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Discouraging Frivolous Copyright Infringement Claims: Fee Shifting Under Rule 11 or 28 U.S.C. § 1927 as an Alternative to Awarding Attorney's Fees Under Section 505 of the Copyright Act

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DISCOURAGING FRIVOLOUS COPYRIGHT INFRINGEMENT CLAIMS: FEE SHIFTING UNDER RULE 11 OR 28 U.S.C. § 1927 AS AN ALTERNATIVE TO AWARDING ATTORNEY'S FEES UNDER SECTION 505 OF THE COPYRIGHT ACT

*David E. Shipley**

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I. INTRODUCTION

Sir Arthur Conan Doyle's Sherlock Holmes, Mattel's Barbie, and the Perfect 10 website share several characteristics. The famous literary character, the iconic doll, and the adult website are each protected by copyright, their copyright owners have been litigious, and each has been involved in an infringement suit that resulted in the award of attorney's fees to the prevailing party.¹ These fee awards served similar purposes, such as deterring frivolous infringement claims and compensation for warding off those claims. The courts, however, relied on different sources of authority to justify the awards; the Sherlock Holmes and Perfect 10 decisions turned to the Copyright Act's provision on attorney's fees, 17 U.S.C. § 505,² while the court in the Barbie litigation turned to Rule 11 of the Federal Rules of Civil Procedure.³ The courts might also have supported the fee awards by turning to 28 U.S.C. § 1927 under which a court may require an attorney who unreasonably and vexatiously multiplies a proceeding to personally satisfy attorney's fees.⁴ Another option, albeit rarely invoked, is to rely on their inherent equitable powers.⁵

¹ In the Barbie litigation, the copyright owner, Mattel, recovered the fees from plaintiff's counsel while the Perfect 10 website and the Doyle Estate were on the losing side. *See, e.g.,* Christian v. Mattel, Inc., 286 F.3d 1118 (9th Cir. 2002); Klinger v. Conan Doyle Estate Ltd., 761 F.3d 789 (7th Cir. 2014); Perfect 10, Inc. v. Giganeews, Inc., 2015 U.S. Dist. LEXIS 54063 (C.D. Cal. Mar. 24, 2015).

² 17 U.S.C. § 505 (2012) (providing that reasonable fees may be awarded to the prevailing party).

³ FED. R. CIV. P. 11(c)(2), (4) (authorizing the award of attorney's fees as a sanction).

⁴ Any attorney or other person admitted to conduct cases in any court of the United States or any Territory thereof who so multiplies the proceedings in any case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys' fees reasonably incurred because of such conduct.

28 U.S.C. § 1927 (2012). *See, e.g.,* 16 Casa Duse, LLC v. Merkin, 791 F.3d 247, 264 (2d Cir. 2015) (holding defendants' copyright infringement counterclaim to be without merit but the case was remanded so the trial court could calculate the fee award while considering whether a defendant's misconduct was akin to bad faith).

⁵ *See, e.g.,* Scholastic, Inc. v. Stouffer, 221 F. Supp. 2d 425 (S.D.N.Y. 2002) (declaratory judgment action; defendant's fraudulent submissions and intentional bad faith warrants an award of \$50,000 in attorney's fees as a sanction under the court's inherent authority); Eastway Const. Corp. v. City of New York, 762 F.2d 243, 253 (2d Cir. 1985) (stating that a court can turn to its inherent equitable powers or Rule 11 to support an award of attorney's fees "[a]part from the statutory provisions allowing for the shifting of litigation costs . . ."). *See also infra* notes 101–20 and accompanying text. There is overlap between Rule 11, section 1927 and a federal court's inherent power to sanction. Danielle Kie Hart, *And the Chhill Goes On – Federal Civil Rights Plaintiffs Beware: Rule 11 Vis-à-vis 28 U.S.C. § 1927 and the Court's Inherent Power*, 37 LOY. L.A. L. REV. 645, 655 (2004).

