

Internet & Intellectual Property Alert

Supreme Court Clarifies When to Award Attorneys' Fees in Copyright Cases

In the underlying case, *Kirtsaeng*, a citizen of Thailand, came to the U.S. to study math at Cornell and quickly figured out that publisher John Wiley & Sons sold virtually identical English language textbooks in the two countries – but for far less in Thailand than in the U.S. *Kirtsaeng* had family in Thailand buy the foreign editions and ship them to him in New York, where he re-sold them to American students. Wiley sued for copyright infringement but *Kirtsaeng* invoked the “first sale doctrine,” which typically enables a lawful owner of a book to re-sell or dispose of it as he wishes. Wiley argued that the doctrine did not apply when a book was manufactured abroad. In 2013, the Supreme Court held that the “first sale doctrine” allows the re-sale of foreign-made books.

Having won the case, *Kirtsaeng* sought more than \$2 million in attorneys' fees but the court denied his motion because the copyright holder's position was not objectively unreasonable. The Second Circuit affirmed. The Supreme Court decided there was a need for additional guidance in evaluating attorneys' fees under the Copyright Act. In its earlier decisions it established a pair of restrictions: (1) a court may not award attorneys' fees as a matter of course but must make a case-by-case assessment; and (2) a court may not treat prevailing plaintiffs and defendants differently. It also had approved other factors to consider, including frivolousness, motivation, objective unreasonableness and the need to advance considerations of compensation and deterrence.

In its June 16, 2016 Decision, the Court agreed that it is proper to give substantial weight to the objective reasonableness of a losing party's position because it encourages parties with strong legal positions to stand on their rights and deters those with weak ones from proceeding with litigation. *However, it also held that objective reasonableness can only be an important factor in assessing fee applications – not the controlling one.* Courts must take into account a range of considerations beyond reasonableness. That means a court may award fees even when the losing party offered reasonable arguments because of a party's litigation misconduct or to deter repeated instances of infringement or overaggressive assertions of copyright claims. It remanded the decision back to the district court to take another look because of its concern that the language of the Second Circuit at times suggests that a finding of reasonableness raises a presumption against granting fees. It noted that district courts in the Second Circuit seemed to be using the term “substantial weight” as dispositive of the issue.

***Kirtsaeng v. John Wiley & Sons, Inc.*, 2016 WL 3317564 (S.Ct. June 16, 2016).**

If you have any questions concerning this bulletin or Tressler's Intellectual Property Practice Group, please contact the editor: Jacqueline Criswell, 312.627.4003 | jcriswell@tresslerllp.com

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