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The Supreme Court will soon hear oral arguments on standards for awarding attorneys' fees to the winner of a copyright dispute. Currently there are at least three different tests being applied by federal courts. Data analysis of how often plaintiffs and defendants receive fee awards in copyright cases and comparisons to patent and trademark law can cast some light on how the Supreme Court looks at this issue.

Context Is Everything: Evaluating Different Approaches Toward Attorneys' Fees Awards Under Copyright Act in Light of Supreme Court Review

BY NATALIE HANLON LEH AND LAURA GOODALL

The Supreme Court recently granted certiorari to address the circuit splits regarding the appropriate standard for awarding attorneys' fees to prevailing parties in copyright cases.

This article looks at relevant data for attorneys' fees awards in copyright law and provides a comparison and contrast to the attorneys' fees award standards and considerations in patent and trademark law.

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I. Attorneys' Fees Awards in Copyright Cases

A. *Fogerty v. Fantasy Inc.*

In 1994, the Supreme Court took up the appropriate standard for granting attorneys' fees to prevailing parties in copyright infringement suits in *Fogerty v. Fantasy Inc.*[1] under the Copyright Act, which simply stated, ''[T]he court may also award reasonable attorney's fee to the prevailing party as part of the costs.''[2]

Favoring an ''evenhanded approach'' over a ''dual-standard approach,'' the court held that prevailing plaintiffs and defendants are ''to be treated alike'' when deciding attorneys' fees motions.[3]

It identified various ''nonexclusive factors'' already employed by the Third Circuit for trial judges to consider, including ''frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.''[4]

The court stated that judges may use these discretionary factors as long as the factors ''are faithful to the purposes of the Copyright Act.''[5]

The court emphasized that treating prevailing plaintiffs and defendants alike furthers the policy goals of

[1] *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994).
[2] 17 U.S.C. § 505.
[3] *Id.* at 534.
[4] *Id.* at 534 n.19.
[5] *Id.*

copyright law of demarcating the ''boundaries of copyright law'' ''as clearly as possible'' by incentivizing meritorious litigation.[6]

B. Post-*Fogerty* Circuit Split

Clarity, however, was not achieved, and various circuit splits have developed regarding how to apply the discretionary standard, as outlined below.

1. Ninth, Eleventh (and possibly Tenth) Circuits: Inquiry Whether Prevailing Party's Claim or Defense Furthers Interests of Copyright Act

The Ninth and Eleventh Circuits both ask whether the prevailing party's claim or defense furthers the interests of the Copyright Act without applying any presumption.

The Ninth Circuit stated in *Fantasy Inc. v. Fogerty* upon remand that ''faithfulness to the purpose of the Copyright Act'' is ''the pivotal criterion'' in assessing fee request motions.[7] Similarly, in *MiTek Holding Inc. v. Arce Eng'g Co.*, the Eleventh Circuit held that ''the touchstone of attorney's fees'' is whether their imposition ''will further the interest of the Copyright Act.''[8]

Although there is limited Tenth Circuit case law regarding fee award determinations, the Tenth Circuit has also held that a district court properly ''outlined the competing interests further by the Copyright Act.''[9]

2. Fifth and Seventh Circuits: Rebuttable Presumption in Favor of Fee Awards

The Fifth and Seventh Circuits apply a rebuttable presumption in favor of a fee award for prevailing parties. The Fifth Circuit held in *Hogan Sys., Inc. v. Cybresource Int'l, Inc.*, ''[Attorneys' fees] are the rule rather than the exception and should be awarded routinely.''[10] And the Seventh Circuit in *Riviera Distrib., Inc. v. Jones* asked if there was ''any reason not to honor the presumption that the prevailing party'' recovers such fees.[11]

The Fifth and Seventh Circuits' rebuttable presumption in favor of a fee award seeks to encourage meritorious litigation and discourage settlement even when the cost of vindication exceeds the private benefit to the party because such litigation clarifies the boundaries of copyright law.[12]

3. Third, Fourth and Sixth Circuits: Use of Fogerty Nonexclusive Factors Without Considering Purpose of Copyright Act

The Third, Fourth and Sixth Circuits generally rely on at least three of the nonexclusive factors provided in *Fogerty* but *without* also considering whether the prevailing party advanced the purpose of the Copyright Act.[13]