The U.S. Supreme Court's 2016 decision in *Kirtsaeng v. John Wiley & Sons, Inc.*⁶ resolved “an interesting disagreement” over when it is appropriate to award attorney’s fees to a prevailing defendant under Section 505 of the Copyright Act⁷ and ended a perceived ‘venue advantage’ for losing plaintiffs in some jurisdictions.⁸ The Court ruled unanimously in *Kirtsaeng* that courts correctly give substantial weight to the question of whether the losing side had a reasonable case to fight, but that the objective reasonableness of the losing side’s position does not give rise to a presumption against fee shifting. It said that other factors should also be taken into account, beyond the reasonableness of litigating positions, when a court exercises its discretion to award fees under the Copyright Act.⁹ This decision underscores that the courts have broad discretion in making fee awards.¹⁰ This Article will touch on some aspects of the *Kirtsaeng* attorney’s fees decision; but focuses primarily on alternative bases for awarding attorney’s fees to prevailing defendants in copyright infringement cases: Rule 11, 28 U.S.C. § 1927 and a federal court’s inherent equitable powers.

There are scores of reported decisions and considerable commentary on awarding fees to prevailing defendants under the Copyright Act, and many of the cases awarding fees emphasize that the losing party pursued the claim in bad faith, that the claim was frivolous or objectively unreasonable, that the losing party delayed a hearing on the merits in order to run up the opposing party’s costs, or that the losing party had no reasonable grounds for the position it took during the litigation.¹¹ Although there are fewer reported decisions where Rule 11, Section 1927, or inherent authority were used to justify awarding fees to a prevailing defendant, the courts awarding attorney’s fees often describe the same kind of litigation misconduct which warrants fees under Section 505 of

⁶ 136 S. Ct. 1979 (2016).

⁷ CRAIG JOYCE ET AL., COPYRIGHT LAW 946–47 (9th ed. 2013).

⁸ Cf. Mannatt Phelps & Philips, The Supreme Court Agrees to Review the Standard for Awarding Attorney’s Fees to a Prevailing Party in Copyright Infringement Suits, AIPLA Newsstand April 19, 2016; PAT. TRADEMARK & COPYRIGHT J. (BNA) 794 (Jan. 22, 2016). The Second Circuit’s decision is at 605 Fed. Appx. 48 (2d Cir. 2015).

⁹ *Kirtsaeng*, 136 S. Ct. at 1988; Anandashankar Mazumdar, *Sup. Ct. Offers Mixed Ruling on Copyright Legal Fees*, Bloomberg BNA IP L. Resources Ctr., 92 PAT. TRADEMARK & COPYRIGHT J. (BNA) 590 (June 16, 2016); Copyright L. Rep. (CCH), No. 460, at 1–2 (July 19, 2016).

¹⁰ Scott Graham, *Copyright Fee-Shifting Clarified*, NAT’L L.J., June 20, 2016, at 1; Copyright L. Rep. (CCH) No. 460, at 2 (explaining that the Court noted, and the parties agreed, that Section 505 grants courts wide latitude to award fees based on a totality of the circumstances).

¹¹ See generally MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 14.10[D][1] (Matthew Bender, rev. ed. 2017). This treatise concludes that blame (culpability) is still a reliable indicium for the award of attorney’s fees. *Id.* at 14-218.

the Copyright Act.¹² In short, in some infringement cases there can be substantial overlap in the factors pertinent to Rule 11, Section 1927, inherent authority, and Section 505; the Copyright Act's fee shifting provision. This helps explain similarities between the attorney's fees which may be assessed under each authority.¹³

