’s fee-shifting function thus “encourage[s] the types of lawsuits that promote those purposes.”<sup>91</sup> Seeing such cases through to judgment plays a central role in the copyright system: since the law seeks to “enrich[] the general public through access to creative works,” it is crucial “that the boundaries of copyright law be demarcated as clearly as possible.”<sup>92</sup> Accordingly, plaintiffs and defendants should be “encouraged to litigate” meritorious claims and defenses to the same extent.<sup>93</sup>

The *Fogerty* and *Kirtsaeng* decisions also leave no doubt that § 505 forbids any automatic award of attorney’s fees. In *Fogerty*, the Court rejected an argument that Congress intended to import the British Rule into § 505.<sup>94</sup> First, it pointed to the plain language of the statute, which says that a district court “may also award a reasonable attorney’s fee to the prevailing party as part of the costs.”<sup>95</sup> Congress’s word choice (“may” instead of, for example, “must”), the Court explained, “clearly connotes discretion.”<sup>96</sup> Furthermore, Congress drafts statutes “against the strong background of the American Rule.”<sup>97</sup> Thus, it would be “impossible to believe” that, by modifying the American Rule with a specific instruction to allow courts to use their discretion in awarding fees, Congress intended to adopt the British Rule of automatically shifting fees.<sup>98</sup> Justice Kagan, writing for a unanimous court in *Kirtsaeng*, reinforced this point, stating that district courts are prohibited from awarding attorney’s fees as a matter of course.<sup>99</sup>

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90. *Id.* at 1986.

91. *Id.*

92. *Fogerty*, 510 U.S. at 527.

93. *Kirtsaeng*, 136 S. Ct. at 1985 (quoting *Fogerty*, 510 U.S. at 527) (recognizing *Fogerty*’s rejection of a standard that would have encouraged parties to litigate meritorious *claims* but not *defenses*).

94. *Fogerty*, 510 U.S. at 533–34.

95. *Id.* at 533; *see also id.* at 524 n.11. The Court observed that, while the 1976 Copyright Act did not change the standard for awarding *attorney’s fees*, it did change the standard for awarding *costs*. *Id.* Under the 1909 Act, the language was mandatory: “full costs *shall* be allowed.” *Id.* (quoting 17 U.S.C. § 116 (1976)). Thus, “Congress clearly knows how to use mandatory language when it so desires.” *Id.*

96. *Id.* at 533; *see also id.* at 537–38 (Thomas, J., concurring in the judgment) (agreeing with the majority’s interpretation of § 505 but disagreeing with the general principle that the inquiry into the plain meaning of a statute should require consideration of the legislative history policies behind it).

97. *Fogerty*, 510 U.S. at 533 (majority opinion).

98. *Id.* at 534.

99. *Kirtsaeng*, 136 S. Ct. at 1985.

The critical policy objectives discussed in *Fogerty* and *Kirtsaeng* informed the rule governing attorney's fee awards in copyright cases today. The rule instructs that a *prevailing party* may be awarded fees *only* after careful consideration of numerous factors.<sup>100</sup> Those factors include "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and . . . considerations of compensation and deterrence."<sup>101</sup> In *Kirtsaeng*, the Court framed the question presented as whether a district court exercising its discretion to award fees under § 505 "should give substantial weight to the objective reasonableness" of the non-prevailing party's claim or defense.<sup>102</sup> Answering in the affirmative, the Court made clear that the district court "must also give due consideration to all other circumstances relevant to granting fees," and that it may, for example, award fees even when the losing party's position was reasonable.<sup>103</sup> Meanwhile, the Court rejected the respondent's proposal to give "special consideration to whether a lawsuit resolved an important and close legal issue and thus 'meaningfully clarifie[d]' copyright law."<sup>104</sup> While it accepted the idea that close cases can help advance the law, the Court noted that those are not the types of cases for which fee-shifting is necessarily effective.<sup>105</sup> To the contrary, parties are more inclined to *settle* close cases because of uncertainty.<sup>106</sup> Therefore, the proposal would not typically "encourage parties to litigate those cases to judgment" and, thus, would not advance the well-settled goals of the Copyright Act.<sup>107</sup>

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100. *Fogerty*, 510 U.S. at 534 n.19 (citing *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (3d Cir. 1986)); see *Kirtsaeng*, 136 S. Ct. at 1985 (listing the same nonexclusive factors but noting that *Fogerty* "left open the possibility of providing further guidance in the future" about those factors) (citing *Fogerty*, 510 U.S. at 534 n.19).

101. *Fogerty*, 510 U.S. at 534 n.19 (quoting *Lieb*, 788 F.2d at 156). These are commonly referred to as the "*Fogerty* factors." See, e.g., *Cobbler Nev., LLC v. Gonzales*, 901 F.3d 1142, 1149 (9th Cir. 2018).

102. *Kirtsaeng*, 136 S. Ct. at 1983.

103. *Id.*

104. *Id.* at 1985 (alteration in original).

105. *Id.* at 1987.

106. See Richard A. Posner, *An Economic Approach to Legal Procedure and Judicial Administration*, 2 J. LEGAL STUD. 399, 428 (1973) (explaining that greater variance in case outcomes encourages risk-averse parties to settle); see also *Kirtsaeng*, 136 S. Ct. at 1987 (noting that neither party can be sure of the outcome in hard cases).

107. *Kirtsaeng*, 136 S. Ct. at 1986–87.

In sum, Congress carefully crafted § 505 to permit attorney's fee awards only to the prevailing party.<sup>108</sup> Additionally, it made the policy choice to prohibit courts from granting attorney's fees automatically.<sup>109</sup> Finally, Supreme Court precedent commands that any fee award under § 505 should encourage meritorious claims and defenses, which help bring the contours of copyright law further into focus.<sup>110</sup>

### B. *The Federal Rules of Civil Procedure*

This Section will briefly discuss the origin of and authority for the Federal Rules of Civil Procedure. Next, it will examine how Rule 68 is designed to encourage settlement. Lastly, it will explore past efforts to amend the rule, its perceived shortcomings, and the potential for its increased usage thanks to advancements in predictive technology.

#### 1. *The Rules Enabling Act and the creation of the Federal Rules of Civil Procedure*

The Rules Enabling Act<sup>111</sup> vests in the Supreme Court the power to create, among other things, general rules of practice and procedure for the federal courts.<sup>112</sup> However, those rules must not “abridge, enlarge or modify any substantive right.”<sup>113</sup> After Congress enacted the Rules Enabling Act, the Supreme Court formed a committee to draft a procedural code.<sup>114</sup> The Court subsequently promulgated the code, and the Federal Rules of Civil Procedure, including Rule 68, took effect in 1938.<sup>115</sup> Although this Comment does not seek to resolve whether the *Marek* holding or any extension of it violates the Rules Enabling Act, a brief discussion of the Act is generally relevant to the issues and illustrates how courts have struggled with the interplay between rules of procedure and substantive statutes.

Supreme Court jurisprudence concerning the Rules Enabling Act has largely centered on the federalism concerns inherent in clashes

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108. See *supra* notes 72–73 and accompanying text.

109. See *supra* notes 96–99 and accompanying text.

110. See *supra* notes 88–93, 104–07 and accompanying text.

111. Pub. L. No. 73-415, 48 Stat. 1064 (1934) (codified as amended at 28 U.S.C. §§ 2071–77).

112. 28 U.S.C. § 2072(a).

113. § 2072(b).

114. THOMAS D. ROWE, JR. ET AL., CIVIL PROCEDURE 15 (4th ed. 2016).

115. *Id.*; see Robert G. Bone, “To Encourage Settlement”: Rule 68, Offers of Judgment, and the History of the Federal Rules of Civil Procedure, 102 NW. U. L. REV. 1561, 1564 (2008) (noting that the rule was included in the original Federal Rules of Civil Procedure).

between the federal rules and state law in diversity cases.<sup>116</sup> The Court recently took up the issue in *Shady Grove Orthopedic Associates, P.A. v. Allstate Insurance Co.*<sup>117</sup> The primary question was whether a New York statute barring suits to recover a “penalty” from going forward as class actions could be trumped by Federal Rule of Civil Procedure 23, which permitted such suits to proceed as class actions.<sup>118</sup> The case produced a fractured holding, where Justice Scalia’s plurality opinion was joined in part by Justice Stevens.<sup>119</sup> Justices Scalia and Stevens reached the same outcome—that Rule 23 governs when a class action lawsuit may proceed in federal court—but they applied different tests to reach that conclusion.<sup>120</sup>

The plurality’s two-step analysis asks (1) whether the federal rule answers the dispute in question, and, if so, (2) whether the federal rule exceeds Congress’s rulemaking power or statutory authorization.<sup>121</sup> The second step, according to the plurality, looks only at whether the federal rule “really regulates procedure.”<sup>122</sup> The “substantive or procedural nature or purpose of the affected” law is irrelevant.<sup>123</sup> In his concurrence, Justice Stevens agreed with the first step but said that step two requires a more robust analysis than simply looking to whether the federal rule only regulates procedure.<sup>124</sup> Instead, “[w]hen a federal rule appears to abridge, enlarge, or modify a substantive right, federal courts must consider whether the rule can reasonably be interpreted to avoid that impermissible result.”<sup>125</sup> Therefore, a federal rule cannot trump even a facially “procedural” law when it is “so intertwined with a . . . right or remedy that it functions to define the scope of the . . . right.”<sup>126</sup> Justice Stevens recognized that the plurality’s test would make

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116. See, e.g., *Sibbach v. Wilson & Co.*, 312 U.S. 1 (1941); *Hanna v. Plumer*, 380 U.S. 460 (1965); *Shady Grove Orthopedic Assocs., P.A. v. Allstate Ins. Co.*, 559 U.S. 393 (2010); see also Megan Barbero, Note, *Interpreting Rule 68 to Conform with the Rules Enabling Act*, 57 STAN. L. REV. 2017, 2031–34 (2005) (analyzing the invalidity of an expansive reading of *Marek* under the *Hanna* framework).

117. 559 U.S. 393 (2010).

118. *Id.* at 396–97.

119. *Id.* at 395–96.

120. *Id.* at 416; *id.* at 416–17 (Stevens, J., concurring in part and concurring in the judgment).

121. *Id.* at 398 (plurality opinion).

122. *Id.* at 410–11, 414 n.13.

123. *Id.* at 410.

124. *Id.* at 424 (Stevens, J., concurring in part and concurring in the judgment).

125. *Id.* at 422–23.

126. *Id.* at 423–24.



things easier on federal courts deciding these types of questions, but he argued that the Court had no “license to adopt a second-best interpretation of the Rules Enabling Act” for the sake of announcing bright-line rules.<sup>127</sup>

Some courts and commentators argue that Justice Stevens’s concurrence represents the controlling holding under the Supreme Court’s guidance for interpreting plurality opinions announced in *Marks v. United States*.<sup>128</sup> Others follow Justice Scalia’s plurality opinion under the idea that it restated established law.<sup>129</sup> As noted above, this Comment need not resolve that issue because it argues that post-offer attorney’s fees cannot be awarded to a Rule 68 defendant under *Marek*’s own “properly awardable” standard, and thus it does not reach any Rules Enabling Act question.<sup>130</sup> Still, this background discussion is useful for understanding the separation of powers principles underlying the Rules Enabling Act, which arguably constrained the Court’s decision in *Marek*.<sup>131</sup>

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127. *Id.* at 426.

128. 430 U.S. 188, 193 (1977) (“When a fragmented Court decides a case and no single rationale explaining the result enjoys the assent of five Justices, ‘the holding of the Court may be viewed as that position taken by those Members who concurred in the judgments on the narrowest grounds.’” (quoting *Gregg v. Georgia*, 428 U.S. 153, 169 n.15 (1976))); *e.g.*, *Los Lobos Renewable Power, LLC v. Americulture, Inc.*, 885 F.3d 659, 668 n.3 (10th Cir. 2018) (stating that Justice Stevens’s concurrence is the controlling opinion in the Tenth Circuit); *James River Ins. Co. v. Rapid Funding, LLC*, 658 F.3d 1207, 1217 (10th Cir. 2011); *see also* Lyle Denniston, *Analysis: Sorting Out an Erie Sequel*, SCOTUSBLOG (Mar. 31, 2010, 1:16 PM), <https://www.scotusblog.com/2010/03/analysis-sorting-out-an-erie-sequel> [<https://perma.cc/U56V-RV3V>] (explaining that Justice Stevens’s “less-sweeping view” controls).

