

***Kirtsaeng* Clarifies Attorney's Fees Standard In Copyright Cases, Injects More Uncertainty Into Availability of Fee Awards**

James Trigg and Sabina Vayner
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Issuing its second decision in Supap Kirtsaeng's long-standing dispute with John Wiley & Sons — and its first copyright decision in nearly two years — the U.S. Supreme Court recently clarified the applicable standard for evaluating the appropriateness of an attorney's fee award under Section 505 of the Copyright Act, holding that a district court should give substantial weight to the objective reasonableness of the losing party's position, while also taking into consideration all other circumstances relevant to the attorney's fees inquiry. See, *Kirtsaeng v. John Wiley & Sons, Inc.*, No. 15-375, 579 U.S. ____ (June 16, 2016) (slip opinion).

Case Background

The *Kirtsaeng* litigation initially arose as a result of Kirtsaeng's resale of English-language textbooks manufactured in Thailand and purchased there at a lower price by local family and friends, then shipped to the United States for Kirtsaeng's resale. *Id.* at 2. When publisher John Wiley & Sons, Inc. (Wiley) learned of Kirtsaeng's profitable business model, it sued Kirtsaeng for copyright infringement, with Kirtsaeng invoking the first sale doctrine as his defense. *Id.* Although the first sale doctrine permits the lawful purchaser of a book (or other work) to resell that book freely and without restriction, Wiley argued that the doctrine did not apply to books and other works manufactured abroad and then shipped into the United States. *Id.*

The district court agreed with Wiley's interpretation of the first sale doctrine, and so did a divided panel of the Second Circuit Court of Appeals. See, *John Wiley & Sons, Inc. v. Kirtsaeng*, Civ. Action No. 08 Civ. 7834(DCP), 2009 WL 3364037 (S.D.N.Y. Oct. 19, 2009), *aff'd*, 654 F.3d 210 (2d Cir. 2011). Kirtsaeng then petitioned the Supreme Court for certiorari, which granted the petition to resolve a Circuit split on the issue. In a 2013 decision, the Supreme Court sided with Kirtsaeng, holding that the first sale doctrine applied equally to the resale of works manufactured and sold internationally and domestically. See, 568 U.S. ____, 133 S.Ct. 1351 (2013).

After his Supreme Court victory, Kirtsaeng returned to the district court to seek more than \$2 million in attorney's fees from Wiley under the U.S. Copyright Act's fee-shifting provision, Section 505. See, Civ. Action No. 08 Civ. 7834(DCP), 2013 WL 6722887 (S.D.N.Y. Dec. 20, 2013). Reviewing the potential fee award under the Second Circuit's "objective reasonableness" standard, the district court denied Kirtsaeng's request for attorney's fees, and the Second Circuit affirmed. See, *id.*, *aff'd*, 605 F. App'x 48 (2d Cir. 2015). Both courts reasoned that imposition of attorney's fees on Wiley would not serve the Copyright Act's purposes where, as in this case, the losing party had taken reasonable positions during litigation. Dissatisfied with the result, Kirtsaeng again petitioned the Supreme Court for certiorari, with the Court granting the petition, this time "to resolve disagreement in the lower courts about how to address an application for attorney's fees in a copyright case." No. 15-375, slip op. at 3.

On June 16, 2016, a unanimous Supreme Court vacated the Second Circuit's decision, and remanded the case to the district court for further proceedings, while at the same time cautioning that its remand did "not at all intimate that the District Court should reach a different conclusion" as to the denial of attorney's fees. *Id.* at 11-12.

Objective Reasonableness

Section 505 of the U.S. Copyright Act provides that a district court "may ... award a reasonable attorney's fee to the prevailing party." 17 U.S.C. §505 (emphasis added). The Court cited prior authority for the proposition that "fee awards ... should encourage the types of lawsuits that promote" the purposes of the Copyright Act, *i.e.*, "enriching the general public through access to creative works." No. 15-375, slip op. at 6. Nonetheless, the Court acknowledged the "need for some additional guidance respecting the application of §505" to augment its prior decision in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994). See, No. 15-375, slip op. at 5. In *Fogerty*, the Court established that: 1) the Copyright Act's fee-shifting provision "clearly connotes discretion"; 2) district courts could not award attorney's fees as a matter of course; 3) district courts could not treat prevailing plaintiffs and prevailing defendants any differently; and 4) several non-exclusive factors exist to guide a court's evaluation of whether an attorney's fee award is warranted. See, No. 15-375, slip op. at 4; see also, *Fogerty*, 510 U.S. at 527, 533-34.