This Article concentrates on analyzing the Rule 11, Section 1927 and inherent authority decisions in which attorney's fees were awarded in copyright infringement actions¹⁴ in order to provide some guidance on what constitutes a frivolous claim, an objectively unreasonable claim, or a claim inconsistent with the purpose of the Copyright Act. Most importantly, the article explains when a prevailing defendant might seek sanctions under Rule 11, Section 1927 or inherent power in lieu of, or in addition to, seeking fees under Section 505 of the Copyright Act. It first summarizes how Section 505 of the Copyright Act, Rule 11 of the Federal Rules of Civil Procedure, 28 U.S.C. § 1927, and inherent authority to sanction have been interpreted and applied to justify awarding attorney's fees to prevailing defendants. It then discusses the similarities and differences between these bases for shifting fees and offers guidance for selecting a particular basis, or perhaps seeking fees under several bases simultaneously.¹⁵

This Article acknowledges that many cases in which attorney's fees are awarded under Section 505 will not support an award of fees under Rule 11, Section 1927 or inherent authority. It asserts, however, that in those instances

¹² The *Kirtsong* decision leaves the award of fees under Section 505 primarily to the trial court's discretion and added some guidelines for when fee shifting would be proper including, along with objective reasonableness as the principal guiding element, the losing party's litigation misconduct no matter how reasonable the claim or defense might be, the need to deter repeated instances of infringement, and the over-aggressive assertion of claims even if the losing party's position was reasonable in a particular case. If a party has a legitimate defense to an infringement claim and acts reasonably in defending itself, it should not pay fees if it loses. On the other hand, a losing party asserting frivolous and vexatious claims should pay the winning side's attorney's fees. *Kirtsong*, 136 S. Ct. at 1988–89; Mazumdar, *supra* note 9; Copyright L. Rep. (CCH) No. 460, at 3.

¹³ In essence, they often apply to the same kind of conduct. *Lieb v. Topstone Industries, Inc.*, 788 F.2d 151, 156–58 (3d Cir. 1986); *16 Casa Duse, LLC v. Merkin*, 791 F.3d 247, 264 (2d Cir. 2015). *See also* *Burger-Moss v. Steinman*, 127 F.R.D. 452, 453 (S.D.N.Y. 1989) (“By putting defendants to the effort and expense of preparing the joint motion for summary judgment, counsel for the plaintiffs unreasonably and vexatiously multiplied the proceedings, making an award of attorney’s fees appropriate under 28 U.S.C. § 1927. The signing of the joint pre-trial order was a clear violation of Rule 11 as well.”).

¹⁴ *NIMMER & NIMMER*, *supra* note 11, § 14.10[B][1][d] (noting that copyright litigants sometimes obtain fees under provisions other than Section 505 of the Copyright Act with the most prominent being Rule 11).

¹⁵ *See, e.g., Lieb*, 788 F.2d at 156–58.

in which a court can conclude that a plaintiff's copyright claim is frivolous or objectively unreasonable to justify a fee award under Section 505, there might well be significant overlap with the standard justifications for awarding fees under Rule 11 and/or Section 1927, and sometimes under inherent authority. In these 'overlap' cases, if the prevailing party and the court want to punish and deter opposing counsel instead of visiting his or her sins on the plaintiff, then it would be appropriate to turn to Rule 11 and its provisions on sanctions, or to 28 U.S.C. § 1927, both of which support imposing the fees on counsel, instead of relying on Section 505 of the Copyright Act, which imposes the fees on the losing party. Moreover, if the misconduct is serious enough the court might be able to turn to Rule 11, Section 1927 or inherent powers along with Section 505 to hold the losing counsel and his or her client jointly and severally liable for attorney's fees and costs.¹⁶

II. AWARDING ATTORNEY'S FEES TO 'PREVAILING' ALLEGED INFRINGERS

A. THE COPYRIGHT ACT'S FEE SHIFTING PROVISION

Section 505 of the Copyright Act provides:

In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.¹⁷

¹⁶ See, e.g., *Burger-Moss v. Steinman*, 127 F.R.D. 452, 453 (S.D.N.Y. 1989); *Pharmacy Records v. Nassar*, 572 F. Supp. 2d 869, 881 (E.D. Mich. 2008); cf. *Mahan v. Roc Nation, LLC*, 2016 Copyright L. Dec. (CCH) ¶ 30,986 (S.D.N.Y. 2016) (fee award against the losing plaintiff was warranted under Section 505 but the losing plaintiff's counsel was not jointly and severally liable for the fees because his conduct was not in bad faith). In some circumstances, a lawyer's license to practice might be suspended as a result of his or her misconduct during litigation. For instance, a lawyer's license to practice in the Eastern District of Pennsylvania was suspended for three months and a day after misconduct in copyright infringement claim against Usher. Amanda Bronstad, *Fee Request Turned Aside in Led Zeppelin Copyright Case*, LAW.COM, Aug. 9, 2016, <http://www.law.com/sites/almstaff/2016/08/09/fee-request-turned-aside-in-led-zeppelin-copyright-case/?slreturn=20170105215508>.

¹⁷ 17 U.S.C. § 505 (2012). Pre-infringement registration of the copyright, or registration within a three months post-publication grace period, is a prerequisite to an award of attorney's fees. 17 U.S.C. § 412 (2012). Note that the attorney's fees provision in the patent statute provides that "[t]he court *in exceptional cases* may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285 (2012) (emphasis added).

This fee-shifting statute overcomes the American rule that each party in litigation pays their own attorney's fees.¹⁸ The statute does not contain a list of factors a judge should consider in exercising discretion to award fees to the prevailing party, and Congress did not explain why a fee-shifting provision was included in the current statute or in the 1909 Copyright Act.¹⁹ In any event, fee awards play a part in making sure all litigants have access to the courts to vindicate their rights under the Copyright Act: they prevent infringements from going unchallenged when there is otherwise little economic incentive to litigate, they penalize the losing party, and they compensate the prevailing party.²⁰ The fee award is paid by the party; not his or her attorney.²¹

The Copyright Act's fee shifting provision restricts awards to the "prevailing party" but does not provide a definition.²² The Supreme Court helped somewhat by stating that a prevailing party is one that succeeds "on any significant issue in litigation which achieves some of the benefit the parties sought in bringing suit."²³ Notwithstanding the lack of a precise rule for making fee determinations, courts routinely awarded attorney's fees to prevailing plaintiffs.²⁴ However, for many years when the prevailing party was

¹⁸ *Alyeska Pipeline Service Co. v. Wilderness Society*, 421 U.S. 240, 247–58 (1975); *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 717 (1967). In contrast, Federal Rule of Civil Procedure 54(d)(1) provides that unless otherwise provided by statute, the prevailing party in a lawsuit shall be awarded its costs. The expenses a court may tax as a cost under this authority are defined at 28 U.S.C. § 1920 and include fees of the clerk and marshal, fees for printed or electronically recorded transcript, witness fees, and docket fees.

¹⁹ The old law, 17 U.S.C. § 40, provided that "the court may award to the prevailing party a reasonable attorney's fee as part of the costs." There is little legislative history for either of these fee shifting provisions. Peter Jaszi, *505 And All That – The Defendant's Dilemma*, 55 LAW & CONTEMP. PROBS. 107–08 (1992).

²⁰ *Quinto v. Legal Times of Washington, Inc.*, 511 F. Supp. 579, 581 (D.D.C. 1981).

²¹ *Pharmacy Records v. Nassar*, 572 F. Supp. 2d 869, 881 (E.D. Mich. 2008).

²² It is assumed to be self-defining. NIMMER & NIMMER, *supra* note 11, § 14.10[B][3] (noting that sometimes there is uncertainty about whether a party is the prevailing party even though section 505 has been interpreted and applied in many decisions).