129. *See, e.g.*, *Abbas v. Foreign Pol’y Grp., LLC*, 783 F.3d 1328, 1336–37 (D.C. Cir. 2015) (“[A]ny federal rule that ‘really regulates procedure’ is valid under the Rules Enabling Act.” (quoting *Sibbach v. Wilson*, 312 U.S. 1, 14 (1941))).

130. *Infra* Section II.A.

131. *See* Roy D. Simon, Jr., *The Riddle of Rule 68*, 54 GEO. WASH. L. REV. 1, 22 (1985) (“Although the Court never mentioned the Rules Enabling Act by name, the opinion implicitly rejected the Seventh Circuit’s conclusion that [R]ule 68’s bar against plaintiffs’ recovery of post-offer attorney fees violates the Enabling Act.”).

2. *Rule 68 operates to encourage settlement*

Rule 68 permits a defendant to make an offer of judgment to the plaintiff in an attempt to resolve the case prior to trial.<sup>132</sup> It reads:

(a) Making an Offer; Judgment on an Accepted Offer. At least 14 days before the date set for trial, a party defending against a claim may serve on an opposing party an offer to allow judgment on specified terms, with the costs then accrued. If, within 14 days after being served, the opposing party serves written notice accepting the offer, either party may then file the offer and notice of acceptance, plus proof of service. The clerk must then enter judgment.

(b) Unaccepted Offer. An unaccepted offer is considered withdrawn, but it does not preclude a later offer. Evidence of an unaccepted offer is not admissible except in a proceeding to determine costs.

(c) Offer After Liability is Determined. When one party's liability to another has been determined but the extent of liability remains to be determined by further proceedings, the party held liable may make an offer of judgment. It must be served within a reasonable time—but at least 14 days—before the date set for a hearing to determine the extent of liability.

(d) Paying Costs After an Unaccepted Offer. If the judgment that the offeree finally obtains is not more favorable than the unaccepted offer, the offeree must pay the costs incurred after the offer was made.<sup>133</sup>

The purpose of the rule is to encourage settlement.<sup>134</sup> Indeed, the Advisory Committee notes on the 1946 amendments to the rule state that it “should serve to encourage settlements and avoid protracted

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132. FED. R. CIV. P. 68. The rule was originally based on three state statutes in Minnesota (2 MINN. STAT. § 9323 (Mason 1927)), Montana (4 MONT. REV. CODES ANN. § 9770 (1935)), and New York (N.Y.C.P.A. § 177 (1937)), all of which required plaintiffs to pay the defendant's costs after rejecting settlement offers and subsequently failing to obtain more favorable judgments. FED. R. CIV. P. 68 advisory committee's note to 1937 rule; *Delta Air Lines, Inc. v. August*, 450 U.S. 346, 356–57 (1981).

133. FED. R. CIV. P. 68.

134. See Comm. on Rules of Prac. & Proc. of the Jud. Conf. of the U.S., *Preliminary Draft of Proposed Amendments to the Federal Rules of Civil Procedure, Federal Rules of Criminal Procedure, Rules Governing Section 2254 Cases in the United States District Courts, and Rules Governing Section 2255 Proceedings in the United States District Courts*, 98 F.R.D. 337, 363 (1983) [hereinafter *1983 Proposed Amendments*] (“The purpose of Rule 68 as adopted in 1938 was to encourage settlements . . . by taxing a claimant with costs if he should recover no more after trial than [sic] he would have received if he had accepted the defending party's offer to enter judgment in the claimant's favor for a specified amount of money or property, or other relief.”); Simon, *supra* note 131, at 1–2, 2 n.2.

litigation.”<sup>135</sup> It operates as an incentive to resolve cases when the plaintiff is likely to prevail on the merits but the amount of damages is uncertain.<sup>136</sup> A Rule 68 offer of judgment, in its simplest form, plays out as follows. The defendant makes the offer contemplated by subsection (a) to the plaintiff.<sup>137</sup> The plaintiff has fourteen days to accept or reject the offer.<sup>138</sup> If the plaintiff accepts the offer, the case is over because judgment is entered against the defendant pursuant to the terms of the offer.<sup>139</sup> But if the plaintiff rejects the offer and ultimately receives a judgment less favorable than the Rule 68 offer, then the defendant can recover post-offer “costs” under subsection (d).<sup>140</sup>

Rule 68 does not apply when the defendant ultimately prevails.<sup>141</sup> In *Delta Air Lines, Inc. v. August*,<sup>142</sup> the Supreme Court considered whether Rule 68 applies to judgments *in favor* of the offeree (in other words, in favor of the party defending against a claim) or if it applies only to judgments *against* the offeree.<sup>143</sup> The court held that the text of the rule makes clear that it applies only to the latter, and thus it is inapplicable to a prevailing defendant.<sup>144</sup>

The Supreme Court’s decision in *Marek*<sup>145</sup> precludes the plaintiff from recovering post-offer costs from the defendant, including attorney’s fees.<sup>146</sup> The plaintiff must also pay the defendant’s post-offer costs.<sup>147</sup> A question left open by *Marek* and, thus, the source of the

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135. FED. R. CIV. P. 68 advisory committee’s note to 1946 amendment; *see also Delta Air Lines, Inc.*, 450 U.S. at 352 (stating that “[t]he purpose of Rule 68 is to encourage the settlement of litigation”).

136. *Delta Air Lines, Inc.*, 450 U.S. at 352.

137. FED. R. CIV. P. 68(a).

138. *Id.*; *see also* FED. R. CIV. P. 68(b) (noting that unaccepted offers are withdrawn).

139. FED. R. CIV. P. 68(a).

140. *See* FED. R. CIV. P. 68(d) (“If the judgment that the offeree finally obtains is not more favorable than the unaccepted offer, the offeree must pay the costs incurred after the offer was made.”).

141. *See Delta Air Lines, Inc.*, 450 U.S. at 354 (holding that Rule 68 is inapplicable to judgments in favor of the defendant); *see also* UMG Recordings, Inc. v. Shelter Cap. Partners LLC, 718 F.3d 1006, 1035 (9th Cir. 2013) (stating that prevailing defendant cannot recover Rule 68 costs).

142. 450 U.S. 346 (1981).

143. *Id.* at 348.

144. *Id.* at 351.

145. *See infra* Section I.C (discussing *Marek* opinion).

146. *See* *Marek v. Chesny*, 473 U.S. 1, 12 (1985) (holding Rule 68 offeror not liable for offeree’s post-offer costs).

147. FED. R. CIV. P. 68(d).

circuit split, is whether the plaintiff must also pay the defendant's post-offer attorney's fees in copyright cases.<sup>148</sup>

### 3. Criticisms and failed attempts to amend Rule 68

The Judicial Conference Advisory Committee on the Federal Rules of Civil Procedure sought to amend Rule 68 in the early 1980s to explicitly allow for an award of attorney's fees.<sup>149</sup> In 1983, the Committee published a preliminary draft of proposed amendments to several Federal Rules of Civil Procedure, including Rule 68.<sup>150</sup> According to the Committee, one of the issues plaguing the then-operative version of the rule was that "costs" typically excluded attorney's fees and therefore were a weak incentive for defendants to use the rule.<sup>151</sup> The proposed revision sought to remedy the problem by including attorney's fees in any cost award, thus significantly increasing the plaintiff's risk in rejecting an offer.<sup>152</sup> This change, the committee argued, would help realign the rule with its original objective of encouraging settlement.<sup>153</sup>

However, the 1983 proposed amendments were heavily opposed, especially by the plaintiffs' bar.<sup>154</sup> A year later, the committee issued a new proposal.<sup>155</sup> The newly proposed rule would allow *any* party to make an offer but prohibited them from doing so until sixty days after the summons and complaint were served.<sup>156</sup> Similarly, an offeree had sixty days to accept or reject the offer or propose a counteroffer, and they would be given the opportunity for discovery to evaluate the

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148. See *infra* Section I.D (examining circuit split).

149. Stephen B. Burbank, *Proposals to Amend Rule 68—Time to Abandon Ship*, 19 U. MICH. J.L. REFORM 425, 427–28 (1986); Bruce P. Merenstein, *More Proposals to Amend Rule 68: Time to Sink the Ship Once and for All*, 184 F.R.D. 145, 150–53 (1999).

150. *1983 Proposed Amendments*, *supra* note 134, at 361–63.

151. *Id.* at 363.

152. *Id.* at 365.

153. *Id.* at 363–64.

154. See Simon, *supra* note 131, at 12–14 (explaining that the loudest critics were civil rights attorneys, who thought the amendment would jeopardize the contingency fee system by making attorney's fees so easily shiftable); Merenstein, *supra* note 149, at 151 (noting that the 1983 proposal was withdrawn "in the face of [an] onslaught of criticism").

155. Committee on Rules of Prac. & Proc. of the Jud. Conf. of the U.S., *Preliminary Draft of Proposed Amendments to the Federal Rules of Appellate Procedure, Federal Rules of Civil Procedure, Federal Rules of Criminal Procedure, and Rules Governing Section 2554 Cases and Section 2255 Proceedings in the United States District Courts*, 102 F.R.D. 407 (1984) [hereinafter *1984 Proposed Amendments*].

156. *Id.* at 434.

offer's fairness.<sup>157</sup> Finally, the revised proposed rule implemented a flexible standard, giving a court discretion to determine whether an offer was unreasonably rejected.<sup>158</sup> The 1983 and 1984 amendment efforts ultimately failed because they were too controversial,<sup>159</sup> and Rule 68 has seen only minor amendments since.<sup>160</sup>

Rule 68 has long been criticized as ineffective and underutilized by defendants.<sup>161</sup> One commentator argues that allowing non-prevailing defendants to recover attorney's fees in cases brought under fee-shifting statutes would help awaken the rule, which has "remain[ed] fairly dormant."<sup>162</sup> The *Nimmer on Copyright* treatise posits that Rule 68 is used too sparingly in copyright cases and suggests that defendants make offers in "waves" throughout the life of a case.<sup>163</sup> A Rule 68 renaissance could also come by way of predictive technology's increasing role in parties' litigation strategies.<sup>164</sup> One observer suggests

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157. *Id.*

158. *Id.* at 435; Simon, *supra* note 131, at 17 & n.90.

159. *See* Bone, *supra* note 115, at 1610 (stressing that these proposed amendments were among the most controversial in FRCP amendment history); Simon, *supra* note 131, at 12–18 (explaining that critics were opposed to the potential chilling effect the proposals could have on civil rights enforcement and the potential for a second litigation on the "reasonableness" of the parties' Rule 68 dealings, among other things).

160. *See* FED. R. CIV. P. 68 advisory committee's note to 1987 amendment ("The amendments are technical. No substantive change is intended."); FED. R. CIV. P. 68 advisory committee's note to 2007 amendment (noting that the amendment was part of a "general restyling" of the Federal Rules of Civil Procedure); FED. R. CIV. P. 68 advisory committee's note to 2009 amendment (extending certain ten-day periods to fourteen days).

161. *1983 Proposed Amendments*, *supra* note 134, at 363; *see* 6 MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 33.13 (Matthew Bender, rev. ed. 2021) (describing Rule 68 as "strategically undervalued and hence underutilized by defendants in copyright . . . cases").

162. *See* Daniel Glimcher, Note, *Legal Dentistry: How Attorney's Fees and Certain Procedural Mechanisms Can Give Rule 68 the Necessary Teeth to Effectuate Its Purposes*, 27 *CARDOZO L. REV.* 1449, 1455 (2006) (arguing that, without the possibility for attorney's fees, Rule 68 cannot operate to truly promote settlement).

163. 6 *NIMMER & NIMMER*, *supra* note 161, § 33.13.

