



Volume 4, Number 2
Spring 2013

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Harvard Journal of Sports & Entertainment Law

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U.S. ISSN 2153-1323

The *Harvard Journal of Sports & Entertainment Law* is published semiannually by Harvard Law School students.

Submissions: The *Harvard Journal of Sports and Entertainment Law* welcomes articles from professors, practitioners, and students of the sports and entertainment industries, as well as other related disciplines. Submissions should not exceed 25,000 words, including footnotes. All manuscripts should be submitted in English with both text and footnotes typed and double-spaced. Footnotes must conform with *The Bluebook: A Uniform System of Citation* (19th ed.), and authors should be prepared to supply any cited sources upon request. All manuscripts submitted become the property of the JSEL and will not be returned to the author. The JSEL strongly prefers electronic submissions through the ExpressO online submission system at <http://www.law.bepress.com/expresso>. Submissions may also be sent via email to jselsubmissions@gmail.com or in hard copy to the address above. In addition to the manuscript, authors must include an abstract of not more than 250 words, as well as a cover letter and resume or CV. Authors also must ensure that their submissions include a direct e-mail address and phone number at which they can be reached throughout the review period.

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Faculty Advisor's Introduction

Professor Peter Carfagna

Former Covington Burling Distinguished Visitor and
Visiting Lecturer on Sports Law
Harvard Law School

It was my pleasure to serve once again this year as the Faculty Advisor to the Journal of Sports and Entertainment Law. Since JSEL's inception in 2009 under the leadership of the first Editors, my former Sports Law Students Ashwin Krishnan and Ryan Gauthier, JSEL has continued to thrive and prosper under the continuing direction of numerous, outstanding Editors-in-Chief, including this year's Editor, Miles Wiley.

Editor-in-Chief Miles Wiley continued that proud tradition during the past year, as JSEL challenged itself, under Miles's leadership, to be more selective than ever as it accepted only the most thought-provoking and cutting-edge articles for publication in JSEL. In doing so, Submissions Committee leaders Jenna Hayes and Mitch Drucker, along with the many other HLS students that tirelessly reviewed pieces throughout the year, put together two excellent editions.

At the same time, JSEL delivered on its long-standing promise to add an interactive Blog component to the JSEL Website, which Miles, Online Content Chair Tim Lamoureux and Executive Editor Kelly Donnelly most capably supervised to achieve its goal of sparking online discussions of the most important Sports and Entertainment Law issues of the day.

Throughout the academic year, Executive Editors Jenna Hayes, Brandon Hammer and Kelly Donnelly most capably shared the many long nights of dedicated effort that made this year's two editions of JSEL among the very best I have been proud to supervise since its first publication. As a result, in its First Edition, JSEL was able to publish three exciting Articles of which the entire JSEL Staff should be proud —including the many Line Editors and Editors assigned to those Articles, without whom no publication of JSEL would be possible.

The three published Articles in the first Edition included an exemplary piece by a former HLS Sports Law standout, Jeff Monhait, whom I was

proud both to have in my Sports Law Classes and to supervise in a Sports Law Clinical Placement. Jeff's contribution to the scholarship regarding Baseball Arbitration as an ADR Success (or not), will no doubt spark much debate both in the academic as well as in the professional baseball community itself.

Continuing with that same baseball theme, Garrett Broshuis also contributed a unique and personal investigation into the life of a Minor League Baseball Player. This is a subject about which I am personally passionate, given my summer avocation of providing legal advice to a number of affiliated Minor League teams, and a close reading of Garrett's well-documented explanation of why Minor League Players remain baseball's "untouchables" ties in perfectly with the piece by Mitchell Nathanson: "Who Exempted Baseball Anyway? The Curious Development of the Antitrust Exemption that Never Was." I assure you that any careful reader of these two complementary Articles will come to view all future professional baseball games in a new and better-informed legal light, thanks to Messrs. Nathanson's and Broshuis's original research, for which JSEL thanks them.

In the Second Edition, JSEL expanded beyond Sports Law, and was proud to accept two scholarly submissions that delved into the most intimate details of intellectual property protection. Any reader of the two pieces, "Copyright and Responsibility" (for which we thank Haochen Sun) and HLS Student Claire Guehenno's illuminating submission "Color War: The *Louboutin* Decision and Single-Color Marks in the Fashion Industry," will be richly rewarded by following the intriguing and challenging conclusions reached by them, which should continue to spark scholarly debate and hopefully influence judicial outcomes in ways suggested by the authors.

Finally, in the Second Edition of JSEL, we returned to Sports and the Law — but stretched ourselves to reach into other professional sports leagues and their respective CBA's (the NBA and the NFL); as well as the regulation of agents seeking to represent prospective professional athletes under the Uniform Athlete Agent Act and SPARTA. Again, we want to thank Professor Ryan Rodenberg and his PhD. Student Justin Lovich for their piece on "Reverse Collusion" in the three major Leagues, with a particular emphasis on the NBA. Any fan of LeBron James and the Miami Heat will enjoy this thoughtful submission, whereas Cleveland Cavaliers' fans (like myself) will want to see change effectuated to prevent players from abusing the absence of specific CBA language prohibiting "player collusion" and creating "Super Teams," as may have happened when LeBron took his talents to South Beach.

Finally, a frequent contributor to JSEL and to our Annual CSEL Symposia, Professor Marc Edelman, has inspired all of us who teach and practice in the area of counseling agents and pre-professional athletes with one of his best JSEL submissions ever: “Disarming the Trojan Horse of the UAAA and SPARTA: How America Should Reform Its Sports Agent Laws to Conform to True Agency Principles.” Thanks, Marc. I will be sure to use your JSEL Article when next teaching my Course “Representing the Professional Athlete”—it is an important contribution to the field.

So, I will conclude by once again thanking Miles Wiley, Jenna Hayes, Brandon Hammer, and Kelly Donnelly for creating what will surely be judged to be one of, if not the very best JSEL Edition published in our brief but distinguished history. Thanks to them, their dedicated Staff (which will be led next year by Kelly Donnelly), as well as the continuing support of Dean Minow and the Harvard Law School administration, we can look forward to yet another record-breaking year in 2013-14, as JSEL continues to build upon the strong foundation and significant improvements thereon which I have been proud to supervise since JSEL’s inception.

Please enjoy this year’s Editions, and let us know what you think by e-mailing us at jselsubmissions@gmail.com. We look forward to hearing from you.



Disarming the Trojan Horse of the UAAA and
SPARTA: How America Should Reform its
Sports Agent Laws to Conform with
True Agency Principles

Marc Edelman¹

ABSTRACT

The accompanying article argues that most sports agent laws subordinate athletes' interests to those of the National Collegiate Athletic Association ("NCAA"), and that sports agent laws need to change to better protect both professional and amateur athletes. This article is timely in light of the Uniform Law Commission's recent decision to amend the Uniform Athlete Agents Act to encompass a broader range of topics. In addition, this article builds upon recent sources that call into doubt the legitimacy of the NCAA's power within American society.

¹ Professor Marc Edelman (Marc@MarcEdelman.com) is an Associate Professor of Law at the Zicklin School of Business, Baruch College, City University of New York. He is also a summer adjunct professor at Fordham University School of Law. Professor Edelman earned his B.S. in economics from the Wharton School (University of Pennsylvania) and both his J.D. and M.A. from the University of Michigan. He has published more than twenty law review articles on the intersection of sports and the law. Professor Edelman wishes to thank the following students for their research assistance: Asad Ali; Daniel Berger; Derek Carrillo; Kristen Chiger; Alexis Echevarria; John Mijangos; Michael Nissenbaum; Robert Pellow; Ani Rodriguez; Shaun Rosenberg; and Robert Stone. He also wishes to thank his wife, Rachel Leeds Edelman, for reviewing an earlier draft of this article.

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INTRODUCTION

Traditional agency law governs the relationship that arises when one party (the “principal”) selects another party (the “agent”) to act on its behalf and subject to its control.² The main purpose of agency law is to ensure that agents act in the best interests of their principals, and not for their own personal gain.³

One would expect sports agent regulations to serve the same purpose.⁴ However, that has rarely been the case.⁵ To the contrary, most sports agent regulations subordinate the interests of both athletes and their agents to those of a powerful trade organization: the National Collegiate Athletic Association (“NCAA”).⁶ For example, the Sports Agent Responsibility and Trust Act (“SPARTA”) provides NCAA member schools with a private

² RESTATEMENT (THIRD) OF AGENCY § 1.01 (2006) (current through August 2011); *see also* BLACK’S LAW DICTIONARY (9th ed. 2009) (defining “agency” as “[a] fiduciary relationship created by express or implied contract or by law, in which one party (the agent) may act on behalf of another party (the principal) and bind that other party by words or actions”); WILLIAM A. GREGORY, *THE LAW OF AGENCY AND PARTNERSHIP* 3 (3d ed. 2001) (“The basic theory of the agency duties is to enable a person, through the services of another, to broaden the scope of his activities and receive the product of another’s efforts, paying such other for what he does but retaining for himself any net benefit resulting from the work performed.”); *Dial Temp. Help Serv., Inc. v. Shrock*, 946 F. Supp. 847, 852 (D. Or. 1996) (“Agency is the fiduciary relationship which results when one party consents to having another party act on its behalf subject to its control, coupled with the consent of the other party to so act.”).

³ *See* *Ed Peters Jewelry Co., Inc. v. C & J Jewelry Co., Inc.*, 124 F.3d 252, 275 (1st Cir. 1997) (stating that agency liability is only precluded if the agent either “acted in the best interests of its principal” or at the very least “did not act solely to advance his own personal interests”).

⁴ *See, e.g.*, Ken Tysiac, *ACC Leader Targets Sports Agents*, NEWS AND OBSERVER (Raleigh, NC), Jul. 26, 2010, *available at* 2010 WLNR 14851286 (presuming, perhaps incorrectly, that sports agent regulations are “designed to protect athletes”); Timothy Davis, *Regulating the Athlete-Agency Industry: Intended and Unintended Consequences*, 42 WILLAMETTE L. REV. 781, 792–93 (2006) (noting that “[i]n addition to contractual provisions, the common law of agency imposes fiduciary obligations on agents in their dealings with their athlete clients”); Richard Karcher, *Solving Problems in the Player Representation Business*, 42 WILLAMETTE L. REV. 737, 748 (2006) (defining the player-agent relationship as a “fiduciary relationship”).

⁵ *See, infra*, notes 6–8 and accompanying text.

⁶ *See* Symposium, *The Uniform Athlete Agents Act*, 13 SETON HALL J. SPORTS L. 345, 365 (2003) (quoting sports agent Tony Agnone as describing the NCAA as a “trade association” that has attempted to protect its own interests over those of athletes and agents); *id.* at 373 (quoting attorney and sports agent Craig Fenech as describing the NCAA as “a trade association” that sought agent regulations such as

cause of action against sports agents that pay college athletes.⁷ Meanwhile, the Uniform Athlete Agents Act (“UAAA”) grants NCAA member schools an additional cause of action against student-athletes who do not disclose their agency contracts.⁸

By placing the interests of NCAA member schools above those of professional and amateur athletes, U.S. sports agent regulations operate like a Trojan Horse.⁹ On the outside, they appear to provide athletes with legal protection against their agents.¹⁰ Yet, on the inside, they attack the very autonomy and financial well-being that traditional agency law is intended to protect.¹¹

This article argues that sports agent laws need to change to better protect the interests of athletes as the true principals in any athlete-agent relationship. Part I of this article provides a brief discussion of the history of sports agency and offers various examples of sports agent misconduct. Part II discusses the common law remedies traditionally available to athletes that have been victims of agent misconduct. Parts III and IV introduce the UAAA and SPARTA, explaining how each act serves to protect the interests of the NCAA rather than those of U.S. athletes. Part V analyzes three other statutory schemes that have done a superior job of safeguarding principal interests within a fiduciary relationship. Finally, Part VI proposes the core ideology for a new federal act that would regulate sports agents in a manner more aligned with the traditional agency principles found in other statutory schemes.

the Uniform Athlete Agents Act for the benefit of the interests of its member schools).

⁷ See Sports Agent Responsibility and Trust Act, 15 U.S.C. § 7805 (2012) (“Protection of Educational Institution”).

⁸ UNIF. ATHLETE AGENTS ACT (2000) (Prefatory Note); see generally *The Uniform Athlete Agents Act*, *supra* note 6, at 352–53 (quoting John Cannell of the New Jersey Law Revision Commission expressing the State of New Jersey’s doubts about whether to adopt the UAAA because of ethical concerns with the UAAA’s provision granting NCAA member schools an independent cause of action against student-athletes that fail to divulge their agency contracts).

⁹ See *Trojan Horse Definition*, DICTIONARY.COM, <http://dictionary.reference.com/browse/Trojan+horse> (last visited Feb. 19, 2013) (explaining that the term “Trojan Horse” has come to mean “a person or thing intended to undermine or destroy from within.” The term comes from a classical Greek mythology.).

¹⁰ See, *infra*, notes 116–118 and accompanying text.

¹¹ See, *infra*, notes 145–160 and accompanying text.

I. THE HISTORY OF SPORTS AGENCY IN THE UNITED STATES

A. *The Beginnings of Sports Agency*

In the year 1859, baseball pitcher Jim Creighton became America's first professional athlete when the Excelsior Club of Brooklyn paid him \$500 to join their baseball team.¹² Shortly thereafter, other sports clubs began to pay even larger salaries to their athletes.¹³ However, it was not until 1925 that the first professional athlete hired an outside representative to help negotiate his playing contract.¹⁴

That year, University of Illinois running back Harold "Red" Grange decided to leave college and enter the National Football League ("NFL").¹⁵ At the time, Grange was one of the nation's most skilled college football

¹² See Bob Liff, *New Field and New Dreams: Borough Has Rich Tradition*, N.Y. DAILY NEWS, Aug. 29, 2000, at 3 (explaining that Jim Creighton became "the first professional player" when he was paid a "lump sum" to jump from the short-lived Brooklyn Niagaras to the Excelsiors for the 1860 season); see also Peter Morris, *From First Baseman to Primo Basso: The Odd Saga of the Original Pirate King*, NINE, Mar. 22, 2007, at 46, available at 2007 WLNR 26624762 (noting that "[a]s early as 1859 . . . Jim Creighton . . . had accepted money to join the Excelsiors with a salary presumably paid by a wealthy patron"); Maxwell Kates, *Of Horsebides and Hexagrams: Baseball as a Vehicle for American Jewish Culture*, NAT'L PASTIME, Jan. 1, 2004, at 118, available at 2004 WLNR 22458920 (noting that "Jim Creighton was a salaried member of the Brooklyn Excelsiors in 1860").

¹³ See George Vescey, *Baseball Since 1869; Last Pennant Only Seems that Long Ago*, N.Y. TIMES, Aug. 23, 2010, at D3 (noting that by 1869 the members of the Cincinnati Red Stockings baseball team were earning pay); Jack Curry, *Another Clue that Auction Has Stolen Items*, N.Y. TIMES, Aug. 5, 2009, at 4 (referring to the 1869 Cincinnati Red Stockings as "the first all-paid team"); *History: Birth of Pro Football*, PRO FOOTBALL HALL OF FAME, <http://www.profootballhof.com/history/general/birth.aspx> (last visited Feb. 19, 2013) (noting that the first paid professional football player was William "Pudge" Heffelfinger, who was openly paid \$500 to play in a game for the Allegheny Athletic Association football team against the Pittsburgh Athletic Club on November 12, 1892); Michael Tanier, *Long History for Holdouts*, N.Y. TIMES, Aug. 19, 2010, at B11 (noting that in 1892 when the Allegheny Athletic Association played the Pittsburgh Athletic Club in football, both teams sought to pay Yale University's All-American guard William Heffelfinger).

¹⁴ See *infra*, notes 15–20 and accompanying text.

¹⁵ See MICHAEL J. COZZILLO ET AL., *SPORTS LAW: CASES AND MATERIALS* 1227 (2d ed. 2007) (noting that the first player representation in American sports involved C.C. Pyle representing Red Grange); *The Uniform Athlete Agents Act*, *supra* note 6, at 353 (quoting Wharton School professor Scott Rosner explaining that "when we think about the history of sports agency, you have to go way back to 'Red' Grange, the Galloping Ghost, in the 1920s, and his agent C.C. 'Cash-and-Carry' Pyle, who negotiated deals with him").

players, and many different NFL teams wanted to hire his services.¹⁶ Rather than negotiate directly with each NFL team, Grange decided to delegate the task to retired boxer and Illinois businessman Charles C. Pyle.¹⁷

Acting as an agent, Pyle helped Grange to secure a playing contract with the Chicago Bears that earned him nearly \$10,000 per game.¹⁸ In addition, Pyle secured for Grange a bonus that was contingent upon an increase in Bears game attendance once Grange joined the roster.¹⁹ By all accounts, this was the most lucrative playing contract in NFL history.²⁰

For the next forty years, however, few other professional athletes followed Grange's lead in hiring an agent.²¹ Some athletes avoided agents because they lacked Grange's negotiating leverage.²² Others feared

¹⁶ See Dave Scheiber, *A Ghost Story*, ST. PETERSBURG TIMES, Feb. 1, 2009, at 7L (noting that at the time Red Grange sought to enter the NFL, he already had a "larger-than-life persona as a star at the University of Illinois in the early 1920s"); see also Michael Mink, *Football Legend 'Red' Grange*, INVESTOR'S BUSINESS DAILY, Jun. 23, 1999, at A8, available at 1999 WLNR 7950212 (noting that "[i]n 1925 Red Grange was the most famous football player in America, and the National Football League was in its fifth year and hurting").

¹⁷ See *Biography of C.C. Pyle*, THE GREAT AMERICAN FOOTRACE, <http://archive.itvs.org/footrace/progress/ccpyle.htm> (last updated 2002) (discussing the plan for Pyle to represent Grange in both securing a contract with the Bears and procuring endorsement deals).

¹⁸ See Westbrook Pegler, *And How Is One Red Grange to Escape the Curse of Cash*, CHI. TRIB., Nov. 20, 1925, at 27 (noting Grange's initial salary was "\$10,000 a game"); see generally Marc Edelman & Joseph A. Wacker, *Collectively Bargained Age/Education Requirements: A Source of Antitrust Risk for Sports Club-Owners or Labor Risk for Players Unions?*, 115 PENN ST. L. REV. 341, 344 (2010) (discussing Red Grange's NFL arrival).

¹⁹ See *Red Arrives Today to Sign on Pro Team*, CHI. TRIB., Nov. 22, 1925, at A1 (noting that under the terms of Grange's contract, the Bears agreed to pay Grange approximately 45 percent of all gate proceeds on Thanksgiving that exceeded the club's average game revenues of \$14,000); Edelman & Wacker, *supra* note 18, at 344 n.26.

²⁰ See *Harold 'Red' Grange: Historical Marker*, EXPLORE PA HISTORY, <http://explorepahistory.com/hmarker.php?markerId=1-A-30E> (last updated 2011) (noting that "the next-highest salary in the teetering National Football League was just \$500 a game").

²¹ See COZZILLO ET AL., *supra* note 15, at 1227; *The Uniform Athlete Agents Act*, *supra* note 6, at 354 (discussing that Babe Ruth was one of the few other early professional athletes represented by an agent, "a gentleman by the name of Christy Walsh").

²² See *The Uniform Athlete Agents Act*, *supra* note 6, at 354-55 (quoting Wharton School professor Scott Rosner explaining that "[f]or a long time in all of the [sports] leagues . . . athletes did not have the right to free agency" and thus "they had very little leverage"); see also COZZILLO ET AL., *supra* note 15, at 1227 (noting that "[f]or

repercussions from potential employers.²³ Meanwhile, still others avoided agents at the urging of their college coaches and athletic directors.²⁴

Nevertheless, once athletes began to unionize in the late 1960s, a rapid movement toward hiring sports agents followed.²⁵ At first, many players

several years” after Grange’s employment of C.C. Pyle, “club management chose to ignore those persons purporting to represent the athletes within the team’s employ and, at times, retaliated against players who were so bold as to seek the services of outside counselors, lawyers, or agents”).

²³ See, e.g., Donald Fehr, *Union Views Concerning Agents: With Commentary on the Present Situation in Major League Baseball*, 4 MARQ. SPORTS L.J. 71, 72 (1993) (explaining that up until the time when the Major League Baseball players unionized, “clubs would tell players, ‘you are my potential employee, or you are my actual employee, and if you want to talk to me about a new contract or a raise, I will be glad to talk to you, by yourself, on my terms, for as long as I want to, and you cannot bring anyone with you.’”); William Rothstein, *The Business of Sports Representation: Agent Evolution in the “Industry,”* 9 VA. SPORTS & ENT. L.J. 19, 24 (2009) (relaying the famous story about how when Green Bay Packers Pro Bowl center Jim Ringo brought an agent to a contract negotiation meeting with his coach Vince Lombardi, Lombardi simply excused himself from the meeting and traded Ringo to the Philadelphia Eagles); Stacey Evans, *Sports Agents: Ethical Representatives or Overly Aggressive Adversaries?*, 17 VILL. SPORTS & ENT. L.J. 91, 96 (2010) (recalling that in 1952, Major League Baseball player Ralph Kiner arrived at a Major League Baseball Executive Council meeting with his attorney; however, nobody would allow his attorney to become involved in the negotiations).

²⁴ See Joe Nocera, *Let’s Start Paying College Athletes*, N.Y. TIMES (Dec. 30, 2011), <http://www.nytimes.com/2012/01/01/magazine/lets-start-paying-college-athletes.html?pagewanted=all> (explaining a college athletics culture in which the rules induce student-athletes to avoid talking to agents at risk of losing eligibility).

²⁵ See PAUL C. WEILER & GARY R. ROBERTS, *SPORTS & THE LAW: TEXT, CASES AND PROBLEMS* 322 (2d. ed. 1998) (discussing the impact of unionization on the emergence of the modern profession of sports agents); *The Uniform Athlete Agents Act*, *supra* note 6, at 352–55 (Wharton School professor Scott Rosner explaining that the sports agent business began to thrive once “the unions in each of the leagues got stronger, [and] negotiated more complex collective bargaining agreements”); see also Jeremy Geisel, Comment, *Disbarring Jerry Maguire: How Broadly Defining “Unauthorized Practice of Law” Could Take the “Lawyer” Out of “Lawyer-Agent” Despite the Current State of Athlete Agent Legislation*, 18 MARQ. SPORTS L. REV. 225, 229 (2007) (attributing the “boom of agents” in part to the increase in interleague competition that occurred as “rival professional leagues formed and forced their competitors to spend more to keep players.”); COZZILLO ET AL., *supra* note 15, at 1227 (noting that “[s]everal factors undoubtedly have contributed to the emergence of agents as a dominant feature in the sports landscape,” such as free agency and salary arbitration, escalation of player salaries, and the emergence of powerful players’ unions).

teamed with agents who were their friends or business acquaintances.²⁶ Yet, within a few years, athletes began to prefer agents that had successfully represented their colleagues.²⁷ As athletes began to express their preference for more experienced agents, the role of sports agent emerged as a full-time profession.²⁸

B. *The Profession of Sports Agent Emerges*

As the profession of “sports agent” emerged in the 1970s and into the 1980s, the competition among sports agents to sign clients became “fierce.”²⁹ According to several sources, it was not long before there were more self-proclaimed sports agents in the United States than there were professional athletes.³⁰

²⁶ See WEILER & ROBERTS, *supra* note 25, at 322 (discussing how sports agent Bob Woolf got started by representing Boston Red Sox pitcher Earl Wilson—a player he first met when serving as his lawyer in a claim related to a car accident).

²⁷ See PAUL C. WEILER & GARY R. ROBERTS, *SPORTS & THE LAW: TEXT, CASES AND PROBLEMS* 363 (3d. ed. 2004) (explaining that “it is worthwhile for players (at least those earning more than the league minimum) to pay someone with talent and experience in this work to deal with the seasoned general managers who bargain on behalf of their ‘clients’”).

²⁸ See Phillip Closius, *Hell Hath No Fury Like a Fan Scorned: State Regulation of Sports Agents*, 50 U. TOL. L. REV. 511, 512 (1999) (noting that “[i]n the late 1960s, the occupation of ‘sports agent’ emerged”).

²⁹ Karcher, *supra* note 4, at 746; see also Geisel, *supra* note 25, at 227 (noting that as professional sports transitioned “to big business in the late 1970s and early 1980s, agents became commonplace, forcing changes to the landscape of sports, not all of which were good”).

³⁰ See Davis, *supra* note 4, at 793 (explaining that the primary “reason for the fierce competition [among sports agents] is the increase in the number of agents certified by the players associations without a corresponding increase in the number of potential clients”); see also Jonathan Amoona, *Top Pick: Why a Licensed Attorney Acting as a Sports Agent Is a “Can’t Miss” Prospect*, 21 GEO. J. LEGAL ETHICS 599, 599 (2008) (“[O]f the more than 1,100 agents registered to represent players in the National Football League today, a mere thirty percent can claim they represent at least one of the 1,900 athletes currently on an NFL roster”) (internal citation omitted); Eric Willenbacher, *Regulating Sports Agents: Why Current Federal and State Efforts Do Not Deter the Unscrupulous Athlete-Agent*, 78 ST. JOHN’S L. REV. 1225, 1227 (2004) (noting that as of April 2002, almost two-thirds of 1,200 total certified player agents did not have a client); *The Uniform Athlete Agents Act*, *supra* note 6, at 375 (attorney and sports agent Craig Fenech surmised that “there were more registered agents with the NFLPA than there were players in the NFL”).

With an overabundance of sports agents, some agents began to seek an edge by engaging in dubious business practices.³¹ For instance, some agents advanced money secretly to amateur athletes in exchange for their promise, upon turning professional, to hire their services.³² These payments often were based on the mere attempt to circumvent the NCAA's stringent amateurism rules.³³ However, occasionally payments from agents to athletes were intended also to manipulate young and unsophisticated athletes into promising to pay them a high percentage of all future earnings.³⁴

Meanwhile, other sports agents began to engage in secret side deals and misrepresent their loyalties to their clients.³⁵ For example, in one case, a prominent sports agent renegotiated a hockey player's contract to reduce the player's overall salary while still protecting his own full commission.³⁶ In

³¹ See Karcher, *supra* note 4, at 746–48 (arguing that “fierce” competition among agents for new clients has led to unethical conduct); *The Uniform Athlete Agents Act*, *supra* note 6, at 361 (sports agent Tony Agnone concedes that “today probably more than at any time, we are in a situation where [sports agents] have become so competitive and the money has become so big that they will do just about anything to secure a client”).

³² See, e.g., Jim Litke, *The Sports Agent Problem*, ASSOCIATED PRESS (Jan. 8, 1998), <http://www.apnewsarchive.com/1998/The-Sports-Agent-Problem/id-f439ba9248971a694993a00c1fb0af6f> (sports agent Leigh Steinberg acknowledged that “it wasn’t unusual for top college prospects to take cash and clothing, even cars, from two or three agents at a time”); see also *The Uniform Athlete Agents Act*, *supra* note 6, at 370–71 (former New York Giants linebacker Michael Strahan recalling declining a sports agent’s offer of an upfront cash payment while in college).

³³ See, e.g., George Dohrmann, *Confessions of an Agent*, SPORTS ILLUSTRATED (Oct. 18, 2010), <http://sportsillustrated.cnn.com/2010/magazine/10/12/agent/index.html> (former sports agent Josh Luchs secretly gave a player \$2,500 for his mother’s rent, knowingly circumventing NCAA rules); Alexander Payne, *Rebuilding the Prevent Defense: Why Unethical Agents Continue to Score and What Can Be Done to Change the Game*, 13 VAND. J. ENT. & TECH. L. 657, 680 (2011) (describing cases in which the payment by the agent to the student-athlete was used primarily to cover simple necessities such as food; however, if the payment was made public, it would still violate the NCAA’s internal rules).

³⁴ See Closius, *supra* note 28, at 512–13 (noting the unsavory business practices in the 1980s of sports agents Norby Walters and Lloyd Bloom, who signed a large number of college football players to post-dated contracts, and whose “ties to organized crime and their reported physical threats to the lives and well-being of rival agents and dissatisfied players brought a new level of criminality to Division I athletics”).

³⁵ See *infra* notes 36–39 and accompanying text.

³⁶ See *Brown v. Woolf*, 554 F. Supp. 1206, 1207 (S.D. Ind. 1983) (discussing allegations made by Indianapolis Racers hockey player Andrew Brown against agent Bob Woolf). Allegations of similar conduct continue to occur in varying forms today. See *The Uniform Athlete Agents Act*, *supra* note 6, at 371 (quoting retired New

another, an agent continued to negotiate a contract for his client to join the Philadelphia Eagles while he secretly negotiated his own contract to become part of the Eagles management.³⁷ Similarly, in yet a third instance, an aspiring football agent attempted to both represent rookie football players and serve as the president of a United States Football League team, the Houston Gamblers.³⁸ The agent's attempt to serve in this dual capacity became most troubling when the agent purportedly lured one of his clients to join the Gamblers rather than to sign with the NFL's Detroit Lions.³⁹

C. Sports Agency Today

Today, the sports agent industry has become more regulated; however, it continues to face scrutiny because some agents "resort to unethical and illegal behavior."⁴⁰ In addition, the industry is facing new ethical challenges based on a recent wave of consolidation that has featured "notable sports agents selling their firms and becoming absorbed by corporate conglomerates."⁴¹

One of the new ethical challenges faced by a consolidating sports-agent industry involves agencies that represent multiple players on the same

York Giants linebacker Michael Strahan explaining that he has witnessed "so many little tricks of the trade," for example "agents who keep renegotiating and extending contracts . . . for their benefit [such as to obtain] another little bonus from his upcoming salary . . . right then and there").

³⁷ See Evans, *supra* note 23, at 114–15 (noting how when agent Patrick Forte was negotiating a contract between former NFL linebacker Reggie White and the Philadelphia Eagles, Forte was also "negotiating on his own behalf to become an assistant to Eagles president, Harry Gamble").

³⁸ See *Detroit Lions v. Argovitz*, 580 F. Supp. 542, 543 (E.D. Mich. 1985) (noting that "[o]n December 18, 1983, the Detroit Lions, Inc. and Billy R. Sims filed a complaint in the Oakland County Circuit Court seeking a judicial determination that the July 1, 1983 contract between Sims and the Houston Gamblers, Inc. [was] invalid because the defendant Jerry Argovitz breached his fiduciary duty when negotiating the Gamblers' contract and because the contract was otherwise tainted by fraud and misrepresentation").

³⁹ See *id.* at 545 (noting that during Sims's final negotiations with the Gamblers, "Mr. Nash of the Lions telephoned Argovitz, but even though Argovitz was at his office, he declined to accept the telephone call").

⁴⁰ Davis, *supra* note 4, at 801 (quoting Eric Willenbacher, *Regulating Sports Agents: Why Current Federal and State Efforts Do Not Deter the Unscrupulous Athlete-Agent and How a National Licensing System May Cure the Problem*, 78 ST. JOHN'S L. REV. 1225, 1228 (2004)) (internal quotations omitted).

⁴¹ *Id.* at 799; (noting that "[i]n addition to contractual provisions, the common law of agency imposes fiduciary obligations on agents in their dealings with their athlete clients").

team.⁴² These multiple representations are most concerning in team sports that enforce a cap on total team salaries.⁴³ This is because, in salary-capped sports, the higher the salary that an agent negotiates for one player, the less money that remains available for all other players on that same team.⁴⁴

Another area of increasing ethical concern involves agencies that seek to represent both players and coaches/managers.⁴⁵ While the basketball and hockey players' unions have refused to certify agents who represent coaches or managers,⁴⁶ other players' unions have taken a more liberal approach. For example, two of America's largest sports agencies—Creative Artists and Octagon—currently represent both NFL players and coaches.⁴⁷ Neither agency believes that this creates a problem.⁴⁸

⁴² See Melissa Neiman, *Fair Game: Ethical Considerations in Negotiation by Sports Agents*, 9 TEX. REV. ENT. & SPORTS L. 123, 130–34 (2007) (discussing what the author describes as a “concurrent conflict of interest”); see also Scott R. Rosner, *Conflicts of Interest and the Shifting Paradigm of Athlete Representation*, 11 UCLA ENT. L. REV. 193, 212 (2004) (noting, for example, that when agent Leigh Steinberg attempted in 1995 to represent three different players competing for the Pittsburgh Steelers starting quarterback job, this may have created a conflict, albeit such was common practice at the time among elite sports agents). For many other examples of potential conflicts of interest in agent representation, see generally Evans, *supra* note 23, at 112–13.

⁴³ Neiman, *supra* note 42, at 131.

⁴⁴ See MICHAEL A. LEEDS & PETER VON ALLMEN, *THE ECONOMICS OF SPORTS* 268 (3d ed. 2008) (explaining that salary caps, which first emerged as a counterbalance to free agency, “set maximum payroll figures for each team”).

⁴⁵ See Rick Horrow, *Sports Agency Business: Cleaning Up for the Long Haul*, CBSSPORTS.COM (May 5, 2003), <http://www.cbssports.com/general/story/6230048> (noting that one of the problems in the agency business involves agents “representing both players and coaches on the same team”); see also Jason Cole, *Unanimous Vote or Not, Reps Behind Smith*, YAHOO! SPORTS (Mar. 16, 2009), <http://sports.yahoo.com/nfl/news?slug=jc-smithreaction031609> (stating that “there are apparent growing concerns of agents representing both coaches and players from the same team”).

⁴⁶ See Darren Heitner, *The NBA Coach Carousel*, BLEACHER REPORT (Dec. 29, 2008), <http://bleacherreport.com/articles/98011-the-nba-coach-carousel> (noting that “NBA regulations prohibit agents from representing both coaches and players”).

⁴⁷ See CAA SPORTS, <http://sports.caa.com> (last visited Feb. 19, 2013) (describing CAA Sports as an agency that “represents more than 650 of the world’s best athletes . . . coaches, broadcasters, and other sports personalities”); Liz Mullen, *Octagon Signs a Three-Pack of High Profile NFL Coaches*, SPORTSBUSINESS JOURNAL (Jan. 14, 2008), <http://www.sportsbusinessdaily.com/Journal/Issues/2008/01/20080114/Labor-Agents/Octagon-Signs-A-Three-Pack-Of-High-Profile-NFL-Coaches.aspx> (stating that “Octagon has had an active coaches division for years”).

⁴⁸ Cf. Barney Gimbél, *A Hollywood Agency with Star Power*, CNN MONEY (Oct 4, 2007, 9:59 AM), http://money.cnn.com/2007/09/28/magazines/fortune/hollywood_agent.fortune/index.htm?hostversion=2007100409 (explaining that, according to a

Finally, a third area of rising concern involves agencies that now seek to represent both players and team owners.⁴⁹ Although it is rare for sports agencies to represent owners, there are a few notable exceptions.⁵⁰ For instance, basketball player agent David Falk has continued to represent the Hall of Fame basketball player Michael Jordan even though Jordan has transitioned from player to team owner.⁵¹ Meanwhile, different divisions of the sports agency Creative Artists recently represented the New York Yankees in the sale of their stadium naming rights and the team's star shortstop, Derek Jeter, in contract negotiations against the Yankees.⁵²

To some, Creative Artists' recent representation of both Jeter and the Yankees marks the epitome of an ethical conflict, given that the agency was negotiating both for and against the Yankees.⁵³ Nevertheless, this dual representation was not necessarily in violation of any existing law. In addition, it never gave rise to any legal challenge.⁵⁴

CAA agent, there are "intangible benefits in getting clients from different fields together").

⁴⁹ See *infra* notes 50–54 and accompanying text.

⁵⁰ See Rosner, *supra* note 42, at 216.

⁵¹ See *id.*

⁵² See Terry Lefton, *CAA Hired To Land Sponsors For Yankees*, SPORTSBUSINESS JOURNAL (Oct. 1, 2007), <http://www.sportsbusinessdaily.com/Journal/Issues/2007/10/20071001/This-Weeks-News/CAA-Hired-To-Land-Sponsors-For-Yankees.aspx> (noting that when the New York Yankees were building the new Yankee Stadium, they hired Creative Artists Agency to represent the Yankees in their sales and marketing for the new Yankee Stadium, while at the same time Creative Artists Agency agent Casey Close represented shortstop Derek Jeter).

⁵³ See generally Marc Edelman, *Sports Agencies Representing Both Players and Ownership: Conflict-of-Interest or Common Sense?*, SPORTS AGENT BLOG (Oct. 3, 2007, 12:54 AM), <http://sports-law.blogspot.com/2007/10/sports-agencies-representing-both.html> (questioning the potential conflict of interest in this scenario); cf. Nate Silver, *Jeter's Predictable Predicament*, FIVE THIRTY EIGHT BLOG, N.Y. TIMES (Nov. 23, 2010, 6:58 PM), <http://fivethirtyeight.blogs.nytimes.com/2010/11/23/jeters-predictable-predicament> (noting that retaining Derek Jeter improves the Yankees brand which consequently puts more fans in the seats); Andrew Marchand, *What's Derek Jeter Worth to the Yanks?*, ESPN NEW YORK (Nov. 12, 2010, 9:31 AM), http://sports.espn.go.com/new-york/mlb/columns/story?columnist=marchand_andrew&id=5764717 (noting that according to sports marketing expert Marc Ganis, Derek Jeter's value to the Yankees is impossible to quantify based on the intangible value he provides).

⁵⁴ Cf. Joe Flint, *Evolution Media Capital Making Mark in Sports*, LATIMES.COM (Mar. 20, 2012, 10:21 AM), <http://latimesblogs.latimes.com/entertainmentnewsbuzz/creative-artists-agency> (explaining that in the context of Creative Artists, the agency maintained "a strict division between the two operations even though they share real estate").

II. TRADITIONAL REMEDIES

Until the year 2000, most attempts to hold sports agents accountable for unethical conduct involved either the filing of civil lawsuits or the reporting of agents to their professional associations or players' unions.⁵⁵ Yet neither approach has sufficiently deterred some sports agents from engaging in unethical behavior.⁵⁶

A. *Breach of Contract*

For many years, athletes have attempted to sue their agents for wrongdoing under contract law.⁵⁷ These breach-of-contract claims may arise either from the breach of an express provision in an athlete's agency agreement, or from a breach of an implied term present in every contract such as the implied "covenant of good faith and fair dealing."⁵⁸

The benefit of an athlete suing his agent for breach of contract is the chance to recover "the difference between [his] value as represented [in the contract] and the value received."⁵⁹ From an athlete's perspective, such

⁵⁵ See Davis, *supra* note 4, at 802 (discussing players turning to the judicial system to bring suit against their agents under common law).

⁵⁶ See, *supra*, notes 31–39 and accompanying text (providing examples of unethical conduct by sports agents prior to the year 2000).

⁵⁷ See, e.g., *Smehlik v. Athletes & Artists, Inc.*, 861 F. Supp. 1162, 1165–66, 1171 (W.D.N.Y. 1994) (discussing the lawsuit filed by Czechoslovakian professional hockey player Richard Smehlik against his agency Athletes & Artists for breach of contract, arguing they failed to secure him a contract in a timely manner); *Bias v. Advantage Int'l, Inc.*, 905 F.2d 1558, 1560 (D.C. Cir. 1990) (a case in which the estate of rookie basketball player Len Bias sued the agency that represented him, arguing breach of contract for failure to secure an endorsement contract between Bias and Reebok before Bias's passing).

⁵⁸ See, e.g., *UHS-Qualicare, Inc. v. Gulf Coast Cmty. Hosp.*, 525 So. 2d 746, 757 n.8 (Miss. 1987) (stating that all contracts contain an implied covenant of good faith and fair dealing in performance and enforcement.); *Wood v. Lucy*, 118 N.E. 214 (N.Y. 1917) (noting that contracts resulting from an exclusive agency arrangement always require both parties to adhere to a duty of good faith and fair dealing); *Jones v. Childers*, No. 88-85-Civ-T-22C, 1992 WL 300845, at *12 (M.D. Fla., Jun. 26, 1992) (finding this implied duty to exist within a contract by a purported investment adviser to provide investment advice to a professional football player) (internal citations and quotations omitted), *rev'd in part on other grounds*, 18 F.3d 899 (11th Cir. 1994).

⁵⁹ *Arthur Andersen & Co. v. Perry Equip. Corp.*, 945 S.W.2d 812, 817 (Tex. 1997) (defining benefit-of-the-bargain damages as those damages that "measure the difference between the value as represented and the value received"); *Formosa Plastics Corp. USA v. Presidio Eng'rs & Contractors, Inc.*, 960 S.W.2d 41, 50 (Tex.

claims serve to compensate for the economic disappointment caused by the agent's failure to perform as promised.⁶⁰ Meanwhile, from a societal perspective, the possibility of an athlete recovering expectation damages is intended to deter future agents from failing to honor their contractual commitments.⁶¹

Athletes' claims for breach of contract, however, are often not sufficient to remedy agent wrongdoing.⁶² For example, breach of contract suits cannot be used where an athlete and agent never reached an initial agreement with one another.⁶³ In addition, breach of contract suits would fail where the agent merely acts slothfully but without violating an express contractual term.⁶⁴ Indeed the implied covenant of good faith and fair dealing, much like any other equitable principle, is often read narrowly and cannot trump an express, contrary term in a contract.⁶⁵

1998) (explaining that under the benefit-of-the bargain measure, "lost profits on the bargain may be recovered if such damages are proved with reasonable certainty").

⁶⁰ See A. Mitchell Polinsky & Steven Shavell, *Punitive Damages* 764, 768 (1999), available at <http://encyclo.findlaw.com/3700book.pdf> (explaining that "[i]f damages merely equal harm, injurers' motivations to take precautions will be inadequate and their incentive to participate in risky activities will be excessive" and thus to remedy these problems, "the damages that are imposed in those instances where injuries are found liable should be raised sufficiently so that injurers' expected damages will equal the harm they cause").

⁶¹ See Nathan B. Oman, *The Failure of Economic Interpretations of the Law of Contract Damages*, 64 WASH. & LEE L. REV. 829, 844 (2007) (explaining that, put in economic terms, expectation damages "force the promisor to internalize the cost of his breach to the promisee"); but see Richard Craswell, *Contract Remedies, Renegotiation, and the Theory of Efficient Breach*, 61 S. CAL. L. REV. 629, 630 (1987-88) (discussing the theory of efficient breach as being one that asks the question of whether it is more efficient for a party to breach a contract than it would be to perform as promised).

⁶² See *infra*, notes 63-65 and accompanying text.

⁶³ See generally THOMAS D. CRANDALL & DOUGLAS J. WHALEY, *CASES, PROBLEMS, AND MATERIALS ON CONTRACTS I* (Wolters Kluwer, 5th ed. 2008) (noting that "[a] showing of mutual assent is necessary for an enforceable contract").

⁶⁴ See John Dvorske et. al., 1A C.J.S. ACTIONS § 134 (May 2012) (noting that "[a]ctions in contract and in tort are to be distinguished in that an action in contract is for the breach of a duty arising out of a contract either express or implied, while an action in tort is for a breach of duty imposed by law").

⁶⁵ See Clayton P. Gillette, *Limitations on the Obligation of Good Faith*, 1981 DUKE L.J. 619, 651 (1981) (noting that there is such vagueness in the definition of the duty of good faith and fair dealing that a judge could reasonably misapply it); see also Monique C. Lillard, *Fifty Jurisdictions in Search of a Standard: The Covenant of Good Faith and Fair Dealing in the Employment Context*, 57 MO. L. REV. 1233, 1236

In addition, the threat to an agent of being sued for breach of contract is not always sufficient from an *ex ante* perspective to deter breach, as courts generally only award compensatory damages (and not punitive damages) for a breach of contract.⁶⁶ Thus, an agent who is found to have breached his contract finds himself no worse off than if he had complied with his contract initially.⁶⁷

Furthermore, in today's society there is rarely any social stigma attached to breaching a contract because most "breach of contract" claims are settled outside of court, subject to confidentiality agreements.⁶⁸ In these private settlements, the parties often stipulate that no wrongdoing ever occurred.⁶⁹ Thus, the public rarely learns about the full nature of the underlying conflict.⁷⁰

(1992) (explaining that the good faith and fair dealing criterion "has been criticized for being so difficult to define that it is unhelpful as a legal standard.").

⁶⁶ See Richard A. Posner, *Let Us Never Blame a Contract Breaker*, 107 MICH. L. REV. 1349, 1354 (2009) (stating that "[t]he common law rule . . . is that punitive damages are not recoverable in breach-of-contract cases.").

⁶⁷ Cf. Curtis Bridgeman, *Corrective Justice in Contract Law: Is There a Case for Punitive Damages?*, 56 VAND. L. REV. 237, 274 (2003) (arguing on a similar basis that there is a need to extend punitive damages to the contract law setting).

⁶⁸ See, e.g., Jonathan D. Glater, *Study Finds Settling Is Better Than Going to Trial*, N.Y. TIMES (Aug. 7, 2008), <http://www.nytimes.com/2008/08/08/business/08law.html> (according to a consulting firm representative, the "vast majority of cases do settle—from 80 to 92 percent by some estimates"); see also *Collins v. Nat'l Basketball Players Ass'n*, 850 F. Supp. 1468, 1473 (D. Colo. 1991), *aff'd*, 976 F.2d 740 (10th Cir. 1992) (suggesting that after Hall of Fame basketball player Kareem Abdul-Jabbar sued his agent Thomas Collins for alleged wrongdoing, the parties confidentially settled their case to avoid a public stigma to Collins).

⁶⁹ See *Confidential Settlements and Sealed Court Records: Necessary Safeguards or Unwarranted Secrecy?*, 78 JUDICATURE 304, 304, 306 (May–June 1995) (explaining that "it is common for a defendant to condition the settlement on an agreement from the plaintiff to dismiss the lawsuit and not to disclose the terms of the settlement," and that settlement language would likely only include some "kind of watered-down version of the allegations of the complaint with denials by the defendant of any wrongdoing of any kind").

⁷⁰ *Id.* at 304 (explaining that in the process of settlement of a civil claim, "sometimes the plaintiff must return documents, information, and evidence obtained through the discovery process or otherwise, and the plaintiff often agrees not to discuss the case or the settlement" in order to "ensur[e] that the defendant's reputation is not harmed as a result of the litigation").

B. Tort

A second type of legal claim traditionally available to athletes is grounded in tort law.⁷¹ One common tort claim filed by athletes against their agents is “fraudulent misrepresentation.”⁷² A claim for fraudulent misrepresentation requires an athlete to show that he relied to his detriment on a knowingly false statement that was made by his agent.⁷³ Such claims historically have been most successful where an agent has secretly served in an ownership capacity with a sports team, or where an agent has encouraged an athlete to invest in financial products without disclosing his personal stake in those products.⁷⁴

Another common tort claim involves the breach of a fiduciary duty.⁷⁵ A fiduciary duty arises where a unique degree of trust and confidence is expected between parties based on one of the parties’ “superior knowledge,

⁷¹ See 1A C.J.S. ACTIONS § 137 (“In determining whether an action to be brought should be in contract or in tort, the nature of the duty violated as arising out of agreement of the parties or as arising from law apart from any agreement governs. The same circumstances may constitute a breach of both of such duties, in which case the wronged party may bring his or her action in contract or tort.”).

⁷² See, e.g., *Hernandez v. Childers*, 806 F. Supp. 1368, 1372 (N.D. Ill. 1992) (involving allegations of fraudulent misrepresentation when player-agent John Childers advised a client athlete to invest in certain financial products without disclosing his own interest in those products); *Detroit Lions v. Argovitz*, 580 F. Supp. 542, 548–49 (E.D. Mich. 1985) (finding that player-agent Jerry Argovitz did not present sufficient evidence of informing his client of every material fact influencing client’s signing decision to overcome the presumption of fraud deriving from Argovitz’s own ownership interest in the team).

⁷³ See, e.g., *Trenholm v. Ratcliff*, 646 S.W.2d 927, 930 (Tex. 1983) (noting that the elements of a claim for fraudulent representation require a plaintiff to show: “(1) that a material representation was made; (2) that it was false; (3) that, when [defendant] made it, he knew it was false or made it recklessly without any knowledge of its truth and as a positive assertion; (4) that [defendant] made it with the intention that it should be acted upon by the party; (5) that [plaintiff] acted in reliance upon it; and (6) that [plaintiff] thereby suffered injury.”) (internal citation omitted).

⁷⁴ See, e.g., *Argovitz*, 580 F. Supp. at 548–49 (finding agent Jerry Argovitz to have committed fraud where Argovitz had an ownership interest in the team with which his client Billy Sims signed a player contract and failed to fully disclose this ownership interest to Sims); *Hernandez*, 806 F. Supp. at 1372.

⁷⁵ See *infra* notes 76–77 and accompanying text; see generally *Gracey v. Eaker*, 837 So. 2d 348, 353 (Fla. 2002) (noting that “[t]he elements of a claim for breach of fiduciary duty are: the existence of a fiduciary duty, and the breach of that duty such that it is the proximate cause of the plaintiff’s damages”) (internal citations omitted).

skill or expertise.”⁷⁶ For example, in *Detroit Lions v. Argovitz*, the U.S. District Court for the Eastern District of Michigan held that a player agent owed a fiduciary duty to his clients, and that the agent breached this duty when, without providing full disclosure, he negotiated a contract between his client and a team in which the agent held a financial interest.⁷⁷

As compared to breach of contract claims, tort claims are probably better at deterring agent wrongdoing because they sometimes allow for the recovery of punitive damages.⁷⁸ Nevertheless, given that the elements of tort claims are highly fact-intensive, it is often difficult to predict whether particular conduct would be deemed tortious.⁷⁹ For example, while an agent’s failure to disclose an ownership stake in the team for which his client plays would clearly indicate the breach of a fiduciary duty, it is unclear whether a court would likewise find a breach where an agent fails to make a lesser disclosure, such as his role in representing other players on his client’s team.⁸⁰

Moreover, from an *ex ante* perspective, the threat of tort litigation may not deter wrongdoing by agents because not every tort victim is ultimately able to recover.⁸¹ Even if an athlete knows that he has been injured by an agent’s misconduct, the athlete may still have difficulty proving so in court.⁸² Also, some athletes may not want to invest the time or expense

⁷⁶ *Martinelli v. Bridgeport Roman Catholic Diocesan Corp.*, 196 F.3d 409, 420 (2d Cir. 2000) (internal citation omitted); *see also* *Jones v. Childers*, No. 88-85-Civ-T-22C, 1992 WL 300845, at *8 (M.D. Fla. June 26, 1992), *rev’d in part on other grounds*, 18 F.3d 899 (11th Cir. 1994) (finding a fiduciary relationship to exist between an NFL football player and his financial adviser because “confidence is reposed on one side and there is a resulting superiority and influence on the other”) (internal citation omitted).

⁷⁷ *See Argovitz*, 580 F. Supp. at 548–49.

⁷⁸ *See* A. Mitchell Polinsky & Steven Shavell, *Punitive Damages*, in *ENCYCLOPEDIA OF LAW AND ECONOMICS* 764, 768 (Boudewijn Bouckaert & Gerrit De Geest eds., 1999), *available at* <http://encyclo.findlaw.com/3700book.pdf>.

⁷⁹ *See Aetna Life Ins. Co. v. Lavoie*, 470 So. 2d 1060, 1079 (Ala. 1984) (Torbert, C.J., dissenting), *vacated*, 475 U.S. 813 (1986) (noting that “[b]ecause tort cases are so fact-intensive and the liability rules so amorphous, the results at trial are unpredictable and often inconsistent”).

⁸⁰ *Cf.* Robert Flannigan, *The Economics of Fiduciary Accountability*, 32 *DEL. J. CORP. L.* 393, 420 (2007) (citing Frank H. Easterbrook & Daniel R. Fischel, *Contract and Fiduciary Duty*, 36 *J.L. & ECON.* 425, 425 (1993)) (discussing how different fiduciary classes have different fiduciary duties that “may deviate substantially from one agency relation to another”).

⁸¹ *See G.J.D. v. Johnson*, 713 A.2d 1127, 1131 (Pa. 1998) (discussing the lack of deterrent effect that remains within tort law).

⁸² *See* Polinsky & Shavell, *supra* note 78, at 764.

required to bring a lawsuit against their agent.⁸³ Meanwhile, still others may ultimately never recover if an agent lacks the financial means to pay damages upon judgment.⁸⁴ Thus, the likelihood of punishment for engaging in the wrongdoing is less than certain.⁸⁵

C. Professional Association Sanctions

A third means by which athletes could hold their agents accountable involves reporting agent misconduct to a trade association.⁸⁶ For the nearly fifty percent of sports agents that are admitted attorneys, any wrongful acts may be subject to punishment by their state bar associations.⁸⁷

Most state bar associations have adopted the American Bar Association's model rules of professional conduct.⁸⁸ These model rules include numerous requirements that may relate to the conduct of attorney-agents.⁸⁹ For example, Model Rule 1.5 requires an attorney to charge no more than a reasonable fee for his work.⁹⁰ While there is no quantifiable definition of the word "reasonable," attorney-agents that have advanced money to college athletes in exchange for the promise of above-market returns upon turning professional have likely violated this model rule.⁹¹ In addition, charging a

⁸³ *Id.*

⁸⁴ See Kyle D. Logue, *Solving the Judgment-Proof Problem*, 72 TEX. L. REV. 1375, 1375 (1994) (noting that "[a] tortfeasor who cannot fully pay for the harms that it causes is said to be 'judgment proof' and that 'judgment-proof tortfeasors will not fully internalize the costs of the accidents they cause'").

⁸⁵ See *supra* notes 81–84 and accompanying text.