Here, Wiley argued that "giving substantial weight to the reasonableness of a losing party's position will best serve the [Copyright] Act's objectives," while Kirtsaeng argued that the district court should give "special consideration to whether a lawsuit resolved an important and close legal issue and thus 'meaningfully clarified' copyright law." No. 15-375, slip op. at 5. The Court ultimately agreed with Wiley (and, in most respects, with the Second Circuit), holding:

The objective-reasonableness approach that Wiley favors passes th[e] test [of advancing the goals of the Copyright Act] because it both encourages parties with strong legal positions to stand on their rights and deters those with weak ones from proceeding with litigation.

...

Conversely, when a person (again, whether plaintiff or defendant) has an unreasonable litigating position, the likelihood that he will have to pay two sets of fees discourages legal action.

...

All of those results promote the Copyright Act's purposes, by enhancing the probability that both creators and users (*i.e.* , potential plaintiffs and defendants) will enjoy the substantive rights the statute provides.

Id. at 6-7.

The Court thus determined that a district court "retains discretion" over fee awards and, in exercising that discretion, "should give substantial weight to the objective reasonableness of the losing party's position," while at the same time "also giv[ing] due consideration to all other circumstances relevant to granting fees." *Id.* at 1, 4. The Court cautioned, however, that courts should not view "a finding of reasonableness" to go so far as to "raise[] a presumption against granting fees" or denying them, as doing so would improperly restrain the district court's discretion and its analysis of other relevant factors. *Id.* at 11.

Prior to the latest *Kirtsaeng* decision, application of the attorney's fee award standard varied widely, with some Circuits (like the Ninth and Eleventh) granting an award of attorney's fees where the claim or defense at issue furthered the purposes of the Copyright Act, other Circuits (like the Fifth and Seventh) taking a broad approach and essentially presuming the grant of attorney's fees in most cases, and still other Circuits (like the Third and Fourth) considering each of the non-exclusive factors enumerated by *Fogerty*. See, *e.g.*, *Lowe v. Loud Records*, 126 F. App'x 545 (3d Cir. 2005); *Bond v. Blum*, 317 F.3d 385, 397-98 (4th Cir. 2003); *Virgin Records Am., Inc. v. Thompson*, 512 F.3d 724, 726-27 (5th Cir. 2008); *Mostly Memories, Inc. v. For Your Ease Only, Inc.*, 526 F.3d 1093, 1099 (7th Cir. 2008); *Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 558 (9th Cir. 1996); *MiTek Holding Inc. v. Arce Eng'g Co.*, 198 F.3d 840, 842-423 (11th Cir. 1999). For its part, the Second Circuit applied the "objective reasonableness" standard now approved by the Supreme Court, but took that application a step too far by essentially making this evaluation the be-all-end-all of the inquiry. See, *e.g.*, *Kirtsaeng*, 2013 WL 6722887, *aff'd*, 605 F. App'x 48.

The Supreme Court's holding in *Kirtsaeng* consequently provides more clarity and consistency for determining whether an attorney's fee award is appropriate in any particular case.

Conclusion

That said, because of the Supreme Court's clear direction that district courts retain broad discretion and must consider all other circumstances the court may deem to be relevant in evaluating whether an attorney's fee award is proper, *Kirtsaeng* also potentially increases the subjectivity and resulting uncertainty of the standard's application by individual judges. In other words, this "means in any given case a court may award fees even though the losing party offered reasonable arguments" No. 15-375, slip op. at 10.

Until case law applying the decision develops and coalesces, therefore, the decision may ultimately provide little guidance for litigants in the cost-benefit analysis of whether to proceed with litigation, either as a plaintiff deciding whether to bring suit or as a defendant determining whether to continue litigating a case it believes to be meritless.

James Trigg and **Sabina Vayner** are attorneys in the Atlanta office of Kilpatrick Townsend & Stockton LLP, where their practices focus on copyright and trademark litigation, licensing, counseling, and registration work.

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