²³ *Hensley v. Eckerhart*, 461 U.S. 424, 433 (1983) (quoting *Nadeau v. Helgemore*, 581 F.2d 275, 278–79 (1st Cir. 2002)). See also *Magder v. Belton Lee*, Copyright L. Dec. (CCH) ¶ 30,809 (S.D.N.Y. 2015) (noting that defendant is not a prevailing party when the plaintiff dismisses without prejudice because the action is not judicially sanctioned, but voluntary, and does not change the relationship between the parties); *EMI Blackwood Music, Inc. v. KTS Karaoke, Inc.*, 2016 Copyright L. Dec. (CCH) ¶ 30,964 (2d Cir. 2016) (stating that defendant whose issuance carrier paid over \$1 million to music publisher to settle infringement claims in exchange for dismissal of claims with prejudice is not a prevailing party); *Wolf v. Travolta*, 2016 Copyrightable L. Dec. (CCH) ¶ 30,923 (C.D. Cal. 2016) (granting no fee award to defendant because success was based on the statute of limitations defense and not the merits of the copyright).

²⁴ *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994); *Matthew Bender & Co. v. West Publ'g Co.*, 240 F.3d 116, 121–22 (2d Cir. 2001). See, e.g., *Scorpio Music v. Victor Willis*, Copyright L.

the alleged infringer some courts tended to award attorney's fees only after determining that the plaintiff brought the action in bad faith or that the claim was frivolous.²⁵ This difference in approaches presented a dilemma for persons threatened with a suit, or actually sued. If the defendant had a meritorious defense to what appeared to be a non-frivolous claim, should the alleged infringer defend vigorously and possibly have to absorb his or her attorney's fees even if he wins, or would it be wiser to settle?²⁶ This more favored treatment status for prevailing plaintiffs on the recovery of attorney's fees was overruled in 1994 by the U.S. Supreme Court in *Fogerty v. Fantasy, Inc.*²⁷

John Fogerty, the lead singer and songwriter for Creedence Clearwater Revival, allegedly infringed his own song *Run Through the Jungle* when he wrote *The Old Man Down the Road*.²⁸ The jury returned a verdict for Fogerty, and he sought reasonable attorney's fees under Section 505. The trial court denied the motion and the Ninth Circuit affirmed explaining that fees were not appropriate because Fantasy's suit was neither frivolous nor brought in bad faith as required by the circuit's 'dual standard' for awarding attorney's fees to successful defendants.²⁹ Under this standard, successful plaintiffs were treated better than prevailing defendants.³⁰ The Supreme Court pointed out that "some Courts of Appeals followed the so-called 'even-handed' approach in which no distinction was made between prevailing plaintiffs and prevailing defendants."³¹ The Court then abolished the dual standard and simultaneously emphasized that the award of attorney's fees should not be automatic for any prevailing party in view of the "may award" language in Section 505.³² It stated:

Because copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be

Dec. (CCH) ¶ 30,821 (S.D. Cal. 2015) (holding that an award of attorney's fees is justified to encourage authors like Willis of the Village People to assert their rights to regain their copyright interests and to deter production companies from interfering with those rights). See generally MARSHALL LEAFFER, UNDERSTANDING COPYRIGHT LAW 467–68 (5th ed. 2012).

²⁵ LEAFFER, *supra* note 24, at 467–68.

²⁶ Jaszi, *supra* note 19, at 109.

²⁷ 510 U.S. 517 (1994); LEAFFER, *supra* note 24, at 468.

²⁸ Fogerty wrote *Run Through the Jungle* in 1970 and sold publishing rights to the predecessor of Fantasy Records. Fogerty later wrote *The Old Man Down the Road* which was released and distributed by Warner Brothers Records. Fantasy sued for infringement alleging that this song was merely *Run Through the Jungle* with new words.

²⁹ *Fogerty*, 510 U.S. at 521.

³⁰ *Id.* at 520. The Ninth Circuit's decision is at 984 F.2d 1524 (9th Cir. 1993).

³¹ *Fogerty*, 510 U.S. at 521.