4. Eighth and D.C. Circuits: Interests of the Copyright Act and Fogerty Factors All for Consideration

The Eighth and D.C. Circuits approaches are less consistent, as the courts only sometimes consider the interests of the Copyright Act alongside the *Fogerty* factors as an additional consideration.[14]

5. First and Second Circuits: Presumption Against Fee Awards by Requiring Losing Party's Claim or Defense to be ''Unreasonable''

The Second Circuit presents yet another approach. While acknowledging the *Fogerty* factors, the Second Circuit places ''substantial weight'' on the reasonableness of the losing party's claim, as it held in *Matthew Bender & Co., Inc. v. West Pub. Co.*[15]

Although less explicit, the First Circuit also weighs the reasonableness of the losing party's claim or defense. For instance, it held in *Latin American Music Co. v. American Soc'y of Composers, Authors, and Publishers* that ''the prevailing party need only show that its opponent's copyright claims or defenses were objectively weak'' to win attorneys' fees.[16]

The Second Circuit reasons that ''the imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act''[17] because bringing reasonable, albeit unsuccessful, claims clarifies the boundaries of copyright law, particularly in novel or close cases.[18]

Consequently, by establishing that attorneys' fees will be awarded only when the losing party's claim or defense is deemed *unreasonable*, the Second Circuit has implicitly created a presumption against such awards.

C. Current Empirical Trends

Data collected across all U.S. district courts from February 2010 to March 2016 reveal the actual rates at which prevailing parties in copyright suits are winning attorneys' fees motions nationwide.[19] Figure 1 shows that the average win rate for prevailing parties on contested attorneys' fees motions was 54.9 percent from 2010 to early 2016.[20]

Subdividing this data by movant demonstrates that the win rates for prevailing copyright holders have been

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[6] *Id.* at 527.

[7] 94 F.3d 553, 555, 558 (9th Cir. 1996).

[8] 198 F.3d 840, 842-43 (11th Cir. 1999).

[9] *Palladium Music, Inc. v. EatSleepMusic, Inc.*, 398 F.3d 1193, 1200-01 (10th Cir. 2005).

[10] 158 F.3d 319, 325 (5th Cir. 1998).

[11] 517 F.3d 926, 928 (7th Cir. 2008).

[12] *See e.g.*, *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004).

[13] *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (3d Cir. 1986); *Thoroughbred Software Int'l, Inc. v. Dice Corp.*, 488 F.3d 352, 361 (6th Cir. 2007).

[14] *Compare Action Tapes, Inc. v. Mattson*, 462 F.3d 1010, 1013 (8th Cir. 2006) (explicitly including the purposes of the Copyright Act as an important criterion) *with Pinkham v. Camex, Inc.*, 84 F.3d 292, 294 (8th Cir. 1996) (considering the *Fogerty* factors without discussing the purposes of the Copyright Act). *Compare Scott-Blanton v. Universal City Studios Productions LLLP*, 593 F. Supp. 2d 171, 174-76 (D.C. Cir. 2009) (citing to the ''underlying purposes of the Copyright Act'' in determining whether to award fees) *with Drauglis v. Kappa Map Group, LLC*, — F. Supp. 3d —, at *10-11 (D.C. Cir. 2015) (containing no discussion of the purposes of the Copyright Act in examining the *Fogerty* factors).

[15] 240 F.3d 116, 122 (2d Cir. 2001).

[16] 629 F.3d 262, 263 (1st Cir. 2010) (internal citation omitted).

[17] *Matthew Bender & Co., Inc.*, 240 F.3d at 122.

[18] *Canal+ Image UK Ltd. v. Lutvak*, 792 F. Supp. 2d 675, 683 (S.D.N.Y. 2011).

[19] We commissioned a study in March 2016 with *Legal*Metric to provide this data.

[20] Figure reproduced from Legal Metric, *Legal Metric Nationwide Report: Attorney Fee Decisions in Copyright Cases, February 2010-March 2016* at 1 (2016).