⁸⁶ See *infra* notes 87–97 and accompanying text.

⁸⁷ See MODEL RULES OF PROF'L CONDUCT (2012); Neiman, *supra* note 42, at 129 (noting that the Model Rules of Professional Conduct were adopted by the American Bar Association's House of Delegates in 1983, and as currently amended are enforced by most state bars as the ethical code of legal conduct); Davis, *supra* note 4, at 805 (noting that "approximately fifty percent of sports agents are admitted attorneys" according to some estimates).

⁸⁸ See *State Adoption of the ABA Model Rules of Professional Conduct*, AMERICAN BAR ASSOCIATION, http://www.americanbar.org/groups/professional_responsibility/publications/model_rules_of_professional_conduct/alpha_list_state_adopting_model_rules.html (last visited Mar. 12, 2013).

⁸⁹ See Neiman, *supra* note 42, at 129 (discussing broadly the Model Rules of Professional Conduct); Kenneth L. Shropshire, *AGENTS OF OPPORTUNITY* 41 (1990) (noting that for an attorney seeking to become a sports agent, securing clients while complying with the model rules of professional responsibility represent one of "the greatest barriers to entering the field").

⁹⁰ MODEL RULES OF PROF'L CONDUCT R. 1.5(a) (2012).

⁹¹ See *id.*

player a full commission despite negotiating a reduction in the player's salary might likewise violate the rule.⁹²

Similarly, Model Rule 1.7 prevents attorneys from representing competing parties of interest without full disclosure and informed consent.⁹³ Under this rule, there is a strong argument that attorney-agents cannot simultaneously represent players and team owners without first fully divulging the nature of their relationships to both clients.⁹⁴ In addition, there is a somewhat weaker argument that attorney-agents cannot represent multiple players on the same team in a salary-cap sport without first divulging these potential conflicts to all affected parties.⁹⁵

Finally, Model Rule 7.3(a) states that “[a] lawyer shall not by in-person, live telephone or real-time electronic contact solicit professional employment when a significant motive for the lawyer’s doing so is the lawyer’s pecuniary gain”⁹⁶ This rule seems to call into doubt the permissibility of attorney-agents attempting to attract new clients through in-person solicitation, which frequently occurs in the race among sports agents to sign new clients.⁹⁷

At first glance, these three model rules may seem effective in deterring sports agents from engaging in unethical behavior.⁹⁸ Yet, in practice, the threat of trade association sanctions is at least as limited as the threat of litigation.⁹⁹ One problem with attempting to deter agent misconduct

⁹² See *id.*

⁹³ See *id.* at R. 1.7 (2012) (explaining that, subject only to a limited number of exceptions, “a lawyer shall not represent a client if . . . (1) the representation of one client will be directly adverse to another client; or (2) there is a significant risk that the representation of one or more clients will be materially limited by the lawyer’s responsibilities to another client, a former client or a third person or by a personal interest of the lawyer.”).

⁹⁴ See, e.g., Mark Doman, *Attorneys as Athlete-Agents: Reconciling the ABA Rules of Professional Conduct with the Practice of Athlete Representation*, 5 TEX. REV. ENT. & SPORTS L. 37, 55–58 (2003–2004); Neiman, *supra* note 42, at 136–38.

⁹⁵ See Doman, *supra* note 94, at 54.

⁹⁶ MODEL RULES OF PROF’L CONDUCT R. 7.3 (2012) (noting, however, an exception to this rule where the solicited party is a lawyer, a family member, a close personal friend, or had a professional relationship with the soliciting party); cf. Karcher, *supra* note 4, at 748 (explaining that “the rationale behind prohibiting individuals acting in a fiduciary capacity from soliciting clients is the potential for abuse inherent in direct in-person or telephone contact by the fiduciary with a prospective client known to need services”).

⁹⁷ See Doman, *supra* note 94, at 50.

⁹⁸ *Id.* at 38–39 (presuming that “higher standards of professional responsibility” are placed on attorney-agents).

⁹⁹ See *infra* notes 100–102 and accompanying text.

through professional sanctions is that many agents are not part of any regulated profession and thus no ethical code of conduct would apply to them.¹⁰⁰ Another problem is that attorney-agents who practice primarily in the capacity of sports agents would often rather surrender their legal licenses than comply with heightened ethical requirements.¹⁰¹ For that reason, a number of today's most prominent sports agents have elected not to become members of any state bar, even though they have graduated from law school.¹⁰²

D. Players' Union Sanctions

Finally, since 1984, players' unions in most professional sports have provided another avenue for regulating sports agents.¹⁰³ Players' unions enjoy the power to regulate sports agents pursuant to Section 9(a) of the National Labor Relations Act, which grants unions the exclusive right to negotiate with employers over the mandatory terms and conditions of employment, such as hours, wages, and working conditions.¹⁰⁴ Most players' unions, in turn, have delegated this authority to individual agents, subject to a certification and decertification process.¹⁰⁵

¹⁰⁰ See Davis, *supra* note 4, at 805–806 (noting that “non-attorney agents are not subject to state bar association standards of conduct”).

¹⁰¹ See generally David S. Caudill, *Sports and Entertainment Agents and Agent-Attorneys: Discourses and Conventions Concerning Crossing Jurisdictional and Professional Borders*, 43 AKRON L. REV. 697, 698 (2010) (discussing the “two hats” argument).

¹⁰² See Darren Heitner, *Should a Sports Agent Go to Law School?*, SPORTS AGENT BLOG (Jan. 9, 2006), <http://www.sportsagentblog.com/2006/01/09/should-a-sports-agent-go-to-law-school> (discussing the dilemma of whether a prospective sports agent is better served as an attorney or non-attorney).

¹⁰³ See *Collins v. Nat'l Basketball Players Ass'n*, 850 F. Supp. 1468, 1471–1474 (D. Colo. 1991), *aff'd*, 976 F.2d 740 (10th Cir. 1992) (discussing the attempt by a basketball players' union to regulate agent conduct).

¹⁰⁴ See National Labor Relations Act § 9, 29 U.S.C. § 159(a) (2012); see also *Black v. Nat'l Football League Players Ass'n*, 87 F. Supp. 2d 1, 2 (D.D.C. 2000); *Collins*, 850 F. Supp. at 1471. Specifically, Section 9 of the National Labor Relations Act states as follows:

Representatives designated or selected for the purposes of collective bargaining by the majority of the employees in a unit appropriate for such purposes, shall be the exclusive representatives of all the employees in such unit for the purposes of collective bargaining in respect to rates of pay, wages, hours of employment, or other considerations of employment.

National Labor Relations Act § 9, 29 U.S.C. § 159(a).

¹⁰⁵ See, e.g., *Collins*, 850 F. Supp. at 1475 (“A union may delegate some of its exclusive representational authority on terms that serve union purposes, as the [National Basketball Players Association] has done here.”); cf. Richard T. Karcher, *Fundamental Fairness in Union Regulation of Sports Agents*, 40 CONN. L. REV. 357, 358–59

The unions in all four of the premier U.S. sports leagues currently enforce rules to ensure “players . . . receive agent services that meet minimum standards of quality at uniform rates.”¹⁰⁶ In addition, some unions prohibit agents from representing groups that would seemingly create a conflict of interest, such as general managers and coaches.¹⁰⁷ Meanwhile, other unions impose stringent limits on agent fees.¹⁰⁸

Nevertheless, much like the threat of being decertified by a state bar association, the threat of being decertified by a players’ union once again is not a very strong deterrent.¹⁰⁹ One problem with the threat of being decertified by a players’ union is that sports agents are rarely willing to disclose the wrongdoing of competitors in fear that competitors will retaliate by bringing claims against them.¹¹⁰ Moreover, there is rarely a consensus among athletes about which agents are problematic.¹¹¹ For every player that wishes to see a particular agent decertified, there is often another vouching

(2007–2008) (explaining that the players association generally delegates at least some authority to third-party agents to avoid a potential conflict of interest between the individual players and the union in situations where each free agent player is competing against all other free agent players in seeking the best possible contract); *see also* *H.A. Artists & Assocs., Inc. v. Actors’ Equity Ass’n*, 451 U.S. 704, 721 (1981) (noting a similar allocation of rights from a theatrical union to theatrical agents).

¹⁰⁶ *Collins*, 850 F. Supp. at 1471.

¹⁰⁷ *See* National Basketball Players Association Regulations Governing Player Agents § 2(C) (1991) [hereinafter NBPA Agent Regulations].

¹⁰⁸ *See* National Football League Players Association Regulations Governing Contract Advisors § 4(B)(1) (2012) [hereinafter NFLPA Agent Regulations] (noting that the maximum fee that an NFLPA certified agent may charge is 3 percent, and that, for certain classes of players, this maximum fee drops even lower to 1 or 2 percent); *see also* NBPA Agent Regulations § 4(B) (noting that, for players earning in excess of the league’s minimum compensation, NBPA certified agents may charge up to 4 percent, and for other players NBPA agents may charge up to 2 percent). In addition, both the NFLPA and the NBPA enforce rules that prevent player agents from circumventing maximum fee provisions by intentionally increasing fees for other services such as financial consultation, money management or negotiating a player’s endorsement contracts. *See* NFLPA Agent Regulations § 3(B)(16); NBPA Agent Regulations § 3(B)(o).

¹⁰⁹ *See infra* notes 110–112 and accompanying text.

¹¹⁰ *See* Davis, *supra* note 4, at 822 (noting that, according to NFLPA lawyer Richard Berthelsen, the NFLPA had difficulty taking action against agents who violated the NFLPA’s sports agent regulations because most agents who complained about wrongdoing “never named names”).

¹¹¹ *See infra* note 112 and accompanying text.

for the agent's veracity and actively petitioning the union against the agent's decertification.¹¹²

Another problem with regulating sports agents through players' unions is that it affords no protection to athletes in non-unionized sports.¹¹³ Likewise, athletes in unionized sports lose their protection if the union either decertifies or files a disclaimer of interest.¹¹⁴ Given that both the professional football and basketball players' unions attempted to disclaim interest as recently as 2011, relying on sports unions to regulate agents effectively is somewhat problematic.¹¹⁵

III. THE UNIFORM ATHLETE AGENTS ACT

Recognizing the limits of civil litigation and professional sanctions, a movement began in the 1990s to pass new statutes to govern sports agents.¹¹⁶ One of the groups favoring new statutory law included some of

¹¹² See, e.g., *Collins v. Nat'l Basketball Players Ass'n*, 850 F. Supp. 1468, 1473–1474 (D. Colo. 1991), *aff'd*, 976 F.2d 740 (10th Cir. 1992) (noting that even as the National Basketball Players Association sought to decertify agent Thomas Collins due to misconduct surrounding his representation of Kareem Abdul-Jabbar, another NBA all-star, Terry Cummings, petitioned the league to grant interim certification to Collins so that he could continue employing Collins as his agent).

¹¹³ See *supra* notes 105–108 and accompanying text.

¹¹⁴ See Gabriel Feldman, *Antitrust Versus Labor Law in Professional Sports: Balancing The Scales After Brady v. NFL and Anthony v. NBA*, 45 U.C. DAVIS L. REV. 1221, 1255–56 (2012) (explaining that “[e]mployees can exercise their right to dissolve their union in the middle of collective bargaining through a formal decertification process or a disclaimer of interest” and that each method “effectively terminates a union, the collective bargaining process, and the bargaining relationship between employers and employees”).

¹¹⁵ See generally Gary Washburn, *Players Reject NBA Proposal*, BOSTON GLOBE (Nov. 15, 2011), http://www.boston.com/sports/basketball/articles/2011/11/15/players_reject_nba_proposal (noting that the National Basketball Players Association has “filed a ‘disclaimer of interest,’ which officially disqualifies the NBPA as the official representatives of the league’s players, the first step to decertification”); Greg A. Bedard, *Scrimmage Lines are Drawn*, BOSTON GLOBE (Mar. 22, 2011), http://www.boston.com/sports/football/articles/2011/03/22/scrimmage_lines_are_drawn (noting that the National Football League Players Association had filed a disclaimer of interest as a first step toward proceeding with an antitrust lawsuit against the NFL teams rather than a labor negotiation).

¹¹⁶ See Danny Robbins, *Problem with Agents Must Be Addressed, Says NCAA Head*, HOUS. CHRON., Jan. 8, 1996, at 3 (noting that NCAA executive director Cedric Dempsey called for new laws to regulate sports agents); *House Oks Bill to Regulate Sports Agents*, SEATTLE TIMES (Mar. 20, 1991), <http://community.seattletimes.nwsourc.com/archive/?date=19910320&slug=1272678> (discussing efforts to pass state law

the more ethical sports agents, who believed that statutory law was needed to halt an ethical “race to the bottom.”¹¹⁷ Another group that supported new statutory law was the NCAA, which believed that the current law failed to curtail secret payments between agents and student-athletes in violation of the NCAA’s internal Principle of Amateurism.¹¹⁸

A. *Drafting of the Uniform Athlete Agents Act*

While sports agents never moved forward with a plan for new statutory law, Florida State University president Sandy D’Alemberte approached the U.S. Uniform Law Commission in 1996 on behalf of the NCAA about draft-

to regulate sports agents in the State of Washington); *N.C. Bill Would Regulate Sports Agents*, GREENSBORO NEWS & RECORD, Mar. 3, 1990, at A5 (quoting the North Carolina Secretary of State, explaining that people are surprised that without new statutory law a wide range of sports agent conduct that violates NCAA rules is not illegal).

¹¹⁷ See Willenbacher, *supra* note 30, at 1227 (noting that “[i]n response to the numerous actors in the market and the limit on commissions, competition among agents has erupted, causing a race to the bottom where sports agents conduct themselves unethically in order to secure clients”); see also Symposium, *Panel III: Ethics and Sports: Agent Regulation*, 14 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 747, 754 (2004) (quoting John Genzale, the Editor-in-Chief of SportsBusiness Journal, expressing concern that “[g]ood agents are losing the battle for reputation and credibility, and they will keep on losing unless [sports agents overall] clean up their own act”). *But see* Glen Wong et al., *Going Pro in Sports: Providing Guidance to Student-Athletes in a Complicated Legal & Regulatory Environment*, 28 CARDOZO ARTS & ENT. L.J. 553, 599–600 (2011) (arguing that most sports agents are ethical and well-meaning).

¹¹⁸ See 2011–12 NCAA Division I Manual §§ 2.9, 12.1.2 (2011); Robert P. Baker, *The Unintended Consequence of the Miller-Ayala Athlete Agents Act: Depriving Student Athletes of Effective Legal Representation*, 12 UCLA ENT. L. REV. 267, 271 (2005) (noting that “in 1997 the NCAA and several of its largest member institutions lobbied the National Conference of Commissioners of Uniform State Laws (NCCUSL) to draft a model law regulating athlete agents”); *The Uniform Athlete Agents Act*, *supra* note 6, at 373 (quoting attorney and sports agent Craig Fenech describing the NCAA as “the driving force behind [the UAAA]”).

ing model legislation to curb sports agent misconduct.¹¹⁹ Thereafter, the Uniform Law Commission adopted the project.¹²⁰

At the urging of D'Alemberte, the U.S. Uniform Law Commission selected a committee that included several drafters with direct ties to the NCAA.¹²¹ One of the committee members, Charles Ehrhardt, served as the Chair of Florida State University's Athletics Board and as Florida State University's representative to the NCAA.¹²² Another, Harvey S. Perlman, had an "extensive record of service on the Boards of Directors for the NCAA," as well as past leadership positions on the Board of Directors of the Big 12 Athletic Conference.¹²³

¹¹⁹ *The Uniform Athlete Agents Act*, *supra* note 6, at 359 (quoting Michael Kerr, the Deputy Executive Director of the National Conference of Commissioners on Uniform State Laws, explaining how the National Conference of Commissioners on Uniform State Laws was first approached by Sandy D'Alemberte); *Panel III: Ethics and Sports: Agent Regulation*, *supra* note 117, at 758 (quoting NCAA's Assistant Director of Agent, Gambling, and Amateurism Activities, Rachel Newman-Baker as noting that "[s]everal years ago, several universities in the NCAA national office actually went to the National Conference of Commissioners on Uniform State Laws ('NCCUSL') to draft a UAAA").

¹²⁰ *The Uniform Athlete Agents Act*, *supra* note 6, at 359–60; *see also* Neiman, *supra* note 42, at 127 n.34 (noting that the National Conference of Commissioners on Uniform State Laws is "a national organization comprised of 300 attorneys, judges, law professors and state legislators appointed by their states to draft uniform and model state laws").

¹²¹ *See* UNIF. ATHLETE AGENTS ACT (2000) (noting the 17 committee members); Biography of Florida State University Professor Charles Ehrhardt, <http://www.seminoles.com/school-bio/fsu-erhardt.html> (stating that during the period in which Professor Charles Ehrhardt helped to draft the UAAA, he was Chair of the Florida State University Athletics Board and the university's representative to the NCAA, as well as a member of many NCAA boards); *Harvey S. Perlman*, U. OF NEB., <http://nebraska.edu/administration/chancellors-and-vice-presidents/harvey-s-perlman.html> (last visited Feb. 17, 2013) (noting that Chancellor Perlman is a member of the "Bowl Championship Series Presidential Oversight Committee"); *Rodney K. Smith*, WASHINGTON AND LEE SCHOOL OF LAW, <http://law.wlu.edu/faculty/profiledetailpr.asp?id=303> (last visited Feb. 17, 2013) (noting that Professor Smith served as a member of the Infractions Appeals Committee of the NCAA, Division I from 2003–2004).

¹²² *See* Biography of Florida State University Professor Charles Ehrhardt, *supra* note 121.

¹²³ *See* *Harvey S. Perlman*, U. OF VA. L. LIBR., <http://libguides.law.virginia.edu/content.php?pid=135150&sid=1255851> (last visited Feb. 17, 2013); *Harvey S. Perlman*, BUSINESSWEEK, <http://investing.businessweek.com/research/stocks/private/person.asp?personId=8023109&privcapId=3777804&previousCapId=3777804&previousTitle=University%20of%20Nebraska%20-%20Lincoln> (last visited Feb. 17, 2013).

By contrast, none of the Uniform Athlete Agents Act (“UAAA”) committee members were professional athletes, nor were any recent college athletes.¹²⁴ As a result, the committee suffered from groupthink: a psychological phenomenon that occurs within homogenous groups when the desire for harmony in decision-making overrides any realistic analysis of alternatives.¹²⁵ Stated otherwise, the committee was single-mindedly focused on just one issue: how to deter sports agents from encouraging amateur athletes from turning professional or accepting money in violation of the NCAA’s own internal bylaws.¹²⁶

With this single purpose in mind, the U.S. Uniform Law Commission unveiled at its 2000 convention a new proposed act, the UAAA.¹²⁷ The act has since been adopted, either in whole or in part, by forty states, as well as by Washington, D.C., and the U.S. Virgin Islands.¹²⁸ However, the act remains highly controversial among both athletes and agents, perhaps due to their lack of voice at the drafting stage.¹²⁹

¹²⁴ See UNIF. ATHLETE AGENTS ACT (2000).

¹²⁵ See Melanie B. Leslie, *The Wisdom of Crowds? Groupthink and Nonprofit Governance*, 62 FLA. L. REV. 1179, 1183 (2010) (defining “groupthink” as “a phenomenon that occurs when members of a cohesive group, such as a corporation’s board of directors, place the desire for group unity ahead of the [corporation’s] best interests”); see also Melissa L. Breger, *Making Waves or Keeping the Calm?: Analyzing the Institutional Culture of Family Courts Through the Lens of Social Psychology Groupthink Theory*, 34 LAW & PSYCHOL. REV. 55, 57 (2010) (explaining that in 1972, research psychologist Irving Janis “arguably revolutionized social psychology when he published *Victims of Groupthink*,” a book that discussed “a mode of thinking that people engage in when they are deeply involved in a cohesive in-group, when the members’ strivings for unanimity override their motivation to realistically appraise alternative courses of action” (internal quotation marks omitted) (citing IRVING L. JANIS, *VICTIMS OF GROUPTHINK: A PSYCHOLOGICAL STUDY OF FOREIGN-POLICY DECISIONS AND FIASCOES* (1972))).

¹²⁶ See Lloyd Zane Remick & Christopher Joseph Cabott, *Keeping Out the Little Guy: An Older Contract Advisor’s Concern, A Younger Contract Advisor’s Lament*, 12 VILL. SPORTS & ENT. L.J. 1, 5–7 (2005) (discussing the UAAA’s single-minded focus in protecting the NCAA’s own internal bylaws).

¹²⁷ See UNIF. ATHLETE AGENTS ACT (2000); see also *The Uniform Athlete Agents Act*, *supra* note 6, at 361 (quoting Michael Kerr, the Deputy Executive Director of the National Conference of Commissioners on Uniform State Laws, as explaining that “[i]n 1997 and ‘98, [the committee] started drafting”).

¹²⁸ See *FAQ on Uniform Athlete Agents Act*, National Collegiate Athletic Association (July 29, 2010), <http://www.ncaa.org/wps/wcm/connect/public/NCAA/Resources/Latest+News/2010+news+stories/July+latest+news/FAQ+on+Uniform+Athlete+Agents+Act>.

¹²⁹ See *The Uniform Athlete Agents Act*, *supra* note 6, at 345 (discussing various sports agents’ perspectives on the UAAA); *Panel III: Ethics and Sports: Agent Regula-*

B. UAAA Language

The UAAA is a rather long model act, consisting of twenty-two separate sections.¹³⁰ However, its requirements fall into four broad categories.¹³¹ The first category of requirements mandates that those seeking to represent student-athletes must register with the Secretary of State and disclose to the agency a wide range of personal information.¹³² This personal information may include the prospective agent's name, education, negotiating experience, partners and clients, references, and past disciplinary proceedings.¹³³

The second category of requirements governs the form and content of every agency contract between a registered sports agent and a student-athlete.¹³⁴ The UAAA specifically requires that every agency agreement appear in standard written form and be signed and dated by the parties.¹³⁵ In addition, the act requires that the agency agreement include specific terms that relate to fees and services, as well as a bold-faced warning near the signature line indicating that the student-athlete understands that by signing an agency contract the athlete "may lose . . . eligibility to compete" in a given sport.¹³⁶

The third category of requirements governs student-athletes' rights to terminate their agency agreements.¹³⁷ Most significantly, Section 12 of the

tion, supra note 117, at 754 (discussing both athletes' and agents' perspectives on the Uniform Athlete Agents Act). .

¹³⁰ UNIF. ATHLETE AGENTS ACT (2000).

¹³¹ See Michael Rogers, *The Uniform Athlete Agent Act Fails to Fully Protect the College Athlete Who Exhausts his Eligibility Before Turning Professional*, 2 VA. SPORTS & ENT. L.J. 63, 66–69 (2002) (describing these four general categories).

¹³² See UNIF. ATHLETE AGENTS ACT § 5 (2000) (discussing registration requirements); see also Rogers, *supra* note 131, at 66 (noting that the UAAA requires "registration by the athlete agent as well as concomitant mandatory disclosure of important information" (footnote omitted)).

¹³³ See UNIF. ATHLETE AGENTS ACT § 5 (2000) (providing a full list of requirements for registration as a sports agent). The requirement to register is subject to a narrow seven-day safe harbor, which begins when an agent is initially solicited by a student-athlete, and is reciprocal between each of the states that have implemented the act. See *id.* § 4(b) (noting that "[b]efore being issued a certificate of registration, an individual may act as an athlete agent . . . for all purposes except signing an agency contract, if: (1) a student-athlete or another person acting on behalf of the student-athlete initiates communication with the individual; and (2) within seven days after an initial act as an athlete agent, the individual submits an application for registration as an athlete agent . . .").

¹³⁴ See *infra* notes 135–136 and accompanying text.

¹³⁵ See UNIF. ATHLETE AGENTS ACT § 10 (2000).

¹³⁶ See *id.* § 10(b)–(c).

¹³⁷ See *id.* § 12.

UAAA contains an absolute right for the student-athlete to cancel his agency contract within fourteen days after the contract is signed.¹³⁸ If the cancellation is effected within this time frame, the UAAA states that the student-athlete will not owe any compensation to his agent.¹³⁹

Meanwhile, the fourth category of requirements governs the course of dealing between student-athletes and their agents.¹⁴⁰ For example, Section 14(a) of the act makes it unlawful for a certified agent to make any material misstatements or payments of any kind to a student-athlete as a way of inducing him to enter into an agency agreement.¹⁴¹ Meanwhile, Section 14(b)(1) prohibits an unregistered sports agent from making contact with a student-athlete.¹⁴²

Beyond these four categories, the UAAA outlines both criminal and administrative penalties that the drafters believe the states should adopt when an athlete or agent violates the act.¹⁴³ The UAAA also creates a civil remedy that allows NCAA member schools to bring suit against either an agent or student-athlete if the school is penalized, disqualified or fined by either the NCAA or its conference for conduct arising from the student-athlete or the agent's violation of the UAAA.¹⁴⁴

C. *Scholarly Criticism of the UAAA*

Even though the UAAA has been widely adopted by the states, it has been frequently criticized within legal scholarship.¹⁴⁵ This criticism is generally based on two arguments.¹⁴⁶ First, the UAAA subordinates student-

¹³⁸ *See id.* § 12(a).

¹³⁹ *See id.* § 12(c).

¹⁴⁰ *See id.* § 14.

¹⁴¹ *See id.* § 14(a).

¹⁴² *See id.* § 14(b)(1).

¹⁴³ *See* UNIF. ATHLETE AGENTS ACT §§ 15, 17 (2000).

¹⁴⁴ *See id.* § 16(a) (explaining that “[a]n educational institution has a right of action against an athlete agent or a former student-athlete for damages caused by violation of this Act.” (alteration in original)); *see also id.* § 16(b) (“Damages of an educational institution . . . include losses and expenses incurred because, as a result of the conduct of an athlete agent or former student-athlete, the educational institution was injured by a violation of this Act or was penalized, disqualified, or suspended from participation in athletics by a national association for the promotion and regulation of athletics, by an athletic conference, or by reasonable self-imposed disciplinary action taken to mitigate sanctions likely to be imposed by such an organization.” (alteration in original)).

¹⁴⁵ *See infra* notes 149–167 and accompanying text.

¹⁴⁶ *See infra* notes 149–167 and accompanying text.

athletes' interests to those of NCAA member schools.¹⁴⁷ Second, the act entirely disregards the need to regulate the relationship between professional athletes and their agents.¹⁴⁸

1. How the UAAA Subordinates Student-Athletes to the NCAA

The UAAA subordinates the interests of student-athletes to those of NCAA member schools in a number of ways.¹⁴⁹ First, the act indoctrinates into law the NCAA's Principle of Amateurism, which fixes student-athletes' wages at zero, making them into the "last indentured servants of our society."¹⁵⁰ Until the UAAA's passing, the NCAA's Principle of Amateurism was merely "a private association's mandate and not a rule of law."¹⁵¹ However, with the UAAA's requirement that all agency contracts include form language that pertains to the NCAA's amateurism rules, the NCAA's Principle of Amateurism becomes one step closer to law.¹⁵²

In addition, the UAAA adopts aspects of the NCAA's Principle of Amateurism without even considering whether the principle is *bona fide*.¹⁵³ To-

¹⁴⁷ See *infra* notes 149–160 and accompanying text.

¹⁴⁸ See *infra* notes 161–167 and accompanying text.

¹⁴⁹ See *infra* notes 150–160 and accompanying text.

¹⁵⁰ *The Uniform Athlete Agents Act*, *supra* note 6, at 374 (quoting attorney and sports agent Craig Fenech); see also Marc Edelman, note, *Reevaluating Amateurism Standards in Men's College Basketball*, 35 U. MICH. J.L. REFORM 861, 862 (2002) ("[B]y not paying student-athletes, the Principle of Amateurism leads to windfall profits for college coaches and administrators, who receive disproportionately high salaries and additional endorsement/promotion opportunities."); Sarah M. Konsky, note, *An Antitrust Challenge to the NCAA Transfer Rules*, 70 U. CHI. L. REV. 1581, 1585 (2003) ("[T]he NCAA maximizes profits beyond a competitive rate and keeps the windfall in the hands of select few administrators, athletic directors, and coaches."); Daniel Lazaroff, *The NCAA in its Second Century: Defender of Amateurism or Antitrust Recidivist?*, 86 OR. L. REV. 329, 357 (2007) (noting several commentators' belief that the "economic impact of the NCAA's amateurism rules creates a wealth transfer from the players to their schools"). But see *Banks v. NCAA*, 977 F.2d 1081, 1091 (7th Cir. 1992) (denying a college football player the right to challenge an NCAA rule under antitrust law based on the court's conclusion that the NCAA member schools are not "purchasers of labor" in the traditional sense).

¹⁵¹ Marc Edelman, *Closing the 'Free Speech' Loophole: The Case for Protecting College Athletes' Publicity Rights in Commercial Video Games*, 65 FLA. L. REV. 553, 572 (2013) (citing NCAA Principle of Amateurism, 2011–12 NCAA Division I Manual § 2.9 (2011)).

¹⁵² See Closius, *supra* note 28, at 513 (noting that statutes similar to the UAAA "have the effect of giving NCAA regulations the full force of law").

¹⁵³ See Michael A. Corgan, *Permitting Student-Athletes to Accept Endorsement Deals*, 19 VILL. SPORTS & ENT. L.J. 371, 373 (2012) (explaining that "journalists and

day many question whether the NCAA truly promotes any of the traditional virtues of amateurism that derived from 1800s England, where members of a privileged upper-class competed in athletics purely for pleasure.¹⁵⁴ Indeed, the NCAA's modern version of amateurism involves a multi-billion dollar enterprise that "maximizes profits beyond a competitive rate and maintains wealth in the hands of a select few administrators, athletic directors, and coaches."¹⁵⁵ Ironically, just about the only party that is unpaid in the NCAA's brand of amateurism is the student-athletes, many of whom are extremely poor and in dire need of money for basic needs such as food and shelter.¹⁵⁶

Finally, even the UAAA's remedies are skewed in favor of NCAA members.¹⁵⁷ For example, although the UAAA provides a private cause of action to NCAA member schools against sports agents, the act fails to provide student-athletes with the same right to seek a civil remedy against agent misconduct.¹⁵⁸ Meanwhile, much more disturbingly, the UAAA as-

legal scholars have ridiculed the NCAA for issuing harsh suspensions to student-athletes and simultaneously generating billions of dollars in revenue from college athletics"); see also Darren Heitner & Jeffrey Levine, *Corking the Cam Newton Loophole*, 2 HARV. J. SPORTS & ENT. L. 341, 342 (2011) (noting that "while the NCAA trumpets its philosophy of amateur competition, an increasing refrain points to the hypocritical nature of the Association, as its financial success is built on the sweat of amateur athletes"); cf. Note, *Sherman Act Invalidation of the NCAA Amateurism Rules*, 105 HARV. L. REV. 1299, 1309 (1992) (discussing a general pattern of the American legal system deferring to the perceptions of amateurism posited by the NCAA, without recognizing that these bylaws themselves are often merely a pretense and have no true moral meaning in light of the NCAA's overall mode of operation).

¹⁵⁴ See Robert A. McCormick & Amy Christian McCormick, *Major College Sports: A Modern Apartheid*, 12 TEX. REV. ENT. & SPORTS L. 13, 22 (2010) (noting that the principle of amateurism originally emerged from 1800s England, during which time young men of privileged economic status regularly engaged in unpaid athletic events at colleges); see also Lazaroff, *supra* note 150, at 331 n.7.

¹⁵⁵ Edelman, *supra* note 150, at 864.

¹⁵⁶ See Dohrmann, *supra* note 33 (interviewing former sports agent Josh Luchs and a number of Luchs's former clients about why money changed hands between student-athletes and sports agents); Payne, *supra* note 33, at 680–83 (discussing what the author refers to as "A Culture of Poverty and Entitlement"); Edelman, *supra* note 150, at 876 (relaying a story about how former professional basketball player Chris Webber, despite generating a large amount for revenue for the University of Michigan, could not even afford a fast-food dinner while in college).

¹⁵⁷ See, *infra*, notes 158–160 and accompanying text.

¹⁵⁸ See UNIF. ATHLETE AGENT ACT, § 16, comment (2000) ("Section 16 does not specifically authorize an action by a student-athlete against an athlete agent because the student-athlete can bring an action against an athlete agent under existing law."); see also Remick & Cabott, *supra* note 126, at 7 (noting that

toundingly grants a private cause of action to NCAA member schools against their *own* student-athletes who fail to publicly disclose agency agreements.¹⁵⁹ Thus, not only does the act fail to provide student-athletes with any meaningful legal protection, but, to the contrary, the act exposes them to an entirely new form of legal liability that does not otherwise exist in common law.¹⁶⁰

2. Weaknesses of the UAAA in Protecting Professional Athletes

Beyond the UAAA's unfairness to student-athletes, the UAAA also neglects to govern the relationship between professional athletes and their agents, even though there are strong societal concerns about protecting professional athletes.¹⁶¹ Specifically, the UAAA ignores entirely both industry and scholarly concerns about sports agents' conflicts of interest when representing professional athletes.¹⁶²

The UAAA could have easily addressed these ethical concerns by expanding registering requirements to include those agents that exclusively

"[i]ronically, the UAAA does not provide student-athletes with a right to seek civil remedies from agents if they are rendered ineligible due to an agent's failure to abide by UAAA regulations). Indeed, the only remedy that is afforded by the act to a student-athlete is the right to void an agency agreement that does not adhere to the act's requirements. See John A. Gray, *Sports Agents' Liability After SPARTA?* 6 VA. SPORTS & ENT. L.J. 141, 149 (2006) (noting that "[w]hile the UAAA does not give the student-athlete a statutory cause of action, a third major addition is that the UAAA does give a student-athlete the power to void any contract with a registered sports agent the terms of which do not conform strictly to the UAAA's requirements, and it also declares void any contract with an unregistered agent").

¹⁵⁹ UNIF. ATHLETE AGENTS ACT § 16(a) (2000).

¹⁶⁰ *The Uniform Athlete Agents Act*, *supra* note 6, at 352–53 (quoting John Cannell of the New Jersey Law Revision Commission questioning whether the UAAA is "a bill that protects [student-athletes] or not," and expressing that the "one provision that the [New Jersey Law Revision] Commission had some problem with . . . was the fact that the bill makes a student athlete liable to the university if he does things which affect his eligibility").

¹⁶¹ See *id.* at 366 (quoting sports agent Tony Agnone noting that one of the problems with the UAAA is that while it "worr[ies] about legislating the student athlete, which is the NCAA concern," it fails to "worry about legislating the professional athlete, as well, because that's another area where there's prone of many problems and [sic] situations that will come into effect"); see also Neiman, *supra* note 42, at 125, 128 (explaining that the Uniform Athlete Agents Act "fails to address the dealings of the sports agent and the professional athlete, thereby failing to protect the professional athlete").

¹⁶² See UNIF. ATHLETE AGENTS ACT (2000) (making no mention of sports agents' conflicts of interests in representing professional clients).

represent professional athletes.¹⁶³ The UAAA also could have imposed rules on agents requiring full disclosure of all active business interests and clients.¹⁶⁴ Perhaps the UAAA could have even implemented the same rules about disclosing conflicts of interest that most state bar associations have adopted for lawyers, such as ABA Model Rule 1.7.¹⁶⁵ However, the UAAA's drafters took none of these steps.¹⁶⁶ Instead, they chose to leave professional athletes conspicuously unprotected.¹⁶⁷

D. *Scholarly Praise for the UAAA*

By contrast, there has been little scholarly praise for the UAAA.¹⁶⁸ Perhaps, the most optimistic view of the act appeared in a 2002 law review article written by Baylor School of Law Professor R. Michael Rogers, in which the professor, who is the son of a college basketball coach and has served on many NCAA committees, refers to the UAAA drafting committee's efforts as "praiseworthy."¹⁶⁹ According to Rogers, the act serves an important purpose in allowing student-athletes to receive "free unbiased advice about professional sports careers" from those affiliated with NCAA member schools, rather than from private sports agents.¹⁷⁰

Yet even this argument seems to rely on two faulty presumptions: first, that all NCAA employees offer student-athletes unbiased advice; and second, that no sports agents offer honest advice.¹⁷¹ While Rogers may feel this way based on his life experiences, a broader look at history shows that there are both ethical and unethical sports agents, as well as both ethical and

¹⁶³ See *id.* § 5 (discussing current UAAA registration requirements).

¹⁶⁴ Cf. Investment Advisers Act of 1940, 15 U.S.C. § 80b-6 (2006) (providing an example of a statute regulating financial advisers that includes a similar disclosure requirement).

¹⁶⁵ See MODEL RULES OF PROF'L CONDUCT R. 1.7 (2012) (explaining that, subject only to a limited number of exceptions, "a lawyer shall not represent a client if . . . (1) the representation of one client will be directly adverse to another client; or (2) there is a significant risk that the representation of one or more clients will be materially limited by the lawyer's responsibilities to another client, a former client or a third person or by a personal interest of the lawyer").

¹⁶⁶ See UNIF. ATHLETE AGENTS ACT (2000).

¹⁶⁷ See *id.*

¹⁶⁸ A Westlaw search of Journals and Law Reviews (JLR) using the key term "Uniform Athlete Agents Act" yielded 61 documents; few if any took a positive view toward the UAAA.

¹⁶⁹ See Rogers, *supra* note 131, at 64–65.

¹⁷⁰ *Id.* at 94.

¹⁷¹ See *infra* note 172 and accompanying text.

unethical NCAA employees.¹⁷² In addition, individuals that work in each capacity have some financial incentive to lead student-athletes astray.¹⁷³ Sports agents earn profit from student-athletes turning professional.¹⁷⁴ Meanwhile, college employees profit from student-athletes staying in school.¹⁷⁵

IV. THE SPORTS AGENT RESPONSIBILITY AND TRUST ACT

Within a few years of the UAAA's passing, many states began to recognize the UAAA's shortcomings.¹⁷⁶ Some states indicated that they would not adopt the act.¹⁷⁷ Others decided to take a wait-and-see approach.¹⁷⁸ Around this same time, Congress decided to form its own committee to draft federal sports agent laws that would become known as the Sports Agent Responsibility and Trust Act ("SPARTA").¹⁷⁹ Yet, unfortunately,

¹⁷² Compare Alec Powers, *The Need to Regulate Sports Agents*, 4 SETON HALL J. SPORT L. 253, 257 (1994) (making the claim that "many sports agents are fraudulent and deceitful people"), with Michael A. Weiss, *The Regulation of Sports Agents: Fact or Fiction?*, 1 SPORTS LAW. J. 329, 330 (1994) (contending that not all sports agents are fraudulent and deceitful, and that "unscrupulous" behavior by agents is primarily caused by "incompetence" and "greed" which has "interfered with their capabilities"). For an article that goes a step further and argues that student-athletes are more likely to receive ethical advice from sports agents than from employees of NCAA member schools, see Nocera, *supra* note 24, arguing that it would be helpful for student-athletes to be allowed under NCAA rules to communicate with sports agents because sports agents could provide student-athletes with "good advice about their professional prospects."

¹⁷³ See *infra* notes 174–175 and accompanying text.

¹⁷⁴ See Rogers, *supra* note 131, at 74 (noting the financial interest that sports agents have in encouraging student-athletes to turn professional).

¹⁷⁵ Cf. Wong, Zola, & Deubert, *supra* note 117, at 557 ("Amateur Athletic Union (AAU) basketball camps and teams have become particularly swarmed with coaches, recruiters, agents, and others looking for the next great college or professional star that can help their own careers.").

¹⁷⁶ See *infra* notes 177–178 and accompanying text; see also Remick & Cabott, *supra* note 126, at 12–19 (discussing in detail some perceived shortcomings of the act).

¹⁷⁷ See *FAQ on Uniform Athlete Agents Act*, NCAA.ORG, <http://www.ncaa.org/wps/wcm/connect/public/NCAA/Resources/Latest+News/2010+news+stories/July+latest+news/FAQ+on+Uniform+Athlete+Agents+Act> (last visited Mar. 12, 2013) (explaining that some of the states have elected not to adopt the UAAA).

¹⁷⁸ See *The Uniform Athlete Agents Act*, *supra* note 6, at 352–53 (noting the State of New Jersey's initial uncertainty about whether to adopt the UAAA).

¹⁷⁹ See Remick & Cabott, *supra* note 126, at 8 (noting that "SPARTA serves as a 'federal backstop' to the UAAA, as it focuses on regulation and enforcement"); see

Congress made many of the same mistakes that the U.S. Uniform Law Commission had made just a few years earlier.¹⁸⁰ For example, rather than select a balanced committee, Congress chose as one of its principal drafters Tom Osborne (R-Nebraska), the former head football coach at the University of Nebraska.¹⁸¹ Based on his life experiences, Osborne seemed to look at the issue of sports agent regulation from the perspective of an NCAA employee.¹⁸²

A. *Language in SPARTA*

Congress ultimately passed SPARTA on September 9, 2004, and President George W. Bush signed the bill into law two weeks later.¹⁸³ Nevertheless, SPARTA provided little, if any, new protection to athletes.¹⁸⁴ To the contrary, most of SPARTA's language was pulled almost directly from the UAAA.¹⁸⁵

In terms of its substantive requirements, SPARTA only addressed the same few areas of concern as the UAAA.¹⁸⁶ For example, SPARTA prohibited sports agents from luring student-athletes as clients by "providing anything of value to a student athlete or anyone associated with the student

also Davis, *supra* note 4, at 812 (noting that "SPARTA's key provisions are modeled after the provisions of the UAAA").

¹⁸⁰ See *infra* notes 181–182 and accompanying text.

¹⁸¹ See *Congress Ok's Bill Regulating Sports Agents*, THE OREGONIAN, Sept. 14, 2004, at D5 (explaining that SPARTA "was co-authored by former Nebraska football coach Rep. Tom Osborne, R.-Neb., and Rep. Bart Gordon, D.-Tenn").

¹⁸² See *Osborne Testifies on Sports Agents*, OMAHA WORLD-HERALD, Jun. 7 2002, at 2C (quoting Osborne's testimony before Congress that during his 36 years as a football coach, he was "deeply concerned by overly aggressive, unethical sports agents who compromised a student-athlete's eligibility" [sic]).

¹⁸³ See Sports Agent Responsibility and Trust Act, 15 U.S.C. §§ 7801–7807 (2004); see also Sports Agent Responsibility and Trust Act, GovTracks, H.R. 361, 108th Cong. (2003), <http://www.govtrack.us/congress/bills/108/hr361>.

¹⁸⁴ See *infra* notes 187–192 and accompanying text.

¹⁸⁵ See *infra* notes 187–192 and accompanying text.

¹⁸⁶ See *infra* notes 187–192 and accompanying text.

athlete.”¹⁸⁷ In addition, SPARTA required agents to provide student-athletes with a “form disclosure document.”¹⁸⁸

In terms of its remedies, SPARTA provided a cause of action to just about every party other than the athletes.¹⁸⁹ SPARTA granted the Federal Trade Commission (“FTC”) authority to enforce the act as if it were part and parcel to the FTC Act.¹⁹⁰ In addition, it permitted state attorneys general to bring suit against sports agents under the act, either in the same capacity as the FTC, or on behalf of its residents if the attorney general could show that the agent had threatened or adversely affected a resident’s interests.¹⁹¹ Meanwhile, SPARTA even allowed NCAA member schools to sue sports agents under the act if they could show that a sports agent’s conduct resulted in expenses to the NCAA including “losses resulting from penalties, disqualification, suspension and/or restitution for losses suffered due to self-imposed compliance actions.”¹⁹²

B. Strengths and Weaknesses of SPARTA

Since SPARTA’s passing, there have been thirty-two law review articles that have discussed the act.¹⁹³ Much like the UAAA, praise for SPARTA has been limited.¹⁹⁴ The most positive view of SPARTA seems to come from a 2006 *Willamette Law Review* article by Wake Forest University law professor Timothy Davis, in which the professor describes SPARTA as a

¹⁸⁷ Sports Agent Responsibility and Trust Act, 15 U.S.C. § 7802(a)(1)(B) (2004) (explaining further that, for purposes of this requirement, prohibited items of value include not only tangible items such as cash, but also “any consideration in the form of a loan, or acting in the capacity of a guarantor or co-guarantor for any debt”).

¹⁸⁸ *See id.* § 7802(a)(2) (stating that “[i]t is unlawful for an athlete agent to enter into an agency contract with a student athlete without providing the student athlete with the disclosure document described in subsection (b)”).

¹⁸⁹ *See id.* §§ 7803–7805 (discussing different parties able to bring suit under SPARTA and the remedies available).

¹⁹⁰ *See id.* § 7803 (Enforcement); *see also* Davis, *supra* note 4, at 813 (noting that the monetary penalty in 2006 was capped at \$11,000); 16 C.F.R. § 1.98(c) (2010) (increasing the penalty for violation of the FTC Act to \$16,000, subject to the Civil Penalties Inflation Adjustment Act).

¹⁹¹ *See* Sports Agent Responsibility and Trust Act, 15 U.S.C. § 7804 (2004) (Actions by States).

¹⁹² Remick & Cabott, *supra* note 126, at 9.

¹⁹³ This count is based on a Westlaw search of Journals and Law Reviews (JLR) using the key term “Sports Agent Responsibility and Trust Act.”

¹⁹⁴ *See* Davis, *supra* note 4, at 813 (providing a rare example of praise for SPARTA by Wake Forest University law professor Timothy Davis).

“crucial and progressive step[].”¹⁹⁵ According to Professor Davis, even though “it is unrealistic to rely on any single mechanism to provide a talisman that will resolve all the industry’s problems, . . . [t]he UAAA and SPARTA represent the statutory layers of [a necessary] multi-layered approach.”¹⁹⁶

Additionally, SPARTA deserves some praise for not granting a private cause of action to NCAA member schools against their *own* student-athletes, as the UAAA had done.¹⁹⁷ Thus, the drafters of SPARTA avoided a repeat of that injustice, displaying at least a minimal understanding of the plight of the student-athlete.¹⁹⁸

Nevertheless, to the extent that SPARTA marked a second attempt at regulating the sports agent industry, its drafters made many of the same mistakes as the U.S. Uniform Law Commission just a few years earlier.¹⁹⁹ For example, much like the drafters of the UAAA, SPARTA’s drafters entirely ignored the need to regulate the relationship between professional athletes and their agents.²⁰⁰ In addition, SPARTA’s drafters failed to implement a civil cause of action for student-athletes who are harmed by their agents.²⁰¹

In some ways, SPARTA’s failure to provide these protections to student-athletes was even more troubling because the drafters of SPARTA were advised of the importance of granting student-athletes a remedy shortly before passing their act.²⁰² For example, the Director of the Bureau of Consumer Protection at the FTC, Howard Beales, had recently testified before Congress in favor of granting student-athletes a separate cause of action be-

¹⁹⁵ *Id.* at 827.

¹⁹⁶ *Id.* at 815.

¹⁹⁷ UNIF. ATHLETE AGENTS ACT (2000) (Prefatory Note).

¹⁹⁸ See *supra* note 195–197 and accompanying text.

¹⁹⁹ See *infra* notes 200–291 and accompanying text.

²⁰⁰ See Sports Agent Responsibility and Trust Act, 15 U.S.C. §§ 7803–7807 (2004).

²⁰¹ See Remick & Cabott, *supra* note 126, at 12 (noting that neither SPARTA nor the UAAA “provide students with the right to bring an action against unscrupulous agents”); see also Damon Moore, *Proposals for Reform to Agent Regulations*, 59 *DRAKE L. REV.* 517, 553 (2011) (arguing in favor of revising SPARTA to add a federal cause of action for student-athletes); Gray, *supra* note 158, at 154 (arguing Congress should amend SPARTA to add “a statutory cause of action and remedy for student-athletes injured by an unscrupulous agent acting in violation of SPARTA”).

²⁰² See *infra* note 203 and accompanying text; see also Willenbacher, *supra* note 30, at 1253 (citing Sports Agent Responsibility and Trust Act: Hearing on 108 H.R. 361 Before the Subcomm. on Commercial and Admin. Law of the House Comm. on the Judiciary, 108th Cong. 4, 12–13 (May 15, 2003) (statement of Scott Boras)).

cause he believed it “would allow athletes to vindicate their rights in all situations, whether or not FTC action is appropriate.”²⁰³ Nevertheless, SPARTA’s drafters still chose not to include one.²⁰⁴

V. INSPIRATION FOR BETTER SPORTS AGENT REGULATIONS

The weaknesses of the UAAA and SPARTA, while not entirely surprising, could have been avoided through better drafting.²⁰⁵ Although drafting any statute has ample challenges, there are other acts within U.S. jurisprudence that have done a far better job of safeguarding important fiduciary relationships.²⁰⁶

A. Muhammad Ali Boxing Reform Act

Perhaps the best example of a law that adequately safeguards a fiduciary relationship is the Muhammad Ali Boxing Reform Act (“Muhammad Ali Act”), which Congress passed in 2000 to protect “the welfare of professional boxers.”²⁰⁷ The Muhammad Ali Act, in pertinent part, prohibits any “contract terms and business practices” that are deemed to be “exploitive, oppressive, and unethical.”²⁰⁸ It also imposes criminal and civil sanctions against wrongful acts within the boxer-manager relationship.²⁰⁹

Among the many important provisions in the Muhammad Ali Act, Section 5 of the act specifically prohibits “conflicts of interest” between boxing promoters (those who host boxing events) and managers (those who operate like agents for boxers).²¹⁰ Under this section of the act, for boxing

²⁰³ Willenbacher, *supra* note 30, at 1254 (citing Sports Agent Responsibility and Trust Act: Hearing on 107 H.R. 4701 Before the Subcomm. on Commerce Trade and Consumer Protection of the House Comm. on Energy and Commerce, 107th Cong. 20–21 (June 5, 2002) (statement of Howard Beales, Director of the Bureau of Consumer Protection at the FTC)).

²⁰⁴ *See id.* (citing Sports Agent Responsibility and Trust Act: Hearing on 107 H.R. 4701 Before the Subcomm. On Commerce Trade and Consumer Protection of the House Comm. on Energy and Commerce, 107th Cong. 20–21 (June 5, 2002) (statement of Howard Beales, Director of the Bureau of Consumer Protection at the FTC)).

²⁰⁵ *See infra* notes 207–238 and accompanying text.

²⁰⁶ *See supra* notes 207–238 and accompanying text (discussing the Muhammad Ali Boxing Reform Act, Investment Advisers Act, and Miller-Ayala Act).

²⁰⁷ Muhammad Ali Boxing Reform Act, 15 U.S.C. § 6301 (2006).

²⁰⁸ *Id.*

²⁰⁹ *Id.*

²¹⁰ *Id.* §§ 6301, 6308; *cf.* Chiapparelli v. Henderson, No. F046363, 2005 WL 1847221, at *3 (Cal. Ct. App. Aug. 5, 2005) (noting, in essence, no difference

matches of ten rounds or longer, a manager may not have any “financial interest in the promotion of a boxer.”²¹¹ In addition, no officer or employee of a boxing sanctioning organization may accept gifts from a boxing manager.²¹²

The Muhammad Ali Act further grants a private cause of action to boxers who suffer harm based on their manager’s misconduct.²¹³ Under this private cause of action, potential remedies available to the boxer may include not only any economic “damages suffered,” but also “court costs, and reasonable fees and expenses.”²¹⁴ These additional forms of recovery have an important deterrent effect on agent wrongdoing.²¹⁵

Given the similarities between the boxer-manager relationship and the athlete-agent relationship, it would not be difficult to lift much of the language from Section 5 of the Muhammad Ali Boxing Reform Act and place it into a new sports agent laws.²¹⁶ Specifically, the act’s prohibition on managers having a “financial interest” in the promotion of a boxer can easily be rewritten as a rule prohibiting sports agents from having a financial interest in a league or team of a sport in which they seek to represent athletes.²¹⁷

Likewise, the private cause of action granted to boxers against their managers logically can be transformed into a cause of action for athletes against their agents.²¹⁸ Such a cause of action would have an appropriate retributive effect in instances where agents intentionally caused harm to athletes.²¹⁹ In addition, the requirement that dishonest agents pay not just

between the title of “manager” in the context of boxing and mixed martial arts and the definition of “agent” as interpreted by sports agent regulations).

²¹¹ Muhammad Ali Boxing Reform Act, 15 U.S.C. § 6308 (2006).

²¹² *Id.*

²¹³ *Id.* § 6309.

²¹⁴ *Id.*

²¹⁵ See Sharona Hoffman & Andy Podgurski, *In Sickness, Health, and Cyberspace: Protecting the Security of Electronic Private Health Information*, 48 B.C. L. REV. 331, 382–384 (2007) (noting that including a private cause of action in a federal statute bolsters the statute’s deterrent power against wrongdoing).

²¹⁶ See Muhammad Ali Boxing Reform Act, 15 U.S.C. § 6308 (2006).

²¹⁷ *Id.*

²¹⁸ See *id.* § 6309.

