

Supreme Court Clarifies Standard For Awarding Attorneys' Fees Under The Copyright Act

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On June 16, 2016, in an 8-0 decision in *Kirtsaeng v. John Wiley & Sons, Inc.*, 579 U.S. ___, the U.S. Supreme Court held that when district courts determine whether or not to award discretionary attorney fees to prevailing parties in copyright lawsuits, “substantial weight” should be given to the objective reasonableness or unreasonableness of the losing party’s position, but other circumstances relevant to granting fees must continue to be taken into account. In so ruling, the Court has provided additional guidance with respect to a nonexclusive factor analysis that it had initially set forth over two decades ago. The Court also rejected the notion that special consideration should be given to whether a lawsuit resolved an important and/or close legal issue such that copyright law was “meaningfully clarified.”

Background

Section 505 of the Copyright Act provides that courts may, in their discretion, award reasonable attorneys’ fees to prevailing parties — both plaintiffs and defendants — in copyright lawsuits. For the past 22 years, the primary guide in determining whether such a fee award was appropriate has been the Supreme Court’s decision in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994), which acknowledged district courts’ broad discretion in fee matters but set forth nonexclusive factors to inform their decisions: frivolousness of a claim or defense, motivation in bringing a lawsuit, objective unreasonableness of a legal position and “the need in particular circumstances to advance considerations of compensation and deterrence.” *Id.* at 534 n. 19. The Court more generally had stated that these factors were to be applied to prevailing plaintiffs and defendants evenhandedly, and that the ultimate goal should be to further “the purposes of the Copyright Act.” *Id.*

Since the *Fogerty* decision, the circuit courts varied in their approach to applying the factors. When the 2nd U.S. Circuit Court of Appeals affirmed the denial of the plaintiff-petitioner’s motion for attorneys’ fees in *Kirtsaeng*, it explained that “the district court properly placed ‘substantial weight’ on the reasonableness of [defendant’s losing] position.” *John Wiley & Sons, Inc. v. Kirtsaeng*, 605 Fed. Appx. 48, 49-50 (2nd Cir. 2015). Not all circuits, however, have placed the same emphasis on the objective unreasonableness factor.

For the express purpose of resolving disagreement among the circuits about how to determine the propriety of an attorneys’ fee award, the Supreme Court granted *certiorari*. The plaintiff-petitioner argued that special consideration should be given to whether a lawsuit resolved an important issue and thus “meaningfully clarified” copyright law. The defendant-respondent contended that, consistent with the 2nd Circuit’s ruling, objective unreasonableness was the key factor in the analysis.

Decision

Re-emphasizing the principles and factors set forth in *Fogerty*, the Court reiterated that awards of fees generally should encourage litigation of meritorious claims while discouraging frivolous claims. More generally, the Court recognized that a fee award should serve the dual overall purposes of the Copyright Act: to encourage and reward authors’ creations while also permitting others to build off of that work.

In light of those general purposes, the Court agreed with the defendant-respondent that providing “substantial weight” to the objective unreasonableness of the losing party’s position was a proper test for fees, since it would “encourage parties with strong legal positions to stand on their rights and deter[] those with weak ones from proceeding with litigation.” On the contrary, the Court concluded that awarding fees simply where

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an important or close issue was clarified would not produce any “sure benefits” because in those difficult cases, neither party can be confident of victory, and thus the approach could easily discourage more risk-averse parties from taking reasonable and proper legal positions. In other words, the “close case” approach would do little more than “raise the stakes” of close, and less predictable, lawsuits.

In addition, the Court found that the objective reasonableness/unreasonableness approach would be more easily administrated by lower courts. By virtue of making or presiding over a decision on the merits, a district judge to some extent has to consider the strengths and weaknesses of a legal position. However, the Court explained, courts are “not accustomed to evaluating in real time the jurisprudential or on-the-ground import of their rulings.”

Despite opting for the defendant-respondent’s position, the Court concluded by emphasizing that “objective unreasonableness” is an important factor, but is not in itself dispositive. The Court provided examples of where courts could order fee-shifting notwithstanding the reasonableness of a losing party’s legal posi-

tions, such as due to litigation misconduct or in order to deter repeated infringement. Objective reasonableness or unreasonableness, the Court explained, “carries significant weight,” but is not controlling. Moreover, to the extent that the 2nd Circuit suggested that a finding of objective reasonableness would create a presumption against granting fees, that went too far.

Conclusion

As a result of the Supreme Court’s holding in *Kirtsaeng*, it is clear that district courts making attorneys’ fees determinations under the Copyright Act should analyze the objective reasonableness or unreasonableness of a losing party’s position. Insofar as that particular factor is entitled to “substantial weight,” it is difficult to imagine a circumstance where a court could conduct a proper analysis of the nonexhaustive *Fogerty* factors without at least touching upon that specific issue. But it is also clear that, while objective reasonableness or unreasonableness is likely to be a strong indicator of whether fee awards are appropriate, district courts should not focus on that particular factor to the exclusion of the others.