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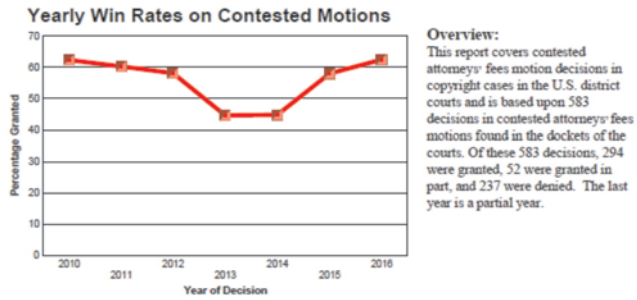
Figure 1



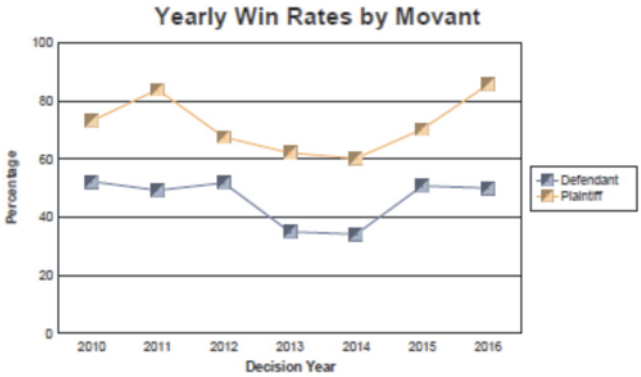
consistently higher than those for prevailing defendants, as exemplified by Figure 2.[21]

It is difficult to determine whether prevailing copyright holders and defendants are, in fact, being treated ''evenhandedly,'' because this data does not control for factors such as reasonableness of attorneys' fees motion or effectiveness of counsel.

But the fact that win rates have been consistently higher for prevailing copyright holders than for prevailing defendants perhaps hints that courts view prevailing copyright holders' attorneys' fees motions more favorably despite holdings to the contrary.

[21] *Id.*.

Figure 2



Subdividing this data further by circuit helps consider the question of whether the different standards across the various circuits do, in fact, affect the attorneys' fees motion win rates for prevailing parties.

Figure 3 shows the attorneys' fees motion win rates for prevailing parties, with the percentages broken down by prevailing copyright holders and prevailing defendants.[22]

[22] *See id.* at 11-218.

Figure 3

Circuit Court	Prevailing Party Win Rate	Prevailing Copyright Holders Win Rate	Prevailing Defendants Win Rate	Difference in Win Rate
Prevailing party's claim or defense furthers interests of Copyright Act				
9th Circuit	57.1% (218 filed)	73.1% (78 filed)	48.2% (140 filed)	24.9%
10th Circuit	70.4% (27 filed)	90.9% (11 filed)	56.3% (16 filed)	34.6%
11th Circuit	55.1% (69 filed)	60.4% (24 filed)	52.2% (45 filed)	8.2%
Rebuttable presumption against award: Losing party's claim or defense must be "unreasonable"				
5th Circuit	59.4% (48 filed)	70.6% (17 filed)	53.2% (31 filed)	17.4%
7th Circuit	56.1% (33 filed)	64.2% (7 filed)	53.8% (26 filed)	10.4%
Fogerty nonexclusive factors without considering purpose of Copyright Act				
3d Circuit	52.6% (19 filed)	69.9% (8 filed)	40.9% (11 filed)	29%
4th Circuit	63% (23 filed)	71.1% (19 filed)	25% (4 filed)	46%
6th Circuit	62.5% (24 filed)	62.5% (16 filed)	62.5% (8 filed)	0%
Interests of Copyright Act and Fogerty factors all for consideration				
8th Circuit	44.4% (9 filed)	100% (4 filed)	0% (5 filed)	100%
D.C. Circuit	0% (1 filed)	None filed	0% (1 filed)	N/A
Presumption against fee award: Losing party's claim or defense must be "unreasonable"				
1st Circuit	45.2% (21 filed)	55% (10 filed)	36.4% (11 filed)	18.6%
2d Circuit	43.3% (75 filed)	73.3% (30 filed)	23.3% (45 filed)	50%

This figure shows that, in every circuit court except the Sixth Circuit, the attorneys' fees motion win rate for prevailing copyright holders is higher than that for prevailing defendants.