²¹⁹ See Marc Edelman, *Addressing the High School Hazing Problem: Why Lawmakers Need to Impose a Duty to Act on School Personnel*, 25 PACE L. REV. 15, 34 (2004) (explaining that, “[i]n juxtaposition to utilitarian justice, retributive justice (retribution) is a backward-looking theory of moral reasoning . . . , based on the principal that people who commit wrongs deserve to be punished”); see also JOSHUA DRESSLER, *CASES AND MATERIALS ON CRIMINAL LAW* 16 (2d ed. 1999) (noting that retributivist justice is based on the notion that the wrongdoer deserves punishment, whether or not it will result in crime reduction).

economic damages, but also court costs, reasonable fees, and expenses, may have a deterrent effect against sports agent misconduct.²²⁰

B. Investment Advisers Act

Outside of the context of regulating sport, the Investment Advisers Act provides another example of a statutory scheme that more adequately safeguards the principals to a fiduciary relationship.²²¹ Congress passed the Investment Advisers Act in 1940 “to eliminate or at least to expose all conflicts of interest which might incline an investment adviser . . . to render advice which was not disinterested.”²²² The act has since served as an important way to ensure that investment advisers remain loyal to their clients.²²³

Much like the UAAA and SPARTA, the Investment Advisers Act requires that investment advisers register with an appropriate agency.²²⁴

²²⁰ See JOSHUA DRESSLER, UNDERSTANDING CRIMINAL LAW 19 (2d ed. 2001) (explaining that general deterrence is a forward-looking purpose for punishment that involves inducing society to forgo undesirable behavior by using “punishment as an object lesson to the rest of the community”); see also Edelman, *supra* note 219, at 31 (noting that a person with “certain cognitive abilities” will be generally deterred from committing a crime when the punishment for such act becomes sufficiently large).

²²¹ See Investment Advisers Act of 1940, 15 U.S.C. §§ 80b-1 to -21 (2006).

²²² SEC v. Capital Gains Research Bureau, 375 U.S. 180, 191–192 (1963); see also Santa Fe Industries Inc. v. Green, 430 U.S. 471, n.11 (1977) (noting the Supreme Court’s recognition that “Congress intended the Investment Advisers Act to establish federal fiduciary standards for investment advisers”); John A. Gray, *Reforms to Improve Client Protection and Compensation Against Personal Financial Planners’ Unethical Business Practices*, 32 AM. BUS. L.J. 245, 252 (1994) (noting that the Investment Advisers Act makes clear the existence of a fiduciary relationship between investment advisers and their clients). But see Arthur B. Laby, *SEC v. Capital Gains Research Bureau and the Investment Advisers Act of 1940*, 91 B.U. L. REV. 1051, 1066, 1080 (2011) (contending that “[t]he Capital Gains Court neither stated nor implied that the Investment Advisers Act created a fiduciary duty governing advisers,” and that “[t]he federal fiduciary duty for advisers originated neither in the Advisers Act nor in the Capital Gains case, but rather in the Santa Fe footnote years after Capital Gains was decided”).

²²³ See James T. Koebel, *Trust and the Investment Adviser Industry: Congress’ Failure to Realize FINRA’s Potential to Restore Investor Confidence*, 35 SETON HALL LEGIS. J. 61, 89 (2010) (explaining that “[t]he Investment Advisers Act’s fiduciary standard permits investors to expect loyalty from their investment advisers”).

²²⁴ See Investment Advisers Act of 1940, 15 U.S.C. § 80b-3 (2006) (“[I]t shall be unlawful for any investment adviser, unless registered under this section, to make use of the mails or any means or instrumentality of interstate commerce in connection with his or its business as an investment adviser.”).

However, unlike the UAAA or SPARTA, the Investment Advisers Act also “construct[s] a towering regulatory edifice” that provides those who hire investment advisers with true protection against double dealing advisers.²²⁵ For example, the Investment Advisers Act prevents investment advisers from acting in conflict of interest without first providing full, written disclosure to their clients.²²⁶ In addition, the act explicitly prevents investment advisers from “acting as principal for [their] own account[s]” or from “acting as broker[s] for a person other than such client” without first providing a full disclosure.²²⁷ According to one legal scholar, these additional requirements effectively “substitute a philosophy of caveat emptor with one of full disclosure.”²²⁸

It would be fairly easy for drafters of new sports agent laws to adopt the Investment Advisers Act’s mandate for written disclosure of any conflicts of interest.²²⁹ In addition, doing so would mark an important step toward reducing the philosophy of *caveat emptor* that seems to prevail today in the athlete-agent relationship.²³⁰ Formal written disclosure may be most important with regards to protecting athletes who are represented by large and diversified sports agencies, such as Creative Artists, that consist of various divisions and many agents.²³¹

C. California’s Miller-Ayala Act

Finally, California’s Miller-Ayala Athlete Agents Act (“Miller-Ayala Act”) provides yet a third example of an act that more appropriately safeguards a particular fiduciary relationship: this one directly involving athletes and their agents.²³² Albeit imperfect in many ways, the Miller-Ayala Act is a substantial improvement over the UAAA and SPARTA because it protects both amateur and professional athletes.²³³ In addition, the Miller-Ayala Act

²²⁵ Laby, *supra* note 222, at 1051.

²²⁶ Investment Advisers Act of 1940, 15 U.S.C. § 80b-6(3) (2006).

²²⁷ *Id.*

²²⁸ Laby, *supra* note 222, at 1064 (citing SEC v. Capital Gains Research Bureau, *supra* note 222, at 186).

²²⁹ Investment Advisers Act of 1940, 15 U.S.C. § 80b-6(3) (2006).

²³⁰ See *supra* note 228 and accompanying text.

²³¹ See *supra* notes 47–54 and accompanying text.

²³² See Miller-Ayala Athlete Agents Act, CAL. BUS. & PROF. CODE § 18895 (West 2000).

²³³ See *id.* §§ 18897–18897.5; see also Morton v. Steinberg, No. G037793, 2007 WL 3076934, at *1 (Cal. Ct. App. Oct. 22, 2007) (case in which an established NFL player, Chad Morton, brought suit against his agent, Leigh Steinberg, on a number of claims including several under the Miller-Ayala Athlete Agents Act).

provides athletes with a civil cause of action against agents that violate the act.²³⁴

Furthermore, the Miller-Ayala Act actively seeks to prevent conflicts of interest among sports agents.²³⁵ For example, the Miller-Ayala Act disallows sports agents from having “an ownership or financial interest in any entity that directly employs athletes in the same sport” as any client that the agent is representing.²³⁶ Likewise, the Miller-Ayala Act prohibits agents from dividing fees related to on-field compensation with, or receiving compensation from, any professional sports league or team.²³⁷ In this vein, the Miller-Ayala Act language closely parallels the complete bar on conflicts of interest that Congress applies to boxing managers under the Muhammad Ali Act.²³⁸

Given that the very topic of the Miller-Ayala Act—regulating sports agents—is identical to that of both the UAAA and SPARTA, only a few changes to the disclosure requirements in the Miller-Ayala Act would be necessary before adopting them into new sports agent laws. In addition, the private cause of action provided to student-athletes against their agents under the Miller-Ayala Act can be lifted almost verbatim from the act into new sports agent laws.

VI. PROPOSING A NEW FEDERAL STATUTE TO REGULATE SPORTS AGENTS

A. *Three Core Themes for a New Sports Agent Law*

When contrasting prevailing sports agent law in the U.S. with the Muhammad Ali Act, Investment Advisers Act, and the Miller-Ayala Act, it becomes clear that three themes are conspicuously omitted from most sports agent laws that are ubiquitous in other statutes governing fiduciary relation-

²³⁴ Miller-Ayala Athlete Agents Act, CAL. BUS. & PROF. CODE § 18897.8 (West 2000) (noting that if a student-athlete is suspended or disqualified from collegiate competition as a result of his agent’s misconduct, that student-athlete may sue to recover either the athlete’s actual damages or \$50,000, whichever is higher, as well as punitive damages, court costs, and reasonable attorney’s fees); *see* Chiapparelli v. Henderson, No. F046363, 2005 WL 1847221, at *1, *2 (Cal. Ct. App. Aug. 5, 2005) (deeming a contract between a mixed martial artist and his agent void because the agent failed to comply with certain requirements under the Miller-Ayala Athlete Agents Act).

²³⁵ *See infra* notes 236–238 and accompanying text.

²³⁶ Miller-Ayala Athlete Agents Act, CAL. BUS. & PROF. CODE § 18897.27 (West 2000).

²³⁷ *Id.* § 18897.47. (st 895, art. 2 (West 2000)).

²³⁸ *See* Muhammad Ali Boxing Reform Act, 15 U.S.C. § 6308(b) (2006).

ships: principal protection, universality, and minimizing conflicts of interest.²³⁹

1. Principal Protection

“Principal protection,” involves providing the primary legal remedy to the principal party in the fiduciary relationship.²⁴⁰ In the Muhammad Ali Act, the boxers are the principal party because they hire managers to act on their behalf and subject to their control. Thus, under the Muhammad Ali Act, Congress grants boxers with a private cause of action to sue their managers if their managers violate the terms of the act.²⁴¹ Similarly, under the Investment Advisers Act, the individuals hiring investment advisers are deemed the principal parties because they seek out the advice of those that purport to have specialized knowledge in the field.²⁴² Thus, the investment clients are awarded with a private action against investment advisers who violate the act by either failing to disclose conflicts of interest or by breaching a statutory duty.²⁴³ Meanwhile, under the Miller-Ayala Act, the athletes protected under the act are properly noted as the principals as a matter of law because these athletes manifest an intent for their agents to act on their behalf and subject to their control.²⁴⁴ Thus, the Miller-Ayala Act grants athletes a private cause of action.²⁴⁵

In any statute involving a fiduciary relationship, there is great importance to providing the main cause of action to the principals because, by definition, fiduciaries are parties “required to act for the benefit of another person on all matters within the scope of their relationship.”²⁴⁶ That other person needs a method to enforce his rights, and common law remedies may not always be sufficient because of their lack of specificity, as well as their limited means of deterrence.²⁴⁷

²³⁹ See *supra* notes 207–238 and accompanying text.

²⁴⁰ See RESTATEMENT (FIRST) OF AGENCY § 1(2) (1933) (noting that a “principal” is “[t]he one for whom action is to be taken”).

²⁴¹ Muhammad Ali Boxing Reform Act, 15 U.S.C. § 6309(d) (2006).

²⁴² See Investment Advisers Act of 1940, 15 U.S.C. §§ 80b-1 to -21 (2006).

²⁴³ See *Transamerica Mortg. Advisors, Inc. v. Lewis*, 444 U.S. 11, 25 (1979).

²⁴⁴ See GREGORY, *supra* note 2, at 4–5.

²⁴⁵ Miller-Ayala Athlete Agents Act, CAL. BUS. & PROF. CODE § 18897.8 (West 2000) (discussing student-athletes’ private cause of action).

²⁴⁶ BLACK’S LAW DICTIONARY 702 (9th ed. 2009).

²⁴⁷ See *supra* notes 56–85 and accompanying text for examples of how the common law failed to adequately protect principals against wrongdoing specifically in the athlete-agent relationship.

2. Universality

“Universality” relates to ensuring the act’s general applicability to all members of a given class, or at least those members who engage in commerce of greater than a certain scope.²⁴⁸ Indeed, the Muhammad Ali Act applies to all boxing managers that represent boxers in bouts of ten rounds or longer.²⁴⁹ Similarly, the Investment Advisers Act applies to all investment advisers that transact business in excess of a particular statutory threshold.²⁵⁰ Meanwhile, the Miller-Ayala Act applies to all athlete-agent relationships within the State of California, irrespective of whether professional or amateur.²⁵¹

The purpose of laws having universal application is both to promote fairness and to establish consistency.²⁵² It is fairer for laws to have universal applicability because otherwise certain groups lack the necessary protection that others receive. Meanwhile, laws of broad applicability often lead to more consistent legal results because all parties designated by the same title or profession are governed the same under the law.

3. Minimizing Conflicts of Interest

Finally, minimizing conflicts of interest ensures that fiduciaries have true incentive to act for the benefit of their principals.²⁵³ For instance, the Muhammad Ali Act includes an absolute bar on managers having a financial interest in the promotion of a boxer.²⁵⁴ Similarly, the Miller-Ayala Act enforces an absolute bar against agents sharing fees with sports team owners or serving in an ownership capacity of a sports team.²⁵⁵ The Investment Advisers Act does not implement a complete ban on investment advisers also having a financial stake in certain products. However, it does require investment advisers to provide “full, written disclosure” of these interests,

²⁴⁸ See *Universality Definition*, DICTIONARY.COM, <http://dictionary.reference.com/browse/universality> (last visited Feb. 19, 2013) (defining “universality” as “the character or state of being universal” or “existence or prevalence everywhere”).

²⁴⁹ See Muhammad Ali Boxing Reform Act, 15 U.S.C. § 6308(b) (2006).

²⁵⁰ See Investment Advisers Act of 1940, 15 U.S.C. § 80b-3 (2006).

²⁵¹ See Miller-Ayala Athlete Agents Act, CAL. BUS. & PROF. CODE §§ 18897–18897.5 (West 2000).

²⁵² See *infra* notes 248–251 and accompanying text.

²⁵³ See *infra* notes 254–256 and accompanying text.

²⁵⁴ See Muhammad Ali Boxing Reform Act, 15 U.S.C. § 6308 (2006).

²⁵⁵ Miller-Ayala Athlete Agents Act, CAL. BUS. & PROF. CODE §§ 18897–18897.5 (West 2000).

similar to how ABA Model Rule 1.7 requires attorneys to provide full, written disclosure of their conflicts.²⁵⁶

Preventing conflicts of interest is critically important to any statute governing fiduciary relations because the fiduciary is “required to act for the benefit of another person on all matters within the scope of their relationship.”²⁵⁷ Based on the nature of this role, “good faith, trust, confidence, and candor” are required.²⁵⁸ Of course, none of these attributes are truly achievable if the fiduciary is conflicted.²⁵⁹

B. Applying these Core Themes to a New Sports Agent Law

A new sports agent law does not have to be complex. However, it must do a better job of applying the themes of principal protection, universality and the minimizing of conflicts that appear throughout the Muhammad Ali Act, Investment Advisers Act, and Miller-Ayala Act.²⁶⁰

In applying the theme of “principal protection,” a new sports agent law needs to ensure that athletes who are injured by their agents’ wrongdoing are the primary beneficiaries of the new act.²⁶¹ Furthermore, any remedy granted under a new sports agent law to NCAA member schools should be subordinate to the remedy granted to student-athletes, because NCAA member schools are not in a fiduciary relationship with the agents.²⁶² Moreover, NCAA member schools could easily overcome any loss they suffer from agents inducing athletes to turn professional or accept money by simply changing their own internal bylaws.²⁶³

Applying the theme of universality, a new sports agent law should apply to all forms of commerce involving sports agents, irrespective of whether the agents seek to represent professional or amateur athletes.²⁶⁴ Although Professor Timothy Davis defends the piecemeal approach to sports agent law by arguing that a single statute regulating all aspects of sports agency would be “unrealistic,” it seems evident that this is not the case.²⁶⁵

²⁵⁶ See *supra* note 93 and accompanying text; see also Investment Advisers Act of 1940, 15 U.S.C. § 80b-6 (2006) (discussing the requirement of full, written disclosure).

²⁵⁷ BLACK’S LAW DICTIONARY 702 (9th ed. 2009).

²⁵⁸ *Id.*

²⁵⁹ See *supra* notes 253–259 and accompanying text.

²⁶⁰ See *supra* notes 239–259 and accompanying text.

²⁶¹ See *supra* notes 240–247 and accompanying text.

²⁶² See *supra* notes 240–247 and accompanying text.

²⁶³ See *supra* notes 240–247 and accompanying text.

²⁶⁴ See *supra* notes 248–252 and accompanying text.

²⁶⁵ Davis, *supra* note 4, at 815.

The Miller-Ayala Act, which is a single statute, has effectively regulated all aspects of sports agency in California.²⁶⁶ Meanwhile, the Muhammad Ali Act has effectively governed all aspects of boxing managers as a standalone federal law.²⁶⁷ A new sports agent law thus could likely achieve similar results if drafters stay away from the myopic focus of protecting the NCAA's version of amateurism and shift toward safeguarding the athlete-agent relationship.²⁶⁸

Finally, applying the principle of minimizing conflicts, any new sports agent law should adopt a hybrid approach.²⁶⁹ The worst possible conflict of interest in sports agency entails an agent owning a share of a professional team, because the agent is essentially negotiating against himself. Thus, sports agent laws should adopt the Muhammad Ali Act and Miller Ayala Act's provisions that strictly prohibit sports agents from owning shares of any professional sports team.²⁷⁰ Meanwhile, conflicts sometimes exist where sports agents seek to represent multiple players on the same team or both players and coaches/managers. In those situations, new sports agent laws should adopt the Investment Advisers Act's somewhat more lenient requirement of full, written disclosure.²⁷¹ In addition, where sports agencies seek to simultaneously represent ownership and players, the law should require these agencies to implement a firewall to prevent the exchange of confidential information across these separate divisions.²⁷²

VII. CONCLUSION

Although the practice of sports agency dates back to 1925, U.S. athletes were initially slow to hire sports agents, and U.S. legislators have been nearly as slow to develop laws to regulate the athlete-agent relationship. Even worse, once U.S. sports agent law emerged in the late 1990s and early

²⁶⁶ See Miller-Ayala Athlete Agents Act, WEST'S ANN. CAL. BUS. & PROF. CODE § 18896–18896.8 (2000).

²⁶⁷ See Muhammad Ali Boxing Reform Act, H.R. 1832 (2000).

²⁶⁸ See *supra* notes 248–252 and accompanying text.

²⁶⁹ See *infra* notes 253–259 and accompanying text.

²⁷⁰ See Muhammad Ali Boxing Reform Act, 15 U.S.C. § 6308 (2006); see also Miller-Ayala Athlete Agents Act, CAL. BUS. & PROF. CODE §§ 18897–18897.5 (West 2000).

²⁷¹ See Investment Advisers Act of 1940, 15 U.S.C. § 80b-6 (2006) (discussing the Investment Advisers Act's requirement of full written disclosure of conflicts).

²⁷² See Marc Edelman, *Moving Past Collusion in Major League Baseball: Healing Old Wounds, and Preventing New Ones*, 54 WAYNE L. REV. 601, 638 (2008) (noting that “[i]n recent years, firewalls have gained a growing acceptance by government agencies as a way to prevent the flow of similar sensitive information”).

2000s, most prevailing law became skewed in favor of protecting NCAA member schools' interests at the expense of professional and amateur athletes.

As the UAAA and SPARTA become more fortified in their second decade, the weaknesses and statutory unfairness of each act have been fully highlighted both by empirical accounts and scholarly research. Indeed, neither act truly protects the interests of student-athletes, nor does either act fully acknowledge the professional athlete-agent relationship. Rather, both acts serve primarily to indoctrinate the NCAA's internal Principle of Amateurism into American law.

As society begins to recognize the importance of implementing more evenhanded sports agent law, the next generation of drafters should turn for guidance to the Muhammad Ali Boxing Reform Act, Investment Advisers Act, and Miller-Ayala Athlete Agents Act: all acts that have proven far more adept at safeguarding important fiduciary relationships from a more neutral perspective. In addition, future drafters should be mindful of the three important themes derived from these acts: principal protection; universality; and minimizing conflicts of interest.

The time has finally come for U.S. sports agent laws to become more than just a Trojan Horse employed by the NCAA to preserve its Principle of Amateurism. Indeed, sports agent laws must change decisively to protect the fiduciary relationship between athletes and their agents. Only with these changes will the sports agent industry be able to improve its ethical standing in society. Moreover, only with these changes will sports agents be able to fully meet the needs of their clients in the twenty-first century.



Reverse Collusion

Ryan M. Rodenberg and Justin M. Lovich†

ABSTRACT

In the sports industry, collusion has typically manifested itself on the team owner side of the equation, with numerous historical examples of management collectively moving to suppress player movement and/or salaries for pecuniary reasons. Such collusion is now prohibited in the league-union collective bargaining agreements (“CBAs”) that govern all prominent North American team sports. However, the language in sports league CBAs is not always reciprocal. CBAs in the National Basketball Association (“NBA”) and National Football League do not expressly prohibit player-level “reverse collusion.” Using the recent decision (pun intended) of LeBron James and other basketball stars to create “super-teams” in the NBA through collective action as an anecdotal example, we posit that the omission of reciprocal language in such CBAs has created loopholes that should be closed for competitive balance reasons and general considerations such as sports league integrity and transparency.

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INTRODUCTION

On July 8, 2010, the sporting world was captivated by the free agency of National Basketball Association (“NBA”) superstar LeBron James. ESPN broadcast “The Decision,” a live seventy-five minute special during which James would announce with which team he would sign and play.¹ With 9.95 million viewers watching,² James (in)famously announced that he would “take his talents to South Beach,” and join the Miami Heat, forming a superteam with fellow stars Dwyane Wade and Chris Bosh.³ While the Heat was instantaneously transformed from mere playoff participant to NBA title contender, James’ previous team, the Cleveland Cavaliers, and others, were left wanting.⁴ This “decision” was seemingly the unveiling of

¹ Henry Abbott, *LeBron James’ Decision: The Transcript*, TRUEHOOP (July 8, 2010, 11:35 PM), http://espn.go.com/blog/truehoop/post/_id/17853/lebron-james-decision-the-transcript.

² *LeBron James ‘Decision’ Ratings: ESPN Gets 9.95 Million Viewers for Special*, HUFFINGTON POST (July 11, 2010, 10:51 AM), http://www.huffingtonpost.com/2010/07/12/lebron-james-decision-rat_n_642719.html.

³ Abbott, *supra* note 1; see also *Heat Stars Sign Six-Year Deals*, ESPN.COM (July 10, 2010, 1:37 PM), <http://sports.espn.go.com/nba/news/story?id=5368003>.

⁴ In an open letter to fans, Cleveland Cavaliers owner Dan Gilbert infamously called the Decision “narcissistic,” “self-promotional,” and “bitterly disappointing” before personally guaranteeing fans that the Cavaliers would win an NBA Championship before James and the Heat. *Dan Gilbert’s Open Letter to Fans*, CLEVELAND.COM (July 9, 2010, 1:43 PM), http://www.cleveland.com/cavs/index.ssf/2010/07/gilberts_letter_to_fans_james.html.

a concerted plan – a collective action by select players to the detriment of non-favored teams competing for the services of the premier free agents.

Collusion, broadly identified as collective action that restricts marketplace competition, is generally illegal under federal antitrust law. Yet the application of antitrust law to sports has been the subject of a substantial body of litigation and literature. The necessity of cooperation within the sporting industry creates unavoidable tensions within this legal corpus of competition preservation. Courts have attempted to balance this industry-specific idiosyncrasy with the spirit of the law.⁵ In particular, collective anticompetitive practices within the sporting-labor market date back almost to the inception of the sports industry, as owners fought for control of the market and expenses.⁶ Like the sports industry itself, the manifestations of collusive practices within the industry have grown increasingly complex.

This article argues that collusion has again revealed itself in the sport-labor market, this time through a new manifestation, representing a swing in the pendulum of labor power toward the players. After nearly a century of intermittent exploitation through owner collusion, players are now showing the capacity to collectively restrict the labor market through what we term “reverse collusion.” Part I uses the extensive history of collusion in professional baseball as emblematic of the owner-driven collusion typically seen in the sporting industry. Part II introduces reverse collusion, through an examination of the 2010 NBA free agency period, and particularly the conduct of James, Wade, and Bosh (collectively, hereafter “Miami 3”). Part III examines the legality of such reverse collusion through an examination of antitrust law, labor law, and the collective bargaining efforts in professional sports. Part IV discusses the potential ramifications of reverse collusion in sports, specifically looking at the realization of increased bargaining power of players and the impact reverse collusion could have on competitive balance.

⁵ See generally Joseph P. Bauer, Antitrust and Sports: Must Competition on the Field Displace Competition in the Marketplace?, 60 TENN. L. REV. 263 (1993).

⁶ See generally Stephen Willis, A Critical Perspective of Baseball’s Collusion Decisions, 1 SETON HALL J. SPORT L. 109 (1991).

I. COLLUSION IN PROFESSIONAL SPORTS

A. Historical Perspectives

Although each professional league in the array of American sports has encountered antitrust issues directly or indirectly,⁷ baseball, as the pioneering sport industry, has provided the most vivid examples of such anticompetitive practices. Indeed, the evolution of professional baseball can be seen as emblematic of the historic challenges that have faced the business of professional sports in the U.S.⁸ In its infancy in the mid-1800s, professional baseball was mired in instability. Teams were created, moved to various cities or leagues, and dissolved; leagues similarly came and went.⁹ Even the players themselves were considered to be “revolving.”¹⁰ The labor market was free; upon the conclusion of each season, players were unrestricted, free to sell

⁷ See generally Walter Adams & James Brock, Monopoly, Monopsony, and Vertical Collusion: Antitrust Policy and Professional Sports, 42 ANTITRUST BULL. 721 (1997); Joseph Bauer, Antitrust and Sports: Must Competition on the Field Displace Competition in the Marketplace?, 60 TENN. L. REV. 263 (1992); Shant Chalian, Fourth and Goal: Player Restraints in Professional Sports, a Look Back and a Look Ahead, 67 ST. JOHN'S L. REV. 593 (1993); Michael Jacobs & Ralph Winter, Jr., Antitrust Principles and Collective Bargaining by Athletes: Of Superstars in Peonage, 81 YALE L.J. 1 (1971); Ethan Lock, The Scope of the Labor Exemption in Professional Sports, 1989 DUKE L.J. 339 (1989); James McKeown, The Economics of Competitive Balance: Sports Antitrust Claims After American Needle, 21 MARQ. SPORTS L. REV. 517 (2011).

⁸ For a thorough analysis of baseball's history of collusion and the evolution the labor market, see generally Marc Edelman, *Moving Past Collusion in Major League Baseball: Healing Old Wounds, and Preventing New Ones*, 54 WAYNE L. REV. 601 (2009) [hereinafter Edelman, *Moving Past Collusion*]; Marc Edelman, *Has Collusion Returned to Baseball? Analyzing Whether a Concerted Increase in Free Agent Player Supply Would Violate Baseball's Collusion Clause*, 24 LOY. L.A. ENT. L. REV. 159 (2004) [hereinafter Edelman, *Has Collusion Returned to Baseball?*]; Daniel C. Glazer, *Can't Anybody Here Run This Game? The Past, Present and Future of Major League Baseball*, 9 SETON HALL J. SPORT L. 339 (1999); Jeffrey S. Moorad, *Major League Baseball's Labor Turmoil: The Failure of the Counter-Revolution*, 4 VILL. SPORTS & ENT. L.J. 53 (1997). For the seminal economics-driven work on the professional baseball labor market, see Simon Rottenberg, *The Baseball Players' Labor Market*, 64 J. POL. ECON. 242 (1956).

⁹ *The Commissionership: A Historical Perspective*, MLB.COM, http://mlb.mlb.com/mlb/history/mlb_history_people.jsp?story=com (last visited April 5, 2013).

¹⁰ Willis, *supra* note 6, at 111 (noting that revolving was the earliest form of free agency); see also Moorad, *supra* note 8, at 55 (noting that while the official position of the National Association of Baseball Players, one of the sport's first governing bodies, prohibited payment by teams for players' athletic services, it was common practice to pay talented players, even to the extent of outbidding competitors for a player's performance).

their services to the team that offered the best contract for the following season. This “contract jumping” provided players with significant leverage in negotiations, as increased competition for the players’ services likewise increased compensation.¹¹ However, the owners became increasingly fearful of the consequences of such labor bidding. Indeed, many teams collapsed under the economic weight of the labor market.¹²

To create stability throughout the industry, the owners sought to gain control over labor costs. In 1879, a secret agreement was reached among club owners in the National League, allowing each team to “reserve” five players on whom competing clubs could not bid, rendering the player bound to his previous employer.¹³ This system successfully stifled players’ salaries such that by the 1890s, every player contract included the infamous “reserve clause.”¹⁴ Club owners “reserved” the unilateral right, through a contractual option, to renew the player’s contract upon its expiration for an additional season under the same terms.¹⁵ Each contract thereafter would also include a reserve clause, thus having the practical effect of rendering the player’s services bound to the original team in perpetuity, absent the team’s unilateral decision to trade or cut the player.¹⁶ Players could not seek employment from other clubs; a player who desired to continue a career in professional baseball played for his previous club or was banned from the league.¹⁷

The secret agreement resulting in the reserve clause was perhaps the first example of collusion in American professional sports. The owners’ conspiracy to control the labor market and restrict salaries remained in place for nearly one hundred years, a period of great owner-driven privilege and benefit within the sporting industry. Economically, the ability to restrict labor costs provided a boon to ownership. Indeed, from the 1900s through the 1960s, Major League Baseball (“MLB”) player salaries realized little appreciation in real dollars, while club owners became increasingly wealthy.¹⁸ Without an alternative market for players’ services, the economic effect was the castration of players’ negotiating leverage and the extreme artificial sup-

¹¹ Moorad, *supra* note 8, at 56.

¹² *Id.*

¹³ Edelman, *Moving Past Collusion*, *supra* note 8, at 604.

¹⁴ Moorad, *supra* note 8, at 56.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*; see *Am. League Baseball Club of Chi. v. Chase*, 86 Misc. 441, 449, 454 (N.Y. Sup. Ct. 1914).

¹⁸ See ANDREW ZIMBALIST, *BASEBALL AND BILLIONS: A PROBING LOOK INSIDE THE BIG BUSINESS OF OUR NATIONAL PASTIME* 4–7 (updated ed. 1994); Edelman, *Moving Past Collusion*, *supra* note 8, at 605.

pression of player wages, collectively preventing players from realizing any financial benefit from the games' revenue growth over that time.¹⁹

As they grew increasingly frustrated with the oppressive reserve system, players fought a long, slow battle in search of relief. For most of the 20th century, players experienced setbacks, including failed efforts through unionization.²⁰ In addition, through a well-documented litigation history between players and owners, the reserve clause was reinforced, if not emboldened, by the courts.²¹ Indeed, as examined in Part III of this paper, the collusion perpetrated through the reserve clause was found to be exempt from written laws; although the reserve agreement was clearly restrictive, the courts failed to recognize baseball as an interstate industry as prohibited under antitrust law.²² As such, the reserve clause resiliently survived until 1976.²³ Finally, the players achieved, through collective bargaining, the

¹⁹ Edelman, *Moving Past Collusion*, *supra* note 8, at 605.

²⁰ See Willis, *supra* note 6, at 112. Willis, citing JAMES DWORKIN, OWNERS VERSUS PLAYERS: BASEBALL AND COLLECTIVE BARGAINING 45 (1981), recites the tale of John Montgomery Ward, a 19th century baseball player who formed the National Brotherhood of Professional Baseball Players, the first player's union. Ward would later refer to the reserve clause as "a fugitive slave law which denied the player a harbor or a livelihood and carried him back, bound and shackled to the club from which he attempted to escape. Once a player's name is attached to a contract, his professional liberty is gone forever." DWORKIN, at 45 (quoting *Organized Baseball: Report of the Subcom. on the Study of Monopoly Power of the House Comm. on the Judiciary*, H.R. REP. No. 2002, 82nd Cong., 2nd Sess. 32 (1952)). Also, see generally Erwin G. Krasnow & Herman M. Levy, *Unionization and Professional Sports*, 51 GEO. L.J. 749 (1963).

²¹ See Willis, *supra* note 6, at 112–115.

²² See, e.g., *Fed. Baseball Club of Balt., Inc. v. Nat'l League of Prof'l Baseball Clubs*, 259 U.S. 200 (1922).

²³ The resilience of the reserve clause was somewhat astonishing, for practical if not legal reasons, given that the players had successfully unionized by 1965, and negotiated their first-ever CBA in 1968. *History of the Major League Baseball Players Association*, MLBPLAYERS.COM, <http://mlb.mlb.com/pa/info/history.jsp> (last visited Sept. 15, 2012). Yet, the 1968 MLB CBA did not eliminate the reserve clause; instead, the parties agreed to merely form a study group on changes to the reserve system. See *CBA Summaries*, THE BIZ OF BASEBALL, http://www.bizofbaseball.com/index.php?option=com_content&view=category&id=45&Itemid=76 (last visited Sept. 15, 2012). The 1970 MLB CBA again delayed any action regarding the reserve clause, tabling the issue pending the outcome of the famous antitrust lawsuit of *Flood v. Kuhn*, 407 U.S. 258 (1972). *Id.* In the wake of their defeat in that Supreme Court decision, the players decided not to address the reserve clause in the 1973 MLB CBA. *Id.* Instead, the baseball players' labor union filed grievances challenging the perpetuity of the reserve clause, receiving a ruling that the clause created only a one-time, one-year club option. *Id.* Upon receipt of that favorable

free agency that had eluded them since the owners' collusion practices began 97 years prior.²⁴

B. Pre-Reverse Collusion and Free Agency

The 1976 MLB Collective Bargaining Agreement ("1976 MLB CBA") represented the first foray into collectively-bargained free agency in the history of the baseball industry. Although entry into the labor market was not unconditional,²⁵ the parties constructed free agency to be an exercise of the individual parties to the employment agreement, embodied in the "Individual Nature of Rights" provision, Article XVII(G) of the 1976 MLB CBA:

The utilization or non-utilization of rights under this [Article XVII] is an individual matter to be determined solely by each Player and each Club for his or her own benefit. Players shall not act in concert with other Players and Clubs shall not act in concert with other Clubs.²⁶

The plain language of the provision makes clear the intention of the parties to construct free agency as the sole province of the independent player and the independent club. The parameters are reciprocal. The individual nature of the free agency structure would guarantee that owners could no longer collectively agree to artificially restrict the baseball labor market as they had done throughout the 1900s. Yet, it was a contract dispute ten years prior that led the owners themselves to demand the provision.

In 1966, Los Angeles Dodgers star pitchers Sandy Koufax and Don Drysdale collectively held out of spring training. During the offseason, the pitchers individually met with Dodgers general manager Buzzie Bavasi to negotiate their respective contracts. The two pitchers, in discussing their negotiations, concluded that Bavasi had been attempting to drive down the salaries of the players by leveraging their individual negotiations against one another.²⁷ The players then decided to negotiate collectively, and each re-

decision, the owners and players finally addressed the reserve clause in the 1976 MLB CBA. *Id.*

²⁴ See Willis, *supra* note 6, at 118.

²⁵ Free agency was available only to players who had achieved six or more years of major league experience or were released or not offered a new contract by their respective former clubs. Edelman, *Moving Past Collusion*, *supra* note 8, at 608.

²⁶ Willis, *supra* note 6, at 118–19.

²⁷ JANE LEAVY, SANDY KOUFAX: A LEFTY'S LEGACY 199–211 (2003). Bavasi reportedly questioned each individual player's salary demands, claiming the player's teammate had requested a far lower salary: "How come you want that much when Drysdale only wants this much?" *Id.* at 205.

fused to sign unless the other did as well.²⁸ Koufax and Drysdale were seeking three-year contracts, with their combined salaries totaling \$1 million.²⁹ Drysdale eventually agreed to a one-year contract for \$110,000 in salary.³⁰ Koufax signed a one-year contract for \$125,000 in salary,³¹ matching Willie Mays for the highest salary in baseball at the time.³² As Bavasi admitted, Drysdale received a \$30,000 raise and Koufax a \$40,000 raise, the largest raises in baseball history, and neither would have commanded those amounts had they negotiated alone.³³ Yet, the impact went far beyond the Dodgers' budget. Through their illustration of pre-reverse collusion, Koufax and Drysdale demonstrated the power players had to alter the labor market. Fearful that the success achieved through collective negotiation would be repeated by players throughout the league, Bavasi bluntly asserted, "[t]he next time two of them walk in together, they'll go walking out together This was a unique situation, and it will never happen again."³⁴

Ten years later, the construction of free agency through Article XVII(G), codified that sentiment, ensuring that players must negotiate individually. After all, Koufax and Drysdale demonstrated the potential impact of players acting in concert within a labor market. By agreeing to the owners' provision, the players were willing to concede that free agency needed to remain independent, despite forfeiting such tremendous benefits, so long as the language of the provision applied equally to both players and owners. After all, the players wanted to prevent owners' collective restrictions in the labor market like those they had suffered since 1879. The bilateral language of the 1976 MLB CBA indeed proved to be a necessary protection for the players.

C. *Post-Free Agency Collusion*

It did not take long for the labor market in baseball to begin to correct a century of artificial suppression of player salaries. Players were suddenly

²⁸ Such a refusal, as argued herein, would constitute reverse collusion.

²⁹ Buzzie Bavasi & Jack Olsen, *The Great Holdout*, SPORTS ILLUSTRATED, May 15, 1967, at 78, 80, available at <http://sportsillustrated.cnn.com/vault/article/magazine/MAG1079835/1/index.htm>. Bavasi argued that since players could not guarantee their physical performance three years in advance, they would limit offers to one-year terms. *Id.*

³⁰ *Id.* at 82.

³¹ *Id.*

³² Rich Lederer, *Only the Agent Was Free*, BASEBALL ANALYSTS (Mar. 20, 2006), http://baseballanalysts.com/archives/2006/03/_final_offer_re.php.

³³ *Id.*

³⁴ *Id.*

seeing competition for services, resulting in new and more complex contract provisions. Among these competitive strategies, club owners were suddenly offering players multi-year contracts, signing bonuses, incentive bonuses, no-trade clauses, and deferred compensation.³⁵ Towards the bottom line, the average player salary rose approximately 640% in the first eight years of free agency, from \$51,501 in 1976 to \$329,408 by 1984.³⁶

Suddenly in 1985, the free-agent market became barren. Only one of twenty-nine eligible free agents received a bona fide offer, and none received an offer until his former club declared the intent to not re-sign the player.³⁷ Though there was no written agreement among the clubs, evidence suggested the owners were again colluding. For example, the Major League Baseball Players Association (“MLBPA”) offered statements made by then-MLB Commissioner Peter Ueberroth, asserting that clubs should avoid long-term contracts and agree not to negotiate with other teams’ free agents.³⁸ In early 1986, the MLBPA filed a grievance (hereafter “Collusion I”) against the league for violating the Individual Nature of Rights provision of the collective bargaining agreement,³⁹ alleging the owners engaged in a collective boycott of the free-agent market.⁴⁰

Before a decision was rendered on Collusion I, a second grievance was filed by the MLBPA, alleging the continuation of the boycott through the 1986 off-season (hereafter “Collusion II”).⁴¹ The clubs’ reluctance to sign

³⁵ Willis, *supra* note 6, at 119 n.91 (citing Brief for Players Ass’n, Vol. I, at 2, Major League Baseball Players Ass’n v. The Twenty-Six Major League Baseball Clubs, Grievance No. 87-3, Panel Dec. No. 79 (1988) (Nicolau, Arb.) [hereinafter *Collusion II*]).

³⁶ *Id.* at 119 n.90 (citing *Collusion II*).

³⁷ Edelman, Has Collusion Returned to Baseball?, *supra* note 8, at 163.

³⁸ Susan Seabury, The Development and Role of Free Agency in Major League Baseball, 15 GA. ST. U. L. REV. 335, 361 (1998).

³⁹ 1985 *Collective Bargaining Agreement*, MAJOR LEAGUE BASEBALL, art. XVIII(H); *see also* 1976 *Collective Bargaining Agreement*, MAJOR LEAGUE BASEBALL, art. XVII(G) (The “Individual Nature of Rights” provision, initially Article XVII(G) of the 1976 MLB CBA, was included in identical language in Article XVIII(H) of the 1985 MLB CBA).

⁴⁰ Willis, *supra* note 6, at 120 (citing Major League Baseball Players Ass’n v. The Twenty-Six Major League Baseball Clubs, Grievance No. 86-2, Panel Dec. No. 76 (1987) (Roberts, Arb.) [hereinafter *Collusion I*]).

⁴¹ Willis, *supra* note 6, at 109–10 (citing *Collusion II*). There were seventy-nine free agents in the 1986-1987 off-season. The MLBPA alleged that none of the seventy-nine received a bona fide offer from any team except his former club until that club had declared its lack of interest or became ineligible to sign the player under other free agency provisions. In addition, the MLBPA argued that no eligible free agent had offers from two or more clubs at any one time. *Id.* at 14–15.

free agents was embodied in Andre Dawson, a free agent all-star outfielder who only received an offer from his previous club, the Montreal Expos, throughout the offseason. Yet, Dawson was so desperate to leave the Expos that he approached the Chicago Cubs during spring training, offering to accept a salary unilaterally determined by the club at a later date sans contract.⁴² The Cubs reluctantly signed Dawson to a contract with a base salary of \$500,000, less than half of his salary the previous year.⁴³

A third grievance (hereafter “Collusion III”) was filed by the MLBPA for owner conduct following the 1987 season.⁴⁴ While certain team owners had begun bidding on free agents, they had established other mechanisms to restrict the market.⁴⁵ Under the auspices of the Player Relations Committee, owners created an “Information Bank,” providing all teams with detailed information about every contract offer made throughout the free agency period.⁴⁶ As a result of every team obtaining intimate knowledge regarding the demand for players’ services, offers remained depressed.⁴⁷ Indeed, of the seventy-six eligible free agents, only twelve received offers, and only three such offers led to a player switching teams.⁴⁸

The players were ultimately victorious on all three grievances. In finding for the players in Collusion I, the arbitrator clarified the function of

⁴² See Fred Mitchell, *Dallas Green Recalls Andre Dawson ‘Blank Check’ Signing*, CHI. TRIB. (January 7, 2010), <http://web.archive.org/web/20100111033945/http://www.chicagotribune.com/sports/baseball/cubs/chi-07-mitchell-andre-dawson-jan07,0,6989682.column>. Dawson suffered from ailing knees, and could no longer play on the unforgiving artificial surface in Montreal Olympic Stadium, the Expos home ballpark. *Id.* Desperate to play on the natural surface of Chicago’s Wrigley Field, Dawson handed Cubs general manager Dallas Green a blank contract, allowing Green to unilaterally assign a salary. *Id.* Years later, Green admitted, “It wasn’t a very nice contract for Andre at the time, particularly after what he had done. But it was all I could do.” *Id.* There was speculation that the blank-contract scheme was intended to embarrass the Cubs and force their hand, while simultaneously proving collusion amongst the ownership. *Id.*

⁴³ Dawson’s 1986 salary with the Montreal Expos was reportedly \$1,047,000. *Andre Dawson*, BASEBALL-REFERENCE.COM (Sept. 16, 2012), <http://www.baseball-reference.com/players/d/dawsoan01.shtml>. The \$500,000 in base salary was supplemented by \$200,000 in performance bonuses. See Mitchell, *supra* note 42; Murray Chass, *Big Collusion Winners: Clark, Parrish Dawson*, N.Y. TIMES (Dec. 15, 1992), <http://www.nytimes.com/1992/12/15/sports/baseball-big-collusion-winners-clark-parrish-dawson.html>.

⁴⁴ See Lee Lowenfish, *The Imperfect Diamond: A History of Baseball’s Labor Wars* 269 (DeCapo Press 1991) (1980).

⁴⁵ See Edelman, *Has Collusion Returned to Baseball?*, *supra* note 8, at 166.

⁴⁶ See Paul Weiler & Gary Roberts, *Sports and the Law* 232 (2d ed. 1998).

⁴⁷ See Edelman, *Has Collusion Returned to Baseball?*, *supra* note 8, at 166–167.

⁴⁸ *Id.*

Article XVIII(H): “What is prohibited is a common scheme involving two or more Clubs and/or two or more players undertaken for the purpose of a common interest as opposed to their individual benefit.”⁴⁹ In finding for the players in Collusion II, the arbitrator stated that action in the labor market was “meager,”⁵⁰ and that the clubs’ actions constituted uniform behavior, thus continuing the collusive actions of the type in Collusion I.⁵¹ In finding for the players in Collusion III, the arbitrator ruled that, although there was no boycott agreement, unlike Collusion I and II, the collective use of the information bank was an anticompetitive practice that restricted the labor market.⁵² To settle the three grievances, the MLB clubs agreed to pay the MLBPA \$280 million as compensation for wages lost.⁵³

II. REVERSE COLLUSION

Baseball’s lengthy history of collusion is emblematic of the antitrust tensions between owners and players throughout professional sports in the U.S. Owners have historically cited a need to control costs, specifically wages and labor expenses, particularly in the infancy of the industry.⁵⁴ However, once that authority is exercised by owners, there has been reluctance to relinquish even portions of that control to players, resulting in lengthy and complex litigation, labor struggles, and work stoppages. At times, owners have gone to great lengths to maintain that control, even creating illegal agreements and pacts that restrict the labor market in their favor.⁵⁵ Nevertheless, through collective bargaining, the professional sports industry has made clear moves toward partnerships between owners and players, often recognizing the ability to work together toward an advancement of the industry. Yet, as players exercise greater authority in the sale of their labor, there may be times when their actions reflect the collusive practices typically exhibited by owners. The 2010 NBA free agency period offers such an illustrative example.

⁴⁹ Willis, *supra* note 6, at 122 (citing *Collusion I*, at 5).

⁵⁰ *Id.* at 125 (citing *Collusion II*, at 24).

⁵¹ *Id.* at 128 (citing *Collusion II*, at 69).

⁵² WEILER & ROBERTS, *supra* note 46, at 232.

⁵³ Edelman, Has Collusion Returned to Baseball?, *supra* note 8, at 167.

⁵⁴ See Lawrence Kahn, *The Sports Business as a Labor Market Laboratory*, 14 J. ECON. PERSP. 75, 78 (2000).

⁵⁵ See generally Willis, *supra* note 6. Indeed, MLB owners were found to have illegally agreed to abstain from engaging in the free-agent market in order to artificially depress player wages and, thus, ownership costs. *Id.* at 120–23.

A. 2010 NBA Free Agency

The year 2010 included the greatest free agency class in NBA history, full of superstars, game-changers and dynasty-makers.⁵⁶ Headliners James, Wade, and Bosh were accompanied in the historic class by fellow all-stars Joe Johnson, Amar'e Stoudemire, Carlos Boozer, Dirk Nowitzki, and Paul Pierce.⁵⁷ Teams trimmed payroll to free up salary cap space while cautiously maintaining enough talent on the roster to remain appealing to potential signees.⁵⁸ Indeed, teams had strategized for this free agency class for more

⁵⁶ Chris Mannix, *Examining Free Agent Destinations*, SI.COM (June 30, 2010, 4:21 PM), http://sportsillustrated.cnn.com/2010/writers/chris_mannix/06/30/free.agent.destinations/index.html.

⁵⁷ Pierce and Nowitzki exercised options to void the remainder of their respective contracts before each re-signed with their previous teams. Julian Benbow, *Paul Pierce Re-Signs with Celtics, but Wants Help*, BOSTON.COM (July 16, 2010), <http://www.bostonglobe.com/sports/2010/07/16/paul-pierce-signs-with-celtics-but-wants-help/NWxmroEbUuj0LjQqZGnZDN/story.html>; Jeff Caplan, *Mavs Officially Re-Sign Dirk*, ESPNDALLAS.COM (July 20, 2010), <http://sports.espn.go.com/dallas/nba/news/story?id=5393536>.

⁵⁸ Mitch Lawrence, *New York Knicks' Salary Cap Set Around \$56M*, N.Y. DAILY NEWS (Apr. 16, 2010, 7:35 PM), http://articles.nydailynews.com/2010-04-17/sports/27061971_1_salary-cap-cap-space-lebron-james; see also Daniel O'Leary, Cleveland Pulling Out All the Stops to Try and Keep LeBron James with Cavs, SILIVE.COM (May 14, 2010, 4:53 PM), http://www.silive.com/knicks/index.ssf/2010/05/cleveland_akron_mayor_already_pulling_out_all_the_stops_to_try_and_keep_lebron_james_with_cavs.html. Fans in some markets suffered through excruciating seasons riddled with losses, cheering instead for the potential star that the 2010 free agent class might bring. Frank Isola, *Cleveland Fans Not Ready for What Could be LeBron James' Final Home Game in a Cavaliers Jersey*, NYDAILYNEWS.COM (May 11, 2010), <http://www.nydailynews.com/sports/basketball/knicks/cleveland-fans-ready-lebron-james-final-home-game-cavaliers-jersey-article-1.447403>. New York fans began attending Knicks games wearing homemade LeBron James Knicks jerseys and holding signs begging "King James" to come claim his throne in New York. Gene Wojciechowski, *Blueprint for an NBA Dynasty*, ESPN.COM (Feb. 23, 2010), http://sports.espn.go.com/espn/columns/story?columnist=wojciechowski_gene&page=wojciechowski/100223&sportCat=nba. The *New York Daily News* launched www.getlebron.com, while New York City Mayor Michael Bloomberg publicly championed the case for James to play for either the New York Knicks or the New Jersey Nets. Kathleen Luchadamo & Richard Schapiro, *Mayor Bloomberg Joins the LeBron James Recruitment Chorus*, NYDAILYNEWS.COM (May 14, 2010), <http://www.nydailynews.com/new-york/mayor-bloomberg-joins-lebron-james-recruitment-chorus-gonna-love-new-york-article-1.445174>. In Los Angeles, Clippers fans hoped to schedule a parade to entice James to come west, while Chicago Bulls fans created www.sendlebrontochicago.com. Kurt Helin, *Clippers Fans to Put on LeBron Parade*, NBCLOSANGELES.COM (May 17, 2010), <http://www.nbcloseangeles.com/news/sports/Clippers-fans-to-put-on-LeBron-parade-93942639.html>; Chris Cason, *Inter-*

than two years.⁵⁹ Despite the unique talent available, the process of free agency carried on; clubs still recruited and offered their best sales pitches.⁶⁰ LeBron James met with team officials from the New Jersey Nets, New York Knicks, Miami Heat, Los Angeles Clippers, Chicago Bulls, and Cleveland Cavaliers.⁶¹ Chris Bosh met with the Houston Rockets, Chicago Bulls, Miami Heat, and Toronto Raptors.⁶² Dwyane Wade met with executives from the New Jersey Nets and twice met with Chicago Bulls officials.⁶³ But perhaps the most important meetings of the 2010 free agency period involved no team officials at all.

Just prior to the 2010 NBA free agency period, media reports began to surface that players were gathering in Miami to discuss their free agency options.⁶⁴ This “Summit” was speculated to be a sit-down meeting, led by Dwyane Wade and Joe Johnson, wherein free agents would discuss different options before making a destination decision.⁶⁵ Reports later emerged that

view with AJ Barthold, EXAMINER.COM (May 24, 2010), <http://www.examiner.com/article/interview-with-aj-barthold-from-sendlebrontochicago-com>. *But see Cleveland Asking LeBron to Stay*, ESPN.COM (May 18, 2010, 6:51 PM), <http://sports.espn.go.com/nba/news/story?id=5198345> (noting that some fans in Cleveland helped fund a banner near the Cavaliers’ arena, showing James through his life with the words “Born Here. Raised Here. Plays Here. Stays Here.”).

⁵⁹ John Hollinger, *LeBron’s Shadow Looms Over Free Agent Market*, N.Y. SUN (July 1, 2008), <http://www.nysun.com/sports/lebrons-shadow-looms-over-free-agent-market/81022/>.

⁶⁰ *Id.* Prior to meeting with Chicago Bulls officials, Wade openly questioned the loyalty of the Bulls organization to a Chicago reporter, only to follow up with a ringing endorsement of his Miami Heat’s quality organization. Fred Mitchell, *Wade Questions Bulls’ Loyalty*, CHI. TRIB. (May 27, 2010), http://articles.chicagotribune.com/2010-05-27/sports/ct-spt-0527-bulls-dwyane-wade-chicago20100526_1_bulls-don-t-measure-heat-s-dwyane-wade-free-agents. Against the backdrop of the player-only “summit,” such remarks could be interpreted as a warning shot to fellow free agents that you want to sign with Wade in Miami, not Chicago.

⁶¹ *Cavs, Bulls Cap LeBron’s Meetings*, ESPN.COM (July 4, 2010, 7:50 PM), <http://sports.espn.go.com/nba/news/story?id=5351794>.

⁶² See Andrew Sharp, *Chris Bosh, Free Agent, Needs a Lesson in Social Media*, SBINATION.COM (July 1, 2010, 11:40 AM), <http://www.sbnation.com/2010/7/1/1547002/chris-bosh-free-agent-twitter-social-media> (according to Sharp, Bosh posted this list of team meetings on his personal Twitter account).

⁶³ *Reports: Bosh Joins Wade in Meeting*, ESPN.COM (July 3, 2010, 10:53 AM), <http://sports.espn.go.com/nba/news/story?id=5348670> (Bosh reportedly joined for one of Wade’s meetings with Chicago Bulls officials).

⁶⁴ Chris Broussard & Marc Stein, *Sources: Trio Talk Free Agent Scenarios*, ESPN.COM (June 30, 2010, 2:54 AM), <http://sports.espn.go.com/nba/news/story?id=5338472>; see also *Source: Bosh to Join in Trio’s Talks*, ESPN.COM (May 28, 2010, 1:23 AM), <http://sports.espn.go.com/nba/news/story?id=5224873>.

⁶⁵ *Id.*

other superstar free agents, such as Bosh, Boozer, and Stoudemire, wanted to be included in the Summit as well.⁶⁶ Although a formal sit down meeting was denied by Wade's agent, Henry Thomas, he admitted that Wade and other free agents would discuss their respective situations before decisions were made.⁶⁷ As Wade stated, "I'll gauge and see if guys want to be [in Miami], who wants to be with me."⁶⁸ Indeed, in another interview, Wade clarified his concerted vision for free agency:

[Free agency] has been three years coming. We've discussed it prematurely, at different times. [But] you don't know what guys are thinking and where they're going. I think we'll all sit down, and before one of us makes a decision, all of us will have spoken to each other and [listened to the] thinking. . . . A lot of decisions [will be based on] what other players are willing to do and what other guys want to do. So it's not just a 'me' situation here. We all have to look and see what each other is thinking.⁶⁹

With Wade's statement, a cloud of collusion hung over the 2010 free agent period. Indeed, history suggests that the 2010 free agency was merely the final piece of the puzzle for at least a few select superstars.

