



## ARE Copyright Law Alert: Supreme Court Remands Denial of Attorney's Fees Under Â§ 505 of the Copyright Act After Clarifying Standard

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On June 16, 2016, the Supreme Court delivered an opinion in *Kirtsaeng v. John Wiley & Sons, Inc.*, No. 15–375 (U.S. June 16, 2016), addressing the appropriate standard for the attorney fee shifting provision of the Copyright Act, 17 U.S.C. § 505. Writing for a unanimous court, Justice Kagan agreed with the “objective reasonableness” standard employed by the district court in denying an award of attorney’s fees, but remanded the decision for further consideration after stressing that the reasonableness inquiry is only one part of the analysis and is not controlling.

### **Background**

Section 505 of the Copyright Act authorizes a court in its discretion to award a prevailing party reasonable attorney’s fees in a copyright action:

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

17 U.S.C. § 505 (emphasis added).

In the present case, petitioner prevailed after an extended litigation which involved purchasing textbooks at lower prices overseas and reselling them in the United States. The previous litigation, which resulted in an earlier Supreme Court decision, *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013), affirmed the applicability of the “first-sale doctrine” to cases involving copyrighted works purchased in foreign countries. For more information on the prior Supreme Court decision please see our earlier alert, Chester Rothstein et al., ARE Copyright Law Alert: Supreme Court Reverses Second Circuit, Holds “First Sale” Doctrine Applies To Copies Of Copyrighted Works Made Abroad (Mar. 19, 2013) (available at <https://www.arelaw.com/publications/view/lawalert031913>).

After successfully employing the first-sale doctrine as a defense, Petitioner returned to court to recover more than \$2 million in attorney’s fees under § 505. The district court denied the motion, placing substantial weight on the objective reasonableness of the plaintiff’s position. *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08-cv-07834, 2013 U.S. Dist.



LEXIS 179113, at \*2 (S.D.N.Y. Dec. 20, 2013). The Second Circuit affirmed in an unsigned Summary Opinion. *John Wiley & Sons, Inc. v. Kirtsaeng*, 605 F. App'x 48, 49 (2d Cir. 2015).

### **Supreme Court Decision**

Justice Kagan writing for a unanimous Court in *Kirtsaeng* offered further clarification on the standard for awarding fees in Copyright cases.

As an initial matter, the Court found that Wiley's position in the previous proceedings had been reasonable, citing the fact that several courts of appeal and three justices of the Supreme Court had agreed with its position. *Kirtsaeng*, slip. op. at 3. The Court further noted that both parties agreed with the Court's previous discussion of the matter in *Forgerty v. Fantasy Inc.*, 510 U.S. 517 (1994), where the Court noted that the § 505 inquiry was at the discretion of the district court and that the inquiry could not follow a precise rule or formula. *Kirtsaeng*, slip. op. at 4. The *Kirtsaeng* Court reiterated that a district court may not award attorney's fees as a matter of course, and may not treat prevailing plaintiffs and defendants differently. *Id.* It also reviewed a list of non-exclusive factors that a district court may consider, including frivolousness, motivation, and objective unreasonableness. *See id.*

Turning to the present case, Wiley argued that granting substantial weight to the reasonable objectiveness factor would further the objectives of the Copyright Act. *See id.* at 5. On the other hand, Kirtsaeng argued that the standard for awarding fees should be whether the case "resolved an important or close legal issue and thus 'meaningfully clarifie[d] copyright law'" *Id.* (quoting Brief for Petitioner at 36). The Court sided with Wiley, holding that reasonable objectiveness was a proper factor for a court to consider. *Id.* at 6. The Court stated that the test promoted the objectives of the Copyright Act by encouraging parties with strong legal positions to stand on their rights while deterring parties with weak positions from litigating. *Id.* at 7.

Adopting Kirtsaeng's proposal, the Court reasoned, would discourage parties from litigating because close legal questions may be decided either way, and basing the award of attorney's fees on close legal questions may discourage parties from bringing litigation because the award may easily and unpredictably switch from an inducement to a penalty. *Id.* at 7–8. The Court also noted that Wiley's reasonable objectiveness test was easier to administrate because a district court that has completed a copyright trial will be intimately familiar with the reasonableness of a party's position. *Id.* at 8–9. The precedential or "law-clarifying value" of a decision may not be clear until many years later. *Id.* Thus, it is easier for a district court to decide whether to award fees based on an objective reasonableness standard.

However, the Court went on to stress that reasonable objectiveness is not the only factor a district court may, or should, consider in its analysis. *Id.* at 10–11. It listed several instances where other factors may be as relevant, if not more so, than objective reasonableness, including situations involving litigation misconduct and overly aggressive litigation tactics.



*Id.* The Court stressed that although a court may place substantial weight on the objective reasonableness of a party's position, it must consider all of the circumstances of a given case prior to reaching a decision. *Id.*

After examining the record, the Court raised concerns that the Second Circuit's decisions on the issue had created a near presumption against granting fees against a party whose position is objectively reasonable. *Id.* at 11. The Court remanded to ensure that the district court had considered all of the relevant factors after the present clarification on the issue. *Id.*

The Court emphasized that it was making no judgment on whether this particular case should result in an award of fees. *Id.*

This decision is significant for at least two main reasons:

First, it follows the Supreme Court's recent trend in intellectual property of eschewing bright line tests or rules in favor of giving discretion to the district court when awarding attorney's fees and other additions to damages. See, e.g., *Halo Elecs. v. Pulse Elecs.*, Nos. 14-1513, 14-1520, 2016 U.S. LEXIS 3776 (June 13, 2016) (discussing award of enhanced damages in patent claims); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014) (discussing award of attorney's fees in patent claims). See our earlier reports Charles R. Macedo et al., ARE Patent Law Alert: Supreme Court Rejects Seagate Test For Enhanced Damages In Patent Cases (June 16, 2016) (available at <https://www.arelaw.com/publications/view/supreme-court-rejects-seagate-test-for-enhanced-damages-in-paten/>).

Second, the decision affirms that the reasonable objectiveness of a party's claims is a factor that will be given substantial weight in a § 505 analysis. Although other factors will be considered, this decision gives some measure of certainty to future copyright litigants when deciding whether to bring a claim.

## **Summary**

The Supreme Court remanded a district court's denial of attorney's fees under § 505 of the Copyright Act. The Court agreed with the district court's use of the objective reasonableness of the losing party's position as a key factor in its decision whether to grant attorney's fees. However, the Court remanded after stressing that the decision whether to grant fees is at the discretion of the lower court and is a multi-factor analysis that should not rely solely on one factor.

We will continue to monitor the Courts for the latest developments on this issue.

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