The difference in win rates within each circuit varies dramatically, however, from a 100 percent difference in the Eighth Circuit to a 8.2 percent difference in the Eleventh Circuit to a 0 percent difference in the Sixth Circuit.

This dramatic range is surprising, considering that all the circuits assert that they treat prevailing plaintiffs and defendants equally in deciding copyright attorneys' fees motions.

Second, a comparison between the data in the First and Second Circuits, which implicitly apply a presumption against awarding fees, with the data in the Fifth and Seventh Circuits, which apply a presumption favoring fees, reveals that the difference in the purported approaches may be greater than the actual difference in

outcomes. Despite opposing presumptions, the difference in win rates between the circuits is only 16.1 percent at most.

Third, the win rates for prevailing parties in the Ninth and Eleventh Circuits, which supposedly do not apply a presumption, are similar to the rates in the Fifth and Seventh Circuits.

This leads to questions about whether courts in the Ninth and Eleventh Circuits do, in fact, apply a presumption favoring awards, and about the actual strength of the presumption applied by courts in the Fifth and Seventh Circuits.

The fact that the Tenth Circuit also purportedly does not apply a presumption, and yet has the highest win rate of 70.4 percent, likewise raises these questions.

In sum, the data does not offer a precise picture about how the various courts treat attorneys' fees motions despite the case law delineating the purported approaches. Instead, a need for greater guidance emerges.

D. Supreme Court Has Granted Certiorari to Resolve Circuit Splits

Acknowledging the circuit splits and amid this data variance, the Supreme Court granted certiorari in *Kirtsaeng v. John Wiley & Sons* (*Kirtsaeng II*) on Jan. 15, to resolve the following question: ''What is the appropriate standard for awarding attorneys' fees to a prevailing party under § 505 of the Copyright Act?''

At issue in this case is whether Supap Kirtsaeng, the prevailing defendant in a copyright infringement suit, should be awarded attorneys' fees.

This case is already well-known for previously clarifying the ''first sale'' doctrine, and on remand to the Second Circuit, judgment was entered in Kirtsaeng's favor. Kirtsaeng then sought his attorneys' fees. Employing the ''substantial weight'' approach, the district court ruled and the Second Circuit affirmed that Kirtsaeng was not entitled to attorneys' fees because plaintiff's claim was not ''objectively unreasonable.''[23] Kirtsaeng appealed the decision to the Supreme Court. The standard for awarding attorneys' fees is once again ripe for review.

II. Considerations Regarding Attorneys' Fees Standard for Copyright Law

Comparing and contrasting the attorneys' fees award standards for other intellectual property claims can help signal how the Supreme Court may consider the standard for attorneys' fees under copyright law in *Kirtsaeng II*.

A. Patent and Trademark Law Award Attorneys' Fees to Prevailing Parties in ''Exceptional Cases''

In contrast to the Copyright Act, the fee-shifting provisions relevant to patent and trademark law, using identical language, expressly limit granting fee awards to prevailing parties in only ''exceptional cases.''[24]

The Supreme Court recently interpreted the ''exceptional cases'' language within the meaning of the Patent Act in *Octane Fitness, LLC v. Icon Health & Fitness, Inc.* in 2014. It held that an exceptional case is ''one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.''[25] District courts may determine whether a case is exceptional ''in the case-by-case exercise of their discretion.''[26]

Although *Octane Fitness* does not specifically address the Lanham Act, both the Third and Fourth Circuits have held that the Supreme Court's interpretation of the Patent Act's fee-shifting provision clearly applies to the Lanham Act's identical provision as well.[27] Other courts, however, are skeptical, calling the law ''unsettled'' as to this question.[28]

B. Similarities in Considerations in Granting Attorneys' Fees Awards in Patent, Trademark, and Copyright Cases

There are common considerations for all types of intellectual property claims for granting attorneys' fees awards that may signal how the Supreme Court will analyze the standard for granting attorneys' fees in copyright cases.

For instance, there is similar potential for tremendous financial imbalance between plaintiffs and defendants, and similar interests in discouraging frivolous suits or suits brought in bad faith, across all types of intellectual property matters.