James, Wade and Bosh all entered the league in 2003.⁷⁰ The three, and perhaps others, had been collectively planning their free agency since joining the U.S. National team in 2006.⁷¹ After a positive experience playing together at the World Championships, the Miami 3 were convinced they could become successful teammates in the NBA. As restricted free

⁶⁶ *Id.*; see also *Stoudemire Talks Looming Free Agency*, ESPN.COM (June 1, 2010, 2:22 PM), <http://sports.espn.go.com/nba/news/story?id=5235598>.

⁶⁷ See Broussard & Stein, *supra* note 64.

⁶⁸ J.A. Adande, *Wade: 'I Want to be in Miami'*, ESPN.COM (June 14, 2010, 1:44 PM), <http://sports.espn.go.com/nba/news/story?id=5283536>.

⁶⁹ Mitchell, *supra* note 60.

⁷⁰ See *Complete First Round Results: 2000-08*, NBA.COM (last visited Mar. 12, 2013), http://www.nba.com/history/draft_round1_2000s.html#2003. James was selected #1 overall by the Cleveland Cavaliers. *Id.* Bosh was selected #4 overall by the Toronto Raptors. *Id.* Wade was selected #5 overall by the Miami Heat. *Id.* The NBA's collective bargaining agreement sets forth relatively rigid entry-level contracts in terms of wage and duration, limiting the initial term of employment to three years, with a team option for year four. *1999 Collective Bargaining Agreement*, NATIONAL BASKETBALL ASSOCIATION, art. VIII. If a team exercises that option, the player's free agency rights are restricted for one more season. *Id.*

⁷¹ Brian Windhorst, *Inside 'The Decision': Miami's Coup was a 'Surprise' Built on Long-Coveted Goal of James, Wade and Bosh*, CLEV. PLAIN DEALER (July 10, 2010, 9:27 AM), http://www.cleveland.com/cavs/index.ssf/2010/07/inside_the_decision_miamis_cou.html (Brian Windhorst thoroughly documented the history of the Miami 3 and their predetermined route to collectively play for the Heat, unveiling the collusive nature of their actions).

agents that offseason, rather than extending their contracts for long-term, maximum-salary deals with their respective teams as expected, the Miami 3 each extended their contracts for only three seasons.⁷² In doing so, they each ensured they would reach free agency simultaneously, creating the opportunity to play together with the potential for higher maximum salaries.⁷³ In isolation, the individual contractual histories of the Miami 3 appear benign, but against the backdrop of their (tri-)unification in Miami, those contractual decisions create serious questions about the autonomous nature of their actions.

Wade re-signed with the Miami Heat, agreeing to a six-year contract totaling \$107.5 million.⁷⁴ LeBron James and Chris Bosh received matching contracts, each agreeing to a six-year term totaling \$110.1 million each.⁷⁵ To sign with Miami, each player agreed to \$15 million less over the life of the contract (vis-à-vis other offers and the maximum player salary permitted within the league).⁷⁶ The complexities of the conglomeration of the three stars were perhaps facilitated by other business events as well.⁷⁷ Primarily, the unification of the Miami 3's representatives under the umbrella of celebrity representation firm Creative Artists Agency brought "the three biggest

⁷² *Id.*

⁷³ 2005 *Collective Bargaining Agreement*, NATIONAL BASKETBALL ASSOCIATION, art. II, § 7. Under the NBA CBA governing 2005-2010, once the player achieved seven years of experience, the maximum individual salary jumped from 25% of the salary cap in effect at the time the contract is executed to 30% of the salary cap in effect at the time the contract is executed. *Id.* Thus, the Miami 3 collectively ensured they would reach unrestricted free agency simultaneous to reaching the jump-step in salary in year seven, thereby guaranteeing higher potential maximum salary.

⁷⁴ *Heat Stars Sign Six-Year Deals*, ESPN.COM (July 10, 2010, 1:37 PM), <http://sports.espn.go.com/nba/news/story?id=5368003>.

⁷⁵ *Id.* James and Bosh were actually acquired through respective sign-and-trade deals, wherein the player re-signs with his previous team and the previous team then trades him in return for compensation. *Id.* For James, the Cleveland Cavaliers acquired two future first-round draft picks and two future second-round draft picks. For Bosh, the Toronto Raptors acquired two future first-round draft picks. *Id.*

⁷⁶ *Id.*

⁷⁷ Additional factors aided in culmination of the Miami 3 firm. Included among them was the absence of a state income tax in Florida, which might offset any lost wages from collectively signing for below the maximum salary permitted under the CBA. See Sarah Talalay, *Playing for Miami Heat Could Save LeBron Millions*, SUN-SENTINEL (July 2, 2010), http://articles.sun-sentinel.com/2010-07-02/sports/fl-miami-heat-taxes-0703-20100702_1_income-tax-tax-savings-free-agents; see also Catherine Rampell, *LeBron James and Taxes*, N.Y. TIMES ECONOMIX (July 9, 2010, 11:55 AM), <http://economix.blogs.nytimes.com/2010/07/09/lebron-james-and-taxes/>.

stars of the '10 NBA free agent class under one roof.”⁷⁸ For the Miami 3, consolidating representation within one agent organization facilitated consolidating employment within one team-level organization, by streamlining the negotiations of three superstars.⁷⁹

B. *Player-Driven Collusion*

At its core, assemblage of the Miami 3 was the result of a select subset of players within the union, supposedly free to offer their individual labor services to the market, acting in concert to collectively impact the market for their services. While several teams, such as the New York Knicks, were perhaps in pursuit of one, or even two, star players, those players were not negotiating individually. In other words, their agency was not “free.” Wade’s statements made clear his intent, not to function independently as a free agent, but to first form a pact with other free agents and then negotiate collectively with a club, preferably the Miami Heat.⁸⁰ To effectuate that intent, the players acted collectively to augment the labor market, agreeing not to finalize deals until it was discussed among the group, perhaps boycotting certain markets, and limiting supply by operating as a conglomerate of labor rather than as individual laborers.

Whereas previous examples of collusion in the sports labor market included agreements by owners to restrict the market for acquiring players’ services, thereby diminishing competition for those services, this was collusion in reverse. Indeed, had the owners: organized a meeting or otherwise held discussions wherein no employment contracts would be finalized until first consulting with other owners; collectively strategized to sign previous deals which would alter the supply and demand of high caliber players available through the “free” market in the future; or set themselves out to be operating independently in the sale and purchase of labor while covertly operating in concert; surely, these practices would be considered collusion. Logic suggests that the reverse of such actions, if perpetrated instead by the labor side of the market, could likewise be considered collusion.

⁷⁸ Liz Mullen, *CAA Sports Nearing Deal to Acquire Henry Thomas’ NBA Practice*, SPORTS BUS. DAILY (July 20, 2009), <http://www.sportsbusinessdaily.com/Daily/Issues/2009/07/Issue-209/Sports-Industrialists/CAA-Sports-Nearing-Deal-To-Acquire-Henry-Thomas-NBA-Practice.aspx>.

⁷⁹ *Id.* (while CAA was the marketing agency representing the Miami 3, James was individually represented by agent Leon Rose, while Wade and Bosh were represented by Henry Thomas).

⁸⁰ See Adande, *supra* note 68.

There were indeed instantaneous cries of collusion and tampering upon the assembling of the Miami 3.⁸¹ Yet, NBA Commissioner David Stern repeatedly asserted that while there would not be any formal “summit,” discussion amongst free agents was permissible and did not violate league policy.⁸² Further examination is therefore required if, as Commissioner Stern asserted, not all collusive practices violate the law.

III. PRIMER ON FEDERAL ANTITRUST AND LABOR LAWS

A. Federal Antitrust Law

Collusion is regulated, primarily, through federal antitrust laws. Antitrust laws regulate the conduct of economic actors, and are specifically designed to promote competition in the marketplace.⁸³ In doing so, antitrust laws are intended to protect the individual right to contract, to yield the best allocation of economic resources, and to encourage the greatest material progress.⁸⁴ The keystone to antitrust law is the Sherman Act, first enacted by Congress in 1890.⁸⁵ The goal of the Sherman Act was to remove restraints to competition.⁸⁶ Section 1 of the Sherman Act makes illegal every

⁸¹ Dallas Mavericks owner Mark Cuban called for just such a tampering investigation into the accumulation of the Miami 3 by the Heat. See Ira Winderman, *Tampering in Heat's Haul to be an Issue?*, SUN-SENTINEL (July 10, 2010), http://articles.sun-sentinel.com/2010-07-10/sports/sfl-ira-nba-column-s071110_1_tampering-free-agent-process-james-and-bosh.

⁸² *Stern: Players Can Talk Before Deciding*, ESPN.COM (June 3, 2010, 11:48 PM), <http://sports.espn.go.com/nba/news/story?id=5249480>. David Stern claimed to have been assured at the “highest level” that there would be no summit-type sit-down meeting, but he expected that the players would discuss free agency with each other. *Id.* “They can have it,” Stern said of the summit, somewhat tongue-in-cheek. *Id.* “I was wondering whether they would get together, eight players and they’ll all look at D-Wade’s ring? They’d be better off watching these finals to see how you construct a team and how you play and the like. There’s not going to be a summit.” *Id.* Stern, however, did differentiate tampering, which he said he would investigate if it was implicated. *Id.*

⁸³ See generally M.A. Adelman, *Effective Competition and the Antitrust Laws*, 61 HARV. L. REV. 1289 (1948); Kenneth G. Elzinga, *The Goals of Antitrust: Other than Competition and Efficiency, What else Counts?*, 125 U. PA. L. REV. 1191 (1977).

⁸⁴ See *N. Pac. Ry. Co. v. United States*, 356 U.S. 1, 4 (1958); see also *Standard Oil Co. v. United States*, 221 U.S. 1, 58 (1911).

⁸⁵ 15 U.S.C. §§ 1–7 (2010).

⁸⁶ See *Apex Hosiery Co. v. Leader*, 310 U.S. 469, 492–93 (1940) (describing the “evil at which the Sherman Act was aimed,” the court noted, “[i]t was enacted in the era of ‘trusts’ and of ‘combinations’ of businesses and of capital organized and directed to control of the market by suppression of competition in the marketing of

contract, combination or conspiracy, which restrains interstate trade or commerce.⁸⁷ Section 1 applies only to the concerted actions of multiple parties; the actions of single entities are not subjected to antitrust scrutiny under Section 1, as one entity cannot logically take concerted action with itself.⁸⁸ Section 2 focuses on conduct that has monopolistic results, making it illegal to monopolize, attempt to monopolize, or conspire to monopolize any part of interstate commerce.⁸⁹

Sections 1 and 2 of the Sherman Act have been interpreted broadly by the courts. If taken literally, Section 1 would prohibit many legitimate and necessary business activities.⁹⁰ Subsequent to its enactment, the Supreme Court interpreted the language of the Sherman Act to prohibit only restraints of trade that were unreasonable.⁹¹ Thus, the reasonableness of concerted actions prohibited under Section 1 are scrutinized by the courts under two “complementary categories of antitrust analysis,”⁹² the per se rule and the rule of reason.⁹³

Concerted actions that restrain trade with no competitive benefits are illegal per se.⁹⁴ That is, courts invalidate restraints of trade that are inherently unreasonable and lack redeeming competitive virtue, without further inquiry into the specific practices of the industry in question.⁹⁵ These re-

goods and services, the monopolistic tendency of which had become a matter of public concern. The end sought was the prevention of restraints to free competition in business and commercial transactions which tended to restrict production, raise prices or otherwise control the market to the detriment of purchasers or consumers of goods and services, all of which had come to be regarded as a special form of public injury.”).

⁸⁷ Sherman Act, 15 U.S.C. § 1 (2010).

⁸⁸ See *Copperweld Corp. v. Independence Tube Corp.*, 467 U.S. 752, 768 (1984) (“Section 1 of the Sherman Act . . . reaches unreasonable restraints of trade effected by a ‘contract, combination . . . or conspiracy’ between separate entities. It does not reach conduct that is ‘wholly unilateral.’”).

⁸⁹ Sherman Act, 15 U.S.C. § 2 (2010).

⁹⁰ See 15 U.S.C. § 1 (2010); see also *Lock*, *supra* note 7, at 343–44.

⁹¹ See, e.g., *Standard Oil Co. v. United States*, 221 U.S. 1, 66 (1911) (“[I]n every case where it is claimed that an act or acts are in violation of the statute, the rule of reason, in the light of the principles of law and the public policy which the act embodies, must be applied.”).

⁹² *Nat’l Soc’y of Prof’l Eng’rs v. United States*, 435 U.S. 679, 692 (1978).

⁹³ *Id.*

⁹⁴ *Id.*

⁹⁵ See *N. Pac. Ry. Co. v. United States*, 356 U.S. 1, 5 (1958) (“[T]here are certain agreements or practices which because of their pernicious effect on competition and lack of any redeeming virtue are conclusively presumed to be unreasonable and therefore illegal without elaborate inquiry as to the precise harm they have caused or the business excuse for their use.”).

straints include certain types of price fixing,⁹⁶ group boycotts,⁹⁷ horizontal market division,⁹⁸ and tying arrangements.⁹⁹

Instances of such blatant anticompetitive behavior are rare; more commonly, restraints are scrutinized using the rule of reason. Unlike per se violations wherein the restraint of trade is patently unreasonable, the rule of reason evaluates the reasonableness of the challenged restraint.¹⁰⁰ Justice Brandeis, in the landmark case *Board of Trade of City of Chicago v. United States*, defined the rule of reason, in relevant part, as follows:

The true test of legality is whether the restraint imposed is such as merely regulates and perhaps thereby promotes competition or whether it is such as may suppress or even destroy competition. To determine that question the court must ordinarily consider the facts peculiar to the business to which the restraint is applied; its condition before and after the restraint is imposed; the nature of the restraint and its effect, actual and probable. The history of the restraint, the evil believed to exist, the reason for adopting the particular remedy, the purpose or end sought to be attained, are all relevant facts. This is not because a good intention will save an otherwise objectionable regulation or the reverse; but because knowledge of intent may help the court to interpret facts and predict consequences.¹⁰¹

Thus, in the rule of reason analysis, courts determine the competitive nature of the actions by analyzing the specific facts of the restraint in question, including the existence of less restrictive alternatives to realize legitimate, pro-competitive objectives.¹⁰² Concerted actions, which serve to regulate an industry through promoting competition, or which have merely an incidental impact on competition, are permissible. Section 1 of the Sherman Act only prohibits concerted action if the anticompetitive outcomes outweigh the pro-competitive results.¹⁰³

⁹⁶ See, e.g., *United States v. Socony-Vacuum Oil Co.*, 310 U.S. 150, 210 (1940).

⁹⁷ See, e.g., *Fashion Originators' Guild of Am. v. Fed. Trade Comm'n*, 312 U.S. 457, 465 (1941).

⁹⁸ See, e.g., *United States v. Addyston Pipe & Steel Co.*, 85 F. 271, 282 (1898), *aff'd*, 175 U.S. 211 (1899).

⁹⁹ See, e.g., *Int'l Salt Co. v. United States*, 332 U.S. 392, 395 (1947).

¹⁰⁰ See *Nat'l Soc'y of Prof'l Eng'rs*, *supra* note 92, at 687.

¹⁰¹ 246 U.S. 231, 238 (1918).

¹⁰² *White Motor Co. v. United States*, 372 U.S. 253, 270 (1963) (“[T]he problem is not simply whether some justification can be found, but whether the restraint so justified is more restrictive than necessary, or excessively anticompetitive, when viewed in light of the extenuating interests.”).

¹⁰³ Edward Mathias, *Big League Perestroika? The Implications of Fraser v. Major League Soccer*, 148 U. PA. L. REV. 203, 206 (1999).

While Section 1 is primarily intended to regulate commercial activity, it also theoretically includes the “concerted” actions of unions. “Unions by nature are combinations that attempt to restrain an employer’s ability to deal with employees.”¹⁰⁴ Further, union activities, such as strikes and boycotts, restrain the movement of labor as well as the production and movement of employers’ goods.¹⁰⁵ As such, a literal interpretation of the Sherman Act, alone, could lead to the prohibition of union activities, if not union existence altogether.¹⁰⁶ However, “the most plausible understanding of the legislative history of the Act is that it was not meant to apply to standard union activities.”¹⁰⁷

B. Statutory Labor Exemption

Nevertheless, Congress attempted to clarify this conundrum through the Clayton Act of 1914,¹⁰⁸ another pillar of federal antitrust law. Section 6 of the Clayton Act provides that an individual’s labor is not to be considered commerce and that labor unions are not combinations in restraint of trade.¹⁰⁹ Section 20 of the Act restricts the injunctive power of the courts in labor disputes to certain enumerated types of organizational activity.¹¹⁰ Upon its enactment, however, the courts interpreted the Clayton Act narrowly, failing to give it the scope intended by Congress.¹¹¹ To more accu-

¹⁰⁴ Lock, *supra* note 7, at 351.

¹⁰⁵ See *Gompers v. Bucks Stove & Range Co.*, 221 U.S. 418, 437–38 (1911) (holding that a boycott caused by listing on ALF “we don’t patronize” list constituted an illegal restraint of trade under the Sherman Act); see also *Loewe v. Lawlor*, 208 U.S. 274, 294–95 (1908) (holding that labor unions’ boycott of non-union manufacturer prevented sale of its goods outside its own state in violation of Sherman Act).

¹⁰⁶ Application of antitrust laws to union activity would have had “potentially devastating consequences” for the labor movement. JOHN C. WEISTART & CYM H. LOWELL, *THE LAW OF SPORTS* 528 (1979).

¹⁰⁷ PHILLIP AREEDA & LOUIS KAPLOW, *ANTITRUST ANALYSIS* 109 (1997).

¹⁰⁸ 15 U.S.C. §§ 12–27 (2010); 29 U.S.C. §§ 52–53 (2010).

¹⁰⁹ 15 U.S.C. § 17 (2010) (“Nothing contained in the antitrust laws shall be construed to forbid the existence and operation of labor . . . organizations, instituted for the purposes of mutual help, and not having capital stock or conducted for profit, or to forbid or restrain individual members of such organizations from lawfully carrying out the legitimate objects thereof; nor shall such organizations, or the members thereof, be held or construed to be illegal combinations or conspiracies in restraint of trade, under the antitrust laws.”).

¹¹⁰ 29 U.S.C. § 52 (2010).

¹¹¹ See *Bedford Cut Stone Co. v. Journeyman Stone Cutters Assoc.*, 274 U.S. 37 (1927) (holding that the Clayton Act applied only to labor disputes involving pick-

rately reflect their intentions, Congress passed a third federal antitrust statute, the Norris-LaGuardia Act of 1932,¹¹² which expanded the protection given to unions under Section 20 of the Clayton Act.¹¹³

Collectively, the Clayton and Norris-LaGuardia Acts combine to constitute the “statutory labor exemption,” protecting unions and shielding a broad range of union activities from antitrust liability. While these statutes provide immunity for certain types of union actions, they do not sufficiently cover the complexity and multiplicity of issues stemming from the collective bargaining process. Indeed, the National Labor Relations Act (“NLRA”)¹¹⁴ requires unions to bargain collectively to determine “wages, hours, and other terms and conditions of employment.”¹¹⁵ Unions, therefore, are statutorily permitted to reach agreements that antitrust policy would otherwise reserve “for market determination free of collective, industry-wide decisions.”¹¹⁶ Through the NLRA, Congress hoped to further encourage collective bargaining so as to “stabilize competitive wage rates, the purchasing power of wage earners, and working conditions.”¹¹⁷ The NLRA also established the National Labor Relations Board (“NLRB”) to make rules and regulations for the collective bargaining process, to guard against unfair labor practices, and to act as an enforcement agency and investigatory body.¹¹⁸

Through these statutes, Congress did not specify the full extent to which these pro-labor policies would coexist with the antitrust policies. There remained an incongruence of interests in promoting competition through antitrust policy while protecting the collective bargaining process

eting and other direct employer/employee relationships); *see also* Duplex Printing Press Co. v. Deering, 254 U.S. 443 (1921).

¹¹² 29 U.S.C. § 101–115 (2010).

¹¹³ *See* United States v. Hutcheson, 312 U.S. 219, 236 (1941) (the purpose of the Norris-LaGuardia Act is to “restore the broad purpose which Congress thought it had formulated in the Clayton Act but which was frustrated, so Congress believed, by unduly restrictive judicial construction.”); *see also* Larry Smith, *Collusion to Fix Wages and Other Conditions of Employment: Confrontation between Labor and Antitrust Law*, 49 J. AIR L. & COM. 290, 292 (1983).

¹¹⁴ 29 U.S.C. § 158(d) (2010).

¹¹⁵ *Id.*

¹¹⁶ AREEDA & KAPLOW, *supra* note 107, at 109.

¹¹⁷ Kieran M. Corcoran, *When does the Buzzer Sound?: The Nonstatutory Labor Exemption in Professional Sports*, 94 COLUM. L. REV. 1045, 1050 (1994) (“By encouraging the practice and procedure of collective bargaining, the Acts protect the exercise by workers of full freedom of association, freedom of self-organization, and freedom to designate representatives of their own choosing for the purpose of negotiating the terms and conditions of their employment.”).

¹¹⁸ 29 U.S.C. §§ 153–169 (2010).

through labor policy, whereby the application of antitrust laws to labor-management relations would subvert the NRLA mandate. Courts, therefore, were forced to accommodate two conflicting sets of laws and policies through the interpretation of the nonstatutory labor exemption, a rule of common law intended to supplement and complete the protection provided to the collective bargaining process by the Clayton and Norris-LaGuardia Acts.

C. Nonstatutory Labor Exemption

The nonstatutory labor exemption was first set forth by the Supreme Court in *Amalgamated Meat Cutters v. Jewel Tea Company*.¹¹⁹ A collectively bargained employer-union agreement was challenged as it restrained the sale of goods to certain hours during which employees worked.¹²⁰ The Court noted that such restraints were under the coverage of the Sherman Act, a fact, which, if determinative, could undermine the pro-collective bargaining spirit of labor policy.¹²¹ The specific issue addressed by the Court was “whether the agreement [was] immune from attack by reason of the labor exemption from the antitrust laws.”¹²² The Court noted that the requirement of the NLRA to collectively bargain on issues of wages, hours and working conditions offered strong support for an antitrust exemption.¹²³ The Court concluded that restraints resulting from the bargaining of a mandated matter, such as working hours, although adverse to competition, were exempt from the Sherman Act.¹²⁴ The Court held:

Weighing the respective interests involved, we think the national labor policy expressed in the [NLRA] places beyond the reach of the Sherman Act union-employer agreements on when, as well as how long, employees must work. An agreement on these subjects between the union and the employers in a bargaining unit is not illegal under the Sherman Act
¹²⁵

Thus, the Court offered a congruent interpretation of two seemingly juxtaposed codified policies, giving rise to the so-called “nonstatutory labor exemption.”

¹¹⁹ 381 U.S. 676 (1965).

¹²⁰ *Id.* at 689.

¹²¹ *Id.*

¹²² *Id.*

¹²³ *Id.* at 691.

¹²⁴ *Id.*

¹²⁵ *Id.*

The precise scope of the nonstatutory labor exemption has been disputed.¹²⁶ In its broadest terms, any union-management agreement that is a product of a good-faith negotiation will be protected from antitrust laws.¹²⁷ The exemption, however, is not unfettered; certain minimum criteria must be met to receive its protection. The Supreme Court has limited the nonstatutory labor exemption to those parties within the collective bargaining relationship; matters within the agreement which affect other employees or employment relationships are not protected.¹²⁸ The exemption is similarly limited to matters of fundamental employee interest.¹²⁹ There must be a “good-faith and arm’s length negotiation between the employer and the union on mandatory subjects of collective bargaining.”¹³⁰ The NLRA defines “mandatory subjects” to include “wages, hours and other terms and conditions of employment”¹³¹

In *Mackey v. National Football League*,¹³² the Eighth Circuit Court of Appeals set forth a three-pronged test for the nonstatutory labor exemption. The terms of a collective bargaining agreement may be exempt from antitrust scrutiny: (1) where the restraint on trade primarily affects only the parties to the collective bargaining relationship; (2) where the agreement concerns a mandatory subject of collective bargaining; and (3) where the agreement is the product of a bona fide arm’s length bargaining.¹³³

A key protection, added by virtue of the nonstatutory labor exemption, is the inclusion of protection for employers. Congress’s explicit statutory exemption applied only to bona fide labor organizations, thereby protecting only unions and their legitimate activities from antitrust attack.¹³⁴ However, to protect the unions and the collective bargaining process as Congress intended, the exemption must apply to both parties to the agreement, the employers and the employees.¹³⁵ The result is a derivative protection from antitrust laws for employers, a recognition that such agreements require reciprocity to thrive.

¹²⁶ See Lock, *supra* note 7, at 352 (citing J. WEISTART & C. LOWELL, *THE LAW OF PROFESSIONAL SPORTS* 525 (1979)).

¹²⁷ *Id.* at 353.

¹²⁸ *Id.* at 352.

¹²⁹ *Id.*

¹³⁰ WALTER T. CHAMPION, JR., *FUNDAMENTALS OF SPORTS LAW* § 26.3, at 460 (1990).

¹³¹ 29 U.S.C. § 158(d) (2010).

¹³² 543 F.2d 606 (8th Cir. 1976).

¹³³ *Id.* at 614–15.

¹³⁴ *Brown v. Pro Football, Inc.*, 518 U.S. 231, 237–38 (1996).

¹³⁵ *Id.*

Ultimately, the nonstatutory labor exemption demands deference by the courts to the NLRB's jurisdiction. "The labor laws give the [NLRB], not antitrust courts, primary responsibility for policing the collective-bargaining process," to ensure a socially and economically desirable collective bargaining policy.¹³⁶ It is their duty to determine reasonable practices in an industrial conflict.¹³⁷ The exemption "thereby substitutes legislative and . . . labor-related determinations for judicial-related determinations as to the appropriate legal limits of industrial conflict."¹³⁸ Labor law inquiry, however, focuses on the process by which the agreement was reached; so long as that process is permissible, the language of the agreement has authority.

D. Specific Collective Bargaining Agreement Language

1. National Basketball Association

Upon the expiration of the 2005 CBA on July 1, 2011, NBA owners initiated a lockout of the National Basketball Players Association ("NBPA"). The work-stoppage, the fourth lockout in league history, lasted 161 days and reduced the 2011-12 regular season to 66 games (from a normal 82-game regular season). A year removed from the free agency events of the Miami 3, the owners' primary concern was to substantially reapportion revenue shares between players and owners.¹³⁹ Indeed, the nationwide Great Recession had left many teams with depressed ticket sales, difficulties filling luxury suites, and declining local sponsorships.¹⁴⁰ Such revenue streams are components of Basketball Related Income ("BRI"), the composite revenues generated by the NBA and member teams. Through the collective bargain-

¹³⁶ *Id.* at 242.

¹³⁷ *Id.* at 236-37.

¹³⁸ *Id.* at 237.

¹³⁹ See Larry Coon, *Breaking Down Changes in New CBA*, ESPN.COM (Nov. 28, 2011), http://espn.go.com/nba/story/_/page/CBA-111128/how-new-nba-deal-compares-last-one. Under the 2005 CBA, players collectively received 57% of Basketball Related Income (BRI). *Id.* After claiming losses of \$370 million, \$340 million, and \$300 million in the final three seasons under the 2005 CBA, *id.*, the owners successfully negotiated to reset the distribution of BRI to a near 50%/50% split between owners and players, Ira Winderman, *NBA CBA: Official NBA Agreement Document*, SUN-SENTINEL.COM (Nov. 27, 2011, 9:49 AM), http://blogs.sun-sentinel.com/sports_basketball_heat/2011/11/nba-cba-official-nba-agreement-document.html.

¹⁴⁰ Matthew Parlow, *The NBA and the Great Recession: Implications for the Upcoming Collective Bargaining Agreement Renegotiation*, 6 DEPAUL J. SPORTS L. & CONTEMP. PROBS. 195, 199-200 (2010).

ing process, the league and players negotiate the distribution of BRI through mechanisms such as salary cap restrictions, luxury taxes, and maximum player salaries.

Although neither the NBA nor the NBPA have made publicly available the complete 2011 CBA, they have released a Summary of Principal Deal Terms of the NBA's Collective Bargaining Proposal.¹⁴¹ Therein, the parties illustrate the agreements reached by illuminating the new financial structures of the league, including, inter alia: shares of BRI among players and owners and guarantees of those shares through escrow; the salary cap and tax systems; maximum contract length; maximum annual salary increases; maximum and minimum salaries; salary guarantees; rookie salaries; player benefits; and revenue sharing. In the 17-item Summary of Principal Deal Terms, the parties did not address collusion. The provision addressing Free Agency is also silent regarding collaborative free agent actions.¹⁴² Thus, despite the opportunity to address the type of concerted action displayed by the Miami 3, the NBA and the NBPA offered no indication that the prior collusion provisions had been altered. Without indication of change in policy, it is useful to review the NBA's stance on collusion under the previous CBA.

Under the 2005 NBA CBA, Article XIV sets forth anti-collusion provisions. Section 1 expressly prohibits specific collusive practices:

[N]o NBA Team, its employees or agents, will enter into any contracts, combinations or conspiracies, express or implied, with the NBA or any other NBA Team, their employees or agents: (a) to negotiate or not to negotiate with any Veteran or Rookie; (b) to submit or not to submit an Offer Sheet to any Restricted Free Agent; (c) to offer or not to offer a Player Contract to any Free Agent; (d) to exercise or not to exercise a Right of First Refusal; or (e) concerning the terms or conditions of employment offered to any Veteran or Rookie.¹⁴³

Immediately apparent is the language prohibiting certain "contracts, combinations or conspiracies." This language is identical to Article I of the Sherman Act, which clearly establishes intent to prohibit collusive behavior.

The provision is similarly unambiguous, however, in the unidirectional nature of the collusive conduct prohibited. NBA teams, employees, and

¹⁴¹ See *Summary of Principal Deal Terms*, ESPN.COM (Nov. 26, 2011), http://assets.espn.go.com/photo/2011/1113/nba_proposal.pdf.

¹⁴² *Id.* § 11 (the tentative agreement addressed the mechanisms of sign-and-trades, contract offers to restricted free agents, and the retention of a rookie's rights through qualifying offers).

¹⁴³ 2005 *Collective Bargaining Agreement*, NATIONAL BASKETBALL ASSOCIATION, art. XIV, § 1.

other team representatives or actors are banned from concerted restrictive actions; yet, the provision is silent as to the collective actions of free agents. Such omission is revealing. Indeed, a free agent, untethered to any team through employment, is exempted from the anti-collusion provision.¹⁴⁴ The unidirectional interpretation of collusion is further supported by Section 3 of this Article, regarding “Individual Negotiations.”¹⁴⁵ Therein, NBA teams are prohibited from boycotting or otherwise refusing to negotiate with or sign a player in certain circumstances.¹⁴⁶ The prohibition, again, only governs club conduct; the provision is silent as to player-initiated boycotts or refusal to negotiate.¹⁴⁷

If any question remains about the one-way prohibition on collusion in the NBA, Section 5 sets forth procedures for “Enforcement of Anti-Collusion Provisions,” laying to rest any such doubt.¹⁴⁸ According to this section, “any player, or the Players Association acting on behalf of a player or players” may seek remedy for collusive action under Section 1 of Article XIV.¹⁴⁹ The section is silent as to any such remedial procedure for aggrieved owners. The CBA, once again, clearly establishes collusion as a vertical construction, prohibiting concerted actions by owners and their employees with restrictive consequences, while rendering inconceivable the possibility that players possess the capacity to act in concert to the detriment of owners. Through examination of other professional sport leagues, it

¹⁴⁴ See *id.* (the anti-collusion provision would prohibit players already under contract from tampering with another player on behalf of a team, as they would qualify as employees under the plain meaning of the term).

¹⁴⁵ 2005 *Collective Bargaining Agreement*, NATIONAL BASKETBALL ASSOCIATION, art. XIV, § 3

¹⁴⁶ *Id.* (“No NBA Team shall fail or refuse to negotiate with, or enter into a Player Contract with, any player who is free to negotiate and sign a Player Contract with any NBA Team, on any of the following grounds: (a) that the player has previously been subject to the exclusive negotiating rights obtained by another NBA Team in an NBA Draft; or (b) that the player has previously refused or failed to enter into a Player Contract containing an Option; or (c) that the player has become a Restricted Free Agent or an Unrestricted Free Agent; or that the player is or has been subject to a Right of First Refusal. The fact that a Team has not negotiated with, made any offers to, or entered into any Player Contracts with players who are free to negotiate and sign Player Contracts with any Team, shall not, by itself, be deemed proof that such Team failed or refused to negotiate with, make any offers to, or enter into any Player Contracts with any players on any of the prohibited grounds referred to in this Section 3.”).

¹⁴⁷ *Id.*

¹⁴⁸ *Id.* § 5.

¹⁴⁹ *Id.*

becomes evident that the NBA is not the only governing body to collectively bargain and define collusion as an owners/employees-only prohibition.

2. National Football League

Just prior to the 2011 NBA lockout, the National Football League (“NFL”) concluded a lockout of its own, spanning from March 11, 2011 to July 25, 2011, ending with the culmination of a new collective bargaining agreement on August 4, 2011 (hereafter “NFL CBA”). Therein, the NFL addresses collusion in Article 17. The provision titled “Anti-Collusion,” prohibits clubs, their employees, or agents, from entering into any agreement with the league or another club that restricts or limits an individual club from deciding whether to negotiate with a player; to submit an offer to a restricted free agent, to offer a player a contract; to exercise a contract option, or what terms or conditions of employment should be included in the contract.¹⁵⁰ In addition, clubs are prohibited from boycotting a player on the basis of certain contractual circumstances, including restricted free agency or a previously declined option clause.¹⁵¹ Beyond those circumstances, clubs retain the right to negotiate or agree with any individual player at their discretion.¹⁵² Enforcement of these anti-collusion provisions provides only for the possibility that players are harmed by the proscribed collusive behaviors. As such, player-side reverse collusion would not be impermissible under the current NFL CBA.

3. National Hockey League

The National Hockey League (“NHL”) was in the midst of a lockout as of October 2012. It is uncertain whether the new post-lockout collective bargaining agreement will include reciprocal collusion provisions to address player-driven actions. Unlike its NBA and NFL counterparts, its previous incarnation did not set forth a specific anti-collusion provision. However, the NHL does address collusive actions through certain policies.

For example, Article 26 of the 2005 NHL Collective Bargaining Agreement (“NHL CBA”), the recently expired version, defines “circumventions” as prohibiting clubs or players from engaging in agreements, promises, or other actions with the intent to sidestep the NHL CBA, includ-

¹⁵⁰ 2011 *Collective Bargaining Agreement*, NATIONAL FOOTBALL LEAGUE, art. 17, § 1.

¹⁵¹ *Id.* § 2.

¹⁵² *Id.* § 3.

ing provisions regarding free agency.¹⁵³ Article 10 explains that during unrestricted free agency, both clubs and players must be free to negotiate and reach agreements on standard player contracts (“SPC”):

Such Player shall be completely free to negotiate and sign an SPC with any Club, and any Club shall be completely free to negotiate and sign an SPC with such Player, without penalty or restriction, or being subject to any Right of First Refusal, Draft Choice Compensation or any other compensation or equalization obligation of any kind.¹⁵⁴

While the latter phrase suggests that the NHL and NHL Players Association (“NHLPA”) were concerned with differentiating unrestricted and restricted free agency groups, the plain language of Articles 10 and 26, when read together, allows for protection against reverse collusion. Clubs must be able to negotiate and sign an unrestricted free agent without “restriction,” and an agreement amongst several unrestricted free agents to only negotiate as a collective or to first confer with such free agents about offers before signing a contract, would constitute restrictions that circumvent the NHL CBA.

The language of the SPC, attached to the NHL CBA as Exhibit 1, provides evidence to support the interpretation that the NHL CBA prohibits reverse collusion.¹⁵⁵ Provision 10 of the SPC provides:

The Player agrees he will not tamper with or enter into negotiations with any Player under SPC or reservation to any Club of the League for or regarding such Player’s current or future services, without written consent of the Club with which such Player is connected under penalty of a fine to be imposed by the Commissioner of the League.¹⁵⁶

Although this provision prohibits tampering, collusive action committed by players already under contract, it suggests that both the NHL and NHLPA recognize the influence that players can have over one another in the labor market, and that players may be inclined to create pacts that have the capacity to restrict that market. Thus, strong anti-reverse collusion language may be wise – Pittsburgh Penguins superstar Sidney Crosby has already stated that he could foresee a Miami 3-type scenario unfolding in the NHL.¹⁵⁷

¹⁵³ 2005 *Collective Bargaining Agreement*, NATIONAL HOCKEY LEAGUE, art. 26, § 3.

¹⁵⁴ *Id.* art. 10, § 1(a)(i).

¹⁵⁵ *Id.* Exhibit 1.

¹⁵⁶ *Id.* Exhibit 1, § 10.

¹⁵⁷ Dave Molinari, *On the Penguins: The LeBron Precedent*, PITTSBURGH POST-GAZETTE.COM (Mar. 29, 2012, 6:32 AM), <http://www.post-gazette.com/stories/sports/penguins/on-the-penguins-the-lebron-precedent-267633/>. Said Crosby, “Obvi-

4. Major League Baseball

Like the NHL, MLB does not have an express anti-collusion provision. Rather, in its most recent CBA, MLB's "collusion clause" is found in Article XX(E), setting forth the individual nature of bargaining rights.¹⁵⁸ As previously discussed in Part I, this provision was originally intended to merely define free agency.¹⁵⁹ In practice, however, it has become the fundamental provision prohibiting collusive behavior in the MLB labor market.

The remaining provisions of Article XX(E) provide redress for players harmed by collusive action by two or more clubs.¹⁶⁰ Sections E(2) and (E)(3) provide that an aggrieved player may recover treble damages based upon lost baseball income, as well as attorneys' fees and expenses, while section E(6) allows such an aggrieved player to void his existing contract and reopen his free agency upon the end of the season.¹⁶¹ Importantly, players may not collude with other players,¹⁶² such as by negotiating collectively or putting together a package deal.¹⁶³ Thus, professional baseball prohibits the type of reverse collusion exhibited by the Miami 3. Indeed, Koufax and Drysdale would have less luck today than LeBron and company. Yet, MLB has not set forth the procedures and remedies to address such possible player misconduct.

IV. POLICY IMPLICATIONS

NBA Commissioner David Stern was consistent in asserting that Wade, James, and Bosh had done nothing impermissible under the NBA

ously, they all agreed that's the place they wanted to be." *Id.* Crosby wouldn't rule out something similar happening in the NHL, stating, "You'd have to have a perfect scenario where you get guys who really weren't happy where they were, for some reason and had an organization that could fit three guys [under the cap]. It's kind of like a perfect storm kind of thing. Who thought it would happen [with James and Co.], so you never know. You can never say never." *Id.*

¹⁵⁸ 2012 *Collective Bargaining Agreement*, MAJOR LEAGUE BASEBALL, art. XX(E)(1)–(9).

¹⁵⁹ See Part I.B., *supra*.

¹⁶⁰ 2012 *Collective Bargaining Agreement*, MAJOR LEAGUE BASEBALL, art. XX(E)(1)–(9).

¹⁶¹ *Id.* art. XX(E)(2)–(3), (6).

¹⁶² *Id.* art. XX(E)(1).

¹⁶³ Roger D. Blair & Jessica S. Haynes, *Collusion in Major League Baseball's Free Agent Market: The Barry Bonds Case*, 54 ANTITRUST BULL. 883, 885 (2009). Blair and Haynes note that, prior to the advent of free agency, Los Angeles Dodgers star pitchers Don Drysdale and Sandy Koufax once tried to jointly negotiate their contracts. The effort was unsuccessful and would now violate the CBA. *Id.*

CBA. To the extent that each was a free agent,¹⁶⁴ all communications and agreements, even those that served to create a restrictive component within the labor market, were permissible. Yet, it remains to be seen whether the permissibility of such actions will have negative long-term consequences for the competitive balance of the NBA, as well as other leagues that do not expressly prohibit reverse collusion.¹⁶⁵

The professional sports industry in the U.S. has introduced many institutional mechanisms to protect, promote, and ensure competitive balance. Leagues utilize and structure amateur drafts to the benefit of unsuccessful teams and to the detriment of successful teams; this allows poor teams to improve on the field, while limiting the ability of large, wealthy, or desirable markets from accumulating all the labor talent through open bidding.¹⁶⁶ Similarly, salary caps are used to protect small or poor market teams by artificially limiting the amount a team can spend on player wages.¹⁶⁷ To further adjust for differentiations in market size, teams often engage in revenue sharing, pooling together certain streams of revenue so that teams in Green Bay and Kansas City are not crippled by market size or wealth when competing against teams from Chicago or New York.¹⁶⁸

The economic principles governing free agency suggest that, although free agency “shifts the property right to the labor service from the owners to the players,” such a shift will not alter the distribution of talent and, thus, will not impact competitive balance.¹⁶⁹ “Players will be distributed to the

¹⁶⁴ One could argue, given his constant statements regarding how he wished to remain in Miami and wished to find who would join him, that Dwyane Wade was a free agent by the letter of the rule only. Broussard & Stein, *supra* note 64. One could interpret Wade’s actions as those of a Miami Heat employee without a contract. Indeed, the actions undertaken by Wade certainly would have violated the CBA had he still been under contract with the Miami Heat.

¹⁶⁵ See generally, Joel Maxcy & Michael Mondello, *The Impact of Free Agency on Competitive Balance in North American Professional Team Sports Leagues*, 20 J. SPORT MGMT. 345 (2006). Maxcy and Mondello note that there is no consensus for empirically constructing competitive balance. *Id.* at 347. While most economic studies of competitive balance have relied upon the standard deviation of winning percentages, that method may represent just one aspect of competitive balance. *Id.* Alternatively, to more comprehensively examine competitive balance, one might investigate (1) closeness of within-season competition, (2) the discontinuity of team performance from season to season, and (3) minimal large market dominance (small-market weakness). *Id.*

¹⁶⁶ See Allen R. Sanderson & John J. Siegfried, *Thinking about Competitive Balance*, 4 J. SPORT ECON. 255, 257–58 (2003).

¹⁶⁷ *Id.* at 259.

¹⁶⁸ *Id.* at 263.

¹⁶⁹ Maxcy & Mondello, *supra* note 165, at 346.

rosters of the teams in which they are most highly valued, whether by sale or trade at the owners' discretion, or by marketing themselves as free agents."¹⁷⁰ The result of free agency, like the intent of the amateur draft, the salary cap, and revenue sharing, is to create a balance throughout the league through a distribution of talent, thereby allowing clubs to have a semblance of competitiveness and a compelling product that fans can enjoy. The grave potential of reverse collusion, wherein players do not market themselves and instead act collectively, lies in its capacity to alter that distribution of talent by restricting the labor market through collective action. In doing so, reverse collusion could undermine the many institutional mechanisms intended to establish and protect competitive balance.

In the short-term aftermath of the Miami 3, the NBA has seen a glimpse of this danger. Indeed, players have realized the extent of leverage granted them via the CBA and have exercised it. The mere threat of leaving a current club through free agency, as with LeBron James and the Cleveland Cavaliers, has enabled many players to leverage a trade to a larger market with the potential to play with other superstars.¹⁷¹ The result has been the

¹⁷⁰ *Id.* at 346–347.

¹⁷¹ See Rick Reilly, *NBA No Longer Fan-Tastic*, ESPN.COM (Feb. 28, 2011, 5:56 PM), <http://sports.espn.go.com/espn/news/story?id=6150136>. Reilly lamented the consolidation of talent around the league, beginning with Ray Allen, Paul Pierce and Kevin Garnett leading the Boston Celtics to a championship. *Id.* Carmelo Anthony threatened to leave the Denver Nuggets via free agency, forcing a trade to the New York Knicks to play with friend and fellow superstar Amar'e Stoudemire. *Id.* Chris Paul, who once toasted someday joining Anthony and Stoudemire in New York, *id.*, leveraged a trade out of small market and star-less New Orleans to play with rising star Blake Griffin and the Los Angeles Clippers. See J. Michael Falgoust, *Chris Paul Traded to Clippers*, USATODAYSPORTS (Dec. 15, 2011, 3:36 AM), <http://usatoday30.usatoday.com/sports/basketball/nba/story/2011-12-14/Hornets-trade-Chris-Paul-to-Clippers/51932616/1>. Deron Williams similarly leveraged a trade from the small-market Utah Jazz, which plays its home games in Salt Lake City, to the large market Nets, which moved its home from large-market New Jersey to larger-market Brooklyn. See Fred Kerber, *Deron Ready to Recruit for Nets*, N.Y. POST.COM (Mar. 1, 2011, 2:17 AM), <http://www.nypost.com/p/sports/nets/star> (search "Deron Ready to Recruit for Nets" then follow hyperlink). Upon being traded, Williams publicly stated that he sought superstars to join him. *Id.* All-star Dwight Howard, unhappy with the small-market Orlando Magic, tried for over a year to leverage a trade to the Nets, a move he and Williams collectively discussed for years. Kurt Helin, *Deron Williams, Dwight Howard Talked About Teaming Up "For Years"*, PROBASKETBALLTALK (July 10, 2012, 10:07 AM), <http://probasketballtalk.nbcsports.com/2012/07/10/deron-williams-dwight-howard-talked-about-teaming-up-for-years/>. Alas, Howard was forced to settle for a trade to large-market Los Angeles to play with Kobe Bryant, Steve Nash, Pau Gasol, and the Lakers. Arash Markazi, *Dwight Howard Headed to Lakers*, ESPNLA.COM (Aug. 11, 2012, 1:18 PM),

perception of a growing gap between competitive and noncompetitive teams and discontent among team-focused fans.¹⁷² Teams that have multiple superstars, one superstar and sufficient salary cap room to acquire more superstars, or no superstars and sizable salary cap room to acquire multiple superstars, can compete;¹⁷³ otherwise, they may struggle to remain competitive, both on the court and in the labor market.¹⁷⁴ The growing consolidation of stars among a few select teams in the league, if continued long-term, could have severe competitive balance implications, wherein some teams are assured of successful seasons and others perennial losers, with few teams in between.¹⁷⁵ The possibility of reverse collusion also lends itself to integrity concerns, as certain teams (and their fans) may perceive player movement to be a function of something that is less than transparent to non-insiders.

http://espn.go.com/los-angeles/nba/story/_/id/8256377/dwight-howard-traded-los-angeles-lakers. In a fitting twist, star Ray Allen, whose trade to Boston before the 2007 season helped trigger the star-consolidation movement, left the Celtics to sign as a free agent with the Miami Heat. Brian Windhorst, *Ray Allen Joining Miami Heat*, ESPN.COM (July 10, 2012, 10:26 AM), http://espn.go.com/nba/truehoop/miamiheat/story/_/id/8137389/ray-allen-leaving-boston-celtics-nba-champion-miami-heat.

¹⁷² See Dan Markel et al., *Catalyzing Sports Fans (and the Rest of Us)* (Working paper, 2012). The alienation of fans because of unpopular player trades and retention decisions has led a group of leading commentators to propose the development of “Fan Action Committees” charged with transforming fans into stakeholders capable of influencing player or team decision-making. *Id.*

¹⁷³ See Kerber, *supra* note 171 (Nets star Deron Williams stated, “I want to win. In order to do that, you see the trend now: two, three, sometimes four stars in every city. . . We have the market to do that right now and I think it’s going to improve with the move to Brooklyn to attract some of the bigger name guys and *it’s on not only management, but me, to try to get some people here.*”) (emphasis added).

¹⁷⁴ There is an additional caveat; the team’s home city is advantaged by desirable locations or markets. Thus, teams in Miami, New York, and Los Angeles, that provide compelling living experiences or endorsement opportunities, will be more competitive than Milwaukee, Sacramento, or Cleveland, for example.

¹⁷⁵ See Reilly, *supra* note 171; see also Kevin Clark, *How the NBA Became English Soccer*, WALL ST. J., Feb. 23, 2011, <http://online.wsj.com/article/SB10001424052748703775704576160791914631796.html>. Clark suggests that the NBA already suffered from a stark contrast between competitive and noncompetitive teams, a gap that appears to be increasing rapidly. *Id.* For example, in the 2006-07 season, the NBA’s standard deviation of wins was 10.8; by the 2009-10 season, that figure rose to 13.4. *Id.* The standard deviation of wins can be used as a measure of competitive balance. *Id.* Standard deviation is a measure of variance or dispersion from the mean average. In this context, a higher standard deviation suggests a less equitable dispersion of wins, representing an imbalance in league competition.

CONCLUSION

Four-plus decades later, the specter of Sandy Koufax and Don Drysdale collectively negotiating with the Los Angeles Dodgers was felt throughout the 2010 NBA offseason. The NBA free agents, including, most notably, LeBron James, Dwyane Wade, and Chris Bosh, organized discussions wherein no employment contracts would be finalized until first consulting with each other. They collectively strategized to reach agreements that would later alter the supply and demand of high caliber players available through the “free” market and set themselves out to be operating independently in the sale of their labor, while covertly operating in concert. These practices constitute reverse collusion. However, through the antitrust exemptions that render the leagues’ respective CBAs the controlling documents of the permissibility of such practices, reverse collusion is implicitly permissible in the NBA (and NFL). Indeed, whereas the NHL’s previous CBA included language that could be interpreted to prevent such restrictive practices, only MLB, with its extensive history of ownership collusion and with the first examples of player-driven reverse collusion, explicitly bans reverse collusion. As the immediate results in the NBA are indicating, the advent and permissibility of reverse collusion could represent a shift in power, leverage, and control of the sporting labor market. Accordingly, to the extent the NBA, NFL, and NHL foresee future problems stemming from the absence of an anti-reverse collusion clause, it would be prudent for the leagues to insist that such clauses be explicitly included during negotiations towards the next league-union CBA.



Color War: The *Louboutin* Decision and Single-Color Marks in the Fashion Industry

Claire Guehenno*

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INTRODUCTION

A pair of black high-heeled shoes from the mass-market retailer Nine West costs \$79.¹ The same style made under the label of Christian Louboutin starts at \$625.² The only visible difference is the bright red sole of the Louboutin shoes. Over the past two years, Christian Louboutin has fought to protect his valuable design from knockoffs by seeking to enforce his trademark on the red sole in court. Commentators are split on whether this distinctive feature of Louboutin shoes should be entitled to its own trademark protection.³ As this question has made its way through the courts, judges have also been unable to agree on the answer: the Southern District of New York barred the trademark, only to be overturned on appeal by the Second Circuit.⁴

The substantial attention attracted by Louboutin's fight owes much to the considerable fame of the designer's shoes, popularized through celebrity

¹ *Caress – round toe pump*, NINE WEST, <http://www.ninewest.com/Caress/6279317,default,pd.html?variantSizeClass=&variantColor=BLACKLE&cgid=8346252&prefn1=catalog-id&prefv1=ninewest-catalog&prefn2=variantColorValue&prefv2=Black> (last visited Mar. 13, 2013).

² *Christian Louboutin – Simple 100 Leather Pumps*, SAKS FIFTH AVENUE, http://www.saksfifthavenue.com/main/ProductDetail.jsp?FOLDER%3C%3Efolder_id=2534374306418049&PRODUCT%3C%3Eprd_id=845524446158759&R=452541050967&P_name=Christian+Louboutin&N=4294912355+306418049+4294929607&bmUID=jlsQM7X (last visited Mar. 13, 2013).

³ See, e.g., Brandy G. Barrett, *Contrasting Levi v. Abercrombie with Louboutin v. Yves St. Laurent: Revealing Appropriate Trademark Boundaries in the Fashion World*, 13 N.C. J.L. & TECH. ON. 1 (2011); Nicolette Brandt, *Louboutin's Trademark Suit Against Yves Saint Laurent: Creating a Color War in the Fashion Industry*, 8 OKLA. J.L. & TECH. 58 (2012); Theodore C. Max, *Coloring Outside the Lines in the Name of Aesthetic Functionality: Qualitex, Louboutin, and How the Second Circuit Saved Color Marks for Fashion*, 102 TRADEMARK REP. 1081 (2012); Katie M. Morton, "Sole" Searching: *Christian Louboutin's Fight Against Yves Saint Laurent—and the Aesthetic Functionality Doctrine—to Own the Color Red*, 12 WAKE FOREST J. BUS. & INTELL. PROP. L. 293 (2012); Danielle E. Gorman, Note, *Protecting Single Color Trademarks in Fashion After Louboutin*, 30 CARDOZO ARTS & ENT. L.J. 369 (2012); Charlotte Cowles, *Don't Step on My Red-Soled Shoes!*, N.Y. MAG. (Aug. 14, 2011), <http://nymag.com/fashion/11/fall/christian-louboutin-red-soles/>; Jeannie Suk, *Little Red (Litigious) Shoes*, N.Y. TIMES (Jan. 1, 2012), <http://www.nytimes.com/2012/01/22/opinion/sunday/louboutin-and-the-little-red-litigious-shoes.html>.

⁴ *Christian Louboutin S.A. v. Yves Saint Laurent Am., Inc.*, 778 F. Supp. 2d 445, 451 (S.D.N.Y. 2011), *rev'd in relevant part sub nom. Christian Louboutin S.A. v. Yves Saint Laurent Am. Holdings, Inc.*, 696 F.3d 206 (2d Cir. 2012).

endorsements and even rap songs.⁵ But it is also a sign of the increased interest in the law of fashion designs and of an ongoing debate over whether the industry merits more robust intellectual property protection.⁶ As academics continue to discuss the best mechanisms to protect fashion—focusing mainly on the minutiae of proposed fashion copyright legislation—the case of the Louboutin red sole represents one designer’s attempt to use the current scant framework of intellectual property protection for fashion to his advantage. However, this Note argues that Louboutin’s claim also seeks to extend trademark law further into the realm of designs than it is intended and fit to go.

