

Objective Reasonableness Can Be Central to Fee-Shifting Analysis in Copyright Cases

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June 21, 2016

In *Kirtsaeng v. John Wiley & Sons, Inc.*, the Supreme Court clarified the test for awarding attorney's fees when applying the Copyright Act's discretionary fee-shifting provision, 17 U.S.C. § 505. The Court held that the objective reasonableness of a losing party's position should be given "substantial weight"—but not necessarily control—the outcome of a fee petition. The lower courts had varied considerably in their approach to the discretionary fee-shifting analysis. Although the regional circuits had developed analyses that typically applied the non-exclusive factors outlined in *Fogerty v. Fantasy*, 510 U.S. 517 (1994), including frivolousness, motivation, objective unreasonableness, and compensation and deterrence, the courts weighed those factors differently, resulting in different fee-award outcomes. This case provides long-awaited guidance on the test for awarding fees in copyright cases, articulating an analysis similar to the discretionary totality-of-circumstances test adopted in the Court's *Octane Fitness* decision on the fee-shifting provision in the Patent Act.

The dispute at issue in *Kirtsaeng* arose from Supap Kirtsaeng's attempt to recover fees after prevailing in a copyright infringement case brought by textbook publisher Wiley. In 2013, the Supreme Court held, in a 6-3 decision, that the "first-sale" doctrine applied to foreign sales and, therefore, Kirtsaeng's importation and resale of low-cost foreign editions of textbooks in the U.S. did not infringe Wiley's U.S. copyright. When Kirtsaeng subsequently sought attorney's fees, the district court denied his petition on the ground that Wiley's position had been objectively reasonable. The Second Circuit affirmed. The Supreme Court vacated and remanded for reconsideration in light of its decision, admonishing that in doing so, it was not suggesting that the district court should reach a different conclusion.

After describing "fee awards [as] a double-edged sword" that "increase the reward for a victory—but also enhance the penalty for a defeat," the Court concluded that favoring awards in close cases would likely discourage parties from litigating those cases by raising the stakes in suits where the outcome was already uncertain. Noting that the Copyright Act "stri[k]es a balance between two subsidiary aims: encouraging and rewarding authors' creations while also enabling others to build on that work," the Court provided guidance regarding how those purposes should influence the analysis of the *Fogerty* factors. The Court reasoned that giving substantial weight to the "objective reasonableness" of the losing party's position "both encourages parties with strong legal positions to stand on their rights and deters those with weak ones from proceeding with litigation," thereby incentivizing "useful copyright litigation." Finally, the Court also observed that objective reasonableness is a standard that a district court can easily assess, having already considered the merits of the claims and defenses, whereas it would be difficult for a district court to apply the test that Kirtsaeng had proposed, namely, whether the case's outcome would have "critical, broad legal significance." The decision admonishes that the attorney's fees petition "should not result in a second major litigation."

The *Kirtsaeng* decision is a pragmatic one, underscoring the district court's discretion rather than creating any bright-line rule. Importantly, there is no presumption of fees when a losing party has made an objectively unreasonable argument, nor does a losing party's objectively reasonable litigating position bar the imposition of a fee award. Consistent with its decision in *Octane Fitness*, the Supreme Court underscored that the district court is in the best position to assess the reasonableness of the losing party's position as well as the other *Fogerty* factors, which still must be weighed by a court exercising its discretion.

Copyright litigants take note: litigation misconduct or overly aggressive assertion of rights (such as by a "copyright troll") may lead to a fee award even if the losing party had an objectively reasonable position. Parties would do well to pay attention to the post-*Octane* case law to ensure that their conduct during the course of litigation is consistent with what courts have found reasonable in the patent context.

*Foley Hoag LLP authored a brief for the American Intellectual Property Law Association as amicus curiae in *Kirtsaeng* advocating for positions similar to those ultimately adopted by the Court.

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