These common equitable considerations likely signal that, just as the Supreme Court emphasized in *Octane Fitness* the role of judicial discretion for attorneys' fees awards in patent suits, discretion will continue to play a critical role in the standard for copyright law.

The common policy goal of discouraging frivolous suits also likely signals that assessing the strength of claims will remain important within the copyright law attorneys' fees award standard, as it has post-*Octane Fitness* in patent law.

C. Differences in Considerations in Granting Attorneys' Fees Awards in Patent, Trademark, and Copyright Cases

There are also important differences in considerations between patent and trademark cases, and copyright cases, however.

First, in addition to the differing statutory fee-shifting provisions' language, the legislative histories also differ.

The legislative history of the Patent Act's fee-shifting provision indicates that the ''in extraordinary cases'' language was added in 1952 to reflect that fees should be granted only to ''prevent a gross injustice.''[29] This attorneys' fees award amendment inspired adding identical language to the Lanham Act in 1975,[30] but there is no similar legislative history for the Copyright Act.

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[23] *John Wiley Sons, Inc., v. Kirtsaeng*, No. 08-cv-07834, *4-5 (S.D.N.Y. Dec. 20, 2013) *aff'd* 605 Fed. App'x 48 (2d Cir. 2015).

[24] *See* 35 U.S.C. § 285; 15 U.S.C. § 1117.

[25] *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S.Ct. 1749, 1756 (2014).

[26] *Id.*

[27] *Fair Wind Sailing, Inc. v. Dempster*, 764 F.3d 303, 314 (3d Cir. 2014); *see also Georgia-Pac. Consumer Products LP v. von Drehle Corp.*, 781 F.3d 710, 721 (4th Cir. 2015)

[28] *Penshurst Trading Inc. v. Zodax LP*, No. 14-cv-2710, at *2 (S.D.N.Y. Aug. 7, 2015).

[29] Richard J. Leighton, *Awarding Attorneys' Fees in ''Exceptional'' Lanham Act Cases: A ''Jumble'' of ''Murky'' Law*, 102 TRADEMARK REP. 849, 854 (2012).

[30] *Id.* at 860.

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Instead, the establishment of attorneys' fees awards in copyright law may be related to a sensitivity to the difficulty in proving damages and potentially low monetary value of copyright infringement suits.

Second, there may be a greater need to incentivize the pursuit of meritorious claims and defenses in copyright law versus in patent and trademark law.

The Supreme Court emphasized in *Fogerty* that ''it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible,'' and litigation plays a key role.[31]

Copyright involves a balance of competing public interest goals: A successful copyright claim vindicates a copyright holder's rights, incentivizing future artistic creations. But a successful copyright infringement defense vindicates both the defendant's and the public's right to use creative works.[32]

No such analogous public policy balance of competing interests is implicated in trademark law, which is concerned primarily with consumer protection—namely, preventing customer confusion.

Maintaining such an optimal public policy balance is, however, central to patent law, but litigation may play a larger role in copyright law than in patent law in striking and demarcating that balance.

Third, unlike with patent law, copyright law can be in tension with the First Amendment.

Copyright laws afford exclusive rights to reproduce, distribute, transform, and perform a work for an extended period of time to a creator.

The First Amendment, on the other hand, proclaims that Congress ''shall make no law . . . abridging the freedom of speech or of the press,'' at least nominally indicating that limitations on the reproduction and distribution of works are forbidden.

The Supreme Court identified the fair use doctrine as a ''built-in First Amendment accommodation'' in *Eldred v. Aschroft*[33] by permitting persons to make certain uses of a protected work without obtaining permission from the copyright owner.

Thus, ultimately, despite some common considerations across intellectual property cases, the Copyright Act's statutory language and the special role of litigation and First Amendment considerations in copyright jurisprudence may signal that the Supreme Court's inquiry in *Kirtsaeng II* will not merely converge on its *Octane Fitness* analysis.

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[31] *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 527 (1994).

[32] *FM Industries, Inc. v. Citicorp Credit Services, Inc.*, 614 F.3d 335, 339-40 (7th Cir. 2010).

[33] 537 U.S. 186, 221 (2003).