* * *

Christian Louboutin first started imprinting his shoes with the famous red sole in 1993, in homage to the pop art of Andy Warhol.⁷ In 2007, he filed for trademark protection for his colorful creation.⁸ The United States Trademark Protection Office (USPTO) granted the trademark the next year, stating that “[t]he color(s) red is/are claimed as a feature of the mark. The mark consists of a lacquered red sole on footwear.”⁹ A drawing of a shoe accompanied the mark to indicate that the trademark protected only the color’s placement on the outsole of the shoe.¹⁰

The trademark faced its first test in court in 2011, when Christian Louboutin sued fellow fashion designer Yves Saint Laurent for trademark infringement, alleging that a particular style of Yves Saint Laurent monochromatic red shoes was “virtually identical” to Louboutin’s famous red so-

⁵ See, e.g., Gary W. Glisson & Wendy S. Goffe, *Lady Gaga, Jennifer Lopez and Other Celebs Helped Louboutin Get Trademark for Red Soles*, FORBES (Sept. 13, 2012), <http://www.forbes.com/sites/deborahljacobs/2012/09/13/lady-gaga-jennifer-lopez-and-other-celebs-helped-louboutin-get-trademark-for-red-soles/>; JAY-Z, *I Know*, on AMERICAN GANGSTER (Roc-A-Fella Records 2007); JENNIFER LOPEZ, LOUBOUTINS (Epic Records 2009).

⁶ Much has been written on this subject, as will be discussed more extensively in Parts II and III. One example of the increased academic attention to fashion law is Fordham Law School’s recent creation of a “Fashion Law Institute.” See Adam Tschorn, *Fordham University Launches Fashion Law Institute, a First for the Industry*, L.A. TIMES (Sept. 10, 2010), <http://latimesblogs.latimes.com/alltherage/2010/09/fordham-university-launches-fashion-law-institute.html>.

⁷ See Lauren Collins, *Sole Mate: Christian Louboutin and the Psychology of Shoes*, NEW YORKER (Mar. 28, 2011), http://www.newyorker.com/reporting/2011/03/28/110328fa_fact_collins.

⁸ *Louboutin*, 696 F.3d at 213.

⁹ *Id.*

¹⁰ *Id.*

les.¹¹ The District Court for the Southern District of New York held that the red sole was ineligible for trademark protection and granted summary judgment to Yves Saint Laurent. Judge Marrero wrote in his opinion that “[t]here is something unique about the fashion world that militates against extending trademark protection to a single color.”¹² Concluding that a single-color trademark could harm competition in the fashion industry, Judge Marrero defined the mark as aesthetically functional and thus not eligible for trademark protection.¹³ But on appeal to the Second Circuit, a three-judge panel rejected the district court’s industry-specific analysis for fashion and upheld the trademark on the red sole, although the court limited it to situations in which the sole’s color is in contrast to the rest of the shoe.¹⁴

The *Louboutin* case highlights the complexity of applying intellectual property laws to the world of fashion. The case arose in the midst of a debate among academics, legislators, and industry insiders about what type of intellectual property protection, if any, fashion should receive. Currently, fashion operates in a low intellectual property environment: aside from the protection of logos and patterns through trademark law, and of unique features through patent law, very few aspects of designs are protected from copiers.¹⁵ This state of affairs is due in large part to the fact that clothing is considered a “useful article,” placing fashion outside of copyright protection.¹⁶ In recent years, a heated debate has arisen over whether the existing framework should expand to include fashion within the domain of copyright law.¹⁷ Such an expansion could have significant effects on the industry, particularly on brands that depend on their ability to copy trendy high-end designs to make them available to a broader market.¹⁸ These discussions have led to congressional hearings and a series of bills proposing to modify the country’s current copyright legislation, Title 17 of the United States

¹¹ Complaint at 15, *Christian Louboutin S.A. v. Yves Saint Laurent Am., Inc.*, 778 F. Supp. 2d 445 (S.D.N.Y. 2011) (No. 11 Civ. 2381), 2011 WL 1327659; see also Cowles, *supra* note 3.

¹² *Louboutin*, 778 F. Supp. 2d at 451.

¹³ *Id.* at 454.

¹⁴ *Louboutin*, 696 F.3d at 212.

¹⁵ See *infra* notes 126–157 and accompanying text.

¹⁶ 17 U.S.C. § 101 (2006 & Supp. V 2011); see also C. Scott Hemphill & Jeannie Suk, *The Law, Culture, and Economics of Fashion*, 61 *STAN. L. REV.* 1147, 1185 (2009).

¹⁷ See *infra* note 150 and accompanying text.

¹⁸ A brand like Forever 21, considered a “fast-fashion copyist,” serves as an example of a brand that might be most affected by such a statute. See Hemphill & Suk, *supra* note 16, at 1172.

Code, to grant copyright protection to fashion, yet so far no legislation has made it through Congress.¹⁹

As a result of these failures, designers currently have few legal options to protect their creations. Trademark law, because it grants wide protection to source-identifying logos and product features, provides one of the only available mechanisms for designers to shield themselves from copies and knockoffs. As a result, it is only natural that a high-end designer like Christian Louboutin would seek to use trademark law to protect his valuable shoe designs.

However, this use of trademark law in fashion creates significant risks for the industry. Unique features of the fashion industry—notably the complex interplay among creative art, copying, and competition—militate against allowing single-color trademarks on designs. In evaluating the Louboutin trademark, both the district and circuit courts relied on the doctrine of aesthetic functionality—which bars trademarks where the mark affects the purpose or cost of the article and where protecting the trademark might hinder competition—but each applied the test of functionality differently.²⁰ While both courts' analyses have their merits, this Note will argue that the district court's holding that the red sole is a functional mark appears better suited to protect creativity and competition among designers, especially given the essential role played by color in the fashion industry.

Trademark law is intended to protect source indicators.²¹ Affording trademark protection to the Louboutin red sole extends this purpose beyond mere source indication and into the protection of designs that are part of the creative process. Trademark law is neither intended nor well suited to provide such broad intellectual property protection to fashion designs. In the case of the Louboutin red sole, Louboutin is attempting to use trademark rights as an imperfect bandage covering the inadequate framework of intel-

¹⁹ Katherine Boyle, *Fashion Industry Testifies in Favor of Design Copyright Protections (Again)*, WASH. POST (July 18, 2011), http://www.washingtonpost.com/blogs/arts-post/post/fashion-industry-testifies-in-favor-of-design-copyright-protections-again/2011/07/18/gIQAd2MuLI_blog.html. The most recent iteration of the bill, the Innovative Design Protection Act of 2012, S. 3523, 112th Cong. (2012), was introduced in Congress in the fall of 2012, but failed to pass before the end of the year. See Staci Riordan, *Fashion Copyright Bill Dies in Congress*, FASHION LAW BLOG (Jan. 3 2013), <http://fashionlaw.foxrothschild.com/2013/01/articles/fashion-law/fashion-copyright-bill-dies-in-congress/>.

²⁰ Nancy Clare Morgan, *Aesthetic Appeal*, 34 L.A. LAW. Feb. 2012, at 34.

²¹ See 15 U.S.C. § 1127 (2006) (defining trademarks as “any word, name, symbol, or device, or any combination thereof” used “to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown”).

lectual property for fashion. Yet, in this case, the cure may be worse than the disease. The rights that trademark law grants are extensive, providing a permanent monopoly to the holder. In an industry where commercial success depends on designers borrowing from each other and creating trends, often through the use of a certain color, these monopolies can significantly impact competition. Allowing single-color marks in fashion also interferes with the broader system of intellectual property protection by stretching trademark law into domains better suited for patent or copyright protection. As many scholars writing on fashion and intellectual property law have recognized, copyright law, specifically the Innovative Design Protection Act currently proposed in Congress, provides a more tailored solution to the lack of intellectual property protection in fashion.²²

Part I of this Note will examine the doctrine of aesthetic functionality as the Supreme Court has defined it since the early 1980s. It will then look at the decisions of the District Court for the Southern District of New York and the Second Circuit in the *Louboutin* case and analyze how the two courts diverged in their application of the test for aesthetic functionality. Part II will consider the unique interplay among creative design, copying, and competition in the fashion industry. It will connect these distinctive characteristics of the fashion industry back to the doctrine of aesthetic functionality and argue that allowing single-color marks, like the Louboutin red sole, can significantly hinder competition. Finally, Part III will briefly discuss the weak legal framework—in trademark, copyright, and patent—that currently protects fashion designs. It will argue that the Second Circuit's extension of trademark law to fashion designs is ill-suited to protect the intellectual property rights of designers and that a narrowly tailored copyright bill would serve the purpose much more effectively.

I. THE DOCTRINE OF AESTHETIC FUNCTIONALITY: TWO DIFFERENT INTERPRETATIONS

A. *The Origins of Aesthetic Functionality*

The diverging decisions of the two courts in the *Louboutin* case stemmed from differing interpretations of aesthetic functionality, a doctrine of trademark law.²³ The Lanham Act codifies functionality as a defense: in a trademark infringement suit, a defendant may show that the contested mark

²² See *infra* notes 196–200 and accompanying text.

²³ For a detailed explanation of the meaning of aesthetic functionality and its judicial history, see Morgan, *supra* note 20.

is functional, and thus not eligible for trademark rights, to counter the claim of infringement.²⁴ A functional mark cannot be protected under the Lanham Act, even if it has acquired secondary meaning.²⁵ Traditionally, under the Restatement of Torts, functionality encompassed any mark that might affect the “purpose, action or performance, or the facility or economy of processing, handling or using” the article.²⁶ In the past thirty years, the doctrine of functionality has evolved and courts have expanded its applicability to include features that may not initially appear to be functional. For example, in *Pagliari v. Wallace China Co.*,²⁷ the Ninth Circuit found the design of hotel china to be an “essential selling feature,” and held that it should thus be protected as functional.²⁸ *Pagliari* exemplified an appellate court’s willingness to treat ostensibly aesthetic aspects of a product, such as its physical appearance, as functional in an industry where the appearance of a product plays a large part in the market to sell it.

In the context of the trademarking of colors, the Supreme Court has also suggested that functionality may bar the trademarking of aesthetically functional marks. Aesthetic functionality looks to a purely aesthetic aspect of a product—like its color—that might nonetheless have an effect on its utility or cost. The Supreme Court first defined the test for color-based aesthetic functionality in a footnote of a 1982 case, *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, which discussed the functionality of the color of medicine capsules.²⁹ “[A] product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article,” Justice O’Connor wrote for the majority in *Inwood*.³⁰ This test echoed the original Restatement definition of functionality, focusing on the purpose of the article, even when the feature ostensibly relates only to the product’s appearance. The Court’s analysis of functionality in *Inwood*, however, did not extend beyond the footnote and thus gave no indication of how such a test might be applied in the future.

²⁴ 15 U.S.C. § 1115(b)(8) (2002).

²⁵ *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 24 (2001).

²⁶ RESTATEMENT (FIRST) OF TORTS §742 (1938).

²⁷ 198 F.2d 339, 343–44 (9th Cir. 1952).

²⁸ *Id.* at 343.

²⁹ 456 U.S. 844, 851 n.10 (1982).

³⁰ *Id.*

B. The Qualitex Decision

The Supreme Court did not apply the test of functionality again until *Qualitex Co. v. Jacobson Products Co.*³¹ In *Qualitex*, the Court grappled with the question of whether a manufacturer of dry-cleaning press pads could assert a trademark for a particular green-gold shade of pads. The Court found that no rule barred the trademarking of a color, emphasizing that “customers may come to treat a particular color on a product or its packaging . . . as signifying a brand.”³² As a color may serve the same source-identifying role as any other trademark, it should be eligible for trademark protection.³³ Nonetheless, the Court also recognized that allowing trademarks on colors could give rise to the same risk as permitting trademarks on descriptive marks, mainly that of hindering competition.³⁴ To ensure that color trademarks would not affect market competition, the Court emphasized that, as is the case for descriptive marks, a color may only be trademarked if it has acquired secondary meaning.³⁵ Even if it has acquired secondary meaning, a color may still not be eligible for trademark protection if it is functional.³⁶ In the case of the press pads, however, the Court concluded that the color served no functional purpose, thus making the mark valid under the Lanham Act.³⁷

In its analysis of functionality in *Qualitex*, the Court refined the test articulated in *Inwood* and provided a more detailed explanation of how it might apply to future cases. The Court expanded upon *Inwood*, finding a color functional “‘if it is essential to the use or purpose of the article or if it affects the cost or quality of the article,’ that is, if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage.”³⁸ The Court highlighted the importance of promoting competition by not “allowing a producer to control a useful product feature.”³⁹ This emphasis on competition elucidated why the doctrine of functionality exists: while trademark law should protect aspects of a product that serve to identify its source, it should not apply in such a way that allows one company to

³¹ 514 U.S. 159, 165 (1995).

³² *Id.* at 163.

³³ *Id.*

³⁴ *Id.* at 171.

³⁵ *Id.* at 163.

³⁶ *Qualitex*, 514 U.S. at 166.

³⁷ *Id.* at 174.

³⁸ *Id.* (quoting *Inwood Labs., Inc. v. Yves Labs. Inc.*, 456 U.S. at 851 n.10 (1982)).

³⁹ *Id.* at 164.

unjustly gain a monopoly, or even just a significant advantage, on the market for a product.

However, as the Court recognized, patent law does allow for such monopolies within carefully considered boundaries. “It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time, after which competitors are free to use the innovation,” Justice Breyer wrote for the majority.⁴⁰ In contrast, allowing trademark law to protect such functional features would enable a manufacturer to acquire a monopoly on any feature—whether or not it would even be eligible for a patent—in perpetuity.⁴¹ The Court thus recognized that to grant such vast intellectual property protection to a functional mark would extend trademark law far beyond its intended applicability.

C. *The District Court’s Decision in Louboutin*

In evaluating Louboutin’s red sole trademark, the Southern District of New York did not inquire into the red sole’s secondary meaning.⁴² Instead, it turned to Yves Saint Laurent’s defense that, regardless of its secondary meaning, the mark should not be protectable because it is aesthetically functional. The district court agreed with Yves Saint Laurent. Applying the doctrine of aesthetic functionality from *Qualitex* to the context of the fashion industry, the court found that the color of a shoe’s sole serves functional, non-trademark purposes and that it affects the cost of the shoe. The court thus concluded that it should not be protected under trademark law.

Evaluating the facts of the *Louboutin* case under the *Qualitex* test, the district court emphasized the non-trademark functions of the red sole that make it a functional mark. Judge Marrero described the painted red sole as “decorative, an object of beauty.”⁴³ This beauty, the court emphasized, serves not only to identify the source of the shoe, but also has its own independent ornamental function. “To attract, to reference, to stand out, to blend in, to beautify, to endow with sex appeal—all comprise nontrademark functions of color in fashion,” Judge Marrero wrote, describing the various appeals of the red sole.⁴⁴ Christian Louboutin himself, Judge Marrero noted, has acknowledged that he chose red for its “engaging” nature and to give

⁴⁰ *Id.*

⁴¹ *Id.* at 164–65.

⁴² *Louboutin*, 778 F. Supp. 2d at 449.

⁴³ *Id.* at 454.

⁴⁴ *Id.*

the shoe “energy.”⁴⁵ To support the argument that the sole’s aesthetic appeals are non-trademark features, Judge Marrero quoted from *Qualitex*, which described that when a color serves “to satisfy the ‘noble instinct for giving the right touch of beauty to common and necessary things,’” color has a “significant nontrademark function.”⁴⁶ As the red sole has this effect, Judge Marrero found that the color red on the sole serves a “significant nontrademark function.”

By emphasizing the non-trademark functions of the red sole, the court sought to place the Louboutin trademark within the *Qualitex* framework of aesthetic functionality. The court held that because of the sole’s non-trademark functions, the mark should fall into the category of aesthetically functional features that are not eligible for protection. In reaching this conclusion, Judge Marrero equated “ornamental” with “functional,” at least in the context of the fashion industry. The court did not frame its functionality analysis in the language of *Qualitex*, which defined functional as “essential to the use or purpose of the article.”⁴⁷ Rather, Judge Marrero relied on a series of cases holding the aesthetic purpose of color, as applied for example to boat motors and farming equipment, to be a sufficiently functional feature.⁴⁸ Such cases, the court stated, “illustrate the principle that ‘[a]esthetic appeal *can* be functional; often we value products for their looks.’”⁴⁹ By employing these cases to support its finding of functionality within the *Qualitex* test, the court thus suggested that in certain contexts, including fashion, aesthetic appeal alone may be essential to the purpose of an article, in a way that renders the color functional.

To buttress its functionality argument, the court also discussed how the red sole affects the price of the shoe by making it more expensive to manufacture and consequently, costlier and more exclusive.⁵⁰ The court ac-

⁴⁵ *Id.* at 453.

⁴⁶ *Id.* at 453–54 (quoting *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 170 (1995)) (internal citation omitted).

⁴⁷ *Qualitex*, 514 U.S. at 169 (citing *Inwood Labs., Inc. v. Yves Labs. Inc.*, 456 U.S. 844, 850 n.10 (1982)).

⁴⁸ *Louboutin*, 778 F. Supp. 2d at 453. The district court cited *Brunswick Co. v. British Seagull Ltd.*, where the color of outboard engines was found to be functional because it is “compatib[le] with a wide variety of boat colors and [can] make objects appear smaller,” 35 F.3d 1527, 1533 (Fed. Cir. 1994), and *Deere & Co. v. Farmhand, Inc.*, where the court considered the green color of tractor loaders to be functional because it matched other farm equipment, 560 F. Supp. 85, 98 (S.D. Iowa 1982), *aff’d*, 721 F.2d 253 (8th Cir. 1983).

⁴⁹ *Louboutin*, 778 F. Supp. 2d at 453 (quoting *Eco Mfg. LLC v. Honeywell Int’l Inc.*, 357 F.3d 649, 653 (7th Cir. 2003)) (emphasis in original).

⁵⁰ *Id.* at 454.

knowledge that these cost-related qualities of the sole may not have been what the Supreme Court intended as the relevance of cost in *Qualitex*.⁵¹ Judge Marrero implicitly assumed that *Qualitex* intended to bar trademarks when use of a color might make a product cheaper and thus more competitive on the market, although *Qualitex* itself did not explicitly make such an argument.⁵² Recognizing that production of shoes with a red sole would be more, not less, expensive, Judge Marrero nonetheless argued that “the higher cost of production is desirable because it makes the final creation that much more exclusive, and costly.”⁵³ Reading *Qualitex* literally, the court found that the red sole thus does “affect[] the cost and quality of the shoe,”⁵⁴ placing it within the category of aesthetically functional marks.

As these two analyses—of the red sole’s ornamental value and of its effect on cost—show, Judge Marrero rejected Louboutin’s trademark of the red sole by focusing primarily on the distinctive features of the fashion industry: “whatever commercial purposes may support extending trademark protection to a single color for industrial goods do not easily fit the unique characteristics and needs—the creativity, aesthetics, taste, and seasonal change—that define production of articles of fashion.”⁵⁵ Judge Marrero emphasized that in fashion, color serves not only as a source identifier, as can be the case for industrial objects, but also has its own aesthetic and expressive value.⁵⁶

To support this point and to show how color affects competition in the context of a creative enterprise like fashion, Judge Marrero analogized fashion to art.⁵⁷ He suggested that allowing Louboutin to maintain its trademark would be akin to allowing Picasso to bring a suit against Monet for employing the same shade of indigo blue.⁵⁸ While Judge Marrero recognized that the two situations are imperfect parallels, he focused on their

⁵¹ *Id.* (“The red outsole also affects the cost of the shoe, although perhaps not in the way *Qualitex* envisioned”).

⁵² Without referring specifically to cost, the Court in *Qualitex* stated that “[t]he functionality doctrine thus protects competitors against a disadvantage (unrelated to recognition or reputation) that trademark protection might otherwise impose, namely, their inability reasonably to replicate important non-reputation-related product features.” 514 U.S. at 169.

⁵³ *Louboutin*, 778 F. Supp. 2d. at 454.

⁵⁴ *Id.*

⁵⁵ *Id.* at 451.

⁵⁶ *Id.* (“[I]n fashion markets color serves not solely to identify sponsorship or source, but is used in designs primarily to advance expressive, ornamental and aesthetic purposes.”).

⁵⁷ *Id.* at 451–53.

⁵⁸ *Id.* at 451–52.

shared “creative stock”⁵⁹ and the close relationship between aesthetic and commercial value in both contexts. In fashion, as in painting, “artistic freedom” and “fair competition” are interrelated.⁶⁰ Restricting the available spectrum of colors “would unduly hinder not just commerce and competition, but art as well.”⁶¹ This argument linking artistic value to competition went to the core of the *Qualitex* analysis, which sought to restrict trademarking that might hinder competition. The district court’s analysis, by demonstrating the importance of color to commercial value in the fashion industry, thus placed the red sole well within the purpose of *Qualitex*’s doctrine of aesthetic functionality.

Based on its analogy to art and its analysis of the red sole mark in the framework of functionality, the court held that “Louboutin is unlikely to be able to prove that its red outsole brand is entitled to trademark protection” because “in the fashion industry color serves ornamental and aesthetic functions vital to robust competition.”⁶² With this conclusion, the court denied Louboutin’s claim for a preliminary injunction against Yves Saint Laurent.

D. *The Second Circuit’s Decision in Louboutin*

Like the district court, the Second Circuit relied on *Qualitex* in its analysis of Louboutin’s red sole trademark, but the court never applied *Qualitex*’s functionality test. Holding that no *per se* rule should bar the trademarkability of a color in fashion, the court held that Louboutin’s trademark on the red sole is permissible so long as the sole is in contrast with the rest of the shoe.⁶³

The Second Circuit first rejected the district court’s dispositive argument that color usage in the fashion industry warrants a unique analysis. Judge Cabranes, writing for the unanimous three-judge panel,⁶⁴ interpreted *Qualitex* as explicitly forbidding such a *per se* rule on the trademarkability of color.⁶⁵ “Sometimes . . . a color will meet ordinary legal trademark requirements[, a]nd, when it does so, no special legal rule prevents color alone from serving as a trademark,” Judge Cabranes wrote, quoting from the *Qualitex*

⁵⁹ *Louboutin*, 778 F. Supp. 2d. at 452.

⁶⁰ *Id.*

⁶¹ *Id.* at 453.

⁶² *Id.* at 449.

⁶³ *Louboutin*, 696 F.3d at 227–28.

⁶⁴ Judge Cabranes was joined by Judges Straub and Livingston.

⁶⁵ *Louboutin*, 696 F.3d at 223.

decision.⁶⁶ Instead, the court emphasized that the *Qualitex* test requires a case-by-case evaluation to determine whether a mark is functional.⁶⁷ In a detailed historical analysis, the Second Circuit opinion traced the evolution of trademarks on single colors from circuit decisions allowing such trademarks⁶⁸ to the decision in *Qualitex*.⁶⁹

The court then offered a three-pronged framework for applying the *Qualitex* analysis: ask first, whether the color is “essential to the use or purpose” of the article; second, whether the color affects the cost and quality of the article; and third, whether a trademark on the color would have a significant effect on competition.⁷⁰ But the court never reached the application of that test to the red sole mark. Rather, it analyzed the distinctiveness of the mark and concluded that it had attained sufficient secondary meaning to warrant trademark protection, although only in the limited situations where the sole contrasts with the rest of the shoe.⁷¹ The court thus held that the Yves Saint Laurent monochromatic shoe did not infringe on the Louboutin trademark, and, as this conclusion precluded Louboutin’s claim against Yves Saint Laurent, it also rendered unnecessary any analysis of the functionality defense that Yves Saint Laurent might raise.⁷²

Although the Second Circuit did not resolve the issue of functionality, it nonetheless suggested that it would not find the mark functional. The court described the mark as “a distinctive symbol that qualifies for trademark protection.”⁷³ Furthermore, in discussing the district court’s opinion, Judge Cabranes recognized that while allowing the trademark on the red sole may not give a competing designer “the greatest range for [his] creative outlet,” it would still allow the designer to “fairly compete within a given

⁶⁶ *Id.* (quoting *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 161 (1995)) (internal quotation marks omitted).

⁶⁷ *Louboutin*, 696 F.3d at 222.

⁶⁸ Among others, the Second Circuit cited *In re Owens–Corning Fiberglas Corp.*, 774 F.2d 1116, 1118–19 (Fed. Cir. 1985), which allowed a trademark on pink fiberglass, and *Yellow Cab Transit Co. v. Louisville Taxicab & Transfer Co.*, 147 F.2d 407, 415 (6th Cir. 1945), which permitted a trademark on yellow taxi cabs. *Louboutin*, 696 F.3d at 217.

⁶⁹ *Louboutin*, 696 F.3d at 222.

⁷⁰ *Id.* at 219–20.

⁷¹ *Id.* at 225.

⁷² *Id.* at 228. This conclusion leaves open the possibility that the red sole might still be found functional if a designer were to assert a functionality defense in another trademark infringement suit brought by Louboutin. Nonetheless, the court’s validation of the red sole trademark in this case suggests that it would not necessarily accept such an argument.

⁷³ *Id.* at 227.

market.”⁷⁴ In reaching this conclusion, albeit merely in dicta, the court seemed to eschew the rigorous functionality analysis that the district court considered required under the *Qualitex* test.

II. CREATIVITY, COMPETITION, AND THE RED SOLE MARK

A. Creative Freedom and Competition in Fashion

The interplay among creative freedom, copying, and competition in fashion is complex. To be successful on the commercial market, a designer must both establish himself as creative enough to distinguish his products from those of his competitors, and still embrace a certain level of copying to fit into the season’s trends.⁷⁵ Several scholars have sought to explain this tension between creative freedom and copying. One article, for example, characterized fashion as a lottery where cooperation through some level of imitation provides collective insurance against complete failure for each season by ensuring a certain level of similarity in designs.⁷⁶ In an important article on the subject, Professors Kal Raustiala and Christopher Sprigman argued that fashion depends on a paradoxical reliance on copying: to sell new designs, designers need old designs to fall out of fashion.⁷⁷ Copying, they argued, helps to ensure this turnover by transmitting trends to the majority of buyers who cannot afford to buy from “top” designers.⁷⁸ In this regard, copying plays an essential role in fashion as it ensures the continued existence of a market for new designs. This explanation is also supported by sociological analyses of the fashion industry, which describe fashion as a grouping mechanism in a stratified society—allowing members of different groups to associate themselves with each other through their clothing.⁷⁹

⁷⁴ *Id.* at 223.

⁷⁵ See Hemphill & Suk, *supra* note 16, at 1161 (“Fashion reflects the desire for the new, for movement with the collectivity, for contact with the spirit of the times.”).

⁷⁶ Jonathan M. Barnett et al., *The Fashion Lottery: Cooperative Innovation in Stochastic Markets*, 39 J. LEGAL STUD. 159 (2010).

⁷⁷ Kal Raustiala & Christopher Sprigman, *The Piracy Paradox: Innovation and Intellectual Property in Fashion Design*, 92 VA. L. REV. 1687 (2006); see also George B. Sproles, *Analyzing Fashion Life Cycles: Principles and Perspectives*, 45 J. MARKETING 116, 116 (1981).

⁷⁸ See Raustiala & Sprigman, *supra* note 77, at 1718–22.

⁷⁹ Georg Simmel, *Fashion*, 10 INT’L Q. 130 (1904). For more sociological and economic explanations of the fashion industry, see Sushil Bikhchandani et al., *A Theory of Fads, Fashion, Custom, and Cultural Change as Informational Cascades*, 100 J. POL. ECON. 992 (1992); Philip R.P. Coelho & James E. McClure, *Toward an Economic*

These interpretations all suggest that some level of copying is not only tied into the creative work of the designers, but may also be beneficial to the industry as a whole and thus relevant to any attempt to protect intellectual property in fashion.

B. The Red Sole and Aesthetic Functionality

The case of the “red sole” provides a powerful lens through which to consider the place of intellectual property protection in an industry so driven by aesthetics. Color plays a unique role in fashion, unlike other industries for which courts have previously evaluated the aesthetic functionality of colors.⁸⁰ The success of a fashion item often depends on its aesthetic appeal, in which color plays a large part. While the Second Circuit’s decision in the *Louboutin* case criticized the district court for adopting an industry-specific rule, the language of *Qualitex* does not preclude such an approach. The Second Circuit relied on part of the holding in *Qualitex*, which stated that “no special legal rule prevents color alone from serving as a trademark.”⁸¹ However, this language does not foreclose the possibility of an industry-specific analysis of functionality.⁸² It merely states that color is not *per se* functional. And indeed, as the district court’s analysis demonstrated, applying the test of aesthetic functionality both to the particular case of the red sole and to the fashion industry as a whole yields the conclusion that the trademark should be barred as aesthetically functional.

The district court discussed in detail the ornamental function of the red sole, recognizing the unique role that color plays in fashion designs. Several law professors who wrote an *amicus* brief for the appeal before the Second Circuit also emphasized the manner in which color becomes functional in fashion designs. The *amici* suggested that in evaluating the red sole under the doctrine of aesthetic functionality, the court should focus on whether there is an aesthetic value to the color beyond its role as a source identifier.⁸³ “[R]ed is an appealing color for shoes, and at least in some

Theory of Fashion, 31 ECON. INQUIRY 595 (1993); Harvey Leibenstein, *Bandwagon, Snob, and Veblen Effects in the Theory of Consumers’ Demand*, 64 Q.J. ECON. 183 (1950).

⁸⁰ See, e.g., *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062 (9th Cir. 2006) (automobile logos); *Villeroy & Boch Keramische Werke K.G. v. THC Sys., Inc.*, 999 F.2d 619 (2d Cir. 1993) (hotel china).

⁸¹ *Louboutin*, 696 F.3d at 223 (quoting *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 161 (1995)).

⁸² See Brief of Amicus Curiae Law Professors in Support of Defendants-Counter-Claimants-Appellees and Urging Affirmance, *Louboutin*, 696 F.3d 206 (2012) (No. 11-3303), 2012 WL 59424, at *10 [hereinafter *Professors Amicus*].

⁸³ *Id.*

circumstances can increase the appeal of the overall shoe when applied to the sole of the shoe,” the *amici* wrote.⁸⁴ The fact that Yves Saint Laurent made red shoes long before Louboutin started painting his soles red provides further support for this contention.⁸⁵ Indeed, Yves Saint Laurent, a high-end luxury brand that long predates Christian Louboutin, undoubtedly chose the color red for its aesthetic appeal, not to cause customers confusion over the source of the product. The aesthetic value of red soles, which multiple designers have recognized, should thus bar Louboutin’s trademark.

Looking beyond the red sole, color should generally be considered functional in the context of the fashion industry. While the district court did not explicitly state that color could never be trademarked in fashion, Judge Marrero was correct in his reluctance to allow fashion designers to trademark single colors.⁸⁶ Color is in fact one of the most important tools available to designers in creating clothing.⁸⁷ In a world that revolves around matching outfits, seasonal trends, and aesthetic appeal, color may often be the centerpiece of any design. Fashion designs are defined by their cut, color, and fabric. By allowing designers to gain a monopoly on one of these three elements, the Second Circuit has severely limited the design possibilities for other designers. Judge Marrero’s analogy to painting may have been imperfect,⁸⁸ but it highlighted the essential function of color for the designer. Color is one of the primary expressive tools for designers, as it is for painters. And in the fashion business, like in the art world, the commercial value of a design often depends on its aesthetic appeal, which in turn depends on its color. Given this special role of color in designs, single-color trademarks in the fashion industry should be subject to a more stringent functionality analysis than color marks in other industries.

C. *Aesthetic Functionality and Competition in the Fashion Industry*

Allowing trademarks like the red sole on fashion designs can result in the type of trademark monopoly against which the doctrine of functionality is designed to protect. Aesthetic functionality exists precisely to ensure that

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ *Christian Louboutin S.A. v. Yves Saint Laurent Am., Inc.*, 778 F. Supp. 2d 445, 451 (S.D.N.Y. 2011) (“[T]here is something unique about the fashion world that militates against extending trademark protection to a single color.”).

⁸⁷ *See, e.g.*, PANTONE FASHION COLOR REPORT SPRING 2012, <http://www.pantone.com/pages/fcr.aspx?pg=20910&ca=4> (last visited Feb. 13, 2013).

⁸⁸ Comparing fashion to art in the context of intellectual property protection is slightly deceptive because art pieces receive much broader protection through copyright because they are not “useful articles.” *See infra* notes 150–156.

manufacturers do not gain unfair market advantages by trademarking features of an article that affect the ability of others to compete fairly.⁸⁹ The decision of the Second Circuit, by permitting the trademark to remain, has restricted the color palette available to designers and has put at risk an important aspect of creative freedom for designers. This decision could thus have significant effects on competition in the fashion industry. Although Louboutin has undoubtedly invested significant time and money into ensuring that his red sole would acquire secondary meaning,⁹⁰ there is now no obstacle to other designers attempting to gain similar monopolies on single colors in fashion. Should the Second Circuit's decision stand, different designers could soon come to monopolize every color of the rainbow—with effective marketing, a designer could acquire secondary meaning on not just the soles of shoes, but also on the green interior of a bag, or even on a blue shirt.⁹¹ Designers could thus convert public recognition and strong market shares into secondary meaning for the color palettes they use and subsequently into trademark rights. Taken to the extreme, trademarks on single colors would, over time, effectively render it impossible to enter certain segments of the fashion market as every color could come to be trademarked in some way or another. Colors are not infinite. Indeed, permitting trademarks on single colors might rapidly narrow the spectrum of usable colors.

Furthermore, implicit in the statement that a color can contribute to the aesthetic appeal and value of a design is the recognition that copying a color may also be beneficial in the creation of a trend. Color is thus functional to designers not only because it is an important tool in their creative palette, but also because using a certain color may be essential to a designers' ability to partake in a season's trend and survive in the competitive market. Allowing trademarks on single colors in fashion could limit the available options to new designers and jeopardize their ability to enter into the market for fashion and participate in seasonal trends, often defined by color.⁹²

⁸⁹ See *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995) (quoting *Inwood Labs. Inc. v. Yves Labs. Inc.*, 456 U.S. 844, 851 n.10 (1982)) (defining a functional feature as one where “exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage”).

⁹⁰ See Collins, *supra* note 7.

⁹¹ The law professors, as *amici*, discussed that this phenomenon already occurs in the context of shoes. They cite several such trademarks: “Supplemental Registration No. 3,659,582 (green inner heel for women’s high-heel shoes); Serial No. 85/335,704 (green outsoles on high-heel women’s shoes); Serial No. 85/288,621 (blue outsoles on high-heel women’s shoes); Serial No. 85/149,118 (pink heel tips on women’s shoes).” *Professors Amicus*, *supra* note 82, at *15 n.8.

⁹² See, e.g., PANTONE FASHION COLOR REPORT SPRING 2012, *supra* note 87 (describing the season’s trends in terms of the *colors* that designers are using).

For example, if red were to become the “color of the season,” with runways showcasing red bags, red jackets, red skirts, and just about every other item in red, preventing a designer from using red on shoes, even if only on the sole, would significantly affect his creative options for that season.

This gradual monopolization of colors is exactly the hindrance on competition that the doctrine of aesthetic functionality seeks to avoid. As discussed in Part I, cases like *Inwood* and *Qualitex* established the test for functionality and also articulated its purpose: to preserve healthy competition in the market. Specifically, *Qualitex* held a mark functional if “exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage.”⁹³ To further explain the meaning of unfair competition, the decision quoted from the Restatement (Third) of Unfair Competition, stating that, “if a design’s ‘aesthetic value’ lies in its ability to ‘confe[r] a significant benefit that cannot practically be duplicated by the use of alternative designs,’ then the design is ‘functional.’”⁹⁴ This definition of aesthetic value applies to the red sole and to other single-color marks in fashion. The trademark on the red sole puts other designers at a disadvantage because it enables Louboutin to monopolize, even if in one specific use, one color of the limited spectrum available to designers, precluding them from duplicating the aesthetic appeal and dramatic effect best achieved by the red sole. As Judge Marrero acknowledged, color and competition are intertwined in the world of fashion.⁹⁵ He said:

Placing off limit signs on any given chromatic band by allowing one artist or designer to appropriate an entire shade and hang an ambiguous threatening cloud over a swath of other neighboring hues, thus delimiting zones where other imaginations may not veer or wander, would unduly hinder not just commerce and competition, but art as well.⁹⁶

Colors in fashion cannot be separated from the commercial competition between designers. Single-color trademarks in fashion are thus precisely the type of useful features affecting competition that fall within the doctrine of aesthetic functionality. To protect the creative process and the competitive market in fashion, single-color trademarks should not be allowed.

Precedent, both in the Second Circuit and in other circuits, also suggests that aesthetic functionality should bar trademarks on aesthetic features

⁹³ *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995).

⁹⁴ *Id.* at 170 (quoting the RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17).

⁹⁵ See *Christian Louboutin S.A. v. Yves Saint Laurent Am., Inc.*, 778 F. Supp. 2d 445, 452–53 (S.D.N.Y. 2011).

⁹⁶ *Id.* at 453.

in situations where consumers are choosing products for their aesthetic appeal.⁹⁷ For example, in *Wallace International Silversmiths, Inc. v. Godinger Silver Art Co.*,⁹⁸ the Second Circuit found a particular design of silverware to be functional because “effective competition in that market” requires the availability of “essentially the same” design.⁹⁹ As such, the court recognized that aesthetic functionality might apply to “purely ornamental features” that are “essential to effective competition.”¹⁰⁰ While the Second Circuit quoted *Wallace* in the *Louboutin* decision, it did so only to demonstrate the fact-specific inquiry required.¹⁰¹ However, the reasoning in *Wallace* may be applied more broadly to the fashion industry, where competition depends almost entirely on aesthetic appeal.¹⁰² Other circuits have similarly recognized the value of aesthetic functionality to protect competition in industries driven by aesthetics.¹⁰³

Even in industries where aesthetic appeal does not play as central a role, courts have recognized the functionality of aesthetic features, and in particular, of color. The district court cited several such decisions in its *Louboutin* opinion.¹⁰⁴ For example, in *Brunswick Co. v. British Seagull Ltd.*,¹⁰⁵ the Federal Circuit upheld the Trademark Trial and Appeal Board’s decision not to grant a trademark on the color black for outboard boat motors in part because the color “easily coordinate[s] with the wide variety of boat col-

⁹⁷ See *Professors Amicus*, *supra* note 82, at *3.

⁹⁸ 916 F.2d 76 (2d Cir. 1990).

⁹⁹ *Id.* at 80.

¹⁰⁰ *Id.* at 80–81.

¹⁰¹ *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holdings, Inc.*, 696 F.3d 206, 222 (2d Cir. 2012).

¹⁰² The Second Circuit emphasized that *Wallace* cautions against a *per se* rule on aesthetic functionality of colors. *Id.* However, the language of *Wallace* does not require that each mark be evaluated on a case-by-case basis. While the court did take notice of the extensive record from the lower court on the functionality of the feature, the principles it emphasized, mainly the promotion of “effective competition” can be used to find that aesthetic functionality broadly bars single-color marks in the fashion industry. See 916 F.2d at 80.

¹⁰³ *Amici* cite to another relevant case, *Rogers v. Keene*, 778 F.2d 334, 343 (7th Cir. 1985). They quote from it “Beauty is function. . . . A feature can be functional not only because it helps the product achieve the objective for which the product would be valued by a person indifferent to matters of taste, charm, elegance, and beauty, but also because it makes the product more pleasing to people not indifferent to such things.” *Professors Amicus*, *supra* note 82, at *3–*4. Notably, *Keene* was cited approvingly by the Supreme Court in *Qualitex*. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 170 (1995).

¹⁰⁴ *Christian Louboutin S.A. v. Yves Saint Laurent Am., Inc.*, 778 F. Supp. 2d 445, 453 (S.D.N.Y. 2011).

¹⁰⁵ 35 F.3d 1527 (Fed. Cir. 1994).

ors.”¹⁰⁶ Similarly, in *Deere & Co. v. Farmhand, Inc.*,¹⁰⁷ the Southern District of Iowa, later affirmed by the Eighth Circuit, denied John Deere’s effort to enforce a trademark on the company’s shade of green for loaders, because the court found that “farmers prefer to match their loaders to their tractor.”¹⁰⁸ Indeed, *Qualitex* even cited both these decisions approvingly as correct applications of the doctrine of aesthetic functionality.¹⁰⁹ Beyond color trademarks, courts have recognized that aesthetic features may be found functional when aesthetic appeal, or even basic matching between different objects, is an important element of market competition.¹¹⁰ Such is undoubtedly the case in the fashion industry.¹¹¹ Indeed, fashion revolves around matching and the interplay of colors. Aesthetics, and particularly colors, are often primary features of the design. The willingness of courts to find aesthetic features functional in industries where aesthetics are only secondary indicates that courts should also recognize single-color marks as aesthetically functional in fashion, an industry that is defined by aesthetics.

D. Beyond Louboutin Red: Other Single-Color Marks in the Fashion Industry

The *Louboutin* case launched a broader discussion in the fashion industry about the protection of single-color marks in fashion. Specifically, the jewelry company Tiffany & Co. expressed concern in the aftermath of the district court decision that the ruling might affect the brand’s famous robin-egg blue and gave public support to Louboutin’s effort to protect his red sole.¹¹² Fashion commentators suggested that the *Louboutin* district court decision could go so far as to jeopardize Hermès orange, famously used on its packaging and fashion items, and Valentino red, used frequently in Valen-

¹⁰⁶ *Id.* at 1532.

¹⁰⁷ 560 F. Supp. 85 (S.D. Iowa 1982), *aff’d*, 721 F.2d 253 (8th Cir. 1983).

¹⁰⁸ *Id.* at 98.

¹⁰⁹ 514 U.S. at 169.

¹¹⁰ *See, e.g., Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 826 (3d Cir. 1981).

¹¹¹ *See Professors Amicus, supra* note 82, at *11 (“What is true for outboard motors is even more so for fashion goods. The number of people who want a red (or pink or purple or orange) shoe *because of the color* is so substantial that it is logical to find, as the District Court here did, that the color serves an important non-source identification role as part of the appeal of the fashion product itself.” (emphasis in original)).

¹¹² *See* Brief of Amicus Curiae Tiffany (NJ) LLC and Tiffany and Company in Support of Appellants’ Appeal Seeking Reversal of the District Court’s Decision Denying Appellant’ Motion for Preliminary Injunction, *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holdings, Inc.*, 696 F.3d 206 (2d Cir. 2012), (No. 11-3303), 2011 WL 5126167 [hereinafter *Tiffany Amicus*]. Tiffany has only registered robin-egg blue to protect its packaging.

tino designs.¹¹³ Under the doctrine of aesthetic functionality, however, it may indeed be the right outcome to prevent these companies from monopolizing certain single colors on fashion items. Recognizing broad trademark rights on colors that have come to be associated with certain designers would reach far beyond the confines of the Second Circuit's *Louboutin* decision. It would expand the protection of single-color marks to any fashion item, not just its isolated use on the sole of a shoe. Enabling such color monopolization could significantly hinder competition, as fashion designers would each gradually gain ownership over a particular color, rapidly eliminating design options for new designers. The goal of aesthetic functionality is specifically to protect against such unfair advantages. Thus, the Second Circuit's *Louboutin* decision marks the beginning of a slippery slope, where colors famously associated with brands might become trademarkable as having acquired secondary meaning.

Tiffany & Co. wrote an *amicus* brief in support of *Louboutin* for its appeal to the Second Circuit.¹¹⁴ The brief urged the court to reject the district court's *per se* rule against single-color trademarks for "fashion items,"¹¹⁵ emphasizing the fame and value of robin-egg blue, which has come to be known as "Tiffany blue."¹¹⁶ In its brief, Tiffany mentioned the recent expansion of its use of robin-egg blue, currently registered only for packaging,¹¹⁷ into jewelry and fashion items, including "gloves, scarves and handbags."¹¹⁸ While Tiffany did not directly encourage the protection of these uses, its brief generally advocated for the protection of single-color trademarks on fashion items, suggesting that the company would pursue broad rights for its use of robin-egg blue in fashion.¹¹⁹

Such broad rights, however, could interfere with the creative freedom of designers and with competition in fashion. In the past few years, robin-egg blue has appeared repeatedly on other designers' fashion items, including jewelry, scarves, and handbags, and has been prominently displayed on

¹¹³ Emily Cronin, *Louboutin and YSL Continue Colour Wars*, ELLE UK (Aug. 19, 2011), <http://www.elleuk.com/fashion/news/louboutin-and-y-sl-continue-colour-wars#image=1>. These companies, however, did not intervene in the *Louboutin* case.

¹¹⁴ *Tiffany Amicus*, *supra* note 112.

¹¹⁵ *Id.* at *7–*13.

¹¹⁶ *Id.* at *2.

¹¹⁷ *Id.* at *3. Tiffany currently has four registrations with the USPTO: Reg. No. 2,184,128 on blue boxes with a white ribbon, Reg. No. 2,359,351 on boxes, Reg. No. 2,416,795 on shopping bags, Reg. No. 2,416,794 on the cover of catalogs. *Id.*

¹¹⁸ *Id.* at *2.

¹¹⁹ *Id.* at *7–*13.

runways.¹²⁰ If Tiffany's theory is accepted, such uses of robin-egg blue could soon constitute trademark infringement, thereby completely eliminating the availability of that color to other designers, with colors like Hermès orange and Valentino red likely to follow. Tiffany's *amicus* for the *Louboutin* case thus vividly showcases the risks of allowing Louboutin's red sole mark to stand. It demonstrates one designer's attempt, even before the Second Circuit's decision had been made, to apply it more broadly. Such an expansion of trademark law would render practically meaningless the doctrine of aesthetic functionality in the context of the fashion industry.

Different, more robust, protections apply to Tiffany's robin-egg blue packaging, and other single-color trademarked packaging.¹²¹ Packaging should, and traditionally has been, treated differently from the design of the articles themselves. The Supreme Court has repeatedly protected product packaging as a type of trade-dress.¹²² As such, banning single-color trademarks for fashion items would not impact Tiffany's current registrations on its packaging boxes.¹²³ This different treatment makes sense in the context of fashion, because packaging is less of a creative exercise than fashion design. Instead, it is an effort to convey through the container the source of the product to increase public recognition of the product itself.¹²⁴ Because packaging serves a primarily sourcing role and is not part of the same creative enterprise as fashion design, it should not be barred as aesthetically functional.¹²⁵

¹²⁰ *Amici* compiled a list of uses of robin-egg blue, finding "handbags, shoes, boots, scarves, gloves, dresses, scrubs, necklaces, earrings, rings, pins" available in Tiffany's shade or shades closely resembling it. *Professors Amicus, supra* note 82, at *19 n.10–20.

¹²¹ For example, Hermès has also trademarked its orange packaging. HERMÈS ORANGE, Registration No. 4,000,067.

¹²² See, e.g., *TraFFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 28 (2001); *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 206 (2000). See also *infra* notes 139–145.

¹²³ See *Tiffany Amicus, supra* note 112, at *3 (describing Tiffany's current registrations).

¹²⁴ See I. Chaneta, *Marketing: Packaging and Branding*, 8 J. COMPREHENSIVE RES. 19 (2010), available at <http://jupapadoc.startlogic.com/compresearch/papers/JCR10-3.pdf>.

¹²⁵ In the context of promoting fair competition, it is also possible to distinguish packaging from fashion designs, as the trademarking of packaging has a less significant impact on the ability of designers to enter the market and showcase their creativity.

III. THE RED SOLE AND INTELLECTUAL PROPERTY PROTECTION FOR FASHION

The dispute over trademark rights for the red sole is just one part of a broader discussion about the place of fashion in the American framework of intellectual property protection. Academics and attorneys in the industry have long lamented the fact that fashion has historically received very low intellectual property protection¹²⁶; the utility of clothing items and other fashion products generally bars them from receiving copyright protection¹²⁷ and patent law protects only that which is truly “new.”¹²⁸ While fashion companies have employed trademark law to protect their brand value, its applicability to fashion is generally limited to marks or trade-dress indicative of sourcing. This section will first discuss the current intellectual property framework for fashion. Second, it will discuss the theoretical defects inherent in extending trademark protection to designs like the red sole. Finally, it will argue that this use of trademark law interferes with patent law and that a copyright bill would provide a better framework to protect fashion designs.

A. *The Current Framework of Intellectual Property Protection for Fashion*

1. Trademark

The most extensive intellectual property protection in fashion already comes through trademark law.¹²⁹ Designers use trademarks to protect their brands by registering their logos, catch-phrases, and even sometimes their designs, when they play a source-identifying role.¹³⁰ For example, Chanel, a famous fashion brand, currently has over 200 trademark registrations that protect symbols ranging from the brand’s ‘CC’ monogram logo to the names

¹²⁶ See, e.g., Aya Eguchi, *Curtailing Copycat Couture: The Merits of the Innovative Design Protection and Piracy Prevention Act and A Licensing Scheme for the Fashion Industry*, 97 CORNELL L. REV. 131, 143 (2011); Julie P. Tsai, *Fashioning Protection: A Note on the Protection of Fashion Designs in the United States*, 9 LEWIS & CLARK L. REV. 447, 448 (2005).

¹²⁷ See *infra* notes 150–156 and accompanying text.

¹²⁸ See *infra* notes 146–149 and accompanying text.

¹²⁹ Susan Scafidi, *Intellectual Property and Fashion Design*, in 1 INTELLECTUAL PROPERTY AND INFORMATION WEALTH: COPYRIGHT AND RELATED RIGHTS 115, 121 (Peter K. Yu ed., 2006).

¹³⁰ See, e.g., *Professors Amicus*, *supra* note 82, at *15 n.8 (discussing existing trademark registrations in fashion).

of perfumes and bag collections.¹³¹ Occasionally, trademark rights have also been used to protect patterns, notably including the Burberry plaid.¹³² Trademark law thus affords designers extensive protection for the branding of their products, be it through logos, distinctive names, or any other markers of source. Recognizing that trademark law can provide them with the strongest claims to intellectual property protection by granting them a virtually permanent monopoly,¹³³ designers have increasingly sought to cover their clothes with designs that incorporate their registered source-defining marks so that the designs themselves may be protected.¹³⁴

However, some courts have sought to curb this expansion of trademark law into design. For example, in *Louis Vuitton Malletier v. Dooney & Burke, Inc.*,¹³⁵ the Second Circuit denied Louis Vuitton's claim that Dooney & Burke violated Louis Vuitton's trademark when it created a line of bags with designs that featured multicolor, repeating 'DB' monograms, similar to Louis Vuitton's designs incorporating its own 'LV' monogram.¹³⁶ More recently, however, a Southern District of New York judge held that the clothing company Guess' use of a repeating 'GG' pattern caused a sufficient

¹³¹ The full extent of Chanel, Inc.'s trademark protections can be found using a "TESS" search for live trademarks owned by the company. See *Trademark Electronic Search System (TESS)*, U.S. PATENT & TRADEMARK OFFICE, http://tess2.uspto.gov/bin/gate.exe?f=login&p_lang=english&p_d=trmk.

¹³² BURBERRY CHECK, Registration No. 1,241,222. Burberry has had a registration on its plaid pattern, the "Burberry Check," since 1996. See *United States v. Chong Lam*, 677 F.3d 190, 195 (4th Cir. 2012).

¹³³ Once registered, the mark's term is limited to a term of years (terms differ among states and federal registrations), but the registrant may keep renewing the registration. 15 U.S.C. § 1059 (2006). In addition, common law rights may grant broader protection.

¹³⁴ See Raustiala & Sprigman, *supra* note 77, at 1701 ("Increasingly, clothing and accessory designs incorporate a trademarked logo on the outside of the garment."); see also Scafidi, *supra* note 129, at 121.

¹³⁵ 454 F.3d 108 (2006).

¹³⁶ *Id.* Some academics interpreted the *Louis Vuitton* decision as an attempt to limit trademark protection in the fashion industry. See, e.g., Ashley E. Hofmeister, *Louis Vuitton Malletier v. Dooney & Bourke, Inc.: Resisting Expansion of Trademark Protection in the Fashion Industry*, 3 J. BUS. & TECH. L. 187, 200 (2008) (describing the court's "true holding" as "an implicit refusal to expand trademark protection in the American fashion industry"); Raustiala & Sprigman, *supra* note 77, at 1701 n.32 (recognizing the limits on the protection of the Louis Vuitton logo). For another decision recognizing the limits of trademark protection, see *People v. Rosenthal*, No. 2002NY075570, 2003 WL 23962174 (N.Y. Crim. Ct., Mar. 4, 2003), which noted that "while it is perfectly legal to sell merchandise that copies the design and style of a product often referred to as 'knockoffs,' it is against the law to sell goods that bear a counterfeit trademark."

likelihood of confusion, such that Guess had infringed Gucci's 'GG' trademark.¹³⁷ Nonetheless, in her decision, Judge Scheindlin noted that, "courts have uniformly applied this provision [of trademark law] to products that are stitch-for-stitch copies of those of another brand."¹³⁸ This statement highlights the difficulties in using trademark law to protect designs, because of the strong emphasis placed on similarity, requiring almost identical copies and a high likelihood of confusion.