³² LEAFFER, *supra* note 24, at 468.

demarcated as clearly as possible. To that end, defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious claims of infringement.³³

The Court also rejected Fogerty's argument for adopting the so-called 'British Rule' that prevailing plaintiffs and defendants should be awarded attorney fees as a matter of course,³⁴ emphasizing that "the court may award a reasonable attorney's fee" language in the statute connoted discretion.³⁵ It explained that Congress could not have intended to adopt the British Rule given the fact that it "legislates against the strong background of the American Rule" under which the parties bear their own attorney's fees unless Congress provides otherwise.³⁶

In remanding the case to the Ninth Circuit³⁷ the Supreme Court acknowledged that there was no precise rule or formula to guide a court in exercising its discretion on awarding fees to a prevailing party, but that "equitable discretion should be exercised 'in light of the considerations we have previously identified.'"³⁸ The Court listed in a footnote some of the factors courts should consider:

These factors include '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.' *Lieb v. Topstone Industries, Inc.*, 788 F.2d 151, 156 (1986). We agree that such factors may be used to guide courts' discretion, so long as such factors are faithful to the purposes of the Copyright Act

³³ 510 U.S. at 527. The Court said that Fogerty's successful defense of his song increased public exposure to a musical work that could lead to further creative pieces. This furthered the policies of the Copyright Act just as much as a successful infringement claim by a copyright holder. *Id.*

³⁴ *Id.* at 533.

³⁵ *Id.* (quoting 17 U.S.C. § 505).

³⁶ *Id.* at 533–34.

³⁷ *Id.* at 534–35. The remand was necessary because Fogerty, as a prevailing defendant, had been held to a more stringent standard than a prevailing plaintiff.

³⁸ *Id.* at 534 (quoting *Hensley v. Eckerhart*, 461 U.S. 424, 436–37 (1983)).

and are applied to prevailing plaintiffs and defendants in an evenhanded manner.³⁹

An “interesting disagreement” developed after *Fogerty* was decided in 1994⁴⁰ over how courts should weigh and apply these nonexclusive factors in deciding whether to award fees to a prevailing defendant.⁴¹ Some circuits said there is a strong presumption in favor of fees for a meritorious defense or that the grant of fees is the rule rather than the exception.⁴² In other circuits, however, a

³⁹ *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 & n.19 (1994). On remand the District Court awarded Fogerty \$1.3 million in attorney’s fees even though Fantasy’s infringement suit was not frivolous or brought in bad faith. The Ninth Circuit affirmed. *Fantasy, Inc. v. Fogerty*, 94 F.3d 553 (9th Cir. 1996). *But see* 35 U.S.C. § 285 (2016) (authorizing the award of attorney’s fees to the prevailing party in patent litigation in exceptional cases). The Supreme Court recently interpreted this statute in *Octane Fitness v. Icon Health & Fitness*, 134 S. Ct. 1749 (2014), and made important changes to how attorney’s fees are to be awarded in patent cases. It rejected a rigid formula for determining when a case was exceptional that had been used by the Court of Appeals for the Federal Circuit, and directed courts to exercise full discretion when evaluating whether a case was exceptional. In a companion case, *Highmark v. Allcare Health Management Systems*, 134 S. Ct. 1744 (2014), the Court held that the Federal Circuit should no longer exercise de novo review of a district court’s award of fees under the patent statute. Prior to the Supreme Court’s rulings it was unlikely for a defendant in a patent case to receive an award of attorney’s fees absent a finding of inequitable conduct or separately sanctionable litigation misconduct. As a result of these companion decisions, it should be easier for district courts to shift fees to prevailing alleged infringers if the court concludes that the litigation was abusive. The emphasis on discretion in *Kirtsaeng* is consistent with Supreme Court’s emphasis on discretion in *Octane Fitness* and *Highmark*.

⁴⁰ JOYCE ET AL., *supra* note 7, at 946–47.

