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High court's *Fogerty* decision should give 7th Circuit cause to reflect

Consider how you would handle this hypothetical situation: Your client, an impecunious Chicago-based songwriter, claims that a successful entertainer has ripped off some of the writer's lyrics, using them on a new hit song.

Your client has registered his copyright and has solid evidence that the entertainer had access to your client's song. You compare the lyrics of the two songs and find several similarities, some of which strike you as beyond mere coincidence, but the similarities are not comprehensive.

Your research uncovers several helpful cases. *Allen v. Destiny's Child* (N.D. Ill. 2009) is factually quite similar, and in that case U.S. District Judge James F. Holderman denied defendant's summary judgment motion.

Bridgeport Music v. UMG (6th Cir. 2009) found infringement based on just a few phrases copied from plaintiff's song.

Lesssem v. Taylor (S.D.N.Y. 2011) also found for plaintiff on similar facts.

On the other hand, you've read *Peters v. West* (7th Cir. 2012) and *Hobbs v. John* (7th Cir. 2013), lyrics cases that were dismissed on the pleadings.

As an experienced copyright lawyer, you know there is a lot of uncertainty in the copyright area. Courts trying to distinguish protectable expression from unprotectable ideas have struggled, producing seemingly irreconcilable results.

You remember Judge Learned Hand's famous pronouncement on where one draws the line between idea and expression: "Nobody has ever been able to fix that boundary, and nobody ever can."

Your client asks "can I win?" Your answer is a definite "maybe." You think a reasonable jury might find infringement, but you warn your client there is an equally good chance that the case might be dismissed on the pleadings or on summary judgment.

Your client wants to file suit. You agree that is a reasonable course of action. But just then, a chill runs down your spine as you remember that you are in the 7th U.S. Circuit Court of Appeals. "Oh, one last thing," you tell your client. "If we lose, you will most likely have to pay all the defendant's attorney's fees."

Case over. Defendant wins. Justice denied.

This unfortunate but all too realistic scenario is the result of a peculiar strain of cases in the 7th Circuit addressing when a prevailing party should recover attorney fees in copyright cases. The problem is caused by a presumption that the court has created and vigorously applied over the past decade. See, e.g., *Assessment Technology v. Wiredata Inc.* (7th Cir. 2004), where the court held that for a prevailing defendant in a copyright case there is a "presumption in favor of awarding fees" and that the presumption is "very strong."

I have argued elsewhere that the 7th Circuit's application of this presumption is contrary to the Supreme Court's guidance on the issue in *Fogerty v. Fantasy Inc.* (1994). See, 12 J. Marshall Rev. Intell. Prop. L. 630 (2013). In *Fogerty*, the court emphasized the importance of the district court's discretion when determining whether to award attorney fees. It specifically rejected the "British rule," where a prevailing party is awarded fees as a matter of course.

A new decision by the Supreme



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Court, *Kirtsaeng v. John Wiley & Sons* (June 16, 2016), could change the scenario significantly, as it should cause the 7th Circuit to reassess its standards for awarding attorney fees. Based on the guidance provided in *Kirtsaeng*, the presumption fashioned by the 7th Circuit should be abandoned.

Section 505 of the Copyright Act provides that "the court in its discretion may ... award a reasonable attorney's fee to the prevailing party."

In *Fogerty*, the court set forth two overriding principles for assessing attorney fees in copyright cases. First, there is to be no double standard; prevailing plaintiffs and prevailing defendants are to be treated in an "evenhanded" manner. Second, the decision is not to be governed by any automatic rules, but rather is a matter of the district court's discretion.

The court identified several nonexclusive factors for lower courts to consider, such as frivolousness, motivation, objective

unreasonableness (both factual and legal) and the need in particular circumstances to advance considerations of compensation and deterrence.

The court rejected the idea of adopting the British Rule, which allows for recovery of attorney fees by the prevailing party as a matter of course, absent exceptional circumstances. The statutory language of Section 505 clearly connotes discretion in awarding fees, and an automatic award would improperly "preempt" the exercise of that discretion."