Designers have also sought to extend the applicability of trademark law to fashion through trade-dress. Trade-dress allows the use of trademark law to protect not only symbols indicative of sourcing, but also packaging and product designs that are distinctive. For example, in *Two Pesos, Inc. v. Taco Cabana, Inc.*,¹³⁹ the Supreme Court held that the interior décor of a Mexican restaurant could be protected through trade-dress because of its inherent distinctiveness.¹⁴⁰ However, while the Court in *Two Pesos* seemed to extend trade-dress to any design with inherent distinctiveness,¹⁴¹ in *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*,¹⁴² the Court limited the extent to which trade-dress doctrine could apply to fashion designs by requiring that a design have secondary meaning to make it distinctive.¹⁴³ Before the Court's *Wal-Mart* decision, scholars had suggested that trade-dress might be the best mechanism to protect designs and combat piracy in fashion.¹⁴⁴ How-

¹³⁷ *Gucci Am., Inc. v. Guess?, Inc.*, 09 CIV. 4373 SAS, 2012 WL 2304247, at *26–*27 (S.D.N.Y. June 18, 2012).

¹³⁸ *Id.* at *22.

¹³⁹ 505 U.S. 763 (1992).

¹⁴⁰ *Id.* at 767.

¹⁴¹ *See id.* Before *Two Pesos*, many courts required a showing of secondary meaning to protect trade-dress, but *Two Pesos* eliminated such a requirement by focusing entirely on inherent distinctiveness. *See* Helen Jorda, *Law of Trade Dress Comes of Age: Two Pesos, Inc. v. Taco Cabana, Inc.*, 26 BEVERLY HILLS B. ASS'N J. 119, 120 (1992). The *Two Pesos* case holds that trade dress warrants strong protection under the Lanham Act "from the outset of its creation, without proof of secondary meaning, if that trade dress is inherently distinctive." *See* Karina K. Terakura, *Insufficiency of Trade Dress Protection: Lack of Guidance for Trade Dress Infringement Litigation in the Fashion Design Industry*, 22 U. HAW. L. REV. 569, 593 (2000) ("The *Two Pesos* case clearly finds that trade dress warrants strong protection under the Lanham Act 'from the outset of its creation, without proof of secondary meaning, if that trade dress is inherently distinctive'" (internal citations omitted)).

¹⁴² 529 U.S. 205 (2000).

¹⁴³ *Id.* at 212; *see also* Terakura, *supra* note 141, at 607 (explaining that the Court distinguished *Wal-Mart* from *Two Pesos* by limiting *Two Pesos* to product packaging as opposed to the product configuration at issue in *Wal-Mart*).

¹⁴⁴ *See, e.g.*, S. Priya Bharathi, *There Is More than One Way To Skin a Copycat: The Emergence of Trade Dress To Combat Design Piracy of Fashion Works*, 27 TEX. TECH L. REV. 1667, 1691–95 (1996).

ever, the Court's decision in *Wal-Mart* might severely limit the utility of trade-dress for fashion designers in a world where trends—and the designs accompanying them—often turn over in a matter of months.¹⁴⁵

2. Patent

Patent protection is generally quite limited in the fashion industry because of the heightened level of innovation required and the time limit imposed on the protection of the intellectual property.¹⁴⁶ Designers may seek patent protection for “new, original, and ornamental design” of their products.¹⁴⁷ However, it is often difficult for designers to prove novelty in fashion designs given how often they borrow from past seasons or other collections.¹⁴⁸ Furthermore, the expensive bureaucratic requirements of patent applications, as well as the limited time period for which they offer protection, add further complications. Although patent law has been used to protect certain products in the fashion industry, including shoes, handbags, and eyeglasses,¹⁴⁹ its heightened novelty requirement and prohibitive application requirements make it unlikely that fashion designers will be able to fully protect their designs through patent law.

3. Copyright

Recent literature advocating for increased intellectual property protection for the fashion industry has focused greatly on the role—and current

¹⁴⁵ See *id.* at 1691 (“Since the ‘style life’ of a garment is usually not more than three months, secondary meaning is difficult to prove.”); see also Jonathan M. Barnett, *Shopping for Gucci on Canal Street: Reflections on Status Consumption, Intellectual Property, and the Incentive Thesis*, 91 VA. L. REV. 1381, 1394 n.25 (2005) (discussing the difficulties in bringing suits for designs under trade-dress doctrine).

¹⁴⁶ See Emily S. Day, *Double-Edged Scissor: Legal Protection for Fashion Design*, 86 N.C. L. REV. 237, 251 (2007).

¹⁴⁷ 35 U.S.C. § 171 (2006).

¹⁴⁸ See Raustiala & Sprigman, *supra* note 77, at 1704 (“Because so many apparel designs are reworkings and are not ‘new’ in the sense that the patent law requires, most will not qualify for design patent protection.”).

¹⁴⁹ Julia Anne Matheson & Stephen L. Peterson, *Combine and Conquer: How the Synthesis of Design Patent and Trade Dress Achieve Maximum Protection for Your Product Design*, FINNEGAN (May 2009), <http://www.finnegan.com/resources/articles/articles-detail.aspx?news=74f843be-c63a-40cc-8ae0-007bc50fdd99> (cited in Elizabeth Ferrill & Tina Tanhehco, *Protecting the Material World: The Role of Design Patents in the Fashion Industry*, 12 N.C. J.L. & TECH. 251, 278 (2011)).

dearth—of copyright protection for fashion.¹⁵⁰ Copyright protection generally does not apply to a “useful article,” which is defined broadly in the copyright code as “an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information.”¹⁵¹ Because of the functional role of fashion designs as clothing, they escape copyright protection. As scholars have recognized, this utility-based distinction has the seemingly perverse effect of protecting the two-dimensional drawing of a design but not its execution in three dimensions.¹⁵²

For example, Professors Hemphill and Suk have suggested that separating the design element of designs from their utilitarian function may circumvent the lack of copyright protection for fashion.¹⁵³ Copyright law recognizes that the designs of useful articles may be copyrighted when they “can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.”¹⁵⁴ The doctrine of “separability” could thus become a potential solution to fashion’s lack of copyright protection if courts were to interpret the concept broadly.¹⁵⁵ However, in practice, courts have a mixed record on “separability” and have recently been reluctant to separate design elements of clothing.¹⁵⁶ And indeed, in many circumstances—for example, where the design is defined only by a particular

¹⁵⁰ See, e.g., Day, *supra* note 146; Shelley C. Sackel, *Art Is in the Eye of the Beholder: A Recommendation for Tailoring Design Piracy Legislation to Protect Fashion Design and the Public Domain*, 35 AIPLA Q.J. 473 (2007); Loni Schutte, *Copyright for Couture*, 2011 DUKE L. & TECH. REV. 11 (2011); Tsai, *supra* note 126; Lynsey Blackmon, Comment, *The Devil Wears Prado: A Look at the Design Piracy Prohibition Act and the Extension of Copyright Protection to the World of Fashion*, 35 PEPP. L. REV. 107 (2007); Lisa J. Hedrick, Note, *Tearing Fashion Design Protection Apart at the Seams*, 65 WASH. & LEE L. REV. 215 (2008); Laura C. Marshall, Note, *Catwalk Copycats: Why Congress Should Adopt a Modified Version of the Design Piracy Prohibition Act*, 14 J. INTELL. PROP. L. 305 (2007); Brandon Scruggs, Comment, *Should Fashion Design Be Copyrightable?*, 6 NW. J. TECH. & INTELL. PROP. 122 (2007); Megan Williams, Comment, *Fashioning a New Idea: How the Design Piracy Prohibition Act Is a Reasonable Solution to the Fashion Design Problem*, 10 TUL. J. TECH. & INTELL. PROP. 303 (2007).

¹⁵¹ 17 U.S.C. § 101 (2006 & Supp. V 2011).

¹⁵² See Raustiala & Sprigman, *supra* note 77, at 1699.

¹⁵³ Hemphill and Suk, *supra* note 16, at 1185–86.

¹⁵⁴ 17 U.S.C. § 101.

¹⁵⁵ Hemphill & Suk, *supra* note 16, at 1186.

¹⁵⁶ See, e.g., *Galiano v. Harrah’s Operating Co.*, 416 F.3d 411, 422 (5th Cir. 2005) (refusing to protect casino uniform because the expressive element was not separable from the useful function). *But see Poe v. Missing Persons*, 745 F.2d 1238 (9th Cir. 1984) (finding that a swimsuit’s design may be separable from its utility); *Kieselstein-Cord v. Accessories by Pearl, Inc.*, 632 F.2d 989, 993 (2d Cir. 1980) (holding that the design of belt buckles is separable from their function).

cut of fabric—it may be impossible to separate designs from the utility of clothing articles.

* * *

Recognizing the dearth of current intellectual property protections, scholars have ardently debated whether, as a normative matter, fashion *should* be entitled to such protection.¹⁵⁷ The purpose of this Note, however, is not to argue that fashion designs should be protected. Instead, this Note aims to evaluate the *Louboutin* decision and its implications in the broader context of intellectual property for fashion by assessing the appropriateness of trademark law for protecting designs in comparison to copyright and patent laws.

B. Trademark Law as a Backdoor to Design Protection

Trademark is the wrong avenue to protect the red sole, and fashion designs more broadly, because trademark focuses on sourcing rather than creativity. Christian Louboutin himself has stated that his choice of the red sole was the result of creative luck: “[t]his happened by accident as I felt the shoes lacked energy so I applied red nail polish to the sole of a shoe. This was such a success that it became a permanent fixture.”¹⁵⁸ While this statement does not necessarily suggest that Louboutin did not also intend for the red sole to serve as a source identifier,¹⁵⁹ the description captures the way by which most design aspects come to acquire secondary meaning. A designer has a creative idea for an original design and with time that design comes to identify the designer himself. So it is, for example, with Chanel’s diamond-quilted bags (inspired by the cushions in her home),¹⁶⁰ and Bottega Veneta’s famous “*intrecciato*” pattern of woven leather.¹⁶¹ Yet, the fact that a design acquires so much fame that it becomes associated with its creator, thereby

¹⁵⁷ See *supra* note 150 and accompanying text; see also Hemphill & Suk, *supra* note 16.

¹⁵⁸ Don Jeffrey & Cotton Timberlake, *Louboutin Wins Appeal Over Saint Laurent Red-Soles Shoes*, BLOOMBERG (Sept. 5, 2012, 3:17 PM) <http://www.bloomberg.com/news/2012-09-05/louboutin-wins-appeal-over-saint-laurent-red-soles-shoes.html>.

¹⁵⁹ In fact, when he applied for the trademark more than ten years after first painting soles red, Louboutin stated that, “the shiny red color of the soles has no function other than to identify to the public that they are mine.” Collins, *supra* note 7.

¹⁶⁰ JANET WALLACH, CHANEL: HER STYLE AND HER LIFE 158 (1999).

¹⁶¹ The “*intrecciato*” pattern is a registered trademark (Serial No. 77/219, 184), but its validity has yet to be tested by the courts.

giving it secondary meaning, should not necessarily entitle it to trademark protection.¹⁶²

The purpose of trademark law is to allow manufacturers to identify the source of their goods and to protect consumers from confusion between products.¹⁶³ As McCarthy's famous treatise on trademarks and unfair competition states, to merit trademark protection, "a designation must be proven to perform the job of identification: to identify one source and distinguish it from other sources."¹⁶⁴ Trademark law thus protects fair competition by ensuring that one manufacturer cannot free ride off of the reputation of another. A trademark is an identifier of quality to indicate to consumers the origin of the product, thus enabling them to rely on the marks in their purchase decisions.¹⁶⁵ Yet in protecting manufacturers who gain an advantage through branding on the competitive market, trademark law also seeks to strike a balance and ensure that they do not gain this advantage unfairly.¹⁶⁶ It is in this regard that the defense of functionality is essential. Functionality, by restricting the type of marks that may be protected, ensures that manufacturers gain monopolies on an identifying mark, *not* on a particular product or product feature.¹⁶⁷

Louboutin's red sole undeniably serves the sourcing role of a trademark. With its fame, the red sole has come to symbolize its creator and to identify for fashion-savvy consumers the high-end luxury of Louboutin shoes. Because a color, like a descriptive word, is a non-distinctive mark, this secondary meaning is necessary to even allow the mark to be protectable.¹⁶⁸ And there are at least two reasons why a trademark on the red sole

¹⁶² The doctrine of dilution does take into account the fame of a mark and protects it against dilution. See 15 U.S.C. § 1125(c) (2012). Nonetheless, concerns over dilution should only enter the picture once a trademark has been held valid. In this case, aesthetic functionality should block the trademark, thus making concerns over dilution irrelevant.

¹⁶³ 1 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 3:3 (4th ed. 2013).

¹⁶⁴ *Id.*

¹⁶⁵ See Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789 (1997) ("[T]rademarks serve as markers of consistent source and quality").

¹⁶⁶ See *Professors Amicus*, *supra* note 82, at *3.

¹⁶⁷ *Id.*

¹⁶⁸ Courts have traditionally demonstrated reluctance to enforce non-distinctive marks like colors, and have focused on the heightened requirements for such marks, particularly that they have secondary meaning. See, e.g., *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004); *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225 (3d Cir. 1978); *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976).

might be beneficial to the industry: it protects a designer's creative work and encourages others to innovate with the assurance that such innovations will give them legal rights. These legal rights in turn provide assurance that designers will be able to profit from their work by ensuring that others cannot copy it. In the case of the red sole, trademark rights can ensure that Louboutin reaps the benefits of his creation and that other designers cannot free ride off his idea.

Yet, while these benefits might support a trademark on a red sole, the costs to the industry and to the broader public of allowing the trademark militate against its protection. First, the red sole is by no means Louboutin's only source identifier on his shoes. Louboutin uses multiple other marks on each pair of shoes to identify the brand.¹⁶⁹ Both the inside of the shoe and the sole bear the name of the designer.¹⁷⁰ As a result, it is unlikely that any buyer of an Yves Saint Laurent pair of monochromatic shoes, or even a pair of contrasting shoes, would be confused about the source of the product. These additional safeguards ensure that even without the red sole, trademark law could still serve its primary purposes of protecting Louboutin from unfair competition and consumers from confusion in their purchases. Through these trademarks, Louboutin may thus still benefit from the reputation he has built.

Furthermore, even if the red sole mark serves the sourcing purposes of trademark law, it goes directly against the broader goal of encouraging fair competition. Indeed, the red sole mark does not promote competition; rather, it limits it. As discussed in Part II, allowing single-color marks in fashion carries its own unique risks because of the importance of aesthetics to the industry and to the commercial value of designs.¹⁷¹ Unlike with other features that merit trademark protection, allowing the red sole trademark protection bears significant social costs by affecting competition. Competition in fashion differs substantially from that in other industries, and non-distinctive marks, which may otherwise be worthy of trademark protection because of their secondary meaning, may still be inappropriate in

¹⁶⁹ Louboutin owns several other trademarks, some of which he uses on his shoes. See, e.g., CHRISTIAN LOUBOUTIN, Registration No. 85,700,808; CHRISTIAN LOUBOUTIN, Registration No. 85,700,773; LOUBOUTIN, Registration No. 85,700,799.

¹⁷⁰ See, e.g., *Christian Louboutin – New Simple Pumps*, SAKS FIFTH AVENUE, http://www.saksfifthavenue.com/main/ProductDetail.jsp?FOLDER%3C%3Efolder_id=2534374306418049&PRODUCT%3C%3Eprd_id=845524446200768&R=452504329499&P_name=Christian+Louboutin&N=4294912355+306418049&bmUID=jR0INSS (last visited Mar. 6, 2013).

¹⁷¹ See *supra* notes 89–110 and accompanying text.

fashion because of their negative effect on competition. Trademark law is tailored for such situations with the defense of functionality, and particularly of aesthetic functionality. Ensuring the robust strength of these doctrines thus serves to protect the industry as a whole. While the red sole mark may satisfy many formal requirements of trademark law, when looked at in the larger context of the fashion industry and the test of aesthetic functionality, such a trademark contravenes both the goal of promoting fair competition and the spirit of trademark doctrine.

Scholars advocating against increased intellectual property protection for fashion have worried that such a system would hinder innovation. Although certain trademark rights promote innovation by ensuring that creators will receive legal protection, when these rights are misapplied, they can lead to the opposite result. Professors Raustiala and Sprigman suggest that the low-intellectual property environment of fashion might promote innovation because the cyclical nature of fashion depends not only on constant change, but also on frequent borrowing of design elements.¹⁷² Within this paradigm, more robust intellectual property rights may serve to stifle innovation by limiting not just the tools of designers, but also their incentives to create new designs. Protection of the red sole mark does precisely that. As the same professors wrote in an article published shortly after the Second Circuit's decision, intellectual property rights "can serve an important, even critical, function in our innovation-based economy. But they can also squelch competition and slow down innovation."¹⁷³ According to Raustiala and Sprigman, the Second Circuit's *Louboutin* decision essentially grants the designer a permanent monopoly on a particular design with no adequate justification. Not only does this obviously hinder competition, but in doing so, the red sole also stifles innovation by preventing designers from developing and improving off of each other's ideas, an essential component of innovation in fashion.

The intellectual property framework created by Congress seeks to ensure a careful balance between these competing interests—protecting manufacturers, while promoting competition and innovation. Trademark law grants extensive rights to marks that meet its requirements; only through trademark law can designers acquire virtually permanent rights to a mark. As such, its use should be carefully deployed to situations where it will not have severe effects on the market for competition. In the case of the red sole,

¹⁷² See Raustiala & Sprigman, *supra* note 77, at 1775–76.

¹⁷³ Kal Raustiala & Christopher Sprigman, *What Apple and Red Shoes Have in Common: Using Broad Design To Block Competition*, WIRED (Sept. 10, 2012, <http://www.wired.com/business/2012/09/opinion-apple-louboutin-design-competition>).

the harmful impact on the market is readily apparent. The protection of the red sole represents an overextension of trademark into the world of designs, which both patent and copyright, as will be discussed in sections C and D of this Part, are better suited to protect. While it is not surprising that designers are seeking to manipulate the scant framework of intellectual property rights for fashion to provide some protection for their creative works, validating the use of trademark law in this domain bears significant risks for the industry in the long-term.

C. Trademarking Designs and Design Patent Law

Allowing trademarks in fashion like the trademark on the red sole expands trademark law into a domain of intellectual property protection better fit for other legal frameworks, including patent law. For example, the *amici* law professors argued that allowing trademarks on design features like the red sole interferes with design patents.¹⁷⁴ The professors drew on the broader idea that the trademark doctrine of utilitarian functionality, banning trademarks on useful features, exists to delineate the border between trademark law and utility patent law.¹⁷⁵ Similarly, they argued, aesthetic functionality prevents trademark from impeding into the territory of design patents.¹⁷⁶ Design patents, as discussed above, protect designs that fall within the statute's narrow definition of "novel" for a limited duration of time: fourteen years.¹⁷⁷ Aesthetic functionality is crucial, the professors suggested, because without it "trademark law would grant perpetual monopolies in desirable product features that, although associated by consumers with a particular producer, are not novel in the way that patent law requires for both utility and design patents."¹⁷⁸ The *amici* could have drawn on Justice Breyer's opinion in *Qualitex* for further support of this argument, as he also emphasized that trademark law should not be used to circumvent the heightened requirements of patent law.¹⁷⁹

According to the *amici*'s argument, the doctrine of aesthetic functionality in trademark law thus serves to preserve the balance in intellectual property protection "between incentivizing the production of attractive new designs and permitting the widest possible competition consistent with that

¹⁷⁴ *Professors Amicus*, *supra* note 82, at *2–*9.

¹⁷⁵ *Id.* at *6–*8.

¹⁷⁶ *Id.* at *8–*9.

¹⁷⁷ *See id.* at *7; *see also supra* notes 146–149 and accompanying text.

¹⁷⁸ *Professors Amicus*, *supra* note 82, at *7.

¹⁷⁹ *See supra* notes 39–40 and accompanying text.

incentive.”¹⁸⁰ Patent law, because it allows for intellectual property protection for useful articles, could also risk interfering with competition, but the stringent requirements of patent protection serve to mitigate this risk.¹⁸¹ In comparison to patent protection, the requirements for trademark protection are relatively low. As such, it is especially important that trademark not intrude into the domain of patent law by allowing for the protection of functional features.

In the case of the red sole, the *amici* go on to argue that allowing the trademark to stand causes exactly that type of interference with patent law.¹⁸² As discussed in Part II of this Note, the red sole is functional by virtue of its aesthetic appeal. While the red sole may not meet the stringent requirements for a design patent, this does not mean that Louboutin should instead acquire a complete monopoly on it through trademark law. Indeed, as explained above, the red sole is exactly the type of design feature that can have a significant and damaging impact on competition. Intellectual property, through its balance between trademark law—and aesthetic functionality—and patent law, seeks to protect against this risk. In this case, respect for the doctrine of aesthetic functionality requires that the red sole not receive trademark protection, as such rights would interfere with the design of the patent law system.

D. *Why Copyright is Better Suited Than Trademark to Protect Fashion Designs*

Though trademark law may be the only tool currently available to designers to protect their designs, a copyright bill for fashion could provide more tailored rights to designers. The Second Circuit acknowledged in a footnote of its *Louboutin* decision that, “[i]t is arguable that, in the particular circumstances of this case, the more appropriate vehicle for the protection of the Red Sole Mark would have been copyright rather than trademark.”¹⁸³ The court supported this proposition by citing academic literature on the subject,¹⁸⁴ as well as *Kieselstein-Cord v. Accessories by Pearl, Inc.*,¹⁸⁵ where the Second Circuit held that the ornamental aspect of belt buckles “is concep-

¹⁸⁰ *Professors Amicus*, *supra* note 82, at *7.

¹⁸¹ *See id.*; *see also* Ralph S. Brown, *Design Protection: An Overview*, 34 UCLA L. REV. 1341, 1355–57 (1987) (discussing the difficulties of obtaining a design patent).

¹⁸² *Professors Amicus*, *supra* note 82, at *8–*9.

¹⁸³ *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holdings, Inc.*, 696 F.3d 206, 223 n.19 (2d Cir. 2012).

¹⁸⁴ In support of the view that fashion may merit *sui generis* protection, the court cited *Hemphill & Suk*, *supra* note 16.

¹⁸⁵ 632 F.2d 989 (2d Cir. 1980).

tually separable from their subsidiary utilitarian function,¹⁸⁶ thus making the buckles potentially eligible for copyright protection as creative art.¹⁸⁷ The prospect of copyright law providing a better system to protect such designs suggests that trademark law should not be manipulated, as it was in the *Louboutin* case, to try to fill this role.

Copyright law aims to protect not only the rights of individual creators, but also the broader progress of science and the arts. Indeed, the Constitution itself grants Congress the task of “promot[ing] 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.”¹⁸⁸ The various mechanisms of intellectual property—patent, trademark, and copyright—all play a part in fulfilling this mission, but copyright law plays a particularly central role in promoting creativity and progress.¹⁸⁹ As the Register of Copyrights has stated, “the primary purpose of copyright is to stimulate the creation and dissemination of intellectual works, thus advancing ‘the progress of science and useful arts.’”¹⁹⁰ The Register goes on to explain that, “‘an important secondary purpose’ of copyright is to ‘give authors the reward due them for their contribution to society’ and compensate them for their labors and their contributions.”¹⁹¹ The protection provided by copyright law thus encourages the creation of new works by guaranteeing legal protections for their authors.

In promoting innovation, however, copyright law also recognizes that the protection of works should not be all encompassing. As discussed in Part II, innovation can often grow out of the use of the ideas of others, including in the domain of fashion designs. Even beyond the fashion indus-

¹⁸⁶ *Id.* at 993.

¹⁸⁷ *Id.* at 994.

¹⁸⁸ U.S. CONST. art. I, § 8, cl. 8.

¹⁸⁹ Patent law also serves to further this goal, as it too protects innovation. However, its heightened standard of novelty limits the range of features that may fall within its domain so as to exclude creative works that may nonetheless be meritorious of some intellectual property protection. Further, patent law in stark contrast to copyright law has as its aim the protection of useful features. *See* 35 U.S.C. § 101 (2006). Copyright law thus reaches where patent law does not, by providing broader intellectual property protection to works of art and their creators.

¹⁹⁰ C.T. Dreschler, Annotation, *Extent of Doctrine of “Fair Use” Under federal Copyright Act*, 23 A.L.R.3d 139 (Originally published in 1969) (quoting REP. OF THE REGISTER OF COPYRIGHTS ON THE GEN. REVISION OF THE UNITED STATES COPYRIGHT LAW, PREPARED FOR THE SUBCOMM. ON PATENTS, TRADEMARKS, & COPYRIGHTS, S. COMM. ON THE JUDICIARY, 86TH CONG. 2D SESS. 5–6 (Comm. Print 1960), reprinted in 2 STUDIES ON COPYRIGHT 1199, at 1205–06 (1963)).

¹⁹¹ *Id.*

try, the “progress of science and useful arts” may depend on adequate access to existing work. To encourage such uses, copyright law includes safeguards to permit certain uses of works that fall within the “fair use doctrine.”¹⁹² In addition, unlike trademark law, copyright law does not grant a permanent monopoly on protected works.¹⁹³ Copyright law thus plays an important role in promoting innovation: it incentivizes it by granting legal rights to the creators, while also recognizing that progress may depend on the interchange and “fair use” of the ideas of others.

Copyright law offers a better framework to protect fashion designs: its purposes match the fashion industry’s needs for intellectual property protection, while its limits ensure the rights it grants would not stifle innovation and creation. Copyright law can protect the creative processes of fashion by giving designers sufficient rights to protect their designs and the value of their work from illegitimate exact copies.¹⁹⁴ At the same time, however, the protection it provides is not absolute, as it permits certain uses, including potentially the necessary “borrowing” that occurs in fashion, and it limits the term of protection. With copyright law, designs may be protected for a much shorter term than other copyrighted works. For example, the European Union directive granting copyright protection for fashion designs allows for five-year terms of protection, which may be renewable up to 25 years.¹⁹⁵ Copyright law, because it aims to protect the creative process through a flexible and adaptable system of rights, can adequately represent the interests of designers without hindering the broader competitive market of the fashion industry.

The Innovative Design Protection Act (IDPA), which Senator Charles Schumer has proposed several times in Congress but which has never passed, can employ the advantages of copyright law to offer more tailored protection for the aspects of fashion that should be shielded from copying without hin-

¹⁹² *Id.*

¹⁹³ Copyright protection generally extends for the lifetime of the creator plus seventy years, although certain types of work may be subject to different protection. See 17 U.S.C. § 302 (2006).

¹⁹⁴ Hemphill and Suk describe manufacturers like Forever 21 and A.B.S. that often reproduce entire designs, rather than just particular features or trends as “fast-fashion copyists,” whose copies are the most damaging to innovation in the fashion industry. Hemphill & Suk, *supra* note 16, at 1172–74. See also Lauren Howard, *An Uningenious Paradox: Intellectual Property Protections for Fashion Designs*, 32 COLUM. J.L. & ARTS 333, 341–42 (2009).

¹⁹⁵ Council Regulation (EC) No. 6/2002 of 12 Dec. 2001, art. 111, on Community Designs 2001 O.J. (L 3), amended by Council Regulation (EC) No. 1891/2006 of 18 Dec. 2006 O.J. (L 386) [hereinafter *European Council Regulation*], available at <http://oami.europa.eu/en/design/pdf/6-02-CV-en.pdf>.

dering competition and creative freedom.¹⁹⁶ Scholars and commentators in the industry have ardently debated the proposed copyright bill and its potential effect on the fashion industry.¹⁹⁷ While some see it as a necessary reform to protect the creative works of designers and to promote innovation,¹⁹⁸ others worry that increased protection will restrict the market for clothing, thus raising prices, and will flood courts with frivolous lawsuits.¹⁹⁹ To guard against these potential effects denounced by the bill's opponents, the bill has been revised multiple times to narrow the breadth of protection. As it stands now, the bill enjoys broad support from most segments of the fashion industry, including the once-opposed American Apparel and Footwear Association.²⁰⁰

In its current form, the bill grants copyright rights in fashion to designs that are found to be sufficiently unique, by protecting against only "substantially identical" copies.²⁰¹ The bill essentially codifies an originality requirement by applying only to designs that "provide a unique, distinguishable, non-trivial and non-utilitarian variation over prior designs for similar types of articles."²⁰² By limiting protected designs to those that satisfy uniqueness as defined in the bill, the IDPA ensures that copyright

¹⁹⁶ S. 3523, 112th Cong. (2012) [hereinafter *Innovative Design Protection Act*], available at <http://www.govtrack.us/congress/bills/112/s3523/text>.

¹⁹⁷ See e.g., Day, *supra* note 146; Hemphill & Suk, *supra* note 16; Howard, *supra* note 194; Sackel, *supra* note 150; Blackmon, *supra* note 150; Marshall, *supra* note 150; Williams, *supra* note 150. *But see* Kari Heyison, *If It's Not Ripped, Why Sew It? An Analysis of Why Enhanced Intellectual Property Protection for Fashion Design Is in Poor Taste*, 28 *TOURO L. REV.* 255 (2012); Susanna Monseau, *European Design Rights: A Model for the Protection of All Designers from Piracy*, 48 *AM. BUS. L.J.* 27, 28 (2011); Jennifer E. Smith, *Flattery or Fraud: Should Fashion Designs Be Granted Copyright Protection?*, 8 *N.C. J.L. & TECH. ON.* 1, 2 (2007).

¹⁹⁸ See, e.g., Hemphill & Suk, *supra* note 16.

¹⁹⁹ See Cathy Horyn, *Schumer Bill Seeks To Protect Fashion Design*, *N.Y. TIMES* (Aug. 5, 2010, 10:43 PM), <http://runway.blogs.nytimes.com/2010/08/05/schumer-bill-seeks-to-protect-fashion-design/?partner=rss&emc=rss>; *Innovative Design Protection and Piracy Prevention Act (IDPPPA) and the Innovative Design Protection Act (IDPA) – What's Next for Protection of Fashion Design in the United States?*, *VENABLE LLP* (Oct. 18, 2012), <http://www.venable.com/innovative-design-protection-and-piracy-prevention-act-idpppa-and-the-innovative-design-protection-act-idpa-what-s-next-for-protection-of-fashion-design-in-the-united-states-10-18-2012/>.

²⁰⁰ See Horyn, *supra* note 199.

²⁰¹ *Innovative Design Protection Act*, *supra* note 196.

²⁰² *Id.* Notably, the bill excludes color as a consideration, stating, "[t]he presence or absence of a particular color or colors or of a pictorial or graphic work imprinted on fabric shall not be considered in determining the protection of a fashion design." *Id.* This suggests that an identical copy, whose only distinguishing difference is its color would also be considered an infringement. It also indicates

protection will not stifle the creative copying in fashion—and the innovation it leads to—which has been staunchly defended by many commentators on the subject.²⁰³ In addition, the requirement that violating copies be “substantially identical” ensures that the protection of designs will not interfere with the process of “borrowing” which is so essential to innovation in fashion.²⁰⁴ The bill defines “substantially identical” as “so similar in appearance as to be likely to be mistaken for the protected design, and contains only those differences in construction or design which are merely trivial.”²⁰⁵ This heightened standard of similarity may limit the applicability of the bill, but it ensures that it will not overextend and stifle the creative process. Finally, the term of protection, unlike regular copyright protection, would generally be limited to three years.²⁰⁶ This short term is similar to the standard five-year term offered by the European Union’s copyright protection²⁰⁷ and guarantees that designers will not acquire permanent monopolies on designs, thereby promoting long-term competition in the industry. These provisions of the bill all help to ensure that while the IDPA will undoubtedly increase the intellectual property protection of fashion designs, it will do so in a limited way so as not to interfere with the creative and competitive processes that drive the industry. The IDPA thus offers a more narrowly tailored and carefully considered solution to protect the rights of designers without hindering the market as a whole.

IV. CONCLUSION

Over the past few years, commentators on the fashion industry and legal scholars have ardently debated the merits of the increased intellectual property protection that extending copyright to fashion designs would provide. The subject has gained widespread attention both in the mainstream media and in academic journals. However, as the bill granting copyright protection has stalled in Congress and industry specialists continue to disagree over the extent of protection needed, fashion designers have become

that Louboutin’s red sole would most likely not be eligible for copyright protection under the IDPA.

²⁰³ See, e.g., Raustiala & Sprigman, *supra* note 77.

²⁰⁴ See *id.*

²⁰⁵ *Innovative Design Protection Act*, *supra* note 196.

²⁰⁶ *Id.*

²⁰⁷ *European Council Regulation*, *supra* note 195.

increasingly frustrated with the current system, advocating vocally for more intellectual property rights.²⁰⁸

Christian Louboutin's suit against Yves Saint Laurent represents one designer's attempt to seek recognition for his designs, not through public advocacy or legislative action, but through litigation. Recognizing that the existing devices of intellectual property protection are insufficient to protect his designs, Christian Louboutin has sought to manipulate trademark law to his advantage. In demonstrating support for the red sole trademark, the Second Circuit has endorsed this back door approach to the protection of designs.

As a formalistic matter, the Second Circuit's application of trademark law may appear judicially sound. But in practice, it ignores the realities of the fashion industry and the broader purpose of trademark law in protecting fair competition. In fashion, competition and aesthetic appeal are inextricable. The success of designers depends on their creativity and on the full availability of design tools, including colors. And indeed, trademark law has recognized how aesthetic features may be essential to competition through the doctrine of aesthetic functionality. In the fashion industry, where commercial success depends on aesthetic appeal, a robust enforcement of aesthetic functionality is particularly important. As the district court emphasized in its opinion, single-color marks in fashion are almost always aesthetically functional.

Regardless of where they stand on copyright protection for fashion, commentators on the industry should recognize that the *Louboutin* decision goes too far in enabling trademark law to protect designs. Single-color marks in fashion pose significant risks to the industry by granting monopolies to individual designers on an essential tool that all designers require. In the long term, allowing single-color marks on fashion designs will hinder not only competition in the fashion industry, but also innovation and creativity, which continue to make fashion the object of fantasy and desire.

²⁰⁸ Prabal Gurung, Narciso Rodriguez, Proenza Schouler, and Jason Wu are among the designers who have spoken out, including testifying in Congress, in favor of more intellectual property protection for fashion. See Katherine Boyle, *Fashion Industry Testifies in Favor of Design Copyright Protection (Again)*, WASH. POST (July 18, 2011, 11:47 AM) http://www.washingtonpost.com/blogs/arts-post/post/fashion-industry-testifies-in-favor-of-design-copyright-protections-again/2011/07/18/gIQA d2MuLI_blog.html.

Copyright and Responsibility

Haochen Sun*

ABSTRACT

This Article argues that the ethics of responsibility should be hailed as an intrinsic value undergirding copyright law. It considers how and why copyright law should be reformed to embrace a strong vision of copyright holders' responsibilities. To this end, it calls for a more dynamic vision regarding the nature of copyrighted works. A copyrighted work, as the Article shows, is not only the embodiment of its author's thought and personality, but also a social initiative in sharing intangible resources to promote creativity, shaping people's cultural power, and pursuing the quest for justice. These social values inherent in all copyrighted works provide the ethical justification for introducing responsibility into copyright and enforcing it as another core function of copyright law. Following the ethics of responsibility, copyright law should function to grant exclusive rights to copyright holders and also to impose social responsibilities on them.

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* Assistant Professor of Law and Deputy Director of Law & Technology Center, University of Hong Kong. For helpful conversations or generous comments on previous drafts, or both, I would like to thank: Gregory Alexander, Shyam Balganes, Mario Biagioli, James Boyle, Irene Calboli, Anupam Chander, Albert Chen, Peter Lee, Sean Pager, Jed Purdy, Blake Ellis Reid, Madhavi Sunder, Talha Syed, Laura Underkuffler, Scott Veitch, Peter Yu, and Diane Zimmerman. I also received helpful comments and insights from the participants in the 2012 Intellectual Property Scholars Conference.

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What is required of us now is a new era of responsibility—a recognition on the part of every American that we have duties to ourselves, our nation and the world; duties that we do not grudgingly accept but rather seize gladly, firm in the knowledge that there is nothing so satisfying to the spirit, so defining of our character than giving our all to a difficult task.

Barack Obama¹

At the root of America's economic crisis lies a moral crisis: the decline of civic virtue among America's political and economic elite. . . . Without restoring an ethos of social responsibility, there can be no meaningful and sustained economic recovery.

Jeffery Sachs²

INTRODUCTION

Copyright law has long been dominated by the language of rights. The building blocks of the copyright system are designed to protect copyright owners' rights.³ However, legislators, judges, and policymakers rarely raise the question whether copyright owners should have responsibilities and how copyright law should enforce them. For example, amid the heated debate on the Google digital library project, few have asked whether copyright holders should have the responsibility to facilitate the creation of a public digital library. Given its unprecedented power to disseminate knowledge, the Google digital library project has been hailed as equivalent to the invention of the printing press.⁴ Yet, because the operation of its digital library in-

¹ President Barack Hussein Obama, Inaugural Address (Jan. 20, 2009) (transcript available at <http://www.whitehouse.gov/blog/inaugural-address>).

² JEFFREY D. SACHS, *THE PRICE OF CIVILIZATION: REAWAKENING AMERICAN VIRTUE AND PROSPERITY* 3 (2012).

³ See, e.g., CARYS J. CRAIG, *COPYRIGHT, COMMUNICATION AND CULTURE: TOWARDS A RELATIONAL THEORY OF COPYRIGHT LAW* 2–3 (2011) (“[C]opyright is widely regarded as a system whose purpose is the protection of private, proprietary rights.”); ROBERTA ROSENTHAL K WALL, *THE SOUL OF CREATIVITY: FORGING A MORAL RIGHTS LAW FOR THE UNITED STATES* xiii (2010) (arguing that “copyright laws . . . are concerned generally with authors’ rights.”); ROBERT P. MERGES, *JUSTIFYING INTELLECTUAL PROPERTY* 5 (2011) (arguing that “the most important core principle” of property rights over intangible assets such as copyright is this: “[I]t assigns to individual people control over individual assets. It creates a one-to-one mapping between owners and assets.”); Christopher Kalanje, *Leveraging Intellectual Property: Beyond the ‘Right to Exclude’*, *WORLD INTEL. PROP. ORG.*, http://www.wipo.int/sme/en/documents/leveraging_ip.html (last visited Oct. 24, 2012) (arguing that the core of real property and intellectual property is the right to exclude).

⁴ Mark Gregory, *Google’s Books Online under Fire*, *BBC NEWS* (May 24, 2005), <http://news.bbc.co.uk/2/hi/business/4576827.stm> (“The head of Oxford Uni-

volved unauthorized verbatim copying of copyrighted works, Google was sued for copyright infringement.⁵ Since then, the debate has been focused squarely on issues such as whether Google's digital library could constitute a fair use of copyrighted works⁶ and the validity of its dispute settlement agreement.⁷ No serious discussion, however, has been raised to consider whether copyright holders have a social responsibility to assist in the creation of a public digital library.

The handling of the dispute between copyright holders and Google, therefore, reveals the lack of the principle of responsibility in the contemporary copyright system. Armed with the bundle of economic rights protected by copyright law, many copyright holders have taken for granted that they do not have responsibilities associated with their copyrights. For them, copyright simply denotes the absolutist notion of property, in which the owner enjoys "sole and despotic dominion which one man claims and exercises over the external things of the world, in total exclusion of the right of any other individual in the universe."⁸

This Article seeks to address the irresponsibility mentality that modern copyright law has bred. To this end, it considers why the ethics of responsibility should be hailed as an intrinsic value undergirding copyright law. Following the ethics of responsibility, it argues that copyright law should function to grant exclusive rights to, and also impose social responsibilities on, copyright holders.⁹ It shows that the imposition of responsibilities on copyright holders stems from the human condition, namely that individuals are members of social groups. While copyrights play a crucial role in fostering a copyright holder's individuality, responsibilities are indispensable to a

versity's library service said the [Google] project could turn out to almost as important as the invention of the printing press.").

⁵ Author's Guild, Inc. v. Google Inc., No. 05-CV-8136 (S.D.N.Y. Sept. 20, 2005).

⁶ See, e.g., Matthew Sag, *The Google Book Settlement and the Fair Use Counterfactual*, 55 N.Y.L. SCH. L. REV. 19 (2010) (arguing that the Google Books Library Project constitutes fair use); Diane Leenheer Zimmerman, *Can Our Culture Be Saved? The Future of Digital Archiving*, 91 MINN. L. REV. 989, 1018–25 (2007). For the opinion holding that the Google project can not pass the fair use scrutiny, see Elisabeth Hanratty, *Google Library: Beyond Fair Use?*, 2005 DUKE L. & TECH. REV. 10, ¶ 3 ("Without a significant change in interpretation of the law, it is unlikely that Google will be able to successfully claim its actions constitute fair use. . . ."); Siva Vaidhyanathan, *The Googlization of Everything and the Future of Copyright*, 40 U.C. DAVIS L. REV. 1207, 1221–25 (2007).

⁷ See, e.g., Pamela Samuelson, *The Google Books Search Settlement as Copyright Reform*, 2011 WISC. L. REV. 479 (evaluating the validity of the settlement agreement).

⁸ WILLIAM BLACKSTONE, COMMENTARIES ON THE LAWS OF ENGLAND 393 (1882).

⁹ See *infra* Part III.

copyright holder's social membership. This Article argues that imposition of responsibilities plays three roles in nurturing the copyright holder's social membership: overcoming individualism, shaping cultural power, and inducing moral deliberation about social justice.¹⁰

The responsibility-based idea put forward by this Article makes two contributions to the copyright literature. First, the ethics of responsibility, as this Article will show, paves the way for us to reconsider the conventional wisdom about the nature of copyright law, which emphasizes the exclusive rights bestowed upon the individual copyright holder¹¹ or the duties of others not to infringe those rights.¹² In this Article, I argue that these conceptions of copyright law neglect the ethical ethos on which copyright holders' responsibilities should be based. The protection of copyright holders' rights is not and should not be the sole function of copyright law. Copyright law should be re-envisioned as a legal system that embodies the interrelated values of individual right (the copyright holder's right), collective right (the user's right),¹³ and responsibility (the copyright holder's responsibility).

¹⁰ See *infra* Part II.

¹¹ The primary function of copyright law, according to the law and economics perspective and natural rights theory, is to grant and protect copyright holders' rights. Professors Landes and Posner, two pioneers of the economic analysis of copyright law, define copyright protection as "the *right* of the copyright's owner to prevent others from making copies. . . ." William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. LEGAL STUD. 325, 326 (1989) (emphasis added). By prioritizing the legal protection of the individual labor or personhood that is injected into copyrighted works, natural rights theorists have highlighted the role of copyright law in protecting copyright as an individual right. See generally, Wendy J. Gordon, *A Property Right in Self Expression: Equality and Individualism in the Natural Law of Intellectual Property*, 102 YALE L.J. 1533, 1544–1555 (1993); Justin Hughes, *The Philosophy Of Intellectual Property*, 77 GEO. L.J. 287, 296–306 (1988); William Fisher, *Theories of Intellectual Property*, in *NEW ESSAYS IN THE LEGAL AND POLITICAL THEORY OF PROPERTY* 168, 171–72 (Stephen R. Munzer ed., 2001).

¹² Professor Balganesch puts forth that the core function of copyright law is to enforce users' duty not to copy. Shyamkrishna Balganesch, *The Obligatory Structure of Copyright Law: Unbundling the Wrong of Copying*, 125 HARV. L. REV. 1664, 1665 (2012). He argues that copyright law's "exclusive rights framework functions almost entirely through its creation of an obligation not to copy original expression." *Id.* at 1665. He further points out that "accepting that copyright's legal framework—as an obligatory system—speaks most directly to potential copiers rather than to creators." *Id.* at 1665–66.

¹³ See Haochen Sun, *Fair Use as a Collective User Right*, 90 N.C. L. REV. 125, 164 (2011). Other commentators have argued the case for including users' rights in copyright law. However, they do not define the nature of the user's right as a collective right. See generally L. RAY PATTERSON & STANLEY W. LINDBERG, *THE NA-*

In addition to the above proposal, I further argue that the strategies that make copyright law more accommodative to the ethics of responsibilities should also be used to reshape the Copyright Act into a more socially viable legal instrument. Recently, leading copyright scholars such as Professors Jessica Litman,¹⁴ William Patry,¹⁵ and Pamela Samuelson,¹⁶ have demonstrated the urgency of, and made concrete proposals for, amending the Copyright Act, as it has become copyright holder-centric, obsolete, and over-complicated in the digital age. While I concur with these proposals, in this Article I put forward a new direction in which the reform of copyright law should proceed. I consider why the law should require copyright holders to take affirmative actions to address responsibilities that ought to be within the ambit of copyright law. Such a critical assessment would contemplate the renewed moral sentiments and political environment necessary to make copyright law adequately responsive to societal needs.¹⁷

This Article is divided into three parts. Part I reveals a pervasive irresponsibility mentality among many copyright holders. It further examines the roots of the irresponsibility mentality. Part II considers the ethical basis for imposing responsibilities on copyright holders. It shows that a copyrighted work is not only the embodiment of its author's thought and personality, but also a social initiative in sharing intangible resources to promote creativity, shaping people's cultural power, and pursuing the quest

TURE OF COPYRIGHT: A LAW OF USERS' RIGHTS 3–4 (1991) (stating that copyright should be viewed “as a law for consumers as well as for creators and marketers”); Julie E. Cohen, *The Place of the User in Copyright Law*, 74 *FORDHAM L. REV.* 347 (2005); Abraham Drassinower, *Taking User Rights Seriously*, in *IN THE PUBLIC INTEREST: THE FUTURE OF CANADIAN COPYRIGHT LAW* 462 (Michael Geist ed., 2005); Niva Elkin-Koren, *Making Room for Consumers Under the DMCA*, 22 *BERKELEY TECH. L.J.* 1119 (2007) (discussing the rights of information consumers); Wendy J. Gordon & Daniel Bahls, *The Public's Rights to Fair Use: Amending Section 107 to Avoid the “Fared Use” Fallacy*, 2007 *UTAH L. REV.* 619 (2007); Joseph P. Liu, *Copyright Law's Theory of the Consumer*, 44 *B.C. L. REV.* 397 (2003).

¹⁴ Jessica Litman, *Real Copyright Reform*, 96 *IOWA L. REV.* 1, 16 (2010) (discussing the weaknesses of the copyright system).

¹⁵ WILLIAM PATRY, *HOW TO FIX COPYRIGHT* (2012).

¹⁶ Pamela Samuelson, *Preliminary Thoughts on a Copyright Reform Project*, 2007 *UTAH L. REV.* 551 (2007).

¹⁷ See MADHAVI SUNDER, *IP³*, 59 *STAN. L. REV.* 257, 332 (2006) (“We should not fear the rise of new theoretical justifications for creating intellectual property rights—or for limiting them. There is much to be gained from articulating competing descriptive and normative visions of intellectual property, particularly those that challenge the historical distribution of the power to make and control cultural meaning.”).

for justice. It then argues that copyright law should have dual functions: protecting copyright holders' rights and enforcing their responsibilities.

Part III further explores the extent to which the ethics of responsibility can be translated into legal rules in copyright law. It shows that this transition should involve two crucial steps of implementation. First, legislators and regulators should promote the responsibility policy among copyright holders. In particular, they can use the responsibility policy to deal with the limitations on the extent to which the First Amendment and the Copyright Clause of the U.S. Constitution can protect the public interest in accessing copyrighted works. Second, the fair use exception should be redefined as a copyright holder's responsibility to accommodate fair uses of his or her works. Part III also discusses the specific negative and collective responsibilities that should be imposed on copyright holders.

I. THE IRRESPONSIBILITY MENTALITY IN COPYRIGHT LAW

Law protects rights, but it also enforces responsibilities. It regulates human affairs through rules that require people to enjoy their freedoms and exercise their rights in responsible ways.¹⁸

For example, property law has a body of doctrines that require property owners to act responsibly toward their neighbors and the public at large.¹⁹ It prohibits a property owner from causing both private nuisances that would interfere with another owner's peaceful enjoyment of his property and public nuisances that would harm the public interest.²⁰ Other property doctrines,

¹⁸ See JULES L. COLEMAN, *Beyond the Separability Thesis: Moral Semantics and the Methodology of Jurisprudence*, 27 OXFORD J. LEGAL STUD. 581, 584 (2007) ("Law regulates human affairs by rules that are reasons for acting. In that sense, governance by law necessarily respects the capacity of those to whom its directives are addressed to act on the basis of reasons.").

¹⁹ Property law has expressly embraced the ancient maxim *sic utere tuo ut alienum non laedas* ("use your land in such a way as not to injure the land of others") as a guiding principle in addressing property disputes. See Elmer E. Smead, *Sic Utere Tuo Ut Alienum Non Laedas: A Basis of the State Police Power*, 21 CORNELL L. Q. 276, 277 (1936). Professor Alexander argues that "[m]odern property law imposes a wide range of obligations on owners." Gregory S. Alexander, *The Social-Obligation Norm in American Property Law*, 94 CORNELL L. REV. 745, 754 (2009).

²⁰ JOSEPH WILLIAM SINGER, INTRODUCTION TO PROPERTY 105–21 (2001) (explaining private and public nuisance doctrines as limitations on property rights that enforce property owners' responsibilities). Property law penalizes owners of factories that pollute water and/or air in an entire community, motels that serve as site for prostitution or lewd dancing, stores that sell pornography, and houses in which illegal drugs are sold. In these cases, public nuisances caused by irresponsible uses of property "injuriously affect[t] the safety, health, or morals of the public"

such as the eminent domain power²¹ and the public trust doctrine,²² are also designed to promote responsible property use. Interestingly, a vibrant discussion about the idea of responsibility has flourished in property literature, directing people to re-envision the role of property protection in fostering social dynamics.²³

Copyright is one facet of property law, which as a system is designed to entitle owners to have exclusive control over tangible and intangible resources. However, the corresponding idea of responsibility is poorly incorporated into copyright law. Copyright statutes and judicial decisions rarely use responsibility as a guiding principle for dealing with copyright disputes. Worse still, only scant attention has been paid to the copyright holder's responsibilities in the vast copyright literature.²⁴ Professor Jacqueline Lipton is one of the few scholars who argues that, "governments who create, support, and enforce information property," should also, "create, support, and enforce concurrent affirmative duties imposed on relevant right holders."²⁵ She advocates using lessons from property law to impose duties on copyright holders.²⁶ But copyrights differ from real property rights: the former protect the intangible expression of ideas while the latter protect tangible objects. Thus, questions still remain as to why the obligatory scheme in property law

Commonwealth v. S. Covington & Cincinnati St. Ry. Co., 205 S.W. 581, 583 (1918).

²¹ See Alexander, *supra* note 19, at 775 (justifying the government's eminent domain power to force the sale of private property by regarding the eminent domain power as "an aspect of the social obligation inherent in private ownership.").

²² See Haochen Sun, *Toward a New Social-Political Theory of the Public Trust Doctrine*, 35 VT. L. REV. 563, 603 (2011) (arguing that the public trust doctrine "relies on social responsibilities that promote the *stewardship ethic* to protect collective rights over public space.").

²³ See, e.g., ERIC T. FREYFOGLE, *ON PRIVATE PROPERTY: FINDING COMMON GROUND ON THE OWNERSHIP OF LAND* (2007); ERIC T. FREYFOGLE, *THE LAND WE SHARE: PRIVATE PROPERTY AND THE COMMON GOOD* (2003); JOSEPH WILLIAM SINGER, *ENTITLEMENT: THE PARADOXES OF PROPERTY* (2000); LAURA S. UNDERKUFLE, *THE IDEA OF PROPERTY: ITS MEANING AND POWER* (2003); Alexander, *supra* note 19, at 775; Jennifer Nedelsky, *Reconceiving Rights as Relationship*, 1 REV. CONST. STUD. 1, 16 (1994); Eduardo M. Peñalver, *Property as Entrance*, 91 VA. L. REV. 1889 (2005); Jedediah Purdy, *A Freedom-Promoting Approach to Property: A Renewed Tradition for New Debates*, 72 U. CHI. L. REV. 1237 (2005).

²⁴ See, e.g., Roberta Rosenthal Kwall, *The Author as Steward "For Limited Times,"* 88 B.U. L. REV. 685, 705 (2008) (reviewing LIOR ZEMER, *THE IDEA OF AUTHORSHIP IN COPYRIGHT* (2007), and pointing out that "the concept of 'duty' is not one that has received explicit attention in copyright circles . . .").

²⁵ Jacqueline Lipton, *Information Property: Rights and Responsibilities*, 56 FLA. L. REV. 135, 190 (2004).

²⁶ *Id.* at 165–81.

should be necessarily introduced into copyright law. Professors Roberta Rosenthal Kwall²⁷ and David Vaver²⁸ also discuss the possibility of channeling responsibility into copyright law and emphasize the value of responsibilities. But, they do not explain the larger theoretical basis, in particular the ethical justification, for imposing responsibilities on copyright holders.

The underutilization or near absence of responsibility in the theory and practice of copyright law and ethics has bred a widespread irresponsibility mentality²⁹ among many copyright owners. Owners actively assert their copyrights, but barely talk about their responsibilities. William Patry, a leading scholar and practitioner in copyright law, bluntly describes the irresponsibility mentality as follows:

Copyright owners . . . only speak in terms of the *advantage* of property rights, and never the *burdens* that necessarily go with property ownership. Such cherry-picking of only those things that you like isn't the way our legal system works. . . . Although copyright owners routinely invoke property as "one of the basic tenets of a free society," they ignore the more fundamental tenet—the obligation of all citizens, including copyright owners, to society. . . . Copyright owners also ignore that what they regard as a right is instead a government grant specifically for the benefit of society, *not* authors.³⁰

The above statement demonstrates the fact that responsibility has become a "sunset" concept in the realm of copyright law and ethics. This section first discusses three examples of the irresponsibility mentality in which copyright owners use the language of rights and its rhetorical power to water down their responsibilities. The remainder of this section then ex-

²⁷ Kwall, *supra* note 24, at 703–04 (elaborating on an understanding of "the colloquial author as a steward of her work," and suggesting that this understanding is "consistent with the view that copyright ownership involves duties to the public as well as rights in the work.").