164. *See* Richard Finkelman & Karl Schliep, *Anticipating Predictive Analytics' Potential Uses in Litigation*, *LAW360* (Feb. 9, 2021, 3:23 PM), <https://www.law360.com/articles/1353409/anticipating-predictive-analytics-potential-uses-in-litigation> [<https://perma.cc/G8GH-KEWX>] (arguing that predictive analytics will become commonplace in law offices and courtrooms alike); *see, e.g.*, Daniel Martin Katz, *Quantitative Legal Prediction—or—How I Learned to Stop Worrying and*

that lawyers should use the same machine-learning techniques that have been employed by banks to analyze large datasets and predict outcomes.<sup>165</sup> The “quickness and unbiased accuracy” of this technology could help accurately determine the value of a case, perhaps prompting defendants to use Rule 68 more often.<sup>166</sup>

The failed efforts to amend Rule 68 in the early 1980s help color the backdrop against which the *Marek* case was decided.<sup>167</sup> They also highlight why some characterize the rule as unfair to plaintiffs.<sup>168</sup> Finally, although the rule has been described as a “riddle”<sup>169</sup> and “forgotten,”<sup>170</sup> advancements in litigation analytics tools could provide the spark necessary to awaken this “sleeping giant.”<sup>171</sup>

### C. *The Marek Decision*

*Marek v. Chesny* is the seminal Supreme Court case from which the split has emerged between the Seventh Circuit (and, at least in part, the Ninth Circuit) on the one hand and the Eleventh Circuit on the other. In *Marek*, Alfred W. Chesny sued three police officers who shot and killed his son while responding to a domestic disturbance.<sup>172</sup> Chesny sued the officers for wrongful death under state tort law and under 42 U.S.C. § 1983.<sup>173</sup> The officers made a Rule 68 offer of \$100,000, which was rejected, and the case proceeded to trial.<sup>174</sup>

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*Start Preparing for the Data-Driven Future of the Legal Services Industry*, 62 EMORY L.J. 909, 939–41 (2013) (describing the legal analytics platform LexMachina, whose development was funded by technology giants such as Google and Microsoft, among others).

165. Brian W. Jones, *With the Advancement of Predictive Analytics, Consider Using FRCP 68 During Litigation*, ACC DOCKET (Dec. 9, 2020), <https://www.accdocket.com/advancement-predictive-analytics-consider-using-frcp-68-during-litigation> [https://perma.cc/65UL-3ZAN].

166. *Id.*

167. The *Marek* opinion was issued in 1985. *Marek v. Chesny*, 473 U.S. 1 (1985).

168. *Id.* at 29–35 (Brennan, J., dissenting).

169. Simon, *supra* note 131.

170. Kevin Wynosky, *Settlement’s Rusty Sword: The Forgotten Role of Rule 68 in Constitutional Litigation*, 70 MERCER L. REV. 457 (2019).

171. Lesley S. Bonney et al., *Rule 68: Awakening A Sleeping Giant*, 65 GEO. WASH. L. REV. 379 (1997).

172. *Marek*, 473 U.S. at 3.

173. *Id.* at 3–4.

174. *Id.*

Chesny succeeded at trial but was awarded \$60,000 in total damages—a judgment less favorable than the officers' Rule 68 offer.<sup>175</sup>

After trial, Chesny filed a request for costs, including attorney's fees, totaling \$171,692.47, which included costs incurred after the Rule 68 offer for judgment.<sup>176</sup> The officers opposed the request and argued that Rule 68 shifts the post-offer costs—including attorney's fees—to the plaintiff.<sup>177</sup> The district court agreed, and Chesny appealed to the Seventh Circuit.<sup>178</sup>

The Seventh Circuit, in an opinion authored by Judge Richard Posner, reversed the district court.<sup>179</sup> Judge Posner described the district court's conclusion as resting on a “mechanical linking up of Rule 68” and 42 U.S.C. § 1988<sup>180</sup>—the fee-shifting statute applicable to § 1983 lawsuits.<sup>181</sup> This approach puts the rule in conflict with the policy behind the statute, thus reducing its effectiveness.<sup>182</sup> Section 1988 is meant to encourage meritorious civil rights actions such as Chesny's, so a rule potentially barring such plaintiffs from recovering legal fees accrued after the date of an offer for judgment “cuts against the grain” of the statute.<sup>183</sup>

Next, the Seventh Circuit found that the Rules Enabling Act prevented it from reading Rule 68 costs to include attorney's fees in

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175. *Id.* at 4. Although the \$60,000 award, on its face, is clearly “less favorable” than the \$100,000 offer made by the officers, Chesny's counsel argued that Rule 68 should not apply because the officers' offer was not greater than the \$60,000 damages award plus \$32,000 in pre-offer costs and \$139,692.47 in claimed post-offer costs. *Id.* at 7. The Court of Appeals and the Supreme Court both rejected the argument that post-offer costs were relevant to the calculation. *See Chesny v. Marek*, 720 F.2d 474, 476 (7th Cir. 1983) (explaining that one judgment cannot be considered more favorable than another if the only difference is the added legal expense in obtaining the higher amount), *rev'd on other grounds*, 473 U.S. 1 (1985); *Marek*, 473 U.S. at 7 (“The Court of Appeals correctly recognized that postoffer costs merely offset part of the expense of continuing the litigation to trial, and should not be included in the calculus.”).

176. *Marek*, 473 U.S. at 4.

177. *Id.*

178. *Id.*

179. *Chesny*, 720 F.2d at 475, 480.

180. *Id.* at 478.

181. *See* 42 U.S.C. § 1988(b) (“In any action or proceeding to enforce a provision of section[] . . . 1983 . . . of this title . . . the court, in its discretion, may allow the prevailing party, other than the United States, a reasonable attorney's fee as part of the costs . . .”).

182. *Chesny*, 720 F.2d at 478.

183. *Id.* at 478–79.

this context.<sup>184</sup> It stated that the right to attorney's fees created by § 1988 is tied to a substantive goal; that is, adherence to the civil rights laws.<sup>185</sup> According to Judge Posner, "[w]hen Congress authorized the Supreme Court to make rules of procedure for civil cases it did not authorize the Court to alter substantive policies (that is the force of the 'shall not abridge' clause), such as those that underlie the right to attorney's fees created by section 1988."<sup>186</sup> The officers petitioned the Supreme Court for review.<sup>187</sup>

The Supreme Court reversed the Seventh Circuit's decision, with Chief Justice Warren Burger delivering the majority opinion.<sup>188</sup> The Court explained that federal statutes had long defined cost awards to prevailing parties by the time the Federal Rules of Civil Procedure were adopted in 1938.<sup>189</sup> Therefore, the drafters of Rule 68 knew of these exceptions to the "American Rule."<sup>190</sup> Because the drafters were aware of these exceptions, "the most reasonable inference is that the term 'costs' in Rule 68 was intended to refer to all costs *properly awardable* under the relevant substantive statute."<sup>191</sup> Thus, the Court held, "absent congressional expressions to the contrary," all costs "properly awardable" fall within the scope of Rule 68 costs.<sup>192</sup>

The majority disagreed with the Seventh Circuit that the plain meaning construction of the statute and Rule 68 would frustrate the policy goals behind § 1988, namely the goal of ensuring access to the judicial process.<sup>193</sup> It saw no issue with disincentivizing plaintiffs from litigating their cases after receiving an offer for judgment.<sup>194</sup> In the Court's view, "Rule 68's policy of encouraging settlements is neutral, favoring neither plaintiffs nor defendants; it expresses a clear policy of favoring settlement of all lawsuits."<sup>195</sup>

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184. *Id.* at 479.

185. *Id.*

186. *Id.*

187. *Marek v. Chesny*, 473 U.S. 1, 3 (1985).

188. *Id.* at 3, 11–12.

189. *Id.* at 7–8 (citing Act of Feb. 26, 1853, 10 Stat. 161; *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240 (1975)).

190. *Id.* at 8–9.

191. *Id.* (emphasis added).

192. *Id.* at 9.

193. *Id.* at 10; *see Chesny v. Marek*, 720 F.2d 474, 479 (7th Cir. 1983) (stressing that legislators' intent would not have been to allow Rule 68 to frustrate the goals of § 1988).

194. *See Marek*, 473 U.S. at 10.

195. *Id.*



Justice William Brennan dissented, challenging the majority's assertion that its interpretation of Rule 68 was not inconsistent with the policies behind § 1988.<sup>196</sup> Fee awards under § 1988 are guided by a "reasonableness" standard.<sup>197</sup> That standard requires a deciding judge to examine the amount of time reasonably spent on the litigation as a starting point, but the inquiry may also include consideration of other factors prescribed by the legislative history.<sup>198</sup> The district court has discretion to adjust the fee upward or downward in light of those considerations.<sup>199</sup> Rule 68, on the other hand, deprives the deciding court of its discretion "by using 'the strongest verb of its type known to the English language—'must.'"<sup>200</sup> Rule 68's insensitivity to the merits of a case and to the controlling law's policies, thus, creates a conflict between the rule and the statute.<sup>201</sup> Moreover, Justice Brennan argued, the majority's interpretation of the rule exceeded the judiciary's rulemaking authority.<sup>202</sup> The civil rights plaintiff's right to attorney's fees is substantive, and allowing Rule 68 to deny the plaintiff attorney's fees violates the Rules Enabling Act's prohibition on abridging or modifying substantive rights.<sup>203</sup>

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196. *Id.* at 28 (Brennan, J., dissenting).

197. *Id.* (citing S. REP. NO. 94-1011, at 6; H.R. REP. NO. 94-1558, at 8–9).

198. *Marek*, 473 U.S. at 28 (Brennan, J., dissenting). In addition to "reasonableness," other factors to be considered are:

- (1) the time and labor required; (2) the novelty and difficulty of the questions;
- (3) the skill requisite to perform the legal service properly; (4) the preclusion of employment by the attorney due to acceptance of the case; (5) the customary fee; (6) whether the fee is fixed or contingent; (7) time limitations imposed by the client or the circumstances; (8) the amount involved and the results obtained; (9) the experience, reputation, and ability of the attorneys;
- (10) the [ ]undesirability[ ] of the case; (11) the nature and length of the professional relationship with the client; and (12) awards in other cases.

*Id.* at 28 & n.39 (alteration in original) (quoting *Hensley v. Eckerhart*, 461 U.S. 424, 430 n.3 (1983)).

199. *Id.* at 28–29.

200. *Id.* at 29 (quoting *Delta Air Lines, Inc. v. August*, 450 U.S. 346, 369 (1981)).

201. *See id.* at 29–35 (underscoring the tension between Rule 68 as a blunt instrument while § 1988 allows consideration of a broad range of factors providing room for the district court's discretion).

202. *Id.* at 35–38.

203. *Id.*

The dissent also highlighted the Judicial Conference's and Congress's efforts to amend Rule 68 to include attorney's fees.<sup>204</sup> Those efforts evidenced that neither body considered the existing version of the rule to encompass attorney's fees.<sup>205</sup> Furthermore, the consequences arising from such an amendment required Congress and the Judicial Conference to discuss and debate an extensive list of issues.<sup>206</sup> In Justice Brennan's view, consideration of those problems and how to resolve them were better left for those two bodies.<sup>207</sup>

While *Marek* held that a plaintiff is *per se* precluded from recovering attorney's fees from a Rule 68 defendant, it left open the question of whether the *defendant* can recover post-offer attorney's fees from the plaintiff.<sup>208</sup> This seemingly simple question "raises an interesting and difficult issue."<sup>209</sup> Consequently, courts analyzing the question in the context of copyright cases are split on the answer.

#### D. *The Circuit Split after Marek*

Appellate courts read *Marek* differently when considering whether to include attorney's fees as costs recoverable by a Rule 68 copyright defendant. The Eleventh Circuit has found it appropriate to include such fees in the costs award,<sup>210</sup> while the Seventh and Ninth Circuits have denied fee awards under *Marek*'s "properly awardable"

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204. *Id.* at 38–43. See generally Burbank, *supra* note 149, at 427–28; 1983 Proposed Amendments, *supra* note 134, at 361–67; 1984 Proposed Amendments, *supra* note 155, at 432–37.

205. *Marek*, 473 U.S. at 42 (Brennan, J., dissenting).

206. See *id.* The list of issues included:

- (1) whether to import a reasonableness standard into Rule 68, (2) whether and to what extent district courts should have discretion in applying the Rule, (3) the need to revise Rule 68 so as to ensure that offerees have had sufficient time and discovery to evaluate the strength of their cases and the reasonableness of settlement offers, (4) application of the Rule to suits for non-pecuniary relief, (5) application of the Rule to class-action litigation, (6) conflicts of interest between attorneys and clients that the Rule might create, and (7) the precise nature and scope of the sanction.

