



Intellectual Property ADVISORY ■

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Supreme Court Provides Guidance on Attorneys' Fees in Copyright Infringement Actions

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On June 16, 2016, the U.S. Supreme Court issued an opinion in *Kirtsaeng v. John Wiley & Sons, Inc.*, to provide lower courts with guidance regarding the circumstances for awarding attorneys' fees to a prevailing party in a copyright action. Often a misunderstood provision, 17 U.S.C. § 505 provides for attorneys' fees, but does not specify any parameters for when a prevailing party should be awarded those fees. The apparent wide latitude given to trial courts under the Copyright Act contrasts with patent law which, under 35 U.S.C. § 285, calls for attorneys' fees in *exceptional* patent infringement cases.

In *Kirtsaeng II*, the Supreme Court essentially agreed with the lower court's determination that no fee award was warranted, but the Court remanded the case because the lower court placed too much emphasis on the objective reasonableness of the losing party's litigation position. The Supreme Court concluded that while courts should give substantial weight to the objective reasonableness of a losing party's position, they should consider other factors, including the losing party's motivation in maintaining its litigation position as well as the need for compensation and deterrence. In evaluating the relevant factors, courts should determine whether fee-shifting in the particular case advances the goals of the Copyright Act.

Background

Petitioner Supap Kirtsaeng resold English language textbooks purchased by his family and friends in Thailand to students in America. Respondent John Wiley & Sons, the textbook publisher, sued Kirtsaeng for copyright infringement. As a defense, Kirtsaeng asserted the "first-sale doctrine," which allows the lawful owner of a book (or other work subject to copyright protection) to resell it. However, at the time, the issue of whether the first-sale doctrine applied to the resale of foreign-made books was unsettled. In fact, Wiley prevailed in both the district court and Second Circuit, but the Supreme Court ultimately agreed with Kirtsaeng, leading to its 2013 decision (of the same name) *Kirtsaeng v. John Wiley & Sons, Inc.* (2013).

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Having prevailed in the Supreme Court, Kirtsaeng returned to district court to seek more than \$2 million in attorneys' fees under § 505. Denying Kirtsaeng's motion, the lower court gave substantial weight to the objective reasonableness of Wiley's claim. The court of appeals also agreed with Wiley, and Kirtsaeng appealed to the Supreme Court.

The Supreme Court's Analysis

The Supreme Court established the principles and criteria for determining whether fee-shifting is appropriate under § 505 in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994). First, a court may not "award[] attorney's fees as a matter of course." Second, a court must treat plaintiffs and defendants the same, no matter who prevails. Third, a court can apply "several nonexclusive factors" to determine whether fee-shifting is appropriate, including "frivolousness, motivation, objective unreasonableness ... and the need in particular circumstances to advance considerations of compensation and deterrence." Both parties in *Kirtsaeng II* asserted that further guidance was necessary, and the Court agreed.

The Supreme Court emphasized that fee awards in copyright actions should encourage litigation that advances the goals of the Copyright Act: "enriching the general public through access to creative works ... [and] achiev[ing] that end by ... encouraging and rewarding authors' creations while also enabling others to build on that work." Wiley argued that the goals of the Copyright Act are advanced when the fee-shifting analysis gives substantial weight to the objective reasonableness of a losing party's position, while Kirtsaeng asserted that these goals are advanced when fees are awarded in cases involving significant and uncertain legal issues. The Court found that Wiley's objective-reasonableness approach was appropriate "because it both encourages parties with strong legal positions to stand on their rights and deters those with weak ones from proceeding with litigation." In contrast, when parties litigate a case involving uncertain legal issues and neither party is confident of the outcome, the risk of fee-shifting may actually discourage the parties from pursuing the case to judgment. In other words, fee-shifting does not give parties incentive to bring difficult cases that may shape copyright law and define the scope of its protections. Moreover, the Court explained that Kirtsaeng's approach did not consider that, at the time a court decides a case, it may not be aware to what extent its decision is precedent-setting.

The Court stated, "Although objective reasonableness carries significant weight, courts must view all the circumstances of a case on their own terms, in light of the Copyright Act's essential goals." Thus, a court could award fees "even though the losing party offered reasonable arguments (or, conversely, deny fees even though the losing party made unreasonable ones)." So, while the Court invalidated Kirtsaeng's approach to fee-shifting, it also found that the court of appeals appeared to have unduly emphasized the reasonableness of Wiley's litigation positions such that "a finding of reasonableness raise[d] a presumption against granting fees." The Court remanded the case so that the lower court could consider all other relevant factors.

Significance of the Decision

Kirtsaeng II provides greater clarity to the fee-shifting analysis under § 505, emphasizing an analysis focused on the purposes of the Copyright Act, and therefore may assist parties when evaluating their overall litigation strategy in copyright infringement cases and, in particular, its settlement value. Notably, the Court validated the importance of the reasonableness factor. However, it left open the possibility that other circumstances (e.g., litigation misconduct, repeated instances of copyright infringement or overaggressive assertions of copyright claims) could override the reasonableness inquiry, resulting in an award for attorneys' fees despite the objective reasonableness of a party's position. Finally, while the Court provided additional guidance on the application of § 505, it did not disturb the wide leeway district courts have in deciding the fee-shifting issue. Parties should still review precedent cases in the relevant circuit for other factors to consider.

Conclusion

Under *Kirtsaeng II*, when determining whether fee-shifting is appropriate under § 505, district courts should give substantial weight to the objective reasonableness of a losing party's position, but should consider other factors including frivolousness, motivation and the need in particular circumstances for compensation and deterrence. Moreover, the objective reasonableness of the losing party's position is not dispositive, as the other factors may override reasonableness when, under the circumstances, fee-shifting advances the goals of the Copyright Act.

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