²⁸ David Vaver, *Copyright and the Internet: From Owner Rights and User Duties to User Rights and Owner Duties?*, 57 CASE W. RES. L. REV. 731, 750 (2007) ("We should recognize that copyright owners have duties as well as rights. Among these duties are the provision of fair access to content at fair and non-discriminatory prices.").

²⁹ See generally SCOTT VEITCH, LAW AND IRRESPONSIBILITY: ON THE LEGITIMATION OF HUMAN SUFFERING 72 (2007) (emphasis in original) ("Immunised by the mechanisms of responsibility transference, underpinned by the naturalised economic realm of rights to private property upheld at almost any cost by state institutions, the irresponsible mentality appears not only as widely prevalent, but as legitimate. And such organized irresponsibility and legitimised immunities are call 'the law.'").

³⁰ WILLIAM PATRY, MORAL PANICS AND THE COPYRIGHT WARS 123 (2009).

plains what factors have operated to condone or even encourage the irresponsibility mentality among many copyright owners.

A. *Three Examples of the Irresponsibility Mentality of Many Copyright Owners*

1. Expanding Copyrights

Copyright-based industries have strived to strengthen copyright protection during the past few decades. Their aggressive lobbying efforts have led Congress to repeatedly amend the Copyright Act. For example, the Copyright Term Extension Act (CTEA)³¹ epitomizes how the copyright-based industry has been expanding the scope of copyrights.³² In 1998, Congress adopted the CTEA to give a twenty-year extension of copyright terms prospectively and retroactively. The retroactive extension of copyright terms, in particular, has pulled the works that were already or about to be out of copyright protection back under proprietary control.³³ If the extension had not been made, these contents traditionally recognized as public property³⁴ would have remained free for the public to use.

³¹ Sonny Bono Copyright Term Extension Act of 1998, Pub. L. No. 105-298, 112 Stat. 2827 (1998) (codified as amended at 17 U.S.C. §§ 101, 108, 203, 301-04 (2006)).

³² See LAWRENCE LESSIG, *FREE CULTURE: THE NATURE AND FUTURE OF CREATIVITY* 218 (2005) (noting that more than two-thirds of the original sponsors of CTEA in the House and Senate received contributions from Disney and that “Disney is estimated to have contributed more than \$800,000 to reelection campaigns in the 1998 cycle.”); Christina N. Gifford, *The Sonny Bono Copyright Term Extension Act*, 30 U. MEM. L. REV. 363, 385-86 (2000) (“In fact, ten of the thirteen sponsors of the bill in the House received contributions from Disney, and eight of the twelve sponsors in the Senate were given money by Disney’s political action committee. Disney also made a \$20,000 donation to the National Republican Senatorial Committee two weeks after Senate Majority Leader Trent Lott signed the bill. Other notable lobbyists included the Gershwin family, whose copyright on George Gershwin’s ‘Rhapsody in Blue’ was due to expire in 1999, and other acclaimed artists like Bob Dylan and Quincy Jones.”).

³³ Under the retroactive extension, works copyrighted in 1923 and timely renewed will not enter the public domain until 2018, assuming there are no further extensions.

³⁴ See, e.g., *Merriam v. Holloway Pub. Co.*, 43 F. 450, 451 (1890) (“When a man takes out a copyright, for any of his writings or works, he impliedly agrees that, at the expiration of that copyright, such writings or works shall go to the public and become public property”); *Merriam v. Famous Shoe & Clothing Co.*, 47 F. 411, 413 (1891) (“[A]s the copyright on that edition has expired, it has now become public property. Any one may reprint that edition of the work”).

The passage of the CTEA evinced the irresponsibility mentality championed by the copyright-based industry. Throughout its legislative history, the Congressional hearings were dominated by pro-copyright testimonies. The representatives from copyright-based industries argued for the extension of copyright terms by twenty years based on a need to provide economic incentive to produce and disseminate new works and to keep up with the term extension in the European Union.³⁵ The legislative process of the CTEA, however, showed that its extension of copyright terms was adopted purely to benefit existing copyright holders, especially big entertainment companies.³⁶ Heavily influenced by the rhetoric for stronger copyright protection, Congress did not consider whether the CTEA would substantively serve the public interest. Testimonies delivered before Congress were predominantly from representatives sent by the copyright-based industry who failed to furnish any evidence the CTEA would provide creators more incentive to produce and disseminate more works for the public.³⁷ A brief signed by seventeen economists, including five winners of the Nobel Prize in Economics, however, shows that the copyright-based industry had indeed exaggerated the role of copyright term extension in incentivizing the production and dissemination of works. The brief concludes that there was no plausible claim that the twenty-year extension of the copyright term would do anything to incentivize the creation of works.³⁸ Moreover, multiple studies have found that the CTEA may cause grave social harms.³⁹ For example,

³⁵ *ELDRED V. ASHCROFT*, 537 U.S. 186, 199–208 (2003).

³⁶ See, e.g., LESSIG, *supra* note 32, at 218.

³⁷ See DENNIS S. KARJALA, *Judicial Review of Copyright Term Extension Legislation*, 36 *LOY. L.A. L. REV.* 199, 206–222 (2002) (concluding after review of the CTEA's legislative history that “[a] number of witnesses before Congress stated, in essence, that an extended term meant stronger copyright protection and that stronger protection would operate as an incentive to the creation of new works. No witnesses attempted to rebut the argument that the present value of the extended term to a current author is nil. No one testified that any particular author had decided against undertaking the creation of a new work that he would have undertaken had the prospective term been life plus seventy years instead of the pre-CTEA life-plus-50-year term.”).

³⁸ Brief of George A. Akerlof et al. as Amici Curiae in Support of Petitioners at 10–12, *Eldred v. Ashcroft*, 537 U.S. 186 (2003) (No. 01-618), available at <http://cyber.law.harvard.edu/openlaw/eldredvashcroft/legal.html#amici>.

³⁹ Richard Posner, *Do Patent and Copyright Law Restrict Competition and Creativity Excessively?*, THE BECKER-POSNER BLOG (Sept. 30, 2012, 10:30 PM), www.becker-posner-blog.com/2012/09/do-patent-and-copyright-law-restrict-competition-and-creativity-excessively-posner.html (“Apart from the fact that the present value of income received so far in the future is negligible, obtaining copyright licenses on very old works is difficult because not only is the author in all likelihood dead, but

many economists have estimated that the CTEA would give rise to monopolistic control of information and thereby increase “the social cost of monopoly.”⁴⁰

By aggressively lobbying Congress to pass the CTEA, the copyright-based industry turned a blind eye to the social costs of the twenty-year extension of copyright terms. Their irresponsible assertion has made the length of copyright protection the most serious problem in copyright law.⁴¹

2. Narrowing Copyright Limitations

Copyright law itself contains safeguards aimed at preventing absolute protection of private ownership. By and large, these safeguards carve out limitations on the exclusive rights vested in creators. For example, the fair use doctrine allows the public to use reasonable portions of works for purposes such as “criticism, comment, news reporting, teaching, scholarship, or research.”⁴² In addition, compulsory licensing schemes adopted in the U.S. Copyright Act allow relevant members of the public to use copyrighted works for statutorily designated purposes without their copyright holders’ authorization, provided that users pay appropriate fees to copyright holders.⁴³ Moreover, the first sale doctrine limits a copyright holder’s right to control distribution of copies of the copyrighted work after they are sold to consumers. For instance, it allows purchasers to dispose of lawful copies in whatever fashion they wish, including by destruction, resale, donation, or lease.⁴⁴ The rationale for the doctrine is “to prevent the copyright owner from restraining the free alienability of goods.”⁴⁵

While these safeguards do provide necessary breathing room for the public to use knowledge and information contained in copyrighted works, the copyright-based industry has stepped up efforts to narrow these limitations on copyright, curtailing the power of copyright limitations to constrain the exercise of copyrights. The passage of the Digital Millennium

his heirs or other owners of the copyright may be difficult or even impossible to identify or find.”).

⁴⁰ See, e.g., Akerlof et. al., *supra* note 38, at 10.

⁴¹ Posner, *supra* note 39 (“The most serious problem with copyright law is the length of copyright protection, which for most works is now from the creation of the work to 70 years after the author’s death.”).

⁴² 17 U.S.C. § 107.

⁴³ See, e.g., 17 U.S.C. § 118 (describing the use of copyrighted works in noncommercial broadcasting).

⁴⁴ 17 U.S.C. § 109(a).

⁴⁵ MARSHALL A. LEAFFER, UNDERSTANDING COPYRIGHT LAW, § 8.14[A], 310 (3d ed. 1999).

Copyright Act (DMCA)⁴⁶ illustrates the aforementioned problem. Mainly demanded by the copyright-based industry, the DMCA was designed to significantly undercut the ability of copyright limitations to protect the public interest.⁴⁷ Take the doctrine of fair use as an example. Fair use presupposes that the public at large first has free access to works and then makes decisions regarding whether they need to make fair uses.⁴⁸ Free access to works shielded by technological measures, however, is no longer available for users under the DMCA. This is because the technological measures deployed by copyright holders fence them off from unrestricted access to works and the DMCA furnishes penalties against circumvention of those “digital fences.” The DMCA further bars the manufacture and distribution of devices that are capable of circumventing these technological measures.⁴⁹ By limiting free access, the DMCA has made it more difficult for the public to make fair use of works.⁵⁰ While the copyright-based industry single-mindedly pushed Congress to pass the DMCA to strengthen copyright protection for their works, it ducked the issue as to whether the DMCA could seriously jeopardize the role of copyright limitations in promoting the free-flow of information and knowledge.

3. Exaggerating Copyrights

Many copyright holders have intentionally made extravagant copyright claims, overreaching the legitimate scope of their copyrights. Now seen as “copyrightfraud,”⁵¹ this type of irresponsible action takes the following four forms. First, there are copyright holders who have claimed copyright over uncopyrightable public domain materials. Copyright law only protects

⁴⁶ Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998) (codified as amended in scattered sections of 17 U.S.C.).

⁴⁷ See NEIL WEINSTOCK NETANEL, *COPYRIGHT’S PARADOX* 69 (2008) (arguing that the DMCA “lays the legal groundwork for copyright holder control—over copying as well as access—untrammelled by the exceptions and limitations that are supposed to apply the copyright holder’s rights”)

⁴⁸ See Jane C. Ginsburg, *Copyright Legislation for the “Digital Millennium,”* 23 COLUM.-VLA J.L. & ARTS 137, 140 (1999) (observing that “it may be fair use to make nonprofit research photocopies of pages from a lawfully acquired book; it is not fair use to steal the book in order to make the photocopies.”).

⁴⁹ 17 U.S.C. § 1201(b)(1)(A) (2006).

⁵⁰ See e.g., Jeff Sharp, *Coming Soon to Pay-Per-View: How the Digital Millennium Copyright Act Enables Digital Content Owners to Circumvent Educational Fair Use*, 40 AM. BUS. L.J. 1, 40 (2002).

⁵¹ JASON MAZZONE, *COPYFRAUD AND OTHER ABUSES OF INTELLECTUAL PROPERTY LAW* (2011).

works for a limited period of time. The term of copyright protection expires seventy years after the death of the author, making works public domain materials free for all to use from that point onward. However, publishers have claimed copyright over materials that are, by any reasonable person's view, public domain materials. For example, publishers have affixed copyright notices on books containing reprints of William Shakespeare's plays, *The Federalist*, and Charles Dickens's, Jane Austen's, and Benjamin Franklin's writings.⁵² The copyright notice routinely suggests that no part of those books may be reproduced without the prior written permission of the publisher.⁵³ The same has occurred in the modern reprints of many other public domain works, such as sheet music and government documents.⁵⁴ This problem is becoming worse in the digital environment. Although the Copyright Office has made it clear that "digitization . . . does not result in a new work of authorship,"⁵⁵ copyright claims still have appeared frequently in the public materials that are digitized. For instance, ProQuest offers a subscription-based service containing digital versions of newspapers from the nineteenth century to the present. It affixes a copyright notice on every single newspaper page reproduced in its database.⁵⁶

Second, invalid copyright claims have also been used as a means of stifling competition. The notice-and-takedown system created by the DMCA allows copyright holders to send notices to Internet service providers such as Google, YouTube, and Facebook to take down the holders' works posted by users online without their permission. One study found that fifty-five percent of takedown notices sent to Google involved businesses targeting their competitors,⁵⁷ and another study found that thirty percent of the notices included no valid copyright claim.⁵⁸

Third, invalid copyright claims have also been used as a means to suppress speech. For example, Diebold, Inc., a manufacturer of electronic voting machines, sent many takedown notices to Internet service providers hosting leaked internal emails that revealed problems in Diebold's voting machines. The court concluded that "[n]o reasonable copyright holder could have be-

⁵² *Id.* at 9.

⁵³ *Id.* at 9–10.

⁵⁴ *Id.* at 10–11.

⁵⁵ *Id.* at 11.

⁵⁶ *Id.* at 11.

⁵⁷ Jennifer M. Urban & Laura Quilter, *Efficient Process or "Chilling Effects"? Takedown Notices Under Section 512 of the Digital Millennium Copyright Act*, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 621, 651 (2006).

⁵⁸ See also Mark A. Lemley, *Rationalizing Internet Safe Harbors*, 6 J. TELECOMM. & HIGH TECH. L. 101, 114 (2007).

lieved that the portions of the email archive discussing possible technical problems with Diebold's voting machines were protected by copyright."⁵⁹ Diebold had, therefore, knowingly used takedown notices when it knew that infringement had not occurred.

Fourth, many copyright holders have routinely exaggerated the scope of their economic rights as a way to prevent the public from making a fair use of their works. For example, the cautionary notice—"No part of this book can be reproduced without the permission of the publisher"—appears in almost every book published. Publishers also routinely limit users by stating that users may quote no more than a specified limited number of words, lines, or paragraphs from the book.⁶⁰ It seems that these publishers have turned a blind eye to the fair use doctrine, which sets no fixed limit on the amount users can copy and in fact allows the public to reproduce portions, or even the entire content, of the work.⁶¹

Similarly, big entertainment companies have exaggerated their economic rights and turned a blind eye to the fair use doctrine. In one case, in September 2007, Stephanie Lenz made a home video of her 13-month-old son dancing to "Let's Go Crazy" by Prince. Lenz posted the video on YouTube in order to share it with her family and friends.⁶² The video was twenty-nine seconds in length, and the song can be heard for approximately twenty seconds. Four months after the video was originally uploaded, Universal Music Group, which owned the copyrights to the song, ordered YouTube to remove the video. However, Universal used the notice-and-takedown procedure without taking account of Lenz's fair use right. De minimis use of this kind is routinely deemed fair use.⁶³ Thus, Universal

⁵⁹ *Online Policy Grp. v. Diebold Inc.*, 337 F. Supp. 2d 1195, 1204 (N.D. Cal. 2004).

⁶⁰ STEPHEN FISHMAN, *THE COPYRIGHT HANDBOOK: HOW TO PROTECT & USE WRITTEN WORKS* 256 (9th ed. 2005) ("[A]lthough there is no legally established word limit for fair use, many publishers act as if there were one and require their authors to obtain permission to quote more [than] a specified number of words (ranging from 100 to 1,000 words).").

⁶¹ See *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 594 (holding that extensive copying for the purpose of parody is fair use); *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 454–55 (1984) (holding that verbatim copying for time-shifting purposes is fair use).

⁶² *Lenz v. Universal Music Corp.*, 572 F. Supp. 2d 1150, 1152 (N.D. Cal. 2008).

⁶³ See NETANEL, *supra* note 47, at 62 ("Under [the de minimis] doctrine, trivial copying of minute portions of existing works is deemed noninfringing despite nominally constituting fragmented literal similarity.").

“acted in bad faith by issuing a takedown notice without proper consideration of the fair use doctrine.”⁶⁴

B. *The Roots of the Irresponsibility Mentality*

This section argues that the irresponsibility mentality was largely caused by the contemporary mode of the copyright system, in which legal norms primarily function to protect copyrights.⁶⁵ The prevailing language in copyright law emphasizes the bundle of rights enjoyed by creators of works and those who acquire copyrights from original creators (like publishers).⁶⁶ Due to this rights-based view, copyright owners enjoy absolute control of rights over their copyrighted works and possess the power to give others permission to use their works. For example, Blackstone claimed that an author “has clearly a right to dispose of [his work] as he pleases, and any attempt to take it from him, or vary the disposition he has made of it, is an invasion of his right of property.”⁶⁷

When individual rights occupy the center of the structure of copyright law, they are apt to prevail over the responsibilities that limit the ways in which copyright holders can exercise their bundle of rights. As Susan Sell points out, “The language of rights weighs in favor of the person claiming the right. The language of privilege weighs in favor of the person granting the privilege.”⁶⁸

⁶⁴ *Lenz*, 572 F. Supp. 2d at 1154–55; see *Mom Sues Universal Music for DMCA Abuse*, ELEC. FRONTIER FOUND. (July 24, 2007), <https://www.eff.org/deeplinks/2007/07/mom-sues-universal-music-dmca-abuse> (“Universal must stop making groundless infringement claims that trample on fair use and free speech.”) (quoting Electronic Frontier Foundation Staff Attorney Marcia Hoffman).

⁶⁵ See, e.g., KWALL, *supra* note 3, at xiii (“[I]n many countries, copyright laws, which are concerned generally with authors’ rights, emphasize author autonomy, personal connectedness to one’s original work, and the integrity of the author’s message through a doctrine known as moral rights.”); MERGES, *supra* note 3, at 5 (“The most important core principle of the institution of [intangible] private property is this: it assigns to individual people control over individual assets. It creates a one-to-one mapping between owners and assets.”); Kalanje, *supra* note 3 (arguing that the core of real property and intellectual property is the right to exclude).

⁶⁶ See articles cited in footnote 3.

⁶⁷ WILLIAM BLACKSTONE, 2 COMMENTARIES ON THE LAWS OF ENGLAND 400, 405–06 (1766).

⁶⁸ SUSAN K. SELL, THE GLOBALIZATION OF INTELLECTUAL PROPERTY RIGHTS 51 (2003). As James Boyle points out, under the romantic vision of authorship, “[a]uthors tend to win,” because this vision “provides economic analysis with at least the illusion of certainty.” JAMES BOYLE, SHAMANS, SOFTWARE AND SPLEENS: LAW AND THE CONSTRUCTION OF THE INFORMATION SOCIETY 116 (1996). Mark Lem-

As a result, the prevalence of the language of rights in copyright law gives copyright holders considerable room in which they can constantly highlight the need to protect their rights and duck any issues concerning their responsibilities. The remainder of this section will show the ways in which the use of the language of rights by the copyright-based industry has led legislators and judges to make a series of decisions that strengthen copyright protection and dismiss copyright holders' responsibilities.

First, the dominance of the copyright-based industry in the legislative process has persistently enlarged the scope of copyright owners' exclusive rights, giving them more power to tighten up the flow of informational resources. At the same time, the legislature has narrowed the limitations on those exclusive rights, which previously gave room for the public to use information contained in copyrighted works.

Second, the legislative expansion of copyright protection has been made without sufficient consideration of the social costs imposed on the public's access to and use of informational resources. In many cases, the legislative proposals submitted by industry lobbyists were overwhelmingly adopted by Congress without close scrutiny of their impact on public interests or close examination of viewpoints opposed to those held by copyright-based industries. "Congress in effect agreed that if the industry representatives would invest the time and energy to develop a bill that all of them endorsed, Congress would refrain from exercising independent judgment on the substance of the legislation."⁶⁹ In this one-sided process, many legislators have been preoccupied with the rhetoric that the stronger copyright protection would necessarily give copyright holders stronger economic incentive to produce and disseminate works, resulting in increased numbers and availability of works for the public. Yet, many legislators routinely shy away from asking whether this incentive-based assertion is plausible or not. Therefore, it is not surprising that legislative expansions of copyright "often

ley also notes that current trends in copyright law are "heavily skewed to protect the interests of corporations, not individual authors." Mark A. Lemley, *Romantic Authorship and the Rhetoric of Property*, 75 TEX. L. REV. 873, 882 (1997).

⁶⁹ Jessica Litman, *Copyright Legislation and Technological Change*, 68 OR. L. REV. 275, 314–15 (1989) (footnotes omitted). Professor Litman also points out that "[m]uch legislation advances the agendas of private interest groups." *Id.* at 314; see also Jessica Litman, *Copyright, Compromise and Legislative History*, 72 CORNELL L. REV. 857, 860–61 (1987) ("Indeed, the statute's legislative history is troubling because it reveals that most of the statutory language was not drafted by members of Congress or their staffs at all. Instead, the language evolved through a process of negotiation among authors, publishers, and other parties with economic interests in the property rights the statute defines.").

consist of outright congressional rubber-stamping of industry-drafted legislative and committee reports.”⁷⁰

Third, on the judicial side, many courts have not yet actively championed the ethics of responsibility. Instead, they have given strong support for the individualist notion of property that divorces the exclusive rights enjoyed by copyright holders from any responsibilities they ought to fulfill. For example, a federal district court asserted that “[c]opyright and trademark law are not matters of strong moral principle,” but instead “economic legislation based on policy decisions that assign rights based on . . . what legal rules will produce the greatest economic good for society as a whole.”⁷¹ The quest for efficiency, as the court emphasized, is important. Yet the divorce of moral principles from the copyright adjudication process allows copyright holders to refrain from thinking about the ethical dimension of rights, in particular the impact of the enjoyment of their rights on others.

II. MAINSTREAMING THE IDEA OF RESPONSIBILITY IN COPYRIGHT LAW

The preceding Part discussed how and why the copyright system has caused the irresponsibility mentality problem. This Part considers the way in which this problem can be addressed. It argues the case for establishing another major function of copyright law: imposing responsibilities on copyright holders and effectively enforcing them. It shows that authors have dual identities as individuals and as social members. While copyrights are crucial for each author to achieve self-actualization as an individual, responsibilities are crucial for shaping each author as a social member. Section A of this Part explains how responsibility is encompassed in the law. Sections B, C, and D explore three ways in which responsibilities shape authors’ social membership by situating authors in the larger network of (1) sharing cultural resources, (2) shaping cultural power, and (3) promoting social justice.

A. *The Idea of Responsibility in Law*

The human condition is such that each human being has dual identities: identities as an individual and as a social member. As an individual, each human being has unique self-worth and plans for achieving self-actuali-

⁷⁰ NETANEL, *supra* note 47, at 184.

⁷¹ *Sarl Louis Feraud Int’l v. Viewfinder Inc.*, 406 F. Supp. 2d 274, 281 (S.D.N.Y. 2005), *aff’d on this point, vacated on other grounds*, 489 F.3d 474, 480 n.3 (2d Cir. 2007).

zation. Meanwhile, each human being is also a social member.⁷² As a social member, each human being lives through different groups, organizations, and communities. Sharing vibrant public spaces is crucial for the human condition.

Fostering consciousness of one's rights and one's endeavors to exercise these rights allows personal individuality to flourish.⁷³ Likewise, individuals' consciousness of their own respective responsibilities and endeavors to fulfill those responsibilities are also crucial for human flourishing. This is because, in contrast to the role of rights in fostering and promoting human individuality, responsibilities play an indispensable role in shaping each person's social membership.⁷⁴

Responsibilities require each person to respond to the consequences caused by their actions. The attribution of responsibilities first depends on what a person has done or failed to do (causation).⁷⁵ If causation is established, these responsibilities then generate legal or moral requirements for that person to meet (liabilities). For example, civil or criminal liabilities would be attributed to a person whose actions violated a law. Moral liabilities would be attributed to a person whose actions failed to meet moral requirements. In this way, responsibilities constitute limitations on the ways in which each person may exercise their individual rights.⁷⁶ They require

⁷² As Hannah Arendt reminds us, "men, not Man, live on the earth and inhabit the world." HANNAH ARENDT, *THE HUMAN CONDITION* 7 (2d ed. 1998). No human being lives alone in the world. Rather, human beings live together in a common world, from birth to death.

⁷³ See Haochen Sun, *Designing Journeys to the Social World: Hegel's Theory of Property and His Noble Dreams Revisited*, 6 *COSMOS & HIST.: J. NAT. & SOC. PHIL.* 33, 44 (2010) (discussing the Hegelian notion that a human being has two inter-related identities of being — an individual and a social member).

⁷⁴ See generally PETER CANE, *RESPONSIBILITY IN LAW AND MORALITY* 54 (2002) ("Understanding responsibility, whether in law or morality, is not just a matter of knowing what it means to say we are responsible, but also of knowing what we are responsible for and what our prospective responsibilities are."); Christopher Kutz, *Responsibility*, in *THE OXFORD HANDBOOK OF JURISPRUDENCE AND THE PHILOSOPHY OF LAW* 548 (Jules Coleman & Scott Shapiro eds., 2002) (arguing that the idea of responsibility plays an important role in operating interpersonal relationships).

⁷⁵ See MICHAEL S. MOORE, *CAUSATION AND RESPONSIBILITY* 1 (2009) ("Many of the liability rules [in law] are framed explicitly in terms of someone (usually the defendant) causing something (usually a harm).").

⁷⁶ See, e.g., JOHN DEWEY, *Responsibility and Freedom*, in *ETHICS* 436 (1908), available at <http://teachingamericanhistory.org/library/index.asp?document=2356> ("In its external aspect, responsibility is *liability*. An agent is free to act; yes, but—. He must stand the consequences, the disagreeable as well as the pleasant, the social as well as the physical.").

each person to care not only about their own individual interests, but also about the impacts of their actions or inactions on other social members. From this perspective, the idea of responsibility fosters a sense of social membership among persons and further nurtures the human capabilities to act as social members. As Peter Cane points out, “[t]he desire to understand the truth about responsibility grows, one assumes, out of a need or a desire to discover the meaning of life and what it means to be human.”⁷⁷

Copyright is an individual right conferred on the creators of copyrighted works. But why should copyright holders be required to take on responsibilities? The following three sections will show that the imposition of responsibilities on copyright holders stems from the human condition that individuals are social members. While copyrights protected by law play a crucial role in fostering a copyright holder’s individuality, responsibilities imposed by copyright law are indispensable for a copyright holder to nurture his or her social membership. The imposition of responsibilities plays three roles in nurturing the copyright holder’s social membership. It helps copyright holders to (1) overcome individualism by responding to others’ contributions to the creation and dissemination of copyrighted works, (2) perform their role of shaping people’s cultural power properly, and (3) engage in moral deliberation about social justice. This ethical justification for incorporating responsibilities in copyright law echoes the recent calls from the academia that “[i]ntellectual property is about social relations and should serve human values.”⁷⁸

B. Overcoming Individualism

This section first examines the relationship between individualism and copyright law through the idea of “romantic authorship.” It then shows why creating and disseminating a copyrighted work is a socially conditioned process. Based on the ethical norm of reciprocity, the section argues that responsibilities should be imposed on copyright holders as a means of requiring them to respond to others’ contributions to the creation and dissemination of their works.

1. Individualism in Copyright Law

The idea of “romantic authorship” has entrenched strong individualism in copyright law. It asserts that it is the authors’ inner feelings and their

⁷⁷ CANE, *supra* note 74, at 283.

⁷⁸ Sunder, *supra* note 17, at 331.

motivations to reveal those feelings to the world that give birth to their works. Therefore, authors are hailed as the sole creators of their works who should be given full credit for their contributions. The emphasis on romantic authorship has been widely accepted among many authors. For example, William Wordsworth states:

For all good poetry is the spontaneous overflow of powerful feelings: and though this be true, Poems to which any value can be attached were never produced on any variety of subjects but by a man who, being possessed of more than usual organic sensibility, had also thought long and deeply.⁷⁹

Poems, according to Wordsworth, are composed solely through the fusion of a poet's emotions and his talent for literary expression. His observation, therefore, hails the ingenuity that creators inject in their works, isolating their works from the contributions made by others.⁸⁰ The individualistic construction of authorship that Wordsworth championed applies to many other types of works protected by copyright law.⁸¹

As the idea of romantic authorship is "so widespread as to be nearly universal,"⁸² it has shaped copyright law as a legal tool functioning primarily to grant and protect individual rights over works of authorship to meet

⁷⁹ WILLIAM WORDSWORTH, *Preface to the Second Edition of Several of the Foregoing Poems, Published, with an Additional Volume, Under the Title of "Lyrical Ballads."*, in *THE POETICAL WORKS OF WORDSWORTH* 935 (Thomas Hutchinson ed., 1933).

⁸⁰ BOYLE, *supra* note 68, at 56 (arguing that the romantic vision of authorship perpetuates the notion that an author is "the genius whose style forever expresses a single unique persona. . ."); see also Keith Aoki, *(Intellectual) Property and Sovereignty: Notes Toward a Cultural Geography of Authorship*, 48 *STAN. L. REV.* 1293, 1333–38 (1996); Peter Jaszi, *On the Author Effect: Contemporary Copyright and Collective Creativity*, 10 *CARDOZO ARTS & ENT. L.J.* 293, 293–95 (1992).

⁸¹ Rosemary Coombe describes how this individualism-based idea influences the granting of rights in the law:

[T]he writer is represented in Romantic terms as an autonomous individual who creates fictions with an imagination free of all constraint. For such an author, everything in the world must be made available and accessible as an "idea" that can be transformed into his "expression", which thus becomes his "work." Through his labor, he makes these "ideas" his own; his possession of the "work" is justified by his expressive activity. So long as the author does not copy another's expression, he is free to find his themes, plots, ideas, and characters anywhere he pleases, and to make these his own (this is also the model of authorship that dominates Anglo-American laws of copyright).

ROSEMARY J. COOMBE, *THE CULTURAL LIFE OF INTELLECTUAL PROPERTIES: AUTHORSHIP, APPROPRIATION, AND THE LAW* 211 (1998).

⁸² JACK STILLINGER, *MULTIPLE AUTHORSHIP AND THE MYTH OF SOLITARY GENIUS* 183 (1991).

the needs of individualistic impulses of possession and control.⁸³ Rewarding authors for their creation of new works and protecting their interests are supposed to be the primary function of copyright law:

A conscientious author, who had a family to maintain, and a prospect of descendants, would regard the additional labour bestowed upon any considerable work he might have in hand, in the light of an insurance of money upon his own life for the benefit of his issue . . . Deny it to him, and you unfeelingly leave a weight upon his spirits, which must deaden his exertions; or you force him to turn his faculties . . . to inferior employments.⁸⁴

Underlying Wordsworth's observation is a view of copyright protection as a response to a variety of purely individualistic needs; copyright law caters to these needs because the author is assumed to be the sole creator of a work and therefore deserves strong legal protection. As a result, they have created "the illusion of certainty"⁸⁵ in copyright law: the legal definition of an "author" and a "copyrighted work" is simply determined by the author's contribution alone. Courts have recognized and enforced the individualistic impulses expressed by the romantic authorship idea.⁸⁶ For example, the Supreme Court defined "author" as "he to whom *anything owes* its origin; originator; maker; one who completes a work of science or literature."⁸⁷

⁸³ Martha Woodmansee & Peter Jaszi, *Beyond Authorship: Refiguring Rights in Traditional Culture and Bioknowledge*, in *SCIENTIFIC AUTHORSHIP: CREDIT AND INTELLECTUAL PROPERTY IN SCIENCE* 195, 195 (Mario Biagioli & Peter Galison eds., 2002), available at <http://www.case.edu/affil/sce/authorship-spring2004/article.pdf> ("With its emphasis on originality and self-declaring creative genius, this notion of authorship has functioned to marginalize or deny the work of many creative people: women, non-Europeans, artists working in traditional forms and genres, and individuals engaged in group or collaborative projects, to name but a few.").

⁸⁴ WILLIAM WORDSWORTH, *To the Editor of the Kendal Mercury*, in *THE PROSE WORKS OF WILLIAM WORDSWORTH* 309, 312 (W.J.B. Owen & Jane Worthington Smyser eds., 1974); see also Martha Woodmansee & Peter Jaszi, *The Law of Texts: Copyright in the Academy*, 57 *C. ENG.* 769, 771 (1995) (pointing out that "[h]is exalted understanding of an author's calling leads Wordsworth to advocate an expansive view of copyright protection.").

⁸⁵ As James Boyle points out, under the romantic vision of authorship, "[a]uthors tend to win," because it "provides economic analysis with at least the illusion of certainty." BOYLE, *supra* note 68, at 116.

⁸⁶ Ryan Littrell, Note, *Toward a Stricter Originality Standard for Copyright Law*, 43 *B.C. L. REV.* 193, 194 (2001) ("[C]ourts approach copyright cases by applying their intuitive understanding of the author as a creator in the mold of eighteenth and nineteenth century Romantic authors . . .").

⁸⁷ *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 57–58 (1884) (emphasis added).

“Writings” of “authors” were the “literary productions” of authors.⁸⁸ The Supreme Court in *Bleistein v. Donaldson Lithographing Company* further stated that:

The copy is the personal reaction of an individual upon nature. Personality always contains something unique. It expresses its singularity even in handwriting, and a very modest grade of art has in it something irreducible, which is one man's alone. That something he may copyright unless there is a restriction in the words of the act.⁸⁹

The Supreme Court reconfirmed in another watershed decision that copyrightable works “are original, and founded in the creative powers of the mind. The writings which are to be protected are the fruits of intellectual labor, embodied in the form of books, prints, engravings, and the like.”⁹⁰

2. Others' Contributions in the Creation and Dissemination of Works

The conception of romantic authorship, however, does not comport with the reality of how copyrighted works are created and disseminated.⁹¹ As this section will show, the life of copyrighted works is socially conditioned. Authors' individual creative capabilities and efforts are indispensable for the creation and dissemination of works. But others' contributions to authors' works are crucial as well. Acting as facilitators, others provide cultural artifacts on which an author draw to create new works. Moreover, others also act as collaborators in disseminating meanings of an author's works.

a. Others As Facilitators of Creating Copyrighted Works

The creation of copyrighted works is a socially conditioned process. Authors must learn from existing cultural artifacts to create new works of

⁸⁸ *Id.* at 58.

⁸⁹ *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 250 (1903).

⁹⁰ *Feist Publications, Inc., v. Rural Telephone Service Co.*, 499 U.S. 340, 346 (1991).

⁹¹ See Anupam Chander & Madhavi Sunder, *The Romance of the Public Domain*, 92 CAL. L. REV. 1331, 1339 (2004) (“[S]cholars show that the romantic ideal ignores the actual process of creation, where individuals often work within corporate settings, an audience collaborates with authors to infuse work with meanings, and authors draw upon earlier creations.”). See generally Peter Jaszi, *Toward a Theory of Copyright: The Metamorphoses of “Authorship,”* 1991 DUKE L.J. 455, 485–91; Martha Woodmansee, *On the Author Effect: Recovering Collectivity*, 10 CARDOZO ARTS & ENT. L.J. 279 (1992).

authorship. Cultural artifacts include things such as symbols, genres of expression, and language.⁹² They are created by different generations of people and serve as cultural resources from which a human being can draw to connect his own inner cognitive world with the social world of other human beings and non-human objects.⁹³ They may include non-copyrightable and copyrightable elements. For example, language is a cultural artifact free for everyone to use and is not protected by copyright law. On the other hand, there are cultural artifacts such as novels, poems, musical compositions, and paintings that may be subject to copyright protection.

Many writers, poets, songwriters, and visual artists have discussed the steps necessary to integrate existing cultural artifacts into works of authorship. First, authors must build the skills required to convey their thoughts through their works. Nobody is born as an author capable of creating copyrightable works. To become an author, one first needs to learn from copyrightable cultural artifacts.⁹⁴ For example, by reading and appreciating others' fiction, one learns how to create characters, plots, settings, themes, and styles to write fiction. Similarly, by studying and appreciating others' paintings, one learns how to use colors and lines to paint. Without learning from others' works, an author cannot equip himself or herself with the skills needed to create new works of authorship. The copyrightable cultural artifacts needed in this process may be subject to copyright protection or may remain in the public domain, either because the term of copyright protection has run out or because the works were created before copyright laws were enacted.

Second, once having learned the required skills, authors also borrow from others' works.⁹⁵ Literary and artistic borrowings are essential for pro-

⁹² See Carl Ratner, *Historical and Contemporary Significance of Vygotsky's Sociobehavioral Psychology*, in *PSYCHOLOGY: THEORETICAL-HISTORICAL PERSPECTIVES* 455, 457 (Robert Rieber & Kurt Salzinger eds., 2d ed. 1998), available at <http://www.sonic.net/~cr2/sociohis.htm> ("Cultural artifacts include signs, symbols, linguistic terms, and humanly produced objects and instruments such as chairs and books.").

⁹³ *Id.* (pointing out that cultural artifacts structure human behaviors "by mediating the person's relation with the world . . .").

⁹⁴ See, e.g., Julie E. Cohen, *Creativity and Culture in Copyright Theory*, 40 U.C. DAVIS L. REV. 1151, 1177-98 (2007) ("Because everyone is a user of artistic and cultural goods first and a creator second (if at all), an account of creativity constrained by situatedness must begin with users.").

⁹⁵ See, e.g., Mark A. Lemley, *The Economics of Improvement in Intellectual Property Law*, 75 TEX. L. REV. 989, 997 (1997) ("Creation does not occur in a vacuum. Rather, knowledge is cumulative — authors and inventors must necessarily build on what came before them."); Cohen, *id.* at 1183 ("Across the spectrum of creative practice, manipulation of preexisting texts, objects, and techniques figures centrally

moting the creativity of works created by the “borrower.” This fact has been acknowledged and emphasized by many creators of works themselves. For example, T.S. Eliot states:

One of the surest tests [of the superiority or inferiority of a poet] is the way in which a poet borrows. Immature poets imitate; mature poets steal; bad poets deface what they take, and good poets make it into something better, or at least something different. The good poet welds his theft into a whole of feeling which is unique, utterly different than that from which it is torn; the bad poet throws it into something which has no cohesion. A good poet will usually borrow from authors remote in time, or alien in language, or diverse in interest.⁹⁶

Similarly, Pablo Picasso said that “[g]ood artists copy; great artists steal.”⁹⁷ To be sure, Eliot and Picasso are not saying that plagiarism should be tolerated. They merely assert that even very creative writers or artists need to borrow from others’ works to create new, original works.⁹⁸

Third, authors also learn from non-copyrightable cultural artifacts created by others to generate inspirations of expression. Non-copyrightable cultural artifacts are very broad in their scope, ranging from language to genres of expression to social traditions in which authors live. They are not copyrightable because they embody the basic media through which human beings perform expressive activities. Many authors have stressed the importance of this kind of learning experience. For instance, Susan Sontag admitted, “[i]f literature has engaged me as a project, first as a reader, then as a writer, it is an extension of my sympathies to other selves, other domains, other dreams, other worlds, other territories.”⁹⁹ Sontag’s acknowledgment of the roles of others in her work reflects the truism that creators of works need to draw on cultural artifacts such as language, ideas, culture, humor, and genre. Works are created in a rich interaction between a creator and the cultural and social context in which he or she is situated.¹⁰⁰

in processes of cultural participation.”); William W. Fisher III, *Reconstructing the Fair Use Doctrine*, 101 HARV. L. REV. 1659, 1729 (1988).

⁹⁶ T.S. ELIOT, *Philip Massinger*, in THE SACRED WOOD 123, 125 (7th ed. 1972) available at <http://www.bartleby.com/200/sw11.html>.

⁹⁷ PATRY, *supra* note 30, at 73 (emphasis added) (quoting Pablo Picasso).

⁹⁸ *Id.* at 72–74 (summarizing the statements of talented authors to show they needed to borrow from others’ works to create new works).

⁹⁹ Geoff Dyer, *The diaries of a determined woman*, OBSERVER, Jan. 3, 2009, at 19 (quoting Susan Sontag), available at <http://www.guardian.co.uk/books/2009/jan/04/reborn-diaries-susan-sontag-review>.

¹⁰⁰ See Christian Stallberg, *Towards a New Paradigm in Justifying Copyright: An Universalistic-Transcendental Approach*, 18 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 333, 337 (2008) (“Today it is a common occurrence that intellectual works

b. *Others As Collaborators in Disseminating Copyrighted Works*

Authors' copyrighted works need their audiences to discover, reveal, and transform their meanings. Rather than acting as passive recipients, audiences of copyrighted works collaborate with authors to disseminate different layers of the meanings in copyrighted works. It is true that a copyrighted work would not have been created if its author did not create it the first place. But any work of authorship has no economic and cultural value unless its author discloses and circulates the work to an audience that understands and interprets the meaning of the work.

The collaborator status of the public as the audience of authors' works stems from the human condition that speech action can never occur in isolation. As Hannah Arendt pointed out, it is instead "surrounded by and in constant contact with the web of the acts and words of other men."¹⁰¹ When an author makes his work available to the public, it is a speech action in which he is disseminating information to the public. This speech action then must be in constant contact with the intended audience. When the audience reads the work, they are doing more than just reading. Within the act of reading lies the reader's response to a given work. Literary theorists have defined the act of reading as a dialogue between the reader and the author of a text. The text is given meaning when the two dialogues interact with each other. Reading allows the reader to link the text to his or her personal experiences and to interpret the text through this lens:

The special meanings, and more particularly, the submerged associations that these words and images have for the individual reader will largely determine what the work communicates to *him*. The reader brings to the work personality traits, memories of past events, present needs and preoccupations, a particular mood of the moment, and a particular physical condition. . . . These, and many other elements, interacting with the peculiar contribution of the work of art, produce a unique experience.¹⁰²

Authors have concurred with the literary theory that elevates the status of their audiences to that of collaborators in disseminating the meanings of their works. Virginia Woolf pointed out that "[the reader] is a far better judge than the writer. Indeed, given time and liberty to frame his own opin-

never originate exclusively from the person authorship is attributed to. Instead, every author is integrated into the manifold social and cultural contexts from which he steadily borrows. Thus, creating intellectual works always means the appropriation of preceding ideas.").

¹⁰¹ ARENDT, *supra* note 72, at 188.

¹⁰² LOUISE M. ROSENBLATT, LITERATURE AS EXPLORATION 37 (1938).

ion he is eventually an infallible judge.”¹⁰³ Marcel Duchamp argues that the audience of an artistic work ultimately determines the meaning of the work. According to Duchamp, the creative process continues even after the artist finishes his work because the art is also made through the admiration its audience has for it.¹⁰⁴ The “artistic execution of the work rest[s] with pure intuition and cannot be translated into a self-analysis, spoken or written, or even thought out.”¹⁰⁵ Instead, it is the spectator who interprets and completes the creative process through “inner osmosis.”¹⁰⁶ During this process, “the spectator brings the work in contact with the external world by deciphering and interpreting its inner qualifications and thus adds his contribution to the creative act.”¹⁰⁷

3. Reciprocity-Based Responsibilities Law

As shown above, the creation and dissemination of works is socially conditioned. This defies the individualism embedded in the conception of romantic authorship and further raises the question of how authors should respond to the socially conditioned nature of their creative activities. The remainder of this section will argue that imposing responsibilities on authors based on the ethical norm of reciprocity would be an important way to make copyright law responsive to the socially conditioned nature of copyrighted works.

As an ethical norm, reciprocity teaches that “[w]e ought to be disposed, as a matter of moral obligation, to return good in proportion to the good we receive, and to make reparation for the harm we have done.”¹⁰⁸ Reciprocity promotes social membership by requiring people to take on two layers of responsibility.¹⁰⁹ First, it requires people appreciate positive actions

¹⁰³ VIRGINIA WOOLF ET AL., *THE MRS. DALLOWAY READER* 12 (2003).

¹⁰⁴ See CALVIN TOMKINS, *THE BRIDE & THE BACHELORS: FIVE MASTERS OF THE AVANT-GARDE* 9 (1976) (“The artist, Duchamp said, is a ‘mediumistic being’ who does not really know what he is doing or why he is doing it.”).

¹⁰⁵ Marcel Duchamp, *The Creative Act*, Lecture at the Convention of the American Federation of Arts (Apr. 1957) (transcript available at <http://www.wisdomportal.com/Cinema-Machine/Duchamp-CreativeAct.html>).

¹⁰⁶ TOMKINS, *supra* note 104, at 9.

¹⁰⁷ Duchamp, *supra* note 105.

¹⁰⁸ LAWRENCE C. BECKER, *RECIPROCITY* 3 (1986).

¹⁰⁹ See MARTHA C. NUSSBAUM, *WOMEN AND HUMAN DEVELOPMENT: THE CAPABILITIES APPROACH* 72 (2000) (“The core idea of [human nature] is that of the human being as a dignified free being who shapes his or her own life in cooperation and reciprocity with others, rather than being passively shaped or pushed around by the world in the manner of a ‘flock’ or ‘herd’ animal.”).

done by others for them.¹¹⁰ People need to be willing to recognize the benefits they have received from others and identify ways in which those benefits can promote their well-being. Indifference to others' positive actions will preclude any possibility of reflecting on the positive consequences of those actions. Second, reciprocity requires people to act in return for the benefits they received as a result of others' actions. Failure to return the favor would run counter to the ethical norm of reciprocity.

As previously discussed in this Part, human beings live in a social web of interdependence and cooperation. Reciprocity encourages one social member to respond to another's positive action with their own positive action. This kindness toward others' positive deeds requires a person to overcome selfish impulses and consider how he can reciprocate on the basis of others' interests. It then increases the predictability and stability of social bonds among members of the public. As a social norm, it provides predictability to the original positive actor that the outcome of his kindness will be reciprocated. Through this positive reinforcement and repeated practice of reciprocal actions, people will become more likely to initiate positive deeds for others and respond to others' positive deeds. As positive actions proliferate, social bonds stabilize.¹¹¹

Following the norm of reciprocity, copyright law should require authors first to recognize others' contributions to the creation of their works. This recognition is of vital importance, as it prompts authors to better understand the creative process.¹¹² Similarly, it may help judges and legislators to think about the nature of copyrighted works and make copyright law in accordance with the social nature of creativity and copyrighted works.¹¹³

Moreover, copyright holders' responsibilities under the reciprocity norm would further require them to consider what they ought to do in return for others' contributions to the creation and dissemination of works. According to Rawls, "[r]eciprocity is a moral idea situated between impari-

¹¹⁰ See, e.g., DAVID SCHMIDTZ, *THE ELEMENTS OF JUSTICE* 76 (2006) ("The art of reciprocity is partly an art of graciously acknowledging favors.").

¹¹¹ *Id.* at 79 (arguing that reciprocity induces cooperation and "enables people to live together in mutually respectful peace.").

¹¹² See, e.g., NORTHROP FRYE, *ANATOMY OF CRITICISM, FOUR ESSAYS* 96–97 (1957) ("Poetry can only be made out of other poems; novels out of other novels. All of this was much clearer before the assimilation of literature to private enterprise.").

¹¹³ As Justice Story commented, "in literature, in science and in art, there are, and can be, few, if any, things, which, in an abstract sense, are strictly new and original throughout. Every book in literature, science and art, borrows, and must necessarily borrow, and use much which was well known and used before." *Emerson v. Davies*, 8 F. Cas. 615, 619 (C.D. Mass. 1845) (No. 4436).

ality, which is altruistic, on the one side and mutual advantage on the other.”¹¹⁴ Copyright holders’ *recognition* of others’ contributions to their works is an altruistic move. Yet it is not adequate to achieve mutual advantage since others have not yet benefited from copyright holders. To achieve mutual advantage, copyright holders need to think about what they should do to *reciprocate* others’ contributions to their works.

C. Promoting Copyright Holders’ Role in Shaping Cultural Power

The preceding section showed that, based on the norm of reciprocity, responsibilities can function to balance the individualism that is emphasized by the claim of romantic authorship. This section argues that the imposition of responsibilities upon copyright holders is further necessitated by copyright holders’ role in shaping people’s cultural power in social life. This section first discusses the idea of cultural power and its relationship to copyright protection. It then considers the “role responsibility” that should be imposed on copyright holders.

1. The Idea of Cultural Power

Culture defines who we are and what we can do. In this respect, we are only passive participants while culture actively shapes our lives. Being taught how to speak a language, interact with others, and appreciate things that are dear to us are all testaments to how culture affects the lives of individuals.¹¹⁵ However, we can simultaneously give internal meaning to various elements of culture. For example, through fashion, people constantly challenge acceptable practices and societal norms. Ultimately, people create new fashion trends that often revolutionize various aspects of our lives.

Cultural power makes it possible for us to be both shaped by culture and act as the meaning-makers. Two kinds of cultural power — the cultural

¹¹⁴ JOHN RAWLS, *JUSTICE AS FAIRNESS: A RESTATEMENT* 77 (2001).

¹¹⁵ Such a phenomenon has been referred to as “the cultivation of individuals through the agency of external forms which have been objectified in the court of history” by sociologist Georg Simmel. Donald N. Levine, *Introduction to GEORG SIMMEL, ON INDIVIDUALITY AND SOCIAL FORMS*, at ix, xix (Donald N. Levine ed., 1971); see also J. M. BALKIN, *CULTURAL SOFTWARE: A THEORY OF IDEOLOGY* 4–5 (1998) (“Each individual has a unique brain structure that is not merely the product of genetic inheritance but is shaped and organized in part by her experiences and activities, especially those in early childhood.”); BARBARA ROGOFF, *THE CULTURAL NATURE OF HUMAN DEVELOPMENT* 3 (2003) (“Human development is a cultural process. As a biological species, humans are defined in terms of our cultural participation.”).

power to discuss social issues and the cultural power to critique social issues — are crucial to individuals and society as a whole. In order to carry on discussions about social issues, we have to learn how to communicate and we need at least a slight comprehension of social issues. We cannot discuss religion or a literary work without any knowledge of such topics. Developing the enthusiasm to partake in discourse about various social issues, even if our interests are only peripheral, is another precondition for exercising the cultural power to discuss social issues.

Next is the cultural power to critique. The cultural power to critique empowers us to think critically about social issues and to depart from traditions that suppress creativity. A critical attitude toward orthodoxies leads to enhanced freedom and originality. The cultural power to critique also enables us to reject government propaganda and encourages us to become active participants of the policy-making process.

2. The Role of Copyright Holders

Authors participate in the cultural life of society by externalizing their thoughts and feelings through their works. They publish their works, making them available to the public. Their works contain discussions and reflections about issues relating to various aspects of social life. From this perspective, their works are crucial for members of the public to develop their cultural power.

First, works protected by copyright law play an important role in shaping people's cultural power to discuss social issues. Textbooks are essential for students at different levels of studies, equipping them with the necessary language skills and knowledge about various aspects of human life and society. Moreover, literary, musical, and artistic works such as novels, poems, songs, films, paintings, and sculptures are the necessary sources through which people in all walks of life achieve constant re-education by themselves. They help people learn about the cultural and political development of their society. Only after acquiring such knowledge can people enable themselves to participate in the discussion of social issues.¹¹⁶ The availability of works also improves people's willingness to discuss social issues. Copyrighted materials circulated by traditional media such as newspapers,

¹¹⁶ See Cohen, *supra* 94, at 1171 (“Both copyright scholars and cultural theorists understand cultural texts (including both conventional literary texts and all other forms of artistic expression) as performing a cultural transmission function.”); Litman, *supra* note 18, at 16 (“Reading, listening, and viewing have never been acts of purely passive absorption; they have always entailed meaningful creativity and imagination.”); .

magazines, and TV stations frequently reveal and examine new social issues and ignite public debate. Copyrighted materials circulated by new media such as blogs, Twitter, video-sharing sites, and online encyclopedias have created new means of engaging people to discuss social issues.¹¹⁷

Second, works protected by copyright law are also important for people to develop their cultural power to critique social issues. A wealth of literary, musical, and artistic works convey authors' moral reflections on the causes of massive catastrophes such as wars, famines, environmental pollution, or small-scale issues concerning how an individual can get along with his family, friends, or strangers. These works prompt their audiences to think about moral issues for their individual lives as well as society as a whole. From this perspective, copyrighted works promote humanitarian evolution by spreading ideas that expand the sphere of people's moral concerns about interpersonal relationships and the larger structure of human society.¹¹⁸ They not only impart knowledge to people to critique a wide range of social issues, but also encourage people to develop and express views that are critical of orthodoxies. Mario Vargas Llosa, a Nobel Laureate in Literature, wrote that "[n]othing awakens the critical spirit in a society as much as good literature."¹¹⁹ According to Llosa, good literature can play such an important role because, "by awakening the critical spirit, [it] creates citizens who are more difficult to manipulate than in a society without literature and without good books."¹²⁰

The role of authors in shaping people's cultural power creates a new lens through which we can re-envision the nature of copyrighted works. Roland Barthes reminds us as follows:

¹¹⁷ Litman, *supra* note 14, at 16 ("The widespread deployment of digital technology now allows readers, listeners, and viewers to express their creative readings in fixed form and share them with the world."); *see generally* PHILIP M. NAPOLI, AUDIENCE EVOLUTION: NEW TECHNOLOGIES AND THE TRANSFORMATION OF MEDIA AUDIENCES (2011).

