LOS ANGELES & SAN FRANCISCO
Daily Journal
www.dailyjournal.com
MONDAY, DECEMBER 24, 2018
PERSPECTIVE

Defending against fee claims in copyright cases: get ahead

By Keith G. Adams

Copyright litigation presents risks to any company with an internet presence. Frequently, copyrighted images will be taken "off the internet" and used on a company's website, or even on a company's products. Website developers will use copyrighted code in developing a website. Copyright owners use sophisticated public and proprietary search tools to detect infringement, and many readily bring infringement claims against any perceived infringer.

Often liability will be clear-cut, and damages, including the potential for attorney fees, will drive the case. Actual damages are often low, and little more than the value of a license to the work. Statutory damages can be higher, up to $150,000 for "willful" infringement, but a typical award in contested cases is $10,000. These damages are frequently dwarfed by the fees incurred

A few simple steps, taken early in the litigation, can make the difference between a favorable early settlement and a large fee award after trial.

The most important feature of copyright fee awards is that they are discretionary. 17 U.S.C. Section 505 gives courts discretion to award fees to the prevailing party as part of costs. Previously, many courts simply used the "reasonableness" of the losing party's positions in place of detailed analysis. Fees were awarded against an "unreasonable" losing party and were not awarded against a "reasonable" one. The Supreme Court disapproved this practice in *Kirtsaeng v. John Wiley & Sons*, Inc., 136 S. Ct. 1979 (2016). Under Kirtsaeng, trial courts can still place substantial weight on the reasonableness of a losing party's positions, but it cannot be the only factor. Courts are also to look at frivolousness, parties' motivations, and considerations of compensation and deterrence. And as enumerated in *Perfect 10, Inc. v. Giganews, Inc.*, 847 F.3d 657, 675 (9th Cir. 2017), the 9th U.S. Circuit Court of Appeals has asks trial courts to look at other factors as well, such the parties' degree of success and the purposes of the Copyright Act.


Shutterstock

As noted in *Kirtsaeng*, in non-default cases, 60 percent of prevailing plaintiffs are awarded fees. But there are steps a defendant can take, even in cases where liability is clear, to both moderate a plaintiff's settlement demands prior to trial and reduce the risk of a fee award after trial.

The first step is to realize that judges have very wide discretion — so long as they consider the individual merits of the case — in awarding fees. If a case is filed, counsel should look at the assigned judge. Especially in districts where copyright litigation is filed frequently, such as the Central and Northern Districts of California, judges will often have numerous written attorney fee opinions in copyright cases. Some judges take an ad hoc approach, but others will often address the fee issue in similar ways in case after case. For example, some judges rarely award fees at all; others will "add up" the factors, and award fees if the plaintiff "wins" on most; others will place considerable weight on a single factor, often the reasonableness of a parties' positions. Regardless, prior opinions can provide useful guidance in shaping strategy.

After considering the assigned judge, every copyright defendant should at least consider an early offer of judgment under Federal Rule of Civil Procedure 68. If the ultimate judgment obtained by a plaintiff is "not more favorable" than the offer, the plaintiff will not be entitled to post-offer costs, including attorney's fees. There are many advantages to making such an offer. Most obviously, it may reduce a fee award. It also forces opposing counsel to seriously consider the risks of further litigation. When crafting a Rule 68 offer, there are several important considerations. The amount should be sufficiently high that there is a real risk plaintiff will fall short at trial. The offer must also address the potential fee award, either by including it in the monetary offer or by permitting the plaintiff to move for fees if the offer is accepted. The offer should also address potential injunctive relief, as courts have to consider the injunctive relief granted, if any, in determining the value of a judgment. To reduce the risk of that a judgment for less than the offer will be found "more favorable" due to injunctive relief, injunctive relief that a client that can agree to and abide by should be included in an offer.

Every copyright defendant should also pick the issues they litigate carefully, and strategically concede factual and legal issues as early in the case as practical. Rather than fighting every issue — especially if liability is straightforward — a copyright defendant should focus on those where they have a decent chance of success and reasonable arguments. This helps minimize the risk of the plaintiff obtaining a fee award in numerous ways. First, and most importantly, it will mean that the defendant is presenting reasonable arguments throughout the litigation. This should weigh in the defendant's favor when a court is weighing the "reasonableness" of their arguments, and avoid the court finding the defendant's factual and legal positions to be frivolous. Taking reasonable positions throughout the litigation will also aid the defendant in arguing the other factors. Courts, in considering "deterrence," will sometimes consider the need to deter weak arguments. In the 9th Circuit, it is much easier for a defendant to argue that the plaintiff did not obtain a high "degree of success" if the issues in the case are limited to ones where defendant's positions are reasonable. Furthermore, by taking reasonable positions on disputed legal issues, it will be much easier for even a losing defendant to argue that they have advanced the goals of the Copyright Act by clarifying the boundaries of the law. And obviously, by limiting the issues, a defendant is also limiting the fees plaintiff's counsel can reasonably incur in a case.

The discretionary nature of fee awards means every copyright case comes with a great deal of uncertainty as to damages and fees. By intelligently managing the early stages of litigation, attorneys can minimize those risks.

Keith G. Adams *is an associate in the Los Angeles office of Murphy Pearson Bradley & Feeney and represents individuals and businesses in all phases of civil litigation with a focus on corporate and insurance litigation, intellectual property and professional liability. He can be reached at kadams@mpbf.com.*