*Id.*

207. *Id.*

208. See *id.* at 14 ("[T]he Court today holds that a prevailing civil rights litigant entitled to fees under that statute is *per se* barred by Rule 68 from recovering any fees for work performed after rejecting a settlement offer where he ultimately recovers less than the proffered amount in settlement."); *Bruce v. Wkly. World News, Inc.*, 203 F.R.D. 51, 52 (D. Mass. 2001).

209. *Bruce*, 203 F.R.D. at 52.

210. See *Jordan v. Time, Inc.*, 111 F.3d 102, 105 (11th Cir. 1997) (*per curiam*).

language.<sup>211</sup> Furthermore, the absence of a controlling view in the Second Circuit has its lower courts divided on the question.<sup>212</sup> This Section discusses the relevant cases at the heart of the split.

*1. Courts awarding attorney's fees to copyright defendants under Rule 68*

The Eleventh Circuit was the first of the appellate courts to consider the issue in a copyright case.<sup>213</sup> In *Jordan v. Time, Inc.*,<sup>214</sup> the court held that a district court applying Rule 68 *must* award post-offer costs, with such costs including attorney's fees under § 505.<sup>215</sup> The court's opinion is brief and somewhat vague.<sup>216</sup> What it did make clear, however, is that “[t]he language contained in Rule 68 is mandatory; the district court does not have the discretion to rule otherwise.”<sup>217</sup> Thus, the court found, “the district court erred when it used its ‘equitable discretion’ to deny Time’s motion for attorney’s fees and costs.”<sup>218</sup> Notably, the Eleventh Circuit remanded the case only for the purpose of calculating costs (including attorney’s fees).<sup>219</sup> In other words, it did not instruct the district court to determine whether an award of attorney’s fees would be appropriate in light of the *Fogerty* factors or other considerations under § 505.<sup>220</sup> The Eleventh Circuit has acknowledged its sister circuits’ disagreement with the *Jordan* decision but has never overruled it.<sup>221</sup>

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211. See *Harbor Motor Co. v. Arnell Chevrolet-Geo, Inc.*, 265 F.3d 638, 646 (7th Cir. 2001); *UMG Recordings, Inc. v. Shelter Cap. Partners LLC*, 718 F.3d 1006, 1034 (9th Cir. 2013).

212. *Infra* Section I.D.3.

213. 6 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 22:218 (2021).

214. 111 F.3d 102 (11th Cir. 1997) (per curiam).

215. *Id.* at 105.

216. See *Lucas v. Wild Dunes Real Est., Inc.*, 197 F.R.D. 172, 176 (D.S.C. 2000) (noting that the court did not conduct “extensive analysis” of the tension between Rule 68 and § 505).

217. *Jordan*, 111 F.3d at 105; accord *Sharpe v. Cureton*, 319 F.3d 259, 274 (6th Cir. 2003) (“‘Operation of Rule 68 is mandatory,’ and [t]he district court retains no discretion under Rule 68 to alter the rule’s sometimes severe application.” (alteration in original) (quoting *Hopper v. Euclid Manor Nursing Home, Inc.*, 867 F.2d 291, 295 (6th Cir. 1989))).

218. *Jordan*, 111 F.3d at 105.

219. *Id.*

220. See *supra* notes 100–03 and accompanying text. See generally *Jordan*, 111 F.3d at 104–05.

221. *Util. Automation 2000, Inc. v. Choctawhatchee Elec. Coop., Inc.*, 298 F.3d 1238, 1246 & n.6 (11th Cir. 2002) (stating that criticisms of the *Jordan* holding are less

Although the *Jordan* court did not elaborate on its reasoning, a later case decided in the U.S. District Court for the District of South Carolina, *Lucas v. Wild Dunes Real Estate, Inc.*,<sup>222</sup> offers one interpretation of the decision.<sup>223</sup> As an initial matter, the court rejected the argument that the defendant was the prevailing party.<sup>224</sup> Still, it opted to follow the *Jordan* holding: a non-prevailing copyright defendant is entitled to post-offer attorney's fees under Rule 68.<sup>225</sup> The court explained that "so long [as] 'the underlying statute defines "costs" to include attorney's fees, . . . such fees are to be included as costs for purposes of Rule 68.'"<sup>226</sup> According to the district court,

By ruling that Rule 68's mandatory language controls, the Eleventh Circuit implicitly resolved an apparent tension between Rule 68's mandate that a district court award costs if Plaintiff obtains a judgment less favorable than the Offer of Judgment and the language of § 505 providing the district court with discretion as to whether or not to award a prevailing party attorney's fees as part of their costs.<sup>227</sup>

Thus, the *Lucas* court read the Eleventh Circuit's decision to say that Rule 68's mandate trumps any discretion provided to the district court by § 505.<sup>228</sup> This is not a matter of interpretation of the *Lucas* decision; in fact, the court cites *Fogerty* and a Fourth Circuit case outlining additional factors similar to the "*Fogerty* factors" in support of the proposition that district courts otherwise have discretion to award attorney's fees unless "Rule 68's mandatory language controls."<sup>229</sup>

In her Note, *Interpreting Rule 68 to Conform with the Rules Enabling Act*, Megan Barbero argues that the *Jordan* decision—later applied in *Lucas*—"almost certainly violates the Rules Enabling Act" because it arguably creates a right in the defendant that would otherwise not exist

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persuasive in the context of a prevailing plaintiff, as opposed to a non-prevailing defendant, recovering fees under Rule 68).

222. 197 F.R.D. 172 (D.S.C. 2000).

223. *Id.* at 173.

224. *See id.* at 173–74 (concluding that defendant was not prevailing party when jury found for plaintiff on the only copyright claim litigated at trial).

225. *Id.* at 175–77; *see also Jordan*, 111 F.3d at 105 (remanding case for calculation of Rule 68 costs, including attorney's fees).

226. *Lucas*, 197 F.R.D. at 175–77 (quoting *Marek v. Chesny*, 473 U.S. 1, 9 (1985)).

227. *Id.* at 176 (footnotes omitted).

228. *Id.* at 176–77.

229. *See id.* at 176 & n.3 (citing *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 535 n.19 (1994); *Diamond Star Bldg. Corp. v. Freed*, 30 F.3d 503, 505 (4th Cir. 1994)).

but for Rule 68—namely, the right to recover attorney’s fees.<sup>230</sup> Many courts appear to agree, either explicitly or implicitly.<sup>231</sup> Recall that Judge Posner raised a similar issue when the *Marek* case was before the Seventh Circuit.<sup>232</sup> The *Marek* majority, perhaps feeling constrained by the Rules Enabling Act, countered that its holding was in harmony with Congress’s policy objectives underlying § 1988.<sup>233</sup> Whereas Barbero’s Note argues that the *Jordan* decision impermissibly creates an otherwise nonexistent right in any “prevailing party” statute, this Comment argues in part that the *Jordan* holding demonstrates that post-offer fees are not “properly awardable” to defendants in copyright cases because such an operation of Rule 68 frustrates § 505’s purpose of encouraging parties to litigate to a final judgment on the merits.<sup>234</sup>

## 2. Courts denying attorney’s fees to copyright defendants under Rule 68

On the other side of the circuit split, the Seventh and Ninth Circuits have denied attorney’s fees to copyright defendants under Rule 68. The Seventh Circuit focused primarily on the fact that § 505 permits fee awards only to the prevailing party, and both circuits relied on precedents addressing the same question in the context of other fee-

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230. Barbero, *supra* note 116, at 2051; *cf. Marek*, 473 U.S. at 35–38 (Brennan, J., dissenting) (arguing that the majority’s holding operated to modify an existing substantive right).

231. *See, e.g., Hescott v. City of Saginaw*, 757 F.3d 518, 529 (6th Cir. 2014) (“We cannot force through the back-door of a court rule what Congress and the Supreme Court expressly barred at the front gates.”); *Grosvenor v. Brienen*, 801 F.2d 944, 947 & n.7 (7th Cir. 1986) (explaining that “[a]ny interpretation of Rule 68 that significantly undercuts the substantive policies underlying” the applicable substantive statute violates the Rules Enabling Act); *Seidman v. Authentic Brands Grp. LLC*, No. 19-CV-8343 (LJL), 2020 WL 1922375, at \*6 (S.D.N.Y. Apr. 21, 2020) (“*Marek*’s interpretation did not abridge, enlarge or modify any substantive right; it merely deprived a prevailing plaintiff of the opportunity to request fees to which, under the governing statute, it had no right . . . . To read *Marek* or Rule 68 to require the Court to award attorneys’ fees to a non-prevailing party—when Congress carefully limited the right to attorneys fees’ under Section 505 to a prevailing party—would be to modify the substantive statute, to deprive a portion of that statute of meaning, and to require as a matter of Rule a fee award that is not properly awardable as a matter of statute.”); *Bruce v. Wkly. World News, Inc.*, 203 F.R.D. 51, 56 (D. Mass. 2001) (observing that the *Jordan* decision, “[i]n effect . . . provid[ed] a substantive gloss on the provisions of the Copyright Act, something that . . . is beyond the force of the civil rules”). *But see Lucas*, 197 F.R.D. at 176 (stating that the *Jordan* court resolved any tension between Rule 68 and § 505 by ruling that the former’s mandatory language controls).

232. *See supra* notes 184–86 and accompanying text.

233. *Marek*, 473 U.S. at 10.

234. *Infra* Section II.A.2.

shifting statutes to find that fees were not “properly awardable” under *Marek*.<sup>235</sup>

The Seventh Circuit first took up the issue in *Harbor Motor Co. v. Arnell Chevrolet-Geo, Inc.*<sup>236</sup> In *Harbor Motor*, Harbor Motor Company, Inc. sued Arnell Chevrolet-Geo, Inc. and Post-Tribune Publishing Company, Inc. for allegedly infringing its copyright in an advertisement.<sup>237</sup> Arnell and Post-Tribune made separate Rule 68 offers of judgment to Harbor for \$2,500 and \$7,500, respectively, both of which Harbor declined.<sup>238</sup> The defendants subsequently made a joint offer for \$20,100, but Harbor declined that one, too.<sup>239</sup> The case proceeded to trial, where the jury ruled in favor of Harbor on its copyright claim against Arnell, awarding \$12,500 in damages.<sup>240</sup>

The district court granted Arnell’s post-trial motion for costs and attorney’s fees under Rule 68 because Harbor’s \$12,500 judgment against Arnell was less favorable than the defendants’ \$20,100 pre-trial Rule 68 offer; however, the Seventh Circuit reversed.<sup>241</sup> Focusing on *Marek*’s “properly awardable” language, it reasoned that, while § 505 includes attorney’s fees as part of the costs, those fees are awardable only to prevailing parties.<sup>242</sup> Because Harbor won a judgment against Arnell on the copyright claim, Arnell was the non-prevailing party.<sup>243</sup> The court discussed *Crossman v. Marcoccio*,<sup>244</sup> a civil rights case decided in the First Circuit. In *Crossman*, the First Circuit emphasized that *Marek* “stresses the importance” of the phrase “properly awardable” as qualifying its holding by including it twice in the span of two

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235. *Harbor Motor Co. v. Arnell Chevrolet-Geo, Inc.*, 265 F.3d 638, 647 (7th Cir. 2001); *UMG Recordings, Inc. v. Shelter Cap. Partners LLC*, 718 F.3d 1006, 1034 (9th Cir. 2013). The Fifth Circuit has yet to decide the issue, but it has signaled in dicta that it agrees with this majority view. *See Energy Intel. Grp., Inc. v. Kayne Anderson Cap. Advisors, L.P.*, 948 F.3d 261, 280 (5th Cir. 2020) (“Under *Marek*, attorney’s fees are not “properly awardable” to a non-prevailing party where the substantive statute only authorizes prevailing parties to recover fees as part of costs.”).

236. 265 F.3d 638 (7th Cir. 2001).

237. *Id.* at 640–41.

238. *Id.* at 642.

239. *Id.*

240. *Id.* at 643.

241. *Id.* at 643, 649.

242. *Id.* at 645–46.