¹¹⁸ Peter Singer, *Is Violence History?*, N.Y. TIMES, Oct. 9, 2011, at BR1, *available at* <http://www.nytimes.com/2011/10/09/books/review/the-better-angels-of-our-nature-by-steven-pinker-book-review.html?ref=books> ("[T]he invention of printing, and the development of a cosmopolitan 'Republic of Letters' in the 17th and 18th centuries helped to spread ideas that led to the humanitarian revolution. That was pushed further in the 19th century by popular novels like 'Uncle Tom's Cabin' and 'Oliver Twist' that, by encouraging readers to put themselves in the position of someone very different from themselves, expanded the sphere of our moral concern.").

¹¹⁹ Luis Torres de la Llosa, *Nobel laureate worries for literature in digital age*, ABS-CBN NEWS (Oct. 8, 2010, 11:00 AM), <http://www.abs-cbnnews.com/lifestyle/10/08/10/nobel-laureate-worries-literature-digital-age>.

¹²⁰ *Id.*

[A] text is made of multiple writings, drawn from many cultures and entering into mutual relations of dialogue, parody, contestation, but there is one place where this multiplicity is focused and that place is the reader, not, as was hitherto said, the author. The reader is the space on which all the quotations that make up a writing are inscribed without any of them being lost; a text's unity lies not in its origin but in its destination.¹²¹

Barthes's observation shows that the value of copyrighted works does not lie only in the degree to which authors' interests are protected. Their value should also be measured in terms of the ways in which they shape people's cultural power to discuss and critique social issues. This is because publicly available cultural resources are essential for the creation of copyrighted works, and such works are in turn essential for people to develop their cultural power. The dynamic public dimension of copyrighted works thus requires copyright law not to treat the value of works solely in terms of their copyright holders' interests. Rather, the law should highlight the public interest dimensions of copyright protection in fostering and promoting people's cultural power.

3. The Role Responsibility of Copyright Holders

The idea of role responsibilities, according to H. L. A. Hart, is crucial in shaping a "responsible person" who behaves properly. Hart justifies role responsibility in the following way:

A sea captain is responsible for the safety of his ship, and that is his responsibility, or one of his responsibilities. A husband is responsible for the maintenance of his wife; parents for the upbringing of their children . . . a clerk for keeping the accounts of his firm. These examples of a person's responsibilities suggest the generalization that, whenever a person occupies a distinctive place or office in a social organization, to which specific duties are attached to provide for the welfare of others or to advance in some specific way the aims or purposes of the organization, he is properly said to be responsible for the performance of these duties, or for doing what is necessary to fulfill them. Such duties are a person's responsibilities.¹²²

Responsibility, as Hart shows, could be imposed on a person based on the role he or she plays in a social setting. A person occupies a specific position such as a sea captain, a husband, or a clerk. This socially identifiable

¹²¹ ROLAND BARTHES, *The Death of the Author*, in *IMAGE-MUSIC-TEXT* (Stephen Heath ed., trans., 8th ed. 1968).

¹²² H.L.A. HART, *PUNISHMENT AND RESPONSIBILITY: ESSAYS IN THE PHILOSOPHY OF LAW* 212 (2d ed. 2008).

position triggers corresponding responsibilities to benefit others who have relationships with the person in that role. If a person fails to fulfill the responsibility in proportion to his or her role, he or she would be held legally or morally accountable. Role responsibility, therefore, induces persons to think seriously about the specific roles they ought to occupy as social members and how to fulfill the corresponding responsibilities to play their roles well. Hart emphasizes this reflexive function of role responsibility. For example, he points out that “[a] responsible person is one who is disposed to take his duties seriously; to think about them, and to make serious efforts to fulfill them. To behave responsibly is to behave as a man would who took his duties in this serious way.”¹²³

Therefore, authors’ roles as social members participating in social life open up a new ethical dimension of copyright law. Individual rights over copyrighted works are designed to promote and protect authors’ roles as individual proprietors. Individual rights have limited power in shaping authors’ participation in social life.¹²⁴ The imposition of role responsibilities upon authors can make copyright law function to shape the ways in which authors carry out their roles as social members. Authors’ role responsibilities should center on the ways in which authors, by disseminating works that empower others to discuss and critique social issues, can help these members of the public to nurture and enhance their own cultural power in social life. In addition, copyright affects the ways in which cultural power is allocated among people. By conferring upon copyright holders the right to exclude others from using intangible assets under their proprietary control, copyright law affects how cultural exchanges and interactions among people occur, and whether or not they enhance their cultural power.

D. Inducing Moral Deliberation about Social Justice

This section argues that the need to induce moral deliberation about social justice among copyright holders further necessitates the imposition of responsibilities upon them. It shows that, as social members, copyright

¹²³ *Id.* at 213.

¹²⁴ Professor Carol Rose emphasized that a successful property system should have the educative function of guiding citizens to behave responsibly: “[P]roperty regimes . . . induce the very qualities of cooperation, attentiveness to others, responsibility, and self-restraint that themselves are the prerequisites to the successful handling and trade of property. . . . All this suggests . . . property as a keystone right, that is, as an educative institution.” CAROL M. ROSE, *Property as the Keystone Right?*, 71 NOTRE DAME L. REV. 329, 364 (1996).

holders can promote social justice by taking on the responsibilities that are relevant to their copyrighted works.

1. The Tension Between Copyright Protection and Social Justice

It is widely recognized that all human beings are equal individuals with equal worth.¹²⁵ Yet, disparities exist in all modern societies. For example, income inequality exists in many societies and continues to worsen.¹²⁶ Against this backdrop, social justice has been championed as a human value to minimize the impact unequal distribution of resources has on the disadvantaged. The following statement by John Rawls captures the essence of social justice as a fundamental human value:

Justice is the first virtue of social institutions, as truth is of systems of thought. A theory however elegant and economical must be rejected or revised if it is untrue; likewise laws and institutions no matter how efficient and well-arranged must be reformed or abolished if they are unjust.¹²⁷

Hailed as a fundamental human value, social justice measures the degree of inequality a society accommodates through its institutions. It therefore defines the characters of a society in which people live. In general, it requires individuals and governments to make sustained efforts to combat inequalities.¹²⁸ At the individual level, social justice requires that the advantaged be subject to appropriate redistributive mandates, diverting their resources to take care of the disadvantaged. At the social level, it requires

¹²⁵ For example, Article 1 of the Universal Declaration on Human Rights states that, “[a]ll human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood.” Universal Declaration of Human Rights, G.A. Res. 217 (III) A, U.N. Doc. A/RES/217(III) (Dec. 10, 1948).

¹²⁶ See Ilyana Kuziemko and Stefanie Stantcheva, *Our Feelings About Inequality: It’s Complicated*, available at opinionator.blogs.nytimes.com/2013/04/21/our-feelings-about-inequality-its-complicated/?ref=opinion (“Since the 1970s, income inequality in the United States has increased at a historic rate. In 1970, the richest 1 percent of Americans enjoyed 9 percent of total national pre-tax income. In 2011, by contrast, that share had risen to 19.8 percent.”).

¹²⁷ JOHN RAWLS, *A THEORY OF JUSTICE* 3 (rev. ed. 1999).

¹²⁸ According to the Rawlsian Difference Principle, “the higher expectations of those better situated are just if and only if they work as part of a scheme which improves the expectations of the least advantaged members of society.” *Id.* at 65. Rawls further explained that “[t]he intuitive idea is that the social order is not to establish and secure the more attractive prospects of those better off unless doing so is to the advantage of these less fortunate.” *Id.*

that the government take affirmative measures to nurture a just society. To this end, the government may redistribute resources owned by the advantaged to meet the needs of the disadvantaged.

Does copyright protection cause social inequality? If so, is there a general basis for imposing further responsibilities copyright holders the purpose of promoting social justice? This section answers each question in the affirmative. For example, the Uruguay Round Agreements Act (“URAA”)¹²⁹ enacted by Congress in 1994, carries distributive consequences that have disadvantaged certain groups of content users. Section 514 of the URAA, codified in 17 U.S.C. § 104A and effective January 1, 1996, automatically restored copyright protection to certain foreign works in the public domain. Effective January 1, 1996, Section 514 automatically restored copyright protection to all works of foreign origin that were not yet in the public domain in their source countries, but that were in the public domain in the United States for specified reasons.¹³⁰

17 U.S.C. § 104A has caused social inequality in two ways. First, holders of copyrights over restored works can charge fees for works that consumers had previously used for free. Take orchestra groups as an example. Orchestras have two ways of performing a work in the public domain — they can purchase the necessary sheet music or they can rent physical copies of the sheet music.¹³¹ There is only one option for performing a work under copyright protection — renting the sheet music.¹³² “Rental fees for a full orchestration of a copyrighted work can be \$800 or more for a single performance.”¹³³ The cost will only go up for an orchestral group that requires a longer rehearsal period.¹³⁴ Such rental fees can get extremely expensive for small orchestras.¹³⁵ Since the passage of 17 U.S.C. § 104A, the price of a

¹²⁹ See Uruguay Round Agreements Act of 1994, Pub. L. No. 103-465, § 514, 108 Stat. 4809, 4976 (1994) (codified at 17 U.S.C. § 104A (2006)).

¹³⁰ Foreign authors had no recourse for the lack of protection in years prior to § 104A’s enactment. 17 U.S.C. § 104A(a)(1) (2006). They therefore enjoyed fewer total years of exclusivity than did their U.S. counterparts. Foreign works lacked protection in the United State for any of three reasons: (1) The United State did not protect works from the country of origin at the time of publication; (2) The United State did not protect sound recordings fixed before 1972; and (3) The United States did not protect works of an author who had failed to comply with U.S. statutory formalities. 17 U.S.C. § 104A(h)(6)(C) (2006).

¹³¹ Brief of the Conductors Guild & the Music Library Ass’n as Amici Curiae Supporting Petitioners at 4, *Golan v. Holder*, 132 S. Ct. 873 (2012) (No. 10-545).

¹³² *Id.*

¹³³ *Id.*

¹³⁴ *Id.*

¹³⁵ *Id.* at 5.

score of Shostakovich's *Preludes and Fugues Op. 87* has risen by a multiple of seven.¹³⁶ *Peter and the Wolf*, a popular orchestral piece for young children, can no longer publicly be performed without permission from the copyright holder.¹³⁷ In this context, Justice Breyer criticized the passage of 17 U.S.C. § 104A. "If a school orchestra or other nonprofit organization cannot afford the new charges . . . [t]hey will have to do without."¹³⁸ That, however, would "aggravat[e] the already serious problem of cultural education in the United States."¹³⁹

Second, 17 U.S.C. § 104A places on the general public a heavy burden of locating copyright holders of restored works to negotiate a license or a fee for using them. Orphan works are "works that appear to be 'in-copyright' but whose authors cannot be identified or located."¹⁴⁰ 17 U.S.C. § 104A will exacerbate the orphan works problem.¹⁴¹ To license a copyrighted work, one must know the date and country of publication or creation and determine whether the work was under copyright protection in the country of origin at the date of restoration.¹⁴² Yet, finding the right holder after a work is restored from the public domain can be extraordinarily difficult, or impossible.¹⁴³ This is especially problematic for many libraries. The restoration "affects potentially millions of works formerly in the public domain, many of which could be made available at the Internet Archive, on Wikimedia sites, in the HathiTrust Digital Library, or via myriad other libraries and digital repositories," in the nation.¹⁴⁴ "In order to acquire and provide access to digital materials, libraries and digital repositories are dependent on reliable conclusions as to whether a work is in the public domain."¹⁴⁵ The restoration will "force[] them to operate in a gray area, subject to real litigation concerns and subsequent chilling effects."¹⁴⁶ As a result, "libraries will simply not reproduce the material or make it available online until they

¹³⁶ *Id.* at 11.

¹³⁷ *Id.* at 11.

¹³⁸ *Golan v. Holder*, 132 S. Ct. 873, 905 (2012) (No. 10-545) (Breyer, J., dissenting).

¹³⁹ *Id.*

¹⁴⁰ Brief Amici Curiae of Am. Library Ass'n et al. in Support of Petitioners at 19, *Golan v. Holder*, 132 S. Ct. 873 (2012) (No. 10-545).

¹⁴¹ *Id.*

¹⁴² *See id.*

¹⁴³ *Id.*

¹⁴⁴ *Id.* at 16.

¹⁴⁵ *Id.* at 17.

¹⁴⁶ *Id.*

can be sure the copyright has expired - which may mean waiting for over a century.”¹⁴⁷

2. Copyright Owners’ Responsibilities for Promoting Social Justice

The above discussion showed the tension between copyright protection and the promotion of social justice in our society. One way of addressing the tension is to require copyright holders to undertake responsibilities to ease the burden that copyright protection places on the affected public. Central to social justice is how to allocate division of responsibilities in society. For instance, John Rawls states:

This conception [of justice] includes what we may call a *social division of responsibility*: society, the citizens as a collective body, accepts the responsibility for maintaining the equal basic liberties and fair equality of opportunity, and for providing a fair share of the other primary goods for everyone within this framework, while citizens (as individuals) and associations accept the responsibility for revising and adjusting their ends and aspirations in view of the all-purpose means they can expect, given their present and foreseeable situation.¹⁴⁸

From the perspective of distributing responsibilities, social justice dictates that the benefits and burdens of social cooperation must be appropriately distributed among citizens. Rawls further states, “the principles of social justice . . . provide a way of assigning rights and duties in the basic institutions of society and they define the appropriate distribution of the benefits and burdens of social cooperation.”¹⁴⁹

Within a system of social cooperation, copyright holders should be required to bear burdens in proportion to the benefits they receive from copyright protection. *Ex post*, copyright holders’ burdens, or responsibilities, would require them to take action to mitigate social inequalities resulting from copyright protection. *Ex ante*, these responsibilities would require them to think about and respond to the ways in which copyright protection affects the distribution of social resources. Copyright holders should ponder the legitimacy of any initiative to strengthen the legal protection of copyrights from the perspective of social justice, in particular whether a socially beneficial distribution of benefits and burdens is achievable.

¹⁴⁷ *Id.*

¹⁴⁸ JOHN RAWLS, *Social Unity and Primary Goods*, in COLLECTED PAPERS 359, 371 (Samuel Freeman ed., Harvard University Press, 1999).

¹⁴⁹ RAWLS, *supra* note 127, at 4.

E. Summary

This Part showed that a copyrighted work is not only the embodiment of its author's thought and personality. Instead, these works are a social enterprise that arises from shared cultural resources, shapes cultural power, and promotes social justice. The social privilege inherent in all copyrighted works provides the ethical justification for introducing responsibility into copyright and enforcing it as another core function of copyright law. Following the ethics of responsibility, copyright law should function both to grant exclusive rights to copyright holders and to impose social responsibilities on them.

III. ENFORCING RESPONSIBILITIES IN COPYRIGHT LAW

Many ethical norms take effect only when they are translated into legal rules that create penalties for violations of their ethical mandates. The same should apply to the ethics of responsibility for copyright holders as discussed in the preceding Part. The Part that follows examines the extent to which the ethics of responsibility can be translated into legal rules in copyright law. It argues that this transition should involve two crucial steps of implementation. The first step deals with the assimilation of what I call the responsibility policy into copyright law. The second step involves applying the responsibility policy and the redefinition of the nature of copyright limitations in order to reform copyright law. The reform should introduce legal rules to enforce two kinds of copyright holders' responsibilities: negative responsibilities and collective responsibilities.

A. The Place of the Responsibility Policy in Copyright Law

1. The Limits of the Copyright Clause and the First Amendment

It is widely accepted that the Copyright Clause and the First Amendment lay the policy foundation for copyright law. The central policy embedded in the Copyright Clause is the mandate that copyright statutes should promote "the Progress of Science and useful Arts."¹⁵⁰ However, such statutes cannot contravene the First Amendment. Thus, the limited term of copyright protection, the idea/expression dichotomy, and the fair use doc-

¹⁵⁰ The Copyright Clause grants Congress 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." U.S. CONST. art. I, § 8, cl. 8.

trine have been recognized as essential safeguards to make copyright law compatible with freedom of expression.¹⁵¹

However, both the Copyright Clause and the First Amendment have limitations as the policy bases of copyright protection. First of all, both of them only address state action, setting up a check on the *governmental* power to regulate informational resources.¹⁵² According to the state action doctrine, neither the Copyright Clause nor the First Amendment can directly apply to private action taken by the copyright holder to affect the public's access to and use of copyrighted materials.¹⁵³ Thus, since the Copyright Clause and the First Amendment are not directly enforceable against copyright holders, they do not provide a legal basis to penalize the wrongdoings resulting from their irresponsible acts discussed in Part I.

Moreover, neither the Copyright Clause nor the First Amendment have acted as an effective check on the government in allocating proprietary control over informational resources through copyright regulation.¹⁵⁴ For instance, the Supreme Court has stated that the Copyright Clause does not empower the judiciary to scrutinize whether a state action to expand copyright protection is valid under the Clause. “[The Court is] not at liberty to second-guess congressional determinations and policy judgments of this or-

¹⁵¹ *E.g.*, *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 560 (1985) (emphasizing “the First Amendment protections already embodied in the Copyright Act’s distinction between copyrightable expression and uncopyrightable facts and ideas, and the latitude for scholarship and comment traditionally afforded by fair use. . .”).

¹⁵² For example, as the Supreme Court held in *Wooley v. Maynard*, “the right of freedom of thought protected by the First Amendment against state action includes both the right to speak freely and the right to refrain from speaking at all.” 430 U.S. 705, 714 (1977).

¹⁵³ *See* *Lugar v. Edmondson Oil Co.*, 457 U.S. 922, 936 (1982) (“Careful adherence to the ‘state action’ requirement preserves an area of individual freedom by limiting the reach of federal law and federal judicial power.”); *see also* Wilson R. Huhn, *The State Action Doctrine and the Principle of Democratic Choice*, 34 *HOFSTRA L. REV.* 1379, 1388 (2006) (“[T]he Constitution does not purport to determine how one *person* is to treat another. So far as the Constitution is concerned, one individual may steal the possessions of another, assault another person, even commit murder, and it is not a violation of the Constitution.”).

¹⁵⁴ *See, e.g.*, NETANEL, *supra* note 47 (proposing that copyright law should be subject to First Amendment scrutiny); Robert P. Merges, *One Hundred Years of Solitude: Intellectual Property Law, 1900-2000*, 88 *CAL. L. REV.* 2187, 2239 (2000) (“The point remains the same: in an age of increasing ‘statutorification’ in intellectual property law, the system needs a counterweight where the legislative process is skewed. The [Copyright] Clause of the constitution, long dormant, seems the best candidate.”).

der, however debatable or arguably unwise they may be.”¹⁵⁵ Without any institutional check on the state power to allocate informational resources, the Copyright Clause has instead become the ground on which the legislature can strengthen copyright protection,¹⁵⁶ which chiefly caters to the private interest of copyright holders and brings about marginal or no benefits for the public interest in regards to learning and knowledge sharing.

Furthermore, both the rights to free speech¹⁵⁷ and to property¹⁵⁸ are considered fundamental to citizens. This equal doctrinal status renders it impossible for the right to free speech to gain primacy over a property right, such as copyright.¹⁵⁹ Thus, in allocating informational resources through copyright law, the government may not presumptively give primacy to free

¹⁵⁵ *Eldred v. Ashcroft*, 537 U.S. 186, 208 (2003). The Court also concluded, “it is generally for Congress, not the courts, to decide how best to pursue the Copyright Clause’s objectives.” *Id.* at 212; *see also* *Sony*, 464 U.S. 417, 429 (1984) (“[I]t is Congress that has been assigned the task of defining the scope of [rights] that should be granted to authors or to inventors in order to give the public appropriate access to their work product.”).

¹⁵⁶ *See* Dotan Oliar, *Making Sense of the Intellectual Property Clause: Promotion of Progress as a Limitation on Congress’s Intellectual Property Power*, 94 GEO. L.J. 1771, 1837 (2006) (“[E]ven if an *Eldred II* were filed tomorrow, we would still be unlikely to see the Supreme Court writing a manifesto about the nature of the [Copyright] Clause as a limitation [on government’s power in allocation of information resources].”).

¹⁵⁷ *Whitney v. California* 274 U.S. 357, 373 (1927) (BRANDEIS, J., concurring) (“The right of free speech, the right to teach, and the right of assembly are, of course, fundamental rights.”).

¹⁵⁸ *See* Rose, *supra* note 124, at 330, 349; *see also* Cass R. Sunstein, *On Property and Constitutionalism*, 14 CARDOZO L. REV. 907, 908 (1993) (“[P]roperty should be seen as a political right, one that reduces dependence on the state and creates the kind of security that is indispensable to genuine citizenship in a democracy.”). *But cf.* Laura S. Underkuffler-Freund, *Property: A Special Right*, 71 NOTRE DAME L. REV. 1033 (1996).

¹⁵⁹ The conflicting judicial opinions regarding shopping mall cases demonstrate this point. In some cases, courts ruled against private owners of shopping malls and ordered the opening of malls for free speech activities. *Pruneyard Shopping Ctr. v. Robins*, 447 U.S. 74, 88 (1980); *N.J. Coal. Against War in the Middle E. v. J.M.B. Realty Corp.*, 650 A.2d 757, 760–61 (N.J. 1994). Yet, courts also have ruled to the contrary on the basis that “property [does not] lose its private character merely because the public is generally invited to use it for designated purposes.” *Lloyd Corp. v. Tanner*, 407 U.S. 551, 569 (1972); *see also* *Wooley v. Maynard*, 430 U.S. 705, 705 (1977); *Hudgens v. NLRB*, 424 U.S. 507, 521–23 (1976); *Stranahan v. Fred Meyer, Inc.*, 11 P.3d 228, 244 (Or. 2000); *W. Pa. Socialist Workers 1982 Campaign v. Conn. Gen. Life Ins. Co.*, 515 A.2d 1331, 1339 (Pa. 1986).

speech values over the need to protect copyrights.¹⁶⁰ Moreover, courts have ruled that copyright can actually trump the free speech right in certain cases. For example, in treating copyrighted works as the embodiment of their creators' speeches, the Supreme Court in *Eldred v. Ashcroft* held that the free speech value "bears less heavily when speakers assert the right to make [copyright holders'] speeches."¹⁶¹ This is because "although a message constitutes speech when the original speaker expresses it, it does not constitute speech when the copyist copies it."¹⁶²

2. Mainstreaming the Responsibility Policy into Copyright Law

a. *The Role of the Responsibility Policy*

The responsibility policy would function to fill in the gap left by the Copyright Clause and the First Amendment. By infusing copyright holders' rights with responsibilities, copyright law would treat responsibilities as the *quid pro quo* for granting a bundle of exclusive rights to copyright owners. The responsibility policy would thereby provide a new policy consideration to help stakeholders of copyright protection (legislators, judges, copyright administrators, and copyright activists) rethink the function of copyright law. Copyright law would then function to ensure that creators with copyright protection would contribute to the public interest by improving the accumulation and dissemination of information and enhancing creativity and innovation in the economic and cultural development of society.

To carry out the responsibility policy, legislators and regulators should actively examine the extent to which responsibilities should be imposed on copyright holders. The past expansions of copyright protection, according to many commentators, were made primarily to benefit copyright holders' interests.¹⁶³ These statutory expansions of copyright protection have facilitated

¹⁶⁰ See David McGowan, *Why the First Amendment Cannot Dictate Copyright Policy*, 65 U. PITT. L. REV. 281, 295–96 (2004).

¹⁶¹ 537 U.S. at 221.

¹⁶² Christina Bohannon, *Copyright Infringement and Harmless Speech*, 61 HASTINGS L.J. 1083, 1116 (2010).

¹⁶³ Litman, *supra* note 14, at 7 ("[In the past,] copyright lobbyists engaged in protracted negotiations with one another to arrive at copyright laws that enriched established copyright industries at the expense of both creators and the general public. There's ample reason to anticipate that the next copyright revision will proceed in similar fashion to similar ends."); Pamela Samuelson, *Intellectual Property and the Digital Economy: Why the Anti-Circumvention Regulations Need to Be Revised*, 14 BERKELEY TECH. L.J. 519, 523 (1999) ("[B]y colorful use of high rhetoric and forceful lobbying, Hollywood and its allies were successful in persuading Congress

the convenience with which copyright holders can exploit their works or strengthen the exclusive rights bestowed on them. They have also imposed a greater burden on the public in their use of copyrighted works.

The orphan works problem demonstrates one way in which the failure to recognize a responsibility policy has negatively impacted copyright law. The problem refers to “the situation where the owner of a copyrighted work cannot be identified and located by someone who wishes to make use of the work in a manner that requires permission of the copyright owner.”¹⁶⁴ The British Library “estimates that over 40 percent of all in-copyright works are [o]rphan [w]orks.”¹⁶⁵ To address this problem, the U.S. Copyright Office offered a proposal to legislatively restrict the remedies that copyright holders can seek if users are unable to locate the holder after first engaging in a “reasonably diligent search.”¹⁶⁶ Yet, the proposal fails to consider the responsibilities that should be imposed on copyright holders to directly facilitate the resolution of this problem. After all, it is the copyright holder who has “abandoned” their works in the marketplace and has made it difficult for the user to locate him or her.

Because the copyright holders' abandonment causes the orphan works problem, one must consider whether such right holders have any responsibility to take part in problem-solving initiatives. The scrutiny over copyright holders' responsibilities is particularly important when legislators

to adopt the broad anti-circumvention legislation they favored, even if it is now subject to some specific exceptions that respond to some concerns raised by Silicon Valley firms and their allies in the legislative process.”)

¹⁶⁴ MARYBETH PETERS, U.S. COPYRIGHT OFFICE, REPORT ON ORPHAN WORKS 1 (2006), available at <http://www.copyright.gov/orphan/orphan-report-full.pdf>; see also Orphan Works, 70 Fed. Reg. 3739, 3739 (Jan. 26, 2005) (defining orphan works as those “whose owners are difficult or even impossible to locate”); see also Bernard Lang, *Orphan Works and the Google Book Search Settlement: An International Perspective*, 55 N.Y.L. SCH. L. REV. 111, 116 (2010–11) (“A work is said to be orphan when its rights holder cannot be identified or found, even after a diligent search, so that it is not possible to obtain a license for exploiting protected uses of the work.”); Samuelson, *supra* note 7, at 483 (identifying orphan books as “books whose rights holders cannot readily be located. . .”).

¹⁶⁵ *Orphan Works and Mass Digitisation*, BRITISH LIBRARY, <http://pressandpolicy.bl.uk/ImageLibrary/detail.aspx?MediaDetailsID=635> (last visited Jan. 30, 2013).

¹⁶⁶ MARYBETH PETERS, U.S. COPYRIGHT OFFICE, REPORT ON ORPHAN WORKS 96 (2006), available at <http://www.copyright.gov/orphan/orphan-report-full.pdf>. For a detailed analysis of this proposal, see Denise Troll Covey, *Rights, Registries, and Remedies: An Analysis of Responses to the Copyright Office Notice of Inquiry Regarding Orphan Works*, in FREE CULTURE AND THE DIGITAL LIBRARY SYMPOSIUM PROCEEDINGS 2005 106 (Martin Halbert ed., 2005), available at http://works.bepress.com/denise_troll_covey/45.

consider proposals to enact or amend law to expand copyright protection or regulators make proposals to resolve copyright problems. Legislators and regulators should consider concrete policy implications of the three ethical justifications for copyright holders' responsibilities. They should examine how copyright holders should contribute to the creation and dissemination of their works. They should also pay sufficient attention to how any enhancement of copyright holders' rights would affect their role in shaping people's use of cultural power. Furthermore, they should scrutinize the extent to which any expansion of copyright protection would cause users negative distributive consequences, especially to those who use copyrighted materials for the purpose of teaching, news reporting, and research.

To ensure the effectiveness of the responsibility policy, legislators and regulators should require copyright lobbyists to analyze the relationship between copyright holders' responsibilities and their proposals to expand copyright protection. Copyright lobbyists would need to show that any expansions of copyright protection would be commensurate with the responsibilities that copyright holders owe to the public. After receiving briefings from lobbyists, legislators and regulators can then examine the relationship between copyright holders' responsibilities and any proposals to beef up copyright protection. If they find the relationship to be negative, then they should demand that lobbyists propose solutions to ensure that copyright holders would have adequate responsibilities.

Treating the responsibility policy as a new copyright policy would not mean displacing the Copyright Clause and the First Amendment as the policy basis for copyright law. Instead, the responsibility policy would fill in the gap left by the Copyright Clause and the First Amendment and buttress their policy mandates. First, the idea of responsibility would require the stakeholders of copyright protection to look beyond state actors to consider the impact of copyright holders on the protection of public interests. As discussed earlier, non-state actors such as copyright conglomerates have played a dominant role in shaping copyright law.¹⁶⁷ However, as shown above, the Copyright Clause and the First Amendment do not apply to non-state actors such as copyright holders. By contrast, the responsibility policy directly applies to copyright holders by requiring them to exercise their rights in responsible ways, with penalties for irresponsible acts. Moreover, it also requires state actors to make sure that copyright law is enacted and enforced with adequate measures to prevent copyright owners' irresponsible

¹⁶⁷ Merges, *supra* note 154, at 2236 (pointing out that the CTEA "was the Walt Disney Company's 'highest priority' in the 1998 legislative session of Congress.").

actions. Therefore, the responsibility policy targets both private actors (copyright holders) and state actors.

Second, the responsibilities imposed upon copyright owners would be concrete measures by which to facilitate Copyright Clause and First Amendment policy mandates, such as the promotion of “the Progress of Science and useful Arts”¹⁶⁸ and freedom of expression, respectively. Such responsibilities would require certain actions of copyright holders in order to realize those policy goals. For that purpose, the responsibility policy would require legislators and judges to think about why certain responsibilities should be imposed upon copyright holders, and further how those responsibilities ought to be enforced by copyright law.

Third, the responsibility policy would direct legislators and judges to make decisions that are faithful to the Copyright Clause and the First Amendment. As copyright holders would be required to act in responsible ways, their aggressive lobbying to strengthen copyright protection solely for their own interests would violate the ethics of responsibility. State actors who make legislative or administrative decisions that are skewed by those lobbying activities would violate the ethics of responsibility as well. Therefore, the responsibility policy would act as an ethical buttress to the Copyright Clause and the First Amendment, making them have stronger mandates for requiring socially desirable copyright legislation and regulation.

b. Copyright Limitations as Copyright Holders' Responsibilities

How should copyright law accommodate and enforce responsibility as a copyright policy? This section argues that copyright law can accomplish this goal by treating copyright limitations as the responsibilities imposed upon copyright holders. Such limitations already codified in copyright law include the fair use exception and the compulsory license scheme. Taking responsibility, as shown in the first section of Part II, means that parties cannot exercise their rights without due regard for the potential consequences to others.

In treating copyright limitations as responsibilities, they would no longer be treated as affirmative defenses to copyright infringement claims.¹⁶⁹ Take fair use as an example. In a copyright dispute, a copyright holder (the plaintiff) first establishes a prima facie case for copyright infringement. A user (the defendant) can then invoke fair use as an affirmative defense. The

¹⁶⁸ U.S. CONST. art. I, § 8, cl. 8.

¹⁶⁹ Sun, *supra* note 13, at 134–42.

user has the burden to prove that his use of the plaintiff's copyrighted work can constitute a fair use under Section 107 of the Copyright Act.¹⁷⁰ However, treating fair use as an affirmative defense, as one of my earlier articles demonstrated, has "caused direct and indirect harms to public interests in free speech, democratic participation, and cultural development."¹⁷¹

Treating fair use as an affirmative defense is problematic because it only considers whether copyright holders' rights are infringed or not. If a user cannot prove the existence of fair use, he would be held liable for copyright infringement. This does not require judges to consider copyright holders' responsibilities or use them as the baseline policy factors.

Instead, the fair use analysis should be grounded in the premise that copyright holders must be required to take responsibilities to accommodate fair uses. It would transform a fair use case into a judicial inquiry about whether the copyright holder has taken the responsibility to accommodate fair uses. When a user-defendant invokes the fair use doctrine to negate the infringement claim raised by a plaintiff-copyright holder, the judge should require the copyright holder to bear the burden of proving that there is no fair use and therefore no need for accommodation.

Procedurally, the copyright holder should bear two burdens of proof. He first needs to prove that the user made unauthorized use of his work to establish the *prima facie* case of copyright infringement. He then needs to prove that the unauthorized use does not constitute fair use, if the user moves to rely on the fair use doctrine to negate his claim of copyright infringement.

Apart from the procedural function to shift the burden of proof, treating fair use as a responsibility imposed on copyright holders would require judges to examine the *actions* that copyright holders should take to accommodate fair uses. In particular, this responsibility-based fair use approach would be helpful for judges to decide difficult cases concerning fair use of copyrighted works, such as the Google Books Library Project case. Google was sued for copyright infringement after copying verbatim copyrighted works without authorization. It was very difficult for the court to decide whether or not the Google Book Library Project constitutes a fair use. This is because the court faced the exceedingly complex questions of whether Google's online indexing of books is a transformative use of works¹⁷² and the

¹⁷⁰ *E.g.*, *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 590 (1994) (ruling that "[s]ince fair use is an affirmative defense, its proponent would have . . . the burden of demonstrating fair use. . .").

¹⁷¹ Sun, *supra* note 13, at 152.

¹⁷² See Matthew Sag, *The Google Book Settlement and the Fair Use Counterfactual*, 55. N.Y.L. SCH. L. REV. 19, 27-31 (2010).

project may affect copyright holders' marketing of similar digital library services.¹⁷³ To resolve such questions, the court must examine whether copyright holders have any specific responsibilities to accommodate fair use. The identification of copyright holders' responsibilities, as the following discussion will show, is a judicial process to specify the public interests involved in fair use cases.

The court may first maintain that copyright holders have the responsibility to accommodate the public's collective right to cultural participation and to benefit from technological advances. Through the technology advanced by Google, the public can obtain "basic bibliographic information" about the works and use the "search term" to locate relevant contents.¹⁷⁴ These are informational resources located in the public domain and not subject to copyright protection. Having access to and use of them are of essential importance for the public to enjoy its rights. For example, the Project aids cultural participation by helping researchers and teachers locate the information they need. Although, verbatim copying by Google is necessary to help the public enjoy these rights in a meaningful way, the court should also note that Google has taken measures in order to prevent or minimize the potential harm to the copyright holders. For example, it only shows snippets of the works to the public, displays copyright notices, and links the public to the pages from which they can purchase the works.

Second, the court may further maintain that copyright holders have the responsibility to accommodate the public in exercising their collective right to protection of our cultural ecosystem. Digital technology opens a myriad of opportunities to archive works by digitizing them. It facilitates and enhances our cultural ecosystem by reducing the cost for the public to use works and enriching the diversity of works available to the public.¹⁷⁵ From this perspective, copyright holders must participate in the digital technology-based protection of our cultural ecosystem by allowing digital archiving that is being carried out by the agent, such as Google. Since Google is a for-profit organization, the court may require it either to donate a reasonable portion of its Project revenues to non-for-profit public interest organizations, or to reasonably compensate copyright holders for their involvement in the project.

Yet it does not necessarily follow that courts should invoke the responsibility policy in every case that examines whether copyright holders should

¹⁷³ See Sag, *id.* at 33-36.

¹⁷⁴ Google Books Library Project, GOOGLE, www.google.com/googlebooks/library.html.

¹⁷⁵ See, e.g., Zimmerman, *supra* note 6, at 993-97.

accommodate the public interest. This mode of adjudication may render many conventional copyright doctrines dysfunctional in dealing with private law suits. Instead, courts should use the responsibility policy analysis as a last resort. Only when courts find it difficult to make a decision after using conventional doctrinal tools should they use the responsibility policy analysis. In this context, courts can draw on the responsibility policy analysis to consider whether, and to what extent, the copyright holder has social responsibilities to the public.

B. Promoting the Ethics of Responsibilities among Copyright Holders

The preceding section discussed ways in which copyright law can help the three branches of the government enforce responsibilities upon copyright holders. Adopting the responsibility policy would broaden the spectrum of policy considerations that legislators and regulators must make. Defining copyright limitations as copyright holders' responsibilities would also help judges make socially sound decisions that accommodate diverse public interests in the production and dissemination of copyrighted works.

The responsibility policy is designed to guide public institutions, namely the three branches of the government, in protecting copyrights. The two conceptions of responsibility discussed in the following two sections play a different role. Negative responsibilities and collective responsibilities are designed to guide private parties, namely copyright holders, with the ethical conduct code. Section 1 canvasses the legal rules that can enforce copyright holders' negative responsibilities, help overcome individualism in copyright protection, and facilitate copyright holders' role in shaping users' cultural power. Section 2 discusses the issues that must be addressed before *actually enforcing* copyright holders' collective responsibilities concerning the promotion of social justice.

1. Negative Responsibilities

Copyright holders' responsibilities take two forms: negative and positive. Negative responsibilities limit copyright holders to exercising their rights in ways that do not harm users' legitimate interests in making use of copyrighted works.¹⁷⁶ By contrast, positive responsibilities require copyright

¹⁷⁶ For the idea of negative responsibility, see THOMAS W. POGGE, *WORLD POVERTY AND HUMAN RIGHTS: COSMOPOLITAN RESPONSIBILITIES AND REFORMS* 131 (2002); H. M. Malm, *Directions of Justification in the Negative-Positive Duty Debate*, 27 *AM. PHIL. Q.* 315, 315 (1990) ("Let us refer to duties not to cause harm as *negative duties*, and to duties to prevent harm as *positive duties*.").

holders to take affirmative actions to promote and protect users' legitimate interests.¹⁷⁷ Because such affirmative actions may impose too heavy a burden on copyright holders, I propose that negative responsibilities are a more viable solution.

a. The Basis of Negative Responsibilities

Negative responsibilities apply to two types of uses of copyrighted works by the public. The first type of use causes no harm to copyright holders, while the second type causes them minor harm. In the former situation, negative responsibilities should require copyright holders to accommodate such harmless unauthorized uses.¹⁷⁸

A wide range of private uses cause no harm to copyright holders: a person emails an academic article to his colleague, makes a copy of a film and sends it to his family to ask for their comments, or records a TV program to watch at a later time. In all of these cases, no harm is caused to copyright holders. Moreover, a wide range of uses of copyrighted works in the public setting theoretically do not cause harm to copyright holders, such as a public performance of a copyrighted song in a church service, or the use of a short clip of a film in a public presentation to illustrate a viewpoint.

Copyright holders' negative responsibility to allow harmless uses of their works is first justified by their role responsibility and the reciprocity principle, as discussed in Part II. The reciprocity principle requires copyright holders to make appropriate contributions to the promotion of the public interest because they benefited from prior works made available to the public when they created their works. For example, the consumer of a new article, film, or television program (in private-use cases) may use new information therein to develop a new research project, write new film comments, or learn about social and political issues reported by media. Such uses

¹⁷⁷ For the idea of positive responsibility, see POGGE, *supra* note 176, at 131.

¹⁷⁸ Based on the free speech values, Professor Christina Bohannon suggests copyright law should accommodate harmless use. Bohannon points out that “[a]lthough the First Amendment sometimes protects even harmful speech, it does not allow the prohibition of *harmless* speech.” Bohannon, *supra* note 162, at 1085. Therefore, “given the speech value inherent in all kinds of copying, copyright law must be subject to the same harm requirement as other forms of speech regulation.” *Id.* at 1087. Moreover, Professor Wendy Gordon has argued similarly, but her argument is based on a law and economics perspective rather than the ethical perspective discussed in this article. Wendy J. Gordon, Keynote Address, *Harmless Use: Gleaning from Fields of Copyrighted Works*, 77 *FORDHAM L. REV.* 2411, 2434 (2009) (“[C]opyright law should give more honor to harmless uses—uses that produce results that are Pareto superior to nonuse.”).

have the effect of disseminating the substance of copyrighted works to audiences that the copyright holders do not intend to reach.

Second, copyright holders, as discussed in Part II, need to fulfill their role responsibilities to nurture fellow citizens' cultural power to discuss and critique social issues. The reason for encouraging dissemination of copyrighted works must be the hope that they will be consumed, that is, processed or considered. It is only through consumption of works that copyright law can enhance the marketplace of ideas and democratic governance. A good deal of copying must be done in the process of this consumption.¹⁷⁹ As Rebecca Tushnet has argued, copyrighted works permeate human life, profoundly influencing social and political views. Thus, she has pointed out that "when moments of political choice do come, our responses are shaped by the culture around us. As a result, freedom to participate in shaping culture is an overriding concern of the democratic self-governance view [of the First Amendment]."¹⁸⁰ Similarly, Eugene Volokh has emphasized that in many cases of copyright infringement, the copied "work is materially more valuable to readers than the original that they can't get, that costs too much, or that they don't know about."¹⁸¹

All these uses of copyrighted works are largely harmless to copyright holders because users do not come into any direct or indirect competition with copyright holders. Uses of copyrighted works, either in private or public settings as discussed above, do not reach the market in which copyright holders issue licenses and charge royalties for others to use their works.

b. The Enforcement of Negative Responsibilities

Copyright limitations should be designed to adequately enforce copyright holders' negative responsibilities. Otherwise, copyright holders may ignore their responsibilities and gain unfettered control over harmless uses of their works. They may do so by simply claiming that their copyrights entitle them to authorize (or prevent) any uses of their works by others.

¹⁷⁹ *Davis v. Gap, Inc.*, 246 F.3d 152, 173 (2d Cir. 2001) ("Most honest citizens in the modern world frequently engage, without hesitation, in trivial copying that, but for the de minimis doctrine, would technically constitute a violation of law.").

¹⁸⁰ Rebecca Tushnet, *Copy This Essay: How Fair Use Doctrine Harms Free Speech and How Copying Serves It*, 114 *YALE L.J.* 535, 540 (2004).

¹⁸¹ Eugene Volokh, *Freedom of Speech and Intellectual Property: Some Thoughts After Eldred*, 44 *Liquormart, and Bartnicki*, 40 *HOUS. L. REV.* 697, 726 (2003).

Without their authorization, harmless use still amounts to an infringement of copyright.¹⁸²

The fair use doctrine codified in Section 107 of the U.S. Copyright Act does not contain effective safeguards to enforce negative responsibilities. The problem largely stems from the treatment of fair use as an affirmative defense. First, under the affirmative defense mode of fair use, a user has the burden of proving he or she did not harm the copyright holder's market.¹⁸³ Copyright holders do not need to prove the existence of harm to their market when they establish the prima facie case for copyright infringement. Therefore, it is procedurally and economically easy for copyright holders to sue users whose uses are harmless to copyright holders' markets. The burden of proving the absence of market harm is troublesome for users, as it is not easy for them to obtain data about copyright holders' market and examine the market impact of their uses on copyright holders. This asymmetry between copyright holders and users concerning the burden of proof may deter users from making fair uses of works even though they are harmless to copyright holders.

An additional barrier to enforcement is the fact that courts have deemed the market value of the copyrighted work as one of the most important factors weighing against fair use, and yet have broadly defined the scope of copyright holders' markets. In *Folsom v. Marsh*, a decision regarded as the origin of the modern fair use doctrine, Justice Story emphasized the finding of the actual harm to copyright holders in fair use cases, because liability only turns on "the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work."¹⁸⁴ The market value was later codified in Section 107 of the Copyright Act as the fourth factor of the fair use analysis. Courts have regarded this factor as most important in the fair use analysis.¹⁸⁵ By hailing the "market value" factor as

¹⁸² See Jessica Litman, *Lawful Personal Use*, 85 TEX. L. REV. 1871, 1898 (2007) ("The conventional analysis would tell us that when those uses involve a fixed reproduction, an adaptation, or a public distribution, performance, or display, then they infringe copyright unless they are excused by the fair use privilege codified in § 107.").

¹⁸³ See Sun, *supra* note 13, at 134–42.

¹⁸⁴ 9 F. Cas. 342, 348 (C.C.D. Mass. 1841) (No. 4901).

¹⁸⁵ See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 566 (1985) (finding that the effect on the market is "undoubtedly the single most important element of fair use."); *Princeton Univ. Press v. Mich. Document Servs., Inc.*, 99 F.3d 1381, 1385 (6th Cir. 1996) ("We take it that . . . 'the effect of the use upon the potential market for or value of the copyrighted work,' is at least *primus inter pares* . . ."); see also Barton Beebe, *An Empirical Study of U.S. Copyright Fair Use Opinions, 1978–2005*, 156 U. PA. L. REV. 549, 617 (2008) ("59.0% of the opinions

“undoubtedly the single most important element of fair use,”¹⁸⁶ *Harper & Row* foreclosed fair use by primarily weighing the individual interest in accessing and using works against the copyright holder’s economic interest in the marketability of their works.¹⁸⁷ Therefore, the *Harper & Row* decision ignored the fact that the defendant’s quoting three hundred to four hundred words of the former president’s manuscript was vital to lending authenticity to its reporting on the resignation and pardon of former president Richard Nixon. Keeping the public informed of the details of that historical event undoubtedly “furthered the public interest”¹⁸⁸ in “[a] broad dissemination of principles, ideas, and factual information [that] is crucial to the robust public debate and informed citizenry.”¹⁸⁹

Following the responsibility policy, the consideration of copyright holders’ negative responsibilities must become part of fair use analysis, especially as part of the fourth factor about the use’s impact on the copyright holder’s market. Courts should allow uses of works that would cause no harm to copyright holders’ market and justify such uses on the grounds that copyright holders have negative responsibilities to allow the public to make these types of uses.

2. Collective Responsibilities

Copyright law should also promote copyright holders’ collective responsibilities. In contrast to negative and positive responsibilities that are attributed to the copyright holder on an individual basis, collective responsibilities require all copyright holders to share common burdens. Responsibilities of this kind are collective because copyright holders are regarded as sharing two kinds of common identities: first, as social members who receive benefits from social cooperation for copyright protection; second, as social members who perform the role of shaping people’s cultural power. These two common identities, to a certain degree, make the relevant responsibilities imposed on copyright holders collectively sharable. Copyright holders should collectively take responsibility to bear the burdens of social coopera-

following *Harper & Row* (but preceding *Campbell*) explicitly cited [the fact that the Supreme Court declared the effect of use on the market as the most important factor] Of the opinions following *Campbell*, 26.5% continued explicitly to state that factor four was the most important factor.”)

¹⁸⁶ 471 U.S. at 566.

¹⁸⁷ Through this emphasis on the protection of the copyright holder’s economic interest, the Court applied “an exceedingly narrow definition of the scope of fair use.” *Id.* at 579 (Brennan, J., dissenting).

¹⁸⁸ *Id.* at 591.

¹⁸⁹ *Id.* at 582.

tion for copyright protection in proportion to the benefits they receive from this system.

Copyright holders' collective responsibilities take two forms. The first type of responsibilities are concerned with accommodating uses of copyrighted works that are permissible under copyright limitations, such as the fair use exception and first-sale exception. This collective responsibility deals only with the relationship between copyright holders and state institutions, including Congress, courts, and the Copyright Office. When these state institutions offer a legitimate reason for expanding the scope of copyright limitations, all copyright holders have the responsibility to bear the extra burden to allow the public to use their works within the expanded scope of copyright limitations.

The second collective responsibility is the responsibility to reconsider the relationship between the market in exploiting works and the public interest. Copyright holders are accustomed to treating their exclusive rights as marketable rights, which means that it is through the license-and-payment transactions in the marketplace that they maximize the commercial value of their works. They hail the market as the panacea for curing a host of public goods problems. Under this rubric, clearly defined rights to exclude are taken for granted as the core element of copyright law.¹⁹⁰ Those copyright doctrines that protect exclusive rights have been shaped by these theories. For example, the Supreme Court stated in *Bleistein v. Donaldson Lithographing Company* that the sole measure of quality in copyright law is the market's willingness to pay.¹⁹¹ In the Court's words, "if they command the interest of any public, they have a commercial value—it would be bold to say that they have not an aesthetic and educational value—and the taste of any public is not to be treated with contempt."¹⁹² This approach foregrounds a voluntary author-audience exchange for money. It makes the sale of copyrighted works in the marketplace both normal and good.

However, copyright holders should take responsibility to consider how and why the market-based mode of exploiting copyrighted works may cause social inequalities. According to Robert Hale, the so-called "free market" is by no means free of coercion; rather, the property-based coercive power is immanent in the marketplace. While every person has an equal nominal

¹⁹⁰ *Assessing the Economic Impact of Copyright Reform on Authors, Makers, Photographers and Publishers in Canada in Reference to Two New Copyright-Related Treaties*, available at www.ic.gc.ca/eic/site/ippd-dppi.nsf/eng/ip01141.html (pointing out that "a well functioning market for copyrights requires that those copyrights be clearly defined, affirmed and enforced").

¹⁹¹ 188 U.S. 239 (1903).

¹⁹² *Id.* at 251.

status as a trading participant in the marketplace, the type and amount of resources that they control, in fact, differ from one person to another. Therefore, the bargaining power they have when negotiating deals in the marketplace always varies from person to person, making it possible that people with stronger bargaining power can coerce others into following their commands.¹⁹³

In this context, one of the pressing issues copyright holders should collectively consider is whether they should take the responsibility to accommodate or even promote the user-based and open access-oriented modes of innovation, which have flourished in the digital age.¹⁹⁴ The free software movement, the Creative Commons initiative, and a series of new media projects like Wikipedia and YouTube all challenge the conventional ways of exploiting copyright that put the copyright holder on the top of the information hierarchy. These movements have generated sharp criticisms of, and creative alternatives to, the conventional model of copyright protection.

It is worth noting that the first type of copyright holders' collective responsibilities should be legally enforceable. This means that it is a legal responsibility. If a copyright holder refuses to accommodate public uses of his works permissible under the expanded scope of copyright limitations, he would be held legally liable for misusing his copyright. In this scenario, the copyright misuse doctrine¹⁹⁵ can be invoked to penalize the copyright holder concerned. By contrast, the second type of copyright holders' collective responsibility is a non-legally enforceable moral responsibility. It follows that copyright holders would not be legally penalized if they fail to consider the viability of open-access modes of generating innovation and take measures to accommodate them. However, copyright holders may be morally at fault for their failure to adapt to changing circumstances by promoting open access and ameliorating social inequalities.

¹⁹³ See Robert L. Hale, *Coercion and Distribution in a Supposedly Non-Coercive State*, 38 POL. SCI. Q. 470 (1923).

¹⁹⁴ See generally Yochai Benkler, *Coase's Penguin, or, Linux and The Nature of the Firm*, 112 YALE L.J. 369 (2002); William W. Fisher III, *The Implications for Law of User Innovation*, 94 MINN. L. REV. 1417, 1418–23 (2010); Rochelle Cooper Dreyfuss, *Does IP Need IP?: Accommodating Intellectual Production Outside the Intellectual Property Paradigm*, 31 CARDOZO L. REV. 1437, 1443–1447 (2010).

¹⁹⁵ See, e.g., *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970, 978 (4th Cir. 1990) (holding that if the right holder uses his copyright “in a manner adverse to of the public policy embodied in copyright law,” his conduct would amount to copyright misuse).

CONCLUSION

We live in an age of irresponsibility.¹⁹⁶ The prevalence of the commercial culture in our contemporary society compels many people to relentlessly pursue their own interests. There are fewer and fewer people who may take their responsibilities as seriously as John D. Rockefeller Jr. did decades ago. He said that he “believe[d] that every right implies a responsibility; every opportunity, an obligation; every possession, a duty.”¹⁹⁷

This Article reveals that the traditional mode of copyright protection has bred a widespread irresponsibility mentality among many copyright holders. To address this problem, this Article calls for the integration of responsibilities in copyright law as a *quid pro quo* for granting exclusive rights to copyright holders.

The imposition of responsibilities on copyright holders, however, is not intended to undermine their creative inputs or to appeal for “the death of authors.”¹⁹⁸ Instead, it is designed as an ethical initiative to foster and promote a more creative and dynamic way to interpret the nature of copyrights. This ethical initiative still champions the cause for copyright protection as a means of securing self-actualization for authors, as expressed in Virginia Woolf’s call that “a woman must have money and a room of her own if she is to write fiction.”¹⁹⁹

Meanwhile, the ethics of responsibility further highlights the need for copyright holders to recognize the socially-conditioned nature of the creation and dissemination of their copyrighted works, to reimagine their proper roles in shaping people’s cultural power, and to rethink any social inequalities that copyright protection may bring about. This requires copyright holders, legislators, regulators, and judges to engage in deliberating about these ethical issues.

If the language of rights opens the avenue for each individual to pursue freedom and self-actualization on their own, the language of responsibilities intends to guide each individual to explore collectively the greatness of being a social member for the common good of society. In the context of copyright law, the language of responsibility would function to unite copyright holders with users of copyrighted works to reimagine the role of copy-

¹⁹⁶ See generally VEITCH, *supra* note 29; IRIS MARION YOUNG, RESPONSIBILITY FOR JUSTICE 25 (2011) (“Many relatively privileged people behave irresponsibly in all kinds of ways.”)

¹⁹⁷ ROBERT T. GRIMM, NOTABLE AMERICAN PHILANTHROPISTS: BIOGRAPHIES OF GIVING AND VOLUNTEERING 265 (2002).

¹⁹⁸ See generally Barthes, *supra* note 121.

¹⁹⁹ VIRGINIA WOOLF, A ROOM OF ONE’S OWN 4 (2001).

right law in the digital age. It is an age in which the ethics of responsibility should be hailed an intrinsic human value that undergirds copyright law. Therefore, the law's embracement of copyright holders' responsibilities with their rights would serve as the path through which people can act in concert and then make wonders for the continuity of human civilization.²⁰⁰

²⁰⁰ HANNAH ARENDT, *ON VIOLENCE* 44 (1970) ("Power corresponds to the human ability not just to act but to act in concert. Power is never the property of an individual; it belongs to a group and remains in existence only so long as the group keeps together.").

