



US Supreme Court clarifies attorney's fees standard under section 505 of the Copyright Act

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Author(s): Charles R. Macedo, Trevor M. O'Neill (summer law clerk)

Kirtsaeng v John Wiley & Sons, Inc, No 15–375, 2016?US Lexis 3922 (US 16 June 2016)

Abstract

On 16 June 2016, the US Supreme Court delivered an opinion addressing the appropriate standard for the attorney fee shifting provision of the Copyright Act, 17 USC § 505. Writing for a unanimous court, Justice Kagan agreed with the 'objective reasonableness' standard employed by the District Court in denying award of attorney's fees, but remanded the decision for further consideration after stressing that the reasonableness inquiry is only one part of the § 505 analysis and is not controlling. Courts should instead examine all relevant factors when considering whether to award attorney's fees.

Legal Context

Section 505 of the Copyright Act authorizes courts to award a prevailing party reasonable attorney's fees in a copyright claim. Such authorization is at the discretion of the trial court. The award of attorney's fees to the prevailing party differs from the ordinary US practice of each side paying its own costs in litigation. The US Supreme Court has previously instructed courts to examine a range of factors when deciding whether to award attorney's fees under § 505, noting that the inquiry does not follow a 'precise rule or formula' (*Fogerty v Fantasy, Inc*, 510?US 517, 533-34 (1994)).

Facts

In the present case, petitioner was sued for copyright infringement after he



purchased textbooks at lower prices overseas and resold them in the United States (*Kirtsaeng v John Wiley & Sons, Inc*, No 15-375, 2016?US Lexis 3922, at *6 (US 16 June 2016)). He prevailed after extended litigation by relying on the ‘first-sale doctrine’ codified at 17 USC § 109. That 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 in cases involving copyrighted works purchased in foreign countries.

After successfully employing the first-sale doctrine as a defence, petitioner returned to court to recover more than USD 2 million in attorney’s fees under § 505 of the Copyright Act. The district court denied the motion, placing substantial weight on the objective reasonableness of the textbook publisher’s position (*John Wiley & Sons, Inc v Kirtsaeng*, No 08-cv-07834, 2013?US Dist LEXIS 179113, at *2 (SDNY 20 Dec 2013)). The US Court of Appeals for the Second Circuit affirmed in an unsigned Summary Opinion (*John Wiley & Sons, Inc v Kirtsaeng*, 605 F App’x 48, 49 (2d Cir 2015)). Petitioner appealed to the Supreme Court, which accepted certiorari on the question of ‘What is the appropriate standard for awarding attorneys’ fees to a prevailing party under § 505 of the Copyright Act?’ (*Kirtsaeng v John Wiley & Sons, Inc*, 136?S Ct 890 (2016)).

Analysis

Justice Kagan wrote the opinion for a unanimous court, remanding the decision. The court found at the outset that the respondent book publisher, John Wiley & Sons, Inc (‘Wiley’), argued a reasonable position in the previous proceedings, citing the fact that several US appellate courts and three Justices of the Supreme Court agreed with the position (*Kirtsaeng*, 2016?US Lexis 3922, at *8). Following *Forgerty* (at both parties’ suggestion), 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 (*ibid*, *9). The *Kirtsaeng* court reiterated that a district court may not award attorney’s fees as a matter of course, and may not treat plaintiffs and defendants differently (*ibid*). It also reviewed a list of non-exclusive factors that a district court may consider in a § 505 analysis, including frivolousness, motivation, and objective unreasonableness (*ibid*, *10).

The court examined precedent on similar fee-shifting schemes and found that any factor used in a § 505 analysis must support the goals of the Copyright Act (*ibid*, *12). Citing *Fogerty* and the US Constitution, the court found that the Copyright Act ‘ultimately serves the purpose of enriching the general public through access to creative works’ (*ibid*, *12, citing *Fogerty*, 510?US at 527). The two primary aims of copyright law in the United States were described as: ‘encouraging and rewarding



authors' creations while also enabling others to build on that work' (*Kirtsaeng*, 2016?US Lexis 3922, at *12–13).

Wiley argued that granting substantial weight to the reasonable objectiveness of the opposing party's position and arguments would further the objectives of the Copyright Act (*ibid*, *13). 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" ' (*ibid*, *11, quoting Brief for Petitioner at 36).

The court sided with Wiley, holding that reasonable objectiveness was the proper factor for a court to consider (*Kirtsaeng*, 2016?US Lexis 3922, at *13). The court stated that the reasonable objectiveness test promotes the goals of the Copyright Act by encouraging parties with strong legal positions to stand on their rights while deterring parties with weak positions from litigating (*ibid*, *14). This ensures that authors with valid copyright infringement claims will actively protect their work, but also encourages free access to and use of creative work by discouraging overly aggressive authors from bringing weak claims of infringement with the sole purpose of discouraging use of their work (*ibid*).

Adopting *Kirtsaeng*'s submission—the court reasoned—would discourage parties from litigating valid claims because of a lack of certainty regarding the award of attorney's fees (*ibid*, *15). 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 (*ibid*, *15–16). 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 (*ibid*, *16). By contrast, the precedential or 'law-clarifying value' of a decision may not be clear until many years later (*ibid*).

This said, the court stressed that reasonable objectiveness is not the only factor a district court may, or should, consider in a § 505 analysis (*ibid*, *19–20). 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 (*ibid*). The court stressed that while 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 (*ibid*).

After examining the record of the decisions below, the court raised concerns that the appellate court's decisions on § 505 fee-shifting had created a near presumption against granting fees if a party's position is objectively reasonable (*ibid*, *21). The court remanded to ensure that the district court had considered all of the relevant factors after the present clarification on the



issue (ibid). The decision emphasized that the court was making no judgment on whether this particular case should result in an award of fees (ibid, *22).

Practical Significance

In this decision, a unanimous court upheld the use of reasonable objectiveness as a factor in a § 505 analysis. However, the court also stressed the multi-factor nature of the analysis, noting that a lower court should examine all of the relevant factors when making a decision to award attorney's fees. Although the court did acknowledge that substantial weight may be given to the reasonable objectiveness factor, it provided several examples of instances where other factors would be more important, such as instances of litigation misconduct by the losing party. Going forward, we can expect that future fee disputes in copyright cases in the USA will continue to contest which factors should be considered and how they should be weighed, with a district court judge being the arbitrator of such disputes.

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