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A New Standard For Attorneys' Fee Awards In Copyright Cases

Law360, New York (June 28, 2016, 11:51 AM ET) --


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Earlier this month, the U.S. Supreme Court issued its decision in Kirtsaeng v. John Wiley & Sons Inc. on the standard for shifting attorneys' fees in copyright litigation. Because copyright litigation is often expensive, and the opportunity (or risk) of an attorneys' fees award plays a significant role in deciding whether to bring (or settle) a case, the decision was much anticipated among the media and entertainment industry as well as the copyright bar. While the court's decision — which directs lower courts to give significant weight to a losing party's objectively unreasonable litigation position — is likely to deter some amount of meritless copyright litigation, the inability to collect a fee award from an impecunious litigant sometimes requires resort to other methods of deterrence.

The Need for a Uniform Standard

The Supreme Court last addressed the standard for shifting attorneys' fees under Section 505 of the Copyright Act in 1994. The court in Fogarty v. Fantasy Inc. held that courts must treat prevailing defendants the same as prevailing plaintiffs when deciding whether to issue an attorneys' fee award, but it offered little guidance on the standard to be applied in making that decision. In the absence of a definitive standard, the lower courts have looked to a footnote in Fogarty that identified several nonexclusive factors used in deciding whether to issue a fee award: frivolous, motivation, objective unreasonableness (both factual and legal), and the need for compensation and deterrence.

Without clear direction from the Supreme Court as to how these factors were to be weighed, the courts of appeal differed widely in how they considered attorneys' fee motions. Some adopted a presumption in favor of fee awards, others endorsed a case-by-case determination, focusing on the four Fogarty factors, while others permit district courts to look to as many as a dozen other factors. The Second Circuit, for its part, focused primarily on the reasonableness of the losing party's position.

Kirtsaeng's Journeys to the Supreme Court

When the Supreme Court granted certiorari, it punched Supap Kirtsaeng's ticket for a second trip to the high court. His first visit stemmed from a textbook arbitrage business that he launched while studying at Cornell University. Kirtsaeng bought low-cost foreign-edition textbooks in his native Thailand, shipped them to the United States, and resold them for a profit. When the textbook publisher, John Wiley, sued for copyright infringement in the Southern District of New York, Kirtsaeng relied on the first-sale

doctrine, which permits the resale of copies of copyrighted works. The trouble for Kirtsaeng was that most courts, including the Second Circuit, had held that the first-sale doctrine did not apply to copies made outside the United States. Kirtsaeng litigated the issue all the way to the Supreme Court, which handed him a 6-3 victory, ruling that the first sale doctrine does, in fact, apply to copies made outside the United States.

Although he prevailed in the Supreme Court, the district court denied Kirtsaeng's attempt to recover his attorneys' fees — including more than $2 million spent on the Supreme Court appeal — finding that none of the other Fogerty factors outweighed John Wiley's reasonable litigation position. The Second Circuit affirmed, and Kirtsaeng again successfully petitioned for a writ of certiorari to the Supreme Court.

Objective Unreasonableness Given Significant Weight

Justice Elena Kagan, writing for a unanimous court, first rejected Kirtsaeng's contention that fees should be awarded where a lawsuit has clarified the boundaries of the Copyright Act. That standard was both unworkable, because the ramifications of a case might not be fully known until far in the future, and unlikely to encourage meritorious litigation, because a fee award would be tied more to a litigant's appetite for risk rather than the reasonableness of its litigation position.

Instead, the court held that substantial weight should be given to the objective reasonableness of the losing party's litigation position. That approach would best promote the purposes of the Copyright Act — encouraging creative expression, while also allowing others to build on existing works. An emphasis on objective reasonableness would, according to the court, "encourage parties with strong legal positions to stand on their rights and deters those with weak ones from proceeding with litigation."

While objective (un)reasonableness will play an outsized role in deciding wither to shift fees, the court explained that district courts must still consider fee motions on a case-by-case basis, considering all of the circumstances. The court identified two scenarios in particular that could warrant fees despite the losing party's reasonable position — where the loser engaged in litigation misconduct, or where a party engaged in repeated instances of infringement or overaggressive assertions of copyright claims.

Other Methods of Combating Frivolous Copyright Litigation

In many cases, the Supreme Court's decision will no doubt discourage meritless litigation. A plaintiff whose copyright ownership is questionable, or who has scant evidence of infringement, is unlikely to file suit, out of fear that it will have to pay the defendants' attorneys' fees. And a defendant who has no colorable defenses is unlikely to put up much of a fight, lest it be forced to pay the plaintiffs' attorneys' fees, on top of a damages award and the costs of any injunctive relief.

But this is true only where a party has something to lose from an adverse fee award. All too often, it seems, individuals with little or no resources bring frivolous infringement claims against well-known celebrity or entertainment-industry defendants, in the hopes of extracting a nuisance settlement, or of surviving to a jury trial where they rely more on sympathy than evidence. For these impecunious plaintiffs — who are often assisted by contingency counsel — the risk of an attorneys' fee award is not an effective deterrent, because they are essentially judgment-proof.

One method of combating this type of frivolous litigation is to seek sanctions against the plaintiffs' counsel under Rule 11 of the Federal Rules of Civil Procedure, which prohibits filings that lack

evidentiary or legal support, or under or Title 28, Section 1927 of the US Code, which targets unreasonable and vexatious litigation. Unlike an attorneys' fee award under Section 505 of the Copyright Act, which can be issued only against a party, a sanction under Rule 11 or Section 1927 can be imposed on counsel. And while courts are sometimes reluctant to sanction lawyers for fear of chilling meritorious litigation, in truly egregious cases, seeking sanctions against counsel may be the only way to avoid having to litigate meritless copyright infringement claims.

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