243. *Id.*

244. 806 F.2d 329 (1st Cir. 1986).

sentences.<sup>245</sup> Fees were not properly awardable in *Crossman* because the defendant was not the prevailing party and because there was no indication the defendant could meet the Supreme Court's standard for awarding fees to a defendant in a civil rights case.<sup>246</sup> Relying on *Crossman*, the Seventh Circuit rejected the Eleventh Circuit's contrary holding in *Jordan*, stating that the latter decision did not "adequately address the Copyright Act's mandate that only the prevailing party is permitted to recover its attorney's fees."<sup>247</sup>

Roughly a decade later, the Ninth Circuit confronted the question in a copyright case for the first time in *UMG Recordings, Inc. v. Shelter Capital Partners LLC*.<sup>248</sup> In *UMG*, Universal Music Group filed direct and secondary copyright infringement claims against Veoh Networks, the operator of a website that allowed users to share, among other things, music videos such as the ones produced by UMG.<sup>249</sup> Veoh made a \$100,000 Rule 68 offer of judgment to UMG, which UMG declined.<sup>250</sup> The parties later stipulated to a judgment where Veoh agreed to continue to take measures designed to prevent users from accessing the allegedly infringing videos, while UMG agreed it was entitled to no additional relief, including damages.<sup>251</sup> The district court denied Veoh's subsequent motion to recover its post-offer attorney's fees under Rule 68, and Veoh appealed.<sup>252</sup>

The Ninth Circuit's analysis was guided by two of its prior decisions dealing with the same issue in the context of other substantive statutes.<sup>253</sup> One involved the interplay between Rule 68 and Idaho Code § 12-120(3), which was a prevailing party statute.<sup>254</sup> The other concerned whether fees were "properly awardable" under the Clean Air Act,<sup>255</sup> a statutory scheme that awarded fees only when the court

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245. *Id.* at 333 ("In other words, all costs *properly awardable* in an action are to be considered within the scope of Rule 68 'costs.'" (quoting *Marek v. Chesny*, 473 U.S. 1, 9 (1985))).

246. *Id.* at 333–34.

247. *Harbor Motor*, 265 F.3d at 647.

248. 718 F.3d 1006 (9th Cir. 2013).

249. *Id.* at 1011.

250. *Id.* at 1033.

251. *Id.*

252. *Id.*

253. *See* *Champion Produce, Inc. v. Ruby Robinson Co.*, 342 F.3d 1016 (9th Cir. 2003) (Idaho Code § 12-120(3)); *United States v. Trident Seafoods Corp.*, 92 F.3d 855 (9th Cir. 1996) (Clean Air Act).

254. *Champion Produce, Inc.*, 342 F.3d at 1031.

255. 42 U.S.C. §§ 7401–7671.

found that the plaintiff's lawsuit was unreasonable.<sup>256</sup> In each case, the court declined to award the defendant post-offer attorney's fees.<sup>257</sup> Recognizing that "Rule 68 is not intended to expand the bases for a party's recovery of attorneys' fees," the Ninth Circuit extended application of its prior precedents to copyright cases.<sup>258</sup>

The *UMG* decision could be read to have left the door open for a future Ninth Circuit copyright defendant to recover fees under Rule 68. The district court in that case found the *defendant*—Veoh—to be the prevailing party.<sup>259</sup> Accordingly, it undertook a *Fogerty* analysis<sup>260</sup> before concluding that Veoh did not qualify for a fee award under § 505.<sup>261</sup> Because Veoh did not satisfy the *Fogerty* standard, fees were not "properly awardable," according to the district court.<sup>262</sup> The Ninth Circuit endorsed that reasoning, which could suggest that *UMG*'s holding is significantly narrower than *Harbor Motor*'s categorical bar on awarding attorney's fees to Rule 68 defendants. However, in the same opinion, the Ninth Circuit addressed whether Veoh was entitled to other Rule 68 costs outside of attorney's fees.<sup>263</sup> In sending that question back to the district court, the Ninth Circuit instructed that "Veoh [could] recover Rule 68 costs only if it [was] not a prevailing defendant."<sup>264</sup> The parties settled before the district court could address that question.<sup>265</sup>

In sum, the Seventh Circuit adheres to a bright-line rule that copyright defendants are precluded from recovering attorney's fees under Rule 68. The *Harbor Motor* court reasoned that, because attorney's fees are not properly awardable to a non-prevailing party under § 505 of the Copyright Act, they are likewise not properly awardable to a Rule 68 defendant who, by definition, will always be the

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256. *Trident Seafoods Corp.*, 92 F.3d at 860.

257. *Champion Produce, Inc.*, 342 F.3d at 1031–32; *Trident Seafoods Corp.*, 92 F.3d at 860.

258. *UMG Recordings, Inc. v. Shelter Cap. Partners LLC*, 718 F.3d 1006, 1034 (9th Cir. 2013) (quoting *Champion Produce, Inc.*, 342 F.3d at 1029).

259. *UMG Recordings, Inc. v. Veoh Networks, Inc.*, No. CV 07-5744 AHM (AJWx), 2010 WL 1407316, at \*1 (C.D. Cal. Apr. 6, 2010).

260. See *supra* notes 100–01 and accompanying text.

261. *UMG Recordings, Inc.*, 2010 WL 1407316, at \*1–2.

262. *Id.* at \*3.

263. *UMG Recordings*, 718 F.3d at 1035.

264. *Id.*

265. See Minute Order in Chambers, *UMG Recordings, Inc. v. Veoh Networks, Inc.*, No. CV-07-5744-R (C.D. Cal. dismissed Aug. 12, 2013).



non-prevailing party on the relevant claim.<sup>266</sup> Moreover, the *UMG* case, along with the *Crossman* case on which the *Harbor Motor* court relied, bring into focus another consideration for whether fees are properly awardable—whether such an award is consistent with the standards and policies underlying the fee-shifting statute.<sup>267</sup>

### 3. *The split within the Second Circuit's district courts*

The lopsided nature and chronology of the circuit split naturally beg the question whether courts have simply moved on from the *Jordan-Lucas* line of reasoning. Both decisions are now over twenty years old.<sup>268</sup> However, a recent crop of cases decided by the Second Circuit's lower courts indicates otherwise.<sup>269</sup> Several judges in the Southern District of New York have followed *Jordan* in holding that *Marek* allows a non-prevailing defendant to recover attorney's fees under Rule 68.<sup>270</sup> Meanwhile, others in that court and in the Eastern District of New York have held the opposite.<sup>271</sup> Thus, the Second Circuit's lower courts are a microcosm of the larger split among the nation's federal appellate courts.

Unsurprisingly, the arguments on either side of this district-court split largely track those made by the circuit courts. Two copyright cases

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266. *Harbor Motor Co. v. Arnell Chevrolet-Geo, Inc.*, 265 F.3d 638, 645–47 (7th Cir. 2001); *see also* *Delta Air Lines, Inc. v. August*, 450 U.S. 346, 352 (1981) (holding that Rule 68 costs are unavailable to a prevailing defendant); *cf.* *Goldberg v. Pac. Indem. Co.*, 627 F.3 752, 755 (9th Cir. 2010) (noting that Rule 68 is inapplicable to judgments in the defendant's favor).

267. *See UMG Recordings, Inc.*, 718 F.3d at 1033–34; *Crossman v. Marcoccio*, 806 F.2d 329, 333–34 (1st Cir. 1986) (holding that fees are not properly awardable under *Marek* when defendant would not be able to meet standard for recovering fees under the substantive statute).

268. *Jordan v. Time, Inc.*, 111 F.3d 102 (11th Cir. 1997) (per curiam); *Lucas v. Wild Dunes Real Est., Inc.*, 197 F.R.D. 172 (D.S.C. 2000).

269. *E.g.*, *Wilson v. D'Apostrophe Design Inc.*, No. 20-CV-0003 (LAK) (KHP), 2020 WL 4883849, at \*3 (S.D.N.Y. Aug. 20, 2020); *Mango v. Democracy Now! Prods., Inc.*, No. 18CV10588 (DLC), 2019 WL 3325842, at \*4 (S.D.N.Y. July 24, 2019); *Kalfus v. God's World Publ'ns, Inc.*, No. 20 CIV. 4601 (KPF), 2020 WL 6690660, at \*3 (S.D.N.Y. Nov. 13, 2020); *Seidman v. Authentic Brands Grp. LLC*, No. 19-CV-8343 (LJL), 2020 WL 1922375, at \*5 (S.D.N.Y. Apr. 21, 2020).

270. *E.g.*, *Wilson*, 2020 WL 4883849, at \*3 (rejecting argument that the Copyright Act prevents a non-prevailing defendant from shifting attorney's fees to the plaintiff); *Mango*, 2019 WL 3325842, at \*4.

271. *E.g.*, *Kalfus*, 2020 WL 6690660, at \*3 (holding that a non-prevailing defendant is entitled to post-offer costs but not attorney's fees); *Seidman*, 2020 WL 1922375, at \*5 (acknowledging that several district courts have employed the *Jordan-Lucas* reasoning but declining to follow those courts); *Boisson*, 221 F.R.D. at 381–82.

that capture the crux of the divide are *Mango v. Democracy Now! Products, Inc.*<sup>272</sup> and *Seidman v. Authentic Brands Group LLC*.<sup>273</sup> The relevant facts are familiar by now: in each case, the defendant made a Rule 68 offer of judgment that the plaintiff rejected.<sup>274</sup> One difference between these cases and the appellate cases discussed above, however, is their procedural status.<sup>275</sup> Whereas in *Jordan*, *Harbor Motor*, and *UMG*, for example, the cases had reached a final judgment,<sup>276</sup> the *Mango* and *Seidman* cases had not. Instead, the district courts considered the Rule 68 question at an earlier stage of the litigation and in the context of motions for bond.<sup>277</sup> Still, the legal question was the same: can a non-prevailing copyright defendant recover attorney's fees under Rule 68?<sup>278</sup> In *Mango*, Judge Denise Cote followed the *Jordan* decision and held that Rule 68 copyright defendants are eligible for such fees.<sup>279</sup> Conversely, in *Seidman*, Judge Lewis J. Liman followed *Harbor Motor* and *UMG* and held that copyright defendants cannot recover attorney's fees under Rule 68.<sup>280</sup>

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272. No. 18CV10588 (DLC), 2019 WL 3325842 (S.D.N.Y. July 24, 2019).

273. No. 19-CV-8343 (LJL), 2020 WL 1922375 (S.D.N.Y. Apr. 21, 2020).

274. See *Mango*, 2019 WL 3325842, at \*1 (plaintiff rejected offer of judgment that was apparently five times more than his usual licensing fee for editorial use of his photos); *Seidman*, 2020 WL 1922375, at \*1 (plaintiff likewise rejected offer of judgment that the defendant claimed was more than five times the plaintiff's "best-case scenario historical licensing fees").

275. Compare, e.g., *Jordan v. Time, Inc.*, 111 F.3d 102 (11th Cir. 1997) (per curiam) (resolving appeal of district court's denial of motion for attorney's fees), with *Mango*, 2019 WL 3325842 (resolving motion for bond).

276. *Jordan*, 111 F.3d at 104; *Harbor Motor Co. v. Arnell Chevrolet-Geo, Inc.*, 265 F.3d 638, 640 (7th Cir. 2001); *UMG Recordings, Inc. v. Shelter Cap. Partners LLC*, 718 F.3d 1006, 1011 (9th Cir. 2013).

277. *Mango*, 2019 WL 3325842, at \*1; *Seidman*, 2020 WL 1922375, at \*1. In the Southern District of New York, the court's local rules give judges discretion to order a party to post a bond for costs in an amount to be decided by the court. S.D.N.Y. LOCAL Civ. R. 54.2. Noncompliance with such an order may result in the party's pleadings being struck, the case being stayed until the bond is filed, or even a default judgment against the non-complying party. *Id.*

278. See *Seidman*, 2020 WL 1922375, at \*1 ("The most critical, and ultimately dispositive, issue here is what legal costs are expected to be incurred."); *Mango*, 2019 WL 3325842, at \*1 ("The principal legal dispute between the parties is whether [the defendant] may be awarded costs that include the attorney's fees it has incurred following its Rule 68 offer.").

279. *Mango*, 2019 WL 3325842, at \*4 ("A copyright defendant is entitled to seek an award of costs, including attorney's fees, incurred following a Rule 68 offer where the plaintiff's recovery fails to exceed the offer.").

280. *Seidman*, 2020 WL 1922375, at \*4-5.