Despite *Fogerty*'s emphasis on discretion and its rejection of any "precise rule or formula" for awarding fees, the 7th Circuit subsequently fashioned its "strong presumption," which has been dutifully applied by courts in this circuit since 2004. There is clearly tension, if not complete antithesis, between a decision that is a matter only of the court's discretion and a decision that is dictated by a presumption.

Using a presumption to determine attorney fees in copyright cases presents several problems: It conflicts with the statute; it conflicts with the principles of *Fogerty*; and it creates a chilling effect on parties with legitimate claims.

The plain language of Section 505 does not create a presumption or suggest that fees are to be awarded as a matter of course to the prevailing party. Nor does the legislative history suggest such a presumption.

Fogerty does not create a presumption that the prevailing party receives fees. Rather, the determination is to be made "only as a matter of the court's discretion." The presumption, as articulated and applied by the 7th Circuit, also conflicts with the evenhandedness directive of

Fogerty. The presumption is said to be “very strong” in the case of a prevailing defendant.

There are no cases in which the presumption is characterized as “strong” or “very strong” when applied to a prevailing plaintiff. One district court case says that the presumption does not apply to prevailing plaintiffs. *Bell v. McLaws* (S.D. Ind. 2015).

A strong presumptive entitlement to fee awards for prevailing defendants presents a substantial chilling effect on plaintiffs with legitimate claims. Attorney fee awards are no trifling matter. In *Bosch v. Ball-Kell* (C.D. Ill. 2007), a case where the district court stated its reluctance to award fees at all but for the strong presumption, the court eventually assessed fees of \$256,000 against plaintiff, an individual. Other awards have been far greater. Several have been in the \$700,000 range.

A reasonably prudent plaintiff who does not have unlimited resources would not risk bring-

ing a copyright case that is not airtight.

Copyright cases often involve determinations that are subjective and outcomes that are difficult to predict, such as substantial similarity, fair use or the idea-expression dichotomy. This is not to say that attorney fees should not be assessed against plaintiffs who file frivolous copyright suits. But a presumption is not necessary to reach that result. A district court can accomplish that by applying the factors cited in *Fogerty* and using its discretion.

Although *Kirtsaeng* did not expressly overrule any 7th Circuit cases, the court’s opinion should signal the end of the presumption. In an earlier stage of the *Kirtsaeng* case, the Supreme Court had ruled that Supap Kirtsaeng, a graduate student from Thailand, did not violate the copyright law by reselling in the U.S. textbooks he purchased at lower prices in Thailand.

In a 6-3 opinion in 2013, the high court held that Kirtsaeng’s

resale activities were permitted under the “first sale” doctrine.

As a prevailing defendant, he sought attorney fees under Section 505.

The district court and 2nd Circuit denied his claim, giving “substantial weight” to the objective reasonableness of *Wiley’s* infringement claim. After all, three justices of the Supreme Court had agreed with *Wiley*. Kirtsaeng argued that the lower courts placed too much emphasis on objective reasonableness and failed to properly apply other factors appropriately.

The Supreme Court took the opportunity to elaborate on the principles it had previously stated in *Fogerty*. It held that objective reasonableness is indeed a substantial factor that advances the goals of the Copyright Act. But while it can be an important factor in the analysis, it is not the controlling factor.

The district courts “must take into account a range of considerations beyond the reasonable-

ness of litigating positions.”

In short, the court instructs the lower courts to look at the totality of the circumstances, giving substantial weight to the objective reasonableness, but also taking into account all other relevant factors.

That’s essentially what *Fogerty* told us 20 years ago. What is most significant about *Kirtsaeng* is that in coming to that conclusion it makes clear that there is no room for “presumptions” in the analysis. The reason the court vacated the 2nd Circuit’s ruling is that its language “suggests that a finding of reasonableness raises a presumption against granting fees ... and that goes too far in cabining how a district court must structure its analysis.”

Though the Supreme Court never explicitly mentions the 7th Circuit’s “strong presumption” approach, the message is clear: The days of the presumption that a prevailing defendant in a copyright case should receive fees is over.