

# The Double-Edged Sword: Supreme Court Holds “Objective Reasonableness” Important But Not Dispositive in Copyright Act Fee Awards

Andrea L. Calvaruso

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It is a common misperception that a party will automatically recover its attorneys’ fees if it prevails in an action for copyright infringement. First, certain statutory requirements must be met in order to qualify for the recovery of “reasonable” attorneys’ fees. Second, even where such pre-requisites are met, an award of attorneys’ fees pursuant to Section 505 of the Copyright Act is discretionary, not mandatory.

In *Kirtsaeng v. John Wiley & Sons Inc.*, 579 U.S. \_\_\_\_ (2016), the Supreme Court examined the standard for awarding attorneys’ fees to prevailing parties under Section 505 of the Copyright Act. Specifically, the Court focused on the proper weight district courts should give to the “objective reasonableness” of the losing party’s legal positions during the litigation in determining whether an award of attorneys’ fees to the prevailing party is appropriate. The Supreme Court held that a finding of reasonableness should not amount to a presumption against awarding fees and that other relevant circumstances should also be considered. It remanded the case to the district court for consideration of all applicable factors. The Court also confirmed that prevailing party attorneys’ fees are equally available to plaintiffs and defendants, based upon the same analysis.

In *Kirtsaeng*, academic publishing company John Wiley & Sons Inc. sued individual Supap Kirtsaeng for copyright infringement, based upon his unauthorized resale of foreign editions of Wiley’s textbooks in the United States. Wiley claimed that Kirtsaeng’s activities violated its exclusive right to distribute the textbooks. Kirtsaeng argued that his activity was protected by the “first sale doctrine”.<sup>[1]</sup> At the time the complaint was filed, the law on this issue was unsettled. Some courts held that the resale of foreign-made books was protected by the first sale doctrine, while others ruled that the defense did not apply to such a situation. The lawsuit made its way to the Supreme Court, where, in a 6-3 decision, the Court established that the first-sale doctrine did indeed permit the resale of foreign-made books. *Kirtsaeng v. John Wiley & Sons Inc.*, 568 U.S. \_\_\_\_ (2013).

Armed with this legal victory, Kirtsaeng returned to the district court and sought an award of over \$2 million in attorneys’ fees from Wiley, pursuant to Section 505 of the Copyright Act. The district court denied Kirtsaeng’s motion, relying on Second Circuit precedent allowing the district court to give “substantial weight” to the “objective reasonableness” of Wiley’s position on the infringement claim during the litigation. The district court found that Wiley’s position—that Kirtsaeng was infringing because the first sale doctrine did not apply—was reasonable in light of the state of the law at the

time. *See John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08-cv-07834, 2013 U.S. Dist. LEXIS 179113, \*7 (S.D.N.Y. Dec. 20, 2013). The district court also held that an imposition of a fee award against a copyright holder with an objectively reasonable litigation position would not generally promote the purposes of the Copyright Act. *Id.* The Second Circuit affirmed the district court’s denial of Kirtsaeng’s application for a fee award, finding that the district court had properly placed “substantial weight” on the reasonableness of Wiley’s position. *See John Wiley & Sons, Inc. v. Kirtsaeng*, 605 Fed. Appx. 48, 49 (2d Cir. 2015).

Kirtsaeng appealed, and the Supreme Court granted review of the decision to “resolve the disagreement in the lower courts about how to address an application for attorney’s fees in copyright cases.” *Kirtsaeng v. John Wiley & Sons Inc.*, 579 U.S. \_\_\_\_ (2016) (slip op., at 3). In its argument to the Supreme Court, Wiley maintained that courts should give substantial weight to the reasonableness of a losing party’s position. Kirtsaeng argued that courts should give “special consideration” in awarding attorneys’ fees to lawsuits resolving “an important and close legal issue” that clarified copyright law. (slip. op., at 5).

In a unanimous decision, the Supreme Court ruled that “objective reasonableness can be only an important factor in assessing fee applications—not the controlling one.” (slip op., at 10). The Supreme Court held that while a district court may give that factor “substantial weight”, it may not give it “dispositive weight”. (slip op., at 11).

The Supreme Court explained that “[a]lthough objective reasonableness carries significant weight, courts must view all the circumstances of a case on their own terms, in light of the Copyright Act’s essential goals.” (slip. op., at 11). The Court cited its prior opinion in the *Fogerty v. Fantasy* case, noting that other nonexclusive factors courts may consider in deciding whether to award prevailing party attorneys’ fees include “frivolousness, motivation... and the need in particular circumstances to advance considerations of compensation and deterrence.” (slip op., at 4 *quoting Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n. 19 (1994)). Accordingly, the Court explained that “in any given case a court may award fees even though the losing party offered reasonable arguments (or, conversely, deny fees even though the losing party made unreasonable ones).” (slip. op., at 10). By way of example, the Court noted that a party’s litigation misconduct could warrant a fee award, whatever the reasonableness of its claims or defenses.

As the Supreme Court noted in its decision: “[f]ee awards are a double-edged sword: They increase the reward for a victory—but also enhance the penalty for a defeat.” (slip. op., at 7). Copyright litigants should therefore take note of the Supreme Court’s confirmation that objective reasonableness is entitled to significant (though not dispositive) weight in determining whether prevailing party attorneys’ fees should be awarded in a copyright infringement case. Absent other particular circumstances, including bad faith behavior, a party should not count on a recovery of its attorneys’ fees where its adversary has an objectively reasonable legal position. However, courts should continue to exercise their discretion to award attorneys’ fees to those qualified parties who prevail with a clearly valid copyright infringement claim or defense.

For more information on this advisory please contact:

[Andrea L. Calvaruso](mailto:acalvaruso@kelleydrye.com)  
(212) 808-7853  
[acalvaruso@kelleydrye.com](mailto:acalvaruso@kelleydrye.com)

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[1] The first sale doctrine affords the owner of a lawfully made copy of a copyrighted work the right

to resell that copy without authorization from the copyright owner. *See* 17 U.S. Code § 109.