The Second Circuit's opinion in *Stanczyk v. City of New York*<sup>281</sup> is at the heart of the disagreement between the *Mango* and *Seidman* courts. Like the plaintiff in *Marek*, the plaintiff in *Stanczyk* alleged civil rights violations under 42 U.S.C. § 1983.<sup>282</sup> In analyzing the Rule 68 issue, the *Stanczyk* court declined (in dicta) to adopt a rule that the defendant could recover attorney's fees under Rule 68 because such an outcome would be at odds with the relevant fee-shifting statute (§ 1988).<sup>283</sup> The *Mango* court distinguished *Stanczyk* as a civil rights case, noting that the *Stanczyk* court emphasized a disparity in such cases between the standards for awarding attorney's fees to plaintiffs and defendants.<sup>284</sup> Like the *Crossman* court, the *Stanczyk* court could not imagine a situation where attorney's fees could be properly awardable to a non-prevailing civil rights defendant under Rule 68 because the plaintiff's claim would have to be "vexatious, frivolous, or brought to harass or embarrass."<sup>285</sup> In contrast, copyright plaintiffs and defendants are subject to the evenhanded fee-award standard announced in *Fogerty* and refined by *Kirtsaeng*.<sup>286</sup> Therefore, the *Mango* court said, because copyright cases and civil rights cases apply different standards for awarding fees, and because the policies behind the two statutes are different, Rule 68 applies differently to each type of case.<sup>287</sup>

Breaking with the *Mango* court, *Seidman* relied on *Stanczyk* for the proposition that, "where the underlying statute *precludes* recovery of attorneys' fees, such fees may not be included as costs for purposes of Rule 68."<sup>288</sup> Because § 505 gives courts discretion to award fees to a prevailing party, such fees are not properly awardable to a non-prevailing defendant.<sup>289</sup> The court highlighted other courts' reliance on this "animating principle" in other types of cases involving fee-

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281. 752 F.3d 273 (2d Cir. 2014).

282. *Id.* at 275.

283. *Id.* at 282 (explaining that a rule requiring a prevailing plaintiff such as *Stanczyk* to be held liable for a defendant's post-offer attorney's fees would be at odds with § 1988).

284. *Mango*, 2019 WL 3325842, at \*4.

285. *Stanczyk*, 752 F.3d at 282.

286. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19 (1994) (citing *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (3d Cir. 1986)); *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1985 (2016).

287. *Mango*, 2019 WL 3325842, at \*4.

288. *Seidman*, 2020 WL 1922375, at \*2 (citing *Stanczyk*, 752 F.3d at 282).

289. *Id.* at \*3.

shifting statutes,<sup>290</sup> remarking that it is a “popular understanding of Rule 68 and *Marek*.”<sup>291</sup>

This “popular understanding” of the interplay between Rule 68 and *Marek* has been criticized in one of the leading copyright treatises.<sup>292</sup> *Patry on Copyright* posits that this majority interpretation leads to “absurd results,” since no fee-shifting statute allows attorney’s fees to be awarded to the losing party and therefore a Rule 68 defendant would *never* be able to recover attorney’s fees.<sup>293</sup> The treatise concedes that awarding attorney’s fees to a Rule 68 defendant “sets up a conflict with” § 505’s prohibition on awarding fees to the non-prevailing party.<sup>294</sup> However, it argues that this conflict is no worse than the one posed by *Marek*’s central holding that Rule 68 denies a prevailing plaintiff the opportunity for post-offer attorney’s fees even though such an award is authorized by the substantive statute.<sup>295</sup>

The *Seidman* court implicitly addressed this counterargument, explaining that *Marek* did not “abridge, enlarge or modify any substantive right.”<sup>296</sup> While the underlying statute provides the *opportunity* for the prevailing plaintiff to recover fees, the statute offers no such *right*.<sup>297</sup> Reading *Marek* to give attorney’s fees to a non-prevailing party, however, would be to modify the substantive statute, which “Congress carefully limited” to prevailing parties.<sup>298</sup> Congress crafted a statutory scheme designed to encourage meritorious suits and defenses and to guard against litigating a weak case.<sup>299</sup> Thus, Judge Liman determined, “[t]he most faithful reading of *Marek*, Rule 68, and

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290. *Seidman*, 2020 WL 1922375, at \*4; see *Crossman v. Marcoccio*, 806 F.2d 329, 333 (1st Cir. 1986); *Hescott v. City of Saginaw*, 757 F.3d 518, 528 (6th Cir. 2014).

291. *Seidman*, 2020 WL 1922375, at \*5.

292. See 6 PATRY, *supra* note 213, § 22:218.

293. *Id.*

294. *Id.*

295. *Id.*

296. *Seidman*, 2020 WL 1922375, at \*6 (citing 28 U.S.C. § 2072). *But see* *Marek v. Chesny*, 473 U.S. 1, 35–38 (1985) (Brennan, J., dissenting) (arguing that the right to attorney’s fees is a substantive right, and the majority’s opinion “abridge[d]” and “modif[ied]” that right).

297. *Seidman*, 2020 WL 1922375, at \*6.

298. *Id.*; see also *Barbero*, *supra* note 116, at 2051.

299. *Seidman*, 2020 WL 1922375, at \*6; see *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1986 (2016) (approving a fee-award standard that “encourages parties with strong legal positions to stand on their rights and deters those with weak ones from proceeding with litigation”).

Section 505 is that attorneys' fees are not available as costs under Rule 68 to a non-prevailing party."<sup>300</sup>

Whereas the *Jordan*, *Harbor Motor*, and *UMG* cases showcase the appellate-level circuit split, the *Mango* and *Seidman* cases demonstrate a divide at the district-court level indicating that the Rule 68 question is important and contemporary. A decision from the Second Circuit could resolve the latter dispute, but either the Supreme Court or Congress will likely need to resolve the split among the circuit courts.

## II. ANALYSIS

As explained above, Congress wields broad power to legislate in the copyright space under its Article I duty to promote “the Progress of Science.”<sup>301</sup> One of the ways it has used that power is to enact a fee-shifting provision under § 505 of the Copyright Act.<sup>302</sup> The purpose of the statute is to encourage parties to litigate claims and defenses to a judgment on the merits for the benefit of copyright law as a whole.<sup>303</sup> Meanwhile, Rule 68 is a procedural rule that operates to promote settlement.<sup>304</sup> It achieves that goal by shifting certain litigation costs to a successful plaintiff when that plaintiff has rejected a settlement offer that was more favorable than the ultimate judgment obtained.<sup>305</sup> In *Marek*, the Supreme Court explained that such costs include attorney’s fees only when they are “properly awardable” under the relevant substantive statute<sup>306</sup>—here, § 505. The Seventh and Ninth Circuits have denied attorney’s fees to Rule 68 copyright defendants,<sup>307</sup> whereas the Eleventh Circuit has included such fees as costs.<sup>308</sup>

Attorney’s fees are not “properly awardable” to Rule 68 copyright defendants in view of the plain language of § 505 as well as the policies undergirding it. Furthermore, beyond the statute’s immediate goals, there are additional policy reasons for rejecting a mechanical application of Rule 68 to copyright cases. Finally, should Congress find it necessary to amend § 505 to resolve the circuit split, any amendment

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300. *Seidman*, 2020 WL 1922375, at \*5.

301. U.S. CONST. art. I, § 8, cl. 8; *see supra* Section I.A.1.

302. 17 U.S.C. § 505.

303. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 527 (1994); *see supra* Section I.A.3.

304. FED. R. CIV. P. 68; *see supra* Section I.B.2.

305. FED. R. CIV. P. 68(d).

306. *Marek v. Chesny*, 483 U.S. 1, 9 (1985).

307. *See supra* Section I.D.2.

308. *See supra* Section I.D.1.

should make clear that attorney's fees are not recoverable as part of Rule 68 costs.

*A. Attorney's Fees Are Not "Properly Awardable" to Rule 68 Copyright Defendants Under the Plain Language of the Statute and in View of the Policies Supporting It*

The conclusion that attorney's fees are not "properly awardable" to a Rule 68 copyright defendant is correct for two main reasons. First, § 505's plain language permits attorney's fee awards only to the prevailing party. Second, allowing a Rule 68 defendant to recover attorney's fees frustrates § 505's purpose of encouraging meritorious copyright litigation. This Section will address each reason in turn.

*1. Section 505's plain language permits attorney's fee awards only to the prevailing party*

Attorney's fees are not "properly awardable" to a Rule 68 copyright defendant under the plain language of the statute. Section 505 of the Copyright Act provides, in relevant part, that a court "may . . . award a reasonable attorney's fee to the *prevailing party* as part of the costs."<sup>309</sup> The prevailing party is the one "in whose favor a judgment is rendered, regardless of the amount of damages awarded."<sup>310</sup> In *Delta*, the Supreme Court held that for a defendant to recover under Rule 68, the plaintiff must have obtained a favorable judgment,<sup>311</sup> which means that any defendant seeking to invoke the rule is necessarily the non-prevailing party. These principles led the Seventh Circuit to correctly conclude that, because § 505 permits attorney's fees only to a prevailing party, a Rule 68 defendant may not recover such fees.<sup>312</sup>

The *Patry on Copyright* treatise argues that the Seventh Circuit's reading of *Marek* is problematic because virtually no fee-shifting statute awards fees to the losing party and therefore no defendant in a fee-

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309. 17 U.S.C. § 505 (emphasis added).

310. *Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health & Hum. Res.*, 532 U.S. 598, 603 (2001) (quoting *Prevailing Party*, BLACK'S LAW DICTIONARY (7th ed. 1999)); see also *Manhattan Rev. LLC v. Yun*, 919 F.3d 149, 152 (2d Cir. 2019) (per curiam) (prevailing party is "one who has favorably effected a 'material alteration of the legal relationship of the parties' by court order").

311. See *Delta Air Lines, Inc. v. August*, 450 U.S. 346, 351–52 (1981) (finding that by the plain language of Rule 68, it does not apply to cases where the defendant is the one who obtains the judgment).

312. *Harbor Motor Co. v. Arnell Chevrolet-Geo, Inc.*, 265 F.3d 638, 645–47 (7th Cir. 2001).

shifting case could ever recover post-offer attorney's fees.<sup>313</sup> It describes this interpretation as inconsistent with *Marek's* holding that Rule 68 operates to bar a plaintiff from recovering its post-offer attorney's fees.<sup>314</sup> Framed another way, if attorney's fees are properly awardable inasmuch as Rule 68 can operate to cancel a plaintiff's recovery of them, then how are they not properly awardable to the Rule 68 defendant under the same statute? A careful look at the difference between the two scenarios reveals the answer.

In *Marek*, the Court stressed that its “plain meaning’ interpretation of the interplay between Rule 68 and [the substantive statute] [was] the only construction that g[ave] meaning to each word in both Rule 68 and [the substantive statute].”<sup>315</sup> In other words, because a prevailing civil rights plaintiff could receive attorney's fees as costs under the civil rights fee-shifting statute, Rule 68 could operate to deny the plaintiff of those “properly awardable” fees.<sup>316</sup> Applying the same plain-meaning interpretation to a *non-prevailing* copyright defendant, however, yields the opposite result. Attorney's fees are never awardable to a non-prevailing party in copyright cases.<sup>317</sup> Therefore, permitting Rule 68 to allow a non-prevailing copyright defendant to recover attorney's fees, as the *Jordan* court did, negates the “prevailing party” language in the statute and “deprive[s] a portion of [§ 505] of meaning.”<sup>318</sup> The latter result is flatly at odds with the *Marek* majority's reasoning that its plain meaning interpretation gave significance to every word in Rule 68 and the substantive statute.<sup>319</sup> Moreover, as others have argued, it likely violates the Rules Enabling Act.<sup>320</sup>

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313. 6 PATRY, *supra* note 213, § 22:218.

314. *Id.*

315. *Marek v. Chesny*, 473 U.S. 1, 9 (1985).

316. *See* 42 U.S.C. § 1988(b) (“[T]he court, in its discretion, may allow the prevailing party . . . a reasonable attorney's fee as part of the costs . . . .”); *Seidman v. Authentic Brands Grp. LLC*, No. 19-CV-8343 (LJL), 2020 WL 1922375, at \*6 (S.D.N.Y. Apr. 21, 2020) (“The Rulemakers used the word ‘costs’ in Rule 68 . . . and Congress defined ‘a reasonable attorney's fee as part of the costs’ that ‘may’ be reimbursable to a ‘prevailing party’ under 42 U.S.C. § 1988.”).

317. 17 U.S.C. § 505; *see Seidman*, 2020 WL 1922375, at \*6 (stating that Congress “carefully limited” attorney's fee awards to prevailing parties under § 505).

318. *Seidman*, 2020 WL 1922375, at \*6.

319. *Marek*, 473 U.S. at 9; *Seidman*, 2020 WL 1922375, at \*6.

320. *See, e.g., Barbero, supra* note 116, at 2051; *Seidman*, 2020 WL 1922375, at \*6 (“To read *Marek* or Rule 68 to require the Court to award attorneys' fees to a non-prevailing party—when Congress carefully limited the right to attorneys fees' under Section 505 to a prevailing party—would be to modify the substantive statute.”).

In short, because § 505 allows fees only to a prevailing party, and because a Rule 68 defendant is necessarily the non-prevailing party, attorney's fees are not properly awardable to such a defendant under the plain language of § 505.

*2. Rule 68's purpose of encouraging settlement frustrates § 505's goal of encouraging meritorious copyright litigation*

Fees are not awardable to a Rule 68 copyright defendant for a second major reason. Allowing a defendant to recover attorney's fees under Rule 68 undermines § 505's goal of encouraging parties to "stand on their rights" and litigate claims through judgment.<sup>321</sup>

*Marek* held that Rule 68 costs include all costs "properly awardable" under the applicable substantive statute, stating that "*absent congressional expressions to the contrary*, where the underlying statute defines 'costs' to include attorney's fees, . . . such fees are to be included as costs."<sup>322</sup> *Marek's* "properly awardable" standard therefore considers the policies underlying the statute.<sup>323</sup> The Seventh Circuit generally treated the "prevailing party" language of § 505 as violative of *Marek's* standard, while the Ninth Circuit affirmed the district court's decision that the *Fogerty* factors had not been satisfied in holding that the fees were not "properly awardable."<sup>324</sup> The Eleventh Circuit and the courts following its holding largely ignore the policies supporting the statute,<sup>325</sup> so a further examination of Rule 68 and § 505's competing goals is warranted.

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321. *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1986 (2016).

322. *Marek*, 473 U.S. at 9 (emphasis added).

323. See *Crossman v. Marcoccio*, 806 F.2d 329, 333–34 (1st Cir. 1986) (explaining that fees are not properly awardable to civil rights defendants in light of policies underlying § 1988); *Stanczyk v. City of New York*, 752 F.3d 273, 282 (2d Cir. 2014) (noting that shifting fees to a non-prevailing civil rights defendant would "be at odds with section 1988"); *Seidman*, 2020 WL 1922375, at \*5–6 (analyzing the Copyright Act's goals in shifting fees).

324. *Harbor Motor Co. v. Arnell Chevrolet-Geo, Inc.*, 265 F.3d 638, 645–47 (7th Cir. 2001); *UMG Recordings, Inc. v. Shelter Cap. Partners LLC*, 718 F.3d 1006, 1034 & n.24 (9th Cir. 2013); *UMG Recordings, Inc. v. Veoh Networks, Inc.*, No. CV 07-5744 AHM (AJWx) 2010 WL 1407316, at \*1–3 (C.D. Cal. Apr. 6, 2010).

325. See, e.g., *Jordan v. Time, Inc.*, 111 F.3d 102, 105 (11th Cir. 1997) (per curiam) (summarily concluding that fees are properly awardable because the Copyright Act defines them as part of the costs); *Lucas v. Wild Dunes Real Est., Inc.*, 197 F.R.D. 172, 176 (D.S.C. 2000) (following *Jordan's* holding that Rule 68's mandatory language controls).



The *Marek* majority explained that allowing Rule 68 to bar a civil rights plaintiff from recovering post-offer attorney's fees does not cut against the grain of § 1988's objective of giving plaintiffs "effective access to the judicial process."<sup>326</sup> Instead, the rule's purpose of encouraging settlement operates to benefit such plaintiffs by giving them recoveries they otherwise might not have obtained and by saving them from time-consuming and stressful litigation.<sup>327</sup> That same harmony, however, is not present in the relationship between Rule 68 and § 505.

The ultimate purpose of copyright law is to "enrich[] the general public through access to creative works," and therefore it is "peculiarly important that the boundaries of copyright law be demarcated as clearly as possible."<sup>328</sup> Congress enacted § 505 to meet that end by encouraging copyright plaintiffs and defendants to litigate meritorious claims and defenses.<sup>329</sup> Recognizing this purpose, the Supreme Court expressly rejected a fee-award standard that would encourage settlement in copyright cases.<sup>330</sup> The rejected standard would have turned on whether the party's claim was one that would "meaningfully clarif[y]" the law.<sup>331</sup> The Court explained that close cases cause uncertainty, and uncertainty encourages parties to settle rather than continue with litigation.<sup>332</sup> With that in mind, the Court instead endorsed an approach that "encourage[d] parties with strong legal positions to stand on their rights" and "maintain a suit even if the

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326. *Marek*, 473 U.S. at 10 (internal quotations omitted).

327. *Id.*

328. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 527 (1994); see *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1986 (2016) (Kagan, J.) ("The statute achieves that end by striking a balance between two subsidiary aims: encouraging and rewarding authors' creations while also enabling others to build on that work. Accordingly, fee awards under § 505 should encourage the types of lawsuits that promote those purposes." (internal citation omitted)).

329. *Fogerty*, 510 U.S. at 527; see also *Childress v. Taylor*, 945 F.2d 500, 504 (2d Cir. 1991) ("Copyright law best serves the interests of creativity when it carefully draws the bounds of 'joint authorship' so as to protect the legitimate claims of both sole authors and co-authors."); Peter Jaszi, *505 and All That—the Defendant's Dilemma*, 55 LAW & CONTEMP. PROBS. 107, 108 n.3 (Spring 1992) (suggesting that the most important purpose of § 505 is to encourage litigation that will clarify "what is—and what is not—within the scope of copyright").

330. *Kirtsaeng*, 136 S. Ct. at 1987–88.

331. *Id.* at 1985.

332. *Id.* at 1987.

damages at stake are small.”<sup>333</sup> A meritorious claim worth \$1,000 can just as much clarify the law as one for \$100,000.<sup>334</sup>

The standard that emerged from *Fogerty* and *Kirtsaeng* reflects that approach: a *prevailing party* may be awarded fees *only* after careful consideration of numerous nonexclusive factors, including the frivolousness of the claim, the motivation of the party bringing the claim, the objective unreasonableness in both the factual and legal components of the case, and the roles of compensation and deterrence in issuing a fee award.<sup>335</sup> In the analogous civil rights context, the *Crossman* and *Stanczyk* courts determined that a non-prevailing defendant would likely never qualify for an attorney’s fee award because the court would have to find the plaintiff’s claim to be “vexatious, frivolous, or brought to harass or embarrass.”<sup>336</sup> Likewise, it is difficult to see how a Rule 68 copyright defendant could qualify for an award under the *Fogerty* and *Kirtsaeng* standard.<sup>337</sup> A court would be hard-pressed to find the plaintiff’s claim frivolous, brought in bad faith, or objectively unreasonable when that claim is, by definition, *meritorious*.<sup>338</sup> As for the “compensation and deterrence” factor, a fee

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333. *Id.* at 1986.

334. *Cf.* *Glacier Films (USA), Inc. v. Turchin*, 896 F.3d 1033, 1041–42 (9th Cir. 2018) (explaining that the district court misread *Kirtsaeng* to promote denying fee awards for “overaggressive” *meritorious* claims, since pursuing a meritorious claim any less aggressively would not further the Copyright Act’s goals).

335. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19 (1994) (citing *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (3d Cir. 1986)); *Kirtsaeng*, 136 S. Ct. at 1985. Although no single factor is dispositive, substantial weight must be given to the objective reasonableness of the claim or defense. *Id.*

336. *Stanczyk v. City of New York*, 752 F.3d 273, 282 (2d Cir. 2014); *accord* *Crossman v. Marcoccio*, 806 F.2d 329, 334 (1st Cir. 1986).

337. *See supra* notes 100-01 and accompanying text. The *UMG* case discussed *supra* highlights this point. There, the district court found the Rule 68 defendant to be the prevailing party. *UMG Recordings, Inc. v. Veoh Networks, Inc.*, No. CV 07-5744 (AHM), 2010 WL 1407316, at \*1 (C.D. Cal. Apr. 6, 2010). However, it denied the defendant attorney’s fees under the *Fogerty* factors, noting that “what [the plaintiff] sought to do here was consistent with the kind of vigorous advocacy that can lead to clarification and more predictable application of principles of secondary copyright liability.” *Id.* at \*2. Though beside the point, it is worth a reminder for clarity’s sake that Rule 68 does not apply when the defendant is the prevailing party. *See supra* notes 141–44, 263–65 and accompanying text. Still, this case demonstrates that, even in a scenario where a Rule 68 copyright defendant was treated as the prevailing party, it still could not satisfy the fee-award standard.

338. *See* *Delta Air Lines, Inc.*, 450 U.S. at 351–52 (Rule 68 applies only when the plaintiff is the prevailing party); *cf.* *Crossman*, 806 F.2d 329 at 334 (notwithstanding less

award against a winning claim in the name of deterrence is plainly antithetical to § 505's purpose of encouraging meritorious claims and defenses.<sup>339</sup>

The *Mango* court argues that § 505's equal treatment of copyright plaintiffs and defendants distinguishes it from the civil rights fee-shifting statute.<sup>340</sup> Whereas a prevailing civil rights plaintiff should receive fees as a matter of course, a prevailing copyright plaintiff should not.<sup>341</sup> Because each fee-shifting statute supports a different policy, "Rule 68 may operate differently in the two contexts."<sup>342</sup> Therefore, the argument goes, even though most courts post-*Marek* have held that a civil rights defendant may not recover post-offer attorney's fees, the analysis does not translate to copyright context.<sup>343</sup>

However, that argument misses the point because it focuses on the "who" and not the "why." Section 505's instruction to award fees only to the prevailing party is premised on the idea that the party's successful claim or defense helped define the boundaries of copyright law.<sup>344</sup> Because the focus is on the *merits* of the claim or defense, the party's status as plaintiff or defendant is irrelevant.<sup>345</sup> John Fogerty's successful defense against Fantasy, Inc.'s copyright claim, for example, made him just as much eligible for a fee award as a prevailing plaintiff because his meritorious defense helped shape the contours of copyright law.<sup>346</sup> The same cannot be said for the Rule 68 defendant, which will have necessarily lost on its defense to the relevant claim.<sup>347</sup>

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favorable judgment, civil rights claim not frivolous or meritless when plaintiff was the one who prevailed); *Stanczyk*, 752 F.3d at 282 (same).

339. See *supra* text accompanying notes 328–34.

340. *Mango v. Democracy Now! Prods., Inc.*, No. 18CV10588 (DLC), 2019 WL 3325842, at \*4 (S.D.N.Y. July 24, 2019) (noting the diverging policies between the two statutory schemes).

341. *Id.* at \*2 (noting that, in the copyright context, the court must undertake a "case-by-case assessment"). Compare *Hensley v. Eckerhart*, 461 U.S. 424, 429 (1983) (announcing standard in civil rights cases), with *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994) (announcing standard in copyright cases).

342. *Mango*, 2019 WL 3325842, at \*4.

343. *Id.*

344. *Fogerty*, 510 U.S. at 527; *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1986 (2016).

345. See *Fogerty*, 510 U.S. at 526–27 (explaining that plaintiffs and defendants should be treated alike under § 505 because a successful defense advances the goals of the Copyright Act just as much as a successful claim).

346. *Id.*

347. See *supra* notes 74–77, 141–44 and accompanying text.

Thus, awarding fees to the defendant runs contrary to the purpose of the statute.

Rule 68's incompatibility with § 505 is further illustrated by the friction between the rule's mandatory language and § 505's command that fee awards be left to the discretion of the district court.<sup>348</sup> Rule 68 is mandatory; it provides that the offeree "must" pay costs.<sup>349</sup> In contrast, § 505's language "'clearly connotes discretion,' and eschews any 'precise rule or formula' for awarding fees."<sup>350</sup> Prevailing copyright plaintiffs and defendants are to be treated evenhandedly, and in either case, attorney's fees may be awarded "only as a matter of the court's discretion."<sup>351</sup> According to the *Lucas* court, the Eleventh Circuit in *Jordan* "implicitly resolved" the incongruity between Rule 68 and § 505 by deciding that the rule's mandatory language trumps the discretionary nature of the statute.<sup>352</sup> But this purported resolution gave no consideration of the policies described above underpinning Congress's decision to make copyright fee awards discretionary.<sup>353</sup> Instead, the *Jordan* court summarily concluded that § 505 defines costs to include attorney's fees without analyzing why that is so.<sup>354</sup> Such an analysis short-circuits *Marek's* "properly awardable" standard by failing to account for the "congressional expressions to the contrary."<sup>355</sup>

In sum, § 505 of the Copyright Act presents a prime example of when fees are not properly awardable to a Rule 68 defendant. Section 505 encourages copyright plaintiffs and defendants to stand on the merits of their claims and defenses to benefit copyright law and advance the public's interest in creating and accessing original works of art, music, literary expression, and more.<sup>356</sup> The standard for awarding attorney's

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348. See, e.g., *Lucas v. Wild Dunes Real Est., Inc.*, 197 F.R.D. 172, 176 (D.S.C. 2000) (noting that the Eleventh Circuit resolved the tension between Rule 68 and § 505 by finding that Rule 68's mandatory language controls).

349. FED. R. CIV. P. 68(d); *Marek v. Chesny*, 473 U.S. 1, 29 (1985) (Brennan, J., dissenting).

350. *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1985 (2016) (quoting *Fogerty*, 510 U.S. at 533, 534).

351. *Fogerty*, 510 U.S. at 534; accord *Kirtsaeng*, 136 S. Ct. at 1985.

352. *Lucas*, 197 F.R.D. at 176.

353. See *id.* (noting that *Jordan* resolved the friction between Rule 68 and § 505 "without any extensive analysis"); see also *Harbor Motor Co. v. Arnell Chevrolet-Geo, Inc.*, 265 F.3d 638, 647 (7th Cir. 2001) (stating that *Jordan* failed to address that the Copyright Act allows fees only to the prevailing party).

354. *Jordan v. Time, Inc.*, 111 F.3d 102, 105 (11th Cir. 1997) (per curiam).

355. *Marek v. Chesny*, 473 U.S. 1, 9 (1985).

356. See *supra* notes 328–34 and accompanying text.

fees under the statute is tailored to support those objectives. In contrast, Rule 68 incentivizes parties to settle before any ruling on the merits.<sup>357</sup> Because those two objectives cannot be squared, shifting fees to a Rule 68 copyright defendant, as the *Jordan* court did, frustrates the statute Congress carefully crafted to further the goals of the Copyright Act.<sup>358</sup> Since “it is generally for Congress, not the courts, to decide how best to pursue the Copyright Clause’s objectives,”<sup>359</sup> the tension between the rule and the statute must be resolved in favor of the latter under the *Marek* standard.

*B. Additional Policy Considerations Weigh Against Awarding Attorney’s Fees to a Rule 68 Copyright Defendant*

In addition to the fact that fees are not properly awardable under *Marek* to a non-prevailing copyright defendant, there are good policy reasons for denying such a recovery. First, such an application of Rule 68 would put copyright plaintiffs at an unfair disadvantage in the litigation. Second, adopting the minority rule of the Eleventh Circuit and some district courts would considerably weaken the impact of the recently enacted CASE Act.

While Rule 68 is already a defendant-friendly rule, adopting the Eleventh Circuit’s holding would make it even more so. As Roy Simon Jr. explained in *The Riddle of Rule 68*, the rule on its own is patently unfair to plaintiffs.<sup>360</sup> The timing and terms of the offer are controlled exclusively by defendants; plaintiffs have only fourteen days to analyze the offer; and the rule bars district courts from using their discretion to modify or eliminate the penalty even when the plaintiff was justified in rejecting the offer or when the penalty would cause undue hardship.<sup>361</sup> These considerations are similar to the ones courts must consider under the *Fogerty* and *Kirtsaeng* standards described above, yet a plaintiff in this situation is deprived of their benefit.<sup>362</sup> If the basic rule already puts a finger on the scale in favor of defendants, adding

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357. See *supra* notes 132–40 and accompanying text.

358. See *supra* notes 348–55 and accompanying text.

359. *Eldred v. Ashcroft*, 537 U.S. 186, 212 (2003).

360. Simon, *supra* note 131, at 6–9.

361. *Id.*; see *King v. Rivas*, 555 F.3d 14, 20 (1st Cir. 2009) (suggesting that Rule 68 should be reformed to give courts discretionary power to avoid the unfair outcomes that can result from the rule’s mandatory phrasing).

362. See *supra* notes 100–03 and accompanying text.

attorney's fees to the calculus serves only to widen the bargaining-power gap between the parties.<sup>363</sup>

One commentator argues that the Eleventh Circuit's view should be adopted because "[o]therwise, Rule 68 will not maintain the force it was originally intended to possess: to truly promote settlement."<sup>364</sup> But if Rule 68 is toothless, that is a problem for the Rules Committee to fix—not judges.<sup>365</sup> Rule 68 applies to all cases—not just those brought under fee-shifting statutory schemes.<sup>366</sup> Copyright plaintiffs and others similarly situated should not be disproportionately penalized simply because a rule is ineffective against *all* cases coming through the federal courthouse door.

Similarly, a plaintiff with a meritorious claim should not be excessively punished for incorrectly forecasting the precise outcome of the litigation.<sup>367</sup> Rule 68's fourteen-day acceptance window provides little time for a plaintiff to calculate the case's value.<sup>368</sup> While the rule is designed to compel a plaintiff to "think very hard" about whether to move forward with the case,<sup>369</sup> the plaintiff should also be granted the opportunity to think smart.<sup>370</sup> As it stands, defendants can essentially make low-risk bets at the beginning of the case as to what they think

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363. See *Bruce v. Wkly. World News, Inc.*, 203 F.R.D. 51, 56 (D. Mass. 2001) (highlighting the inequity of a rule that would nearly force copyright plaintiffs—who are often working with fewer litigation resources than their counterparts—to accept a Rule 68 offer no matter the strength of their claim).

364. Glimcher, *supra* note 162, at 1455.

365. See *Marek v. Chesny*, 473 U.S. 1, 42 (1985) (Brennan, J., dissenting) (observing that "Congress and the Judicial Conference are far more institutionally competent than the Court" to address Rule 68's problems). The Judicial Conference attempted to amend the rule numerous times to address these inequities, but those efforts failed, and the rule remains virtually unchanged today. See *supra* notes 149–60 and accompanying text.

366. See FED. R. CIV. P. 1 (providing that the Federal Rules of Civil Procedure apply to *all* federal district court cases).

367. See *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1987 (2016) (Kagan, J.) (rejecting fee-shifting standard that rewarded the winner of a close case because it would run contrary to the Copyright Act's goals).

368. See *1984 Proposed Amendments*, *supra* note 155, at 434–35 (proposing a sixty-day window for a plaintiff to consider the defendant's offer, so as to allow for, among other things, discovery on issues relevant to the offer).

369. *Marek*, 473 U.S. at 11.

370. See *Champion Produce, Inc. v. Ruby Robinson Co.*, 342 F.3d 1016, 1032 (9th Cir. 2003) ("While Rule 68 is designed to 'require plaintiffs to 'think very hard' about whether continued litigation is worthwhile,' it is not a gun to the head.") (quoting *Marek*, 473 U.S. at 11) (internal citation omitted).

the plaintiff's claim is worth.<sup>371</sup> If they lose that bet, no additional damage is done.<sup>372</sup> If they win, however, then under the *Jordan* holding they get their post-offer attorney's fees automatically paid for by the plaintiff without having to satisfy the *Fogerty* and *Kirtsaeng* standards.<sup>373</sup> This "wooden" reading of the interplay between the rule and the statute potentially puts plaintiffs in a worse position than if they had lost the case outright.<sup>374</sup>

Finally, allowing defendants to recover attorney's fees under Rule 68 would seriously undermine the impact of the recently enacted CASE Act. The purpose of the law is to give small-time copyright plaintiffs a less expensive venue for litigating their claims.<sup>375</sup> As explained above, however, the defendant can opt out and force the case to be heard in federal court.<sup>376</sup> A rule allowing a defendant to recover fees under Rule 68 would further incentivize defendants to opt out and drive up the costs of the litigation.<sup>377</sup>

In short, the Supreme Court has explicitly rejected an application of § 505 that would treat plaintiffs and defendants differently,<sup>378</sup> and importing that statute's fee-shifting provision into Rule 68 would do exactly that.<sup>379</sup> Thus, copyright defendants should be barred from recovering post-offer attorney's fees under Rule 68.

*C. Any Amendment to § 505 Should Merely Make Clear That Rule 68 Defendants May Not Recover Post-Offer Attorney's Fees*

To the extent that a legislative resolution is desired,<sup>380</sup> Congress could implement a simple fix. Recall that the last sentence of § 505 reads: "[e]xcept as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs."<sup>381</sup> Congress could simply add a sentence immediately thereafter

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371. See *Simon*, *supra* note 131, at 8 (stating that the defendant possesses all the leverage since the rule sanctions only plaintiffs).

372. See FED. R. CIV. P. 68(c).

373. See *supra* Section I.D.1; see also *supra* notes 99–100 and accompanying text.

374. *Marek*, 473 U.S. at 29 (Brennan, J., dissenting).

375. See *supra* note 60 and accompanying text.

376. See *supra* notes 56–57 and accompanying text.

377. Grant, *supra* note 50.

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

379. See *supra* notes 360–63 and accompanying text.

380. See 6 PATRY, *supra* note 213, § 22:218 (noting that the circuit split must be resolved by the Supreme Court or Congress).

381. 17 U.S.C. § 505.

stating: “However, a defendant cannot recover an attorney’s fee award as part of the costs under Federal Rule of Civil Procedure 68.”<sup>382</sup> This revision would leave no question about a Rule 68 copyright defendant’s ineligibility for post-offer attorney’s fees.<sup>383</sup>

#### CONCLUSION

Rule 68 shifts certain costs to the plaintiff when the plaintiff receives a judgment less favorable than a previously rejected offer for settlement.<sup>384</sup> The Supreme Court in *Marek* held that those costs include attorney’s fees only when they are properly awardable under the relevant fee-shifting statute. The relevant statute in copyright cases is § 505 of the Copyright Act, which Congress carefully crafted under its constitutional duty to “promote the Progress of Science.”<sup>385</sup>

Attorney’s fees are not properly awardable to Rule 68 copyright defendants under § 505 for at least two reasons. First, the statute plainly permits fee awards only to a prevailing party. Because Rule 68 defendants are, by definition, the non-prevailing party, they are ineligible for an award of attorney’s fees under the statute. Moreover, Rule 68’s overall purpose of facilitating settlement frustrates § 505’s purpose of ensuring “the boundaries of copyright law be demarcated as clearly as possible” by encouraging parties to litigate meritorious claims and defenses.<sup>386</sup> Indeed, those lines remain blurry when decisions on the merits are never reached. Thus, the view held by the Seventh Circuit is correct: non-prevailing copyright defendants may not recover attorney’s fees under Rule 68. To the extent Congress finds it necessary to resolve this dispute by amending § 505, it should simply state that attorney’s fees are unavailable to a Rule 68 defendant.

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382. The proposed amended statute would thus read (addition italicized):

In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney’s fee to the prevailing party as part of the costs.

*However, a defendant cannot recover an attorney’s fee award as part of the costs under Federal Rule of Civil Procedure 68.*

383. See *Califano v. Yamasaki*, 442 U.S. 682, 700 (1979) (allowing for a statute’s exemption from a Federal Rule of Civil Procedure’s operation when there is a “clear expression of congressional intent”); *Marek v. Chesny*, 473 U.S. 1, 11–12 (1985) (noting lack of “clear expression of congressional intent” to exempt § 1988 from Rule 68’s operation).

384. Fed. R. Civ. P. 68(d).

385. See *supra* notes 38–45 and accompanying text.

386. *Fogerty*, 510 U.S. at 527; see *supra* Section II.A.0.