⁴¹ The factors also include the degree of success on the claim along with frivolousness, motivation, objective unreasonableness and considerations of compensation and deterrence. *See, e.g.*, *TufAmerica Inc. v. Michael Diamond*, 2016 WL 1565606 (S.D.N.Y. 2016) (holding that plaintiff’s claims were objectively unreasonable and clearly without merit); *Gilbert v. New Line Productions, Inc.*, 2010 WL 5790688 (C.D. Cal. 2010), *aff’d in part, vacated in part, remanded*, 490 F. App’x 34 (9th Cir. 2012). In determining the amount of the fee courts typically apply the lodestar approach which multiplies the number of hours reasonably expended on the litigation by a reasonable hourly rate. Andreas Becker, DRYE WIT, *In Recent Decisions, New York and California District Courts Agree that Prevailing Defendants in Copyright Infringement Lawsuits Are Entitled to Their Attorney’s Fees* (Mar. 15, 2016), <http://www.dryewit.com/2016/03/in-recent-decisions-new-york-and-california-agree-that-prevailing-defendants-in-copyright-infringement-lawsuits-are-entitled-to-their-attorneys-fees/>. This blog cites *Fogerty* and also *Hensley v. Eckerhart*, 461 U.S. 424, 433 (1983) for the lodestar method of calculating fees. *See, e.g.*, *Am. Bd. of Internal Med. v. Von Muller*, 540 Fed. App’x 103, 107–08 (3d Cir. 2013) (remanding for recalculation an award of attorney’s fees with the district court being told to lay out a quantitative basis in order to calculate the lodestar properly); *Bell v. Lantz*, 2016 Copyright L. Dec. (CCH) ¶ 30,948 (7th Cir. 2016) (holding the fee award justified but remanding for recalculation of the award based on rate of \$250 per hour in engagement letter instead of \$410 per hour as set by the court).

⁴² *Klinger v. Conan Doyle Estate*, 761 F.3d 789, 791 (7th Cir. 2014); *Thoroughbred Software Int’l v. Dice Corp.*, 488 F.3d 352, 362 (6th Cir. 2007).

prevailing defendant's request would be denied if the court found that the plaintiff's suit was neither frivolous, objectively unreasonable, nor brought in bad faith; an award of fees was thus unnecessary to promote either compensation or deterrence.⁴³

The meaning of the *Fogerty* standard was clarified in 2016 when the Supreme Court decided *Kirtsaeng v. John Wiley & Sons*.⁴⁴ The Second Circuit had rejected defendant Kirtsaeng's request that Wiley pay his attorney's fees after the Supreme Court ruled in his favor in 2013, saying that his domestic sales of low-priced textbooks purchased in Asia were protected under the first sale doctrine.⁴⁵ The court of appeals concluded that plaintiff Wiley's unauthorized distribution claim against Kirtsaeng was neither frivolous, objectively unreasonable nor brought in bad faith because the Supreme Court had split 4 to 4 on the applicability of the first sale doctrine to the unauthorized sale of imported goods just a few years earlier in *Omega v. Costco*.⁴⁶ In short, Wiley's position was objectively reasonable so no award of fees should be made.

Petitioner Kirtsaeng contended that there was a split in the circuits on how Section 505 is interpreted that results in a venue advantage for losing plaintiffs in the Second Circuit compared to the Seventh, Ninth and the Eleventh Circuits; in essence, the outcome of fee award depends on where he was originally sued.⁴⁷ For instance, prior to *Kirtsaeng* there was a strong presumption

⁴³ See, e.g., *Guzman v. Hacienda Records and Recording Studio*, 2015 WL 4612583 (S.D. Tex. 2015); *Pearson Educ., Inc. v. Liu*, 2013 U.S. Dist. LEXIS 182648, at *7–8 (S.D.N.Y. 2013) (holding a claim not objectively unreasonable in light of the *Kirtsaeng* case). Cf. *Williams v. Bridgeport Music, Inc.*, No. LA CV13-06004 (2016) (refusing to award the late Marvin Gaye's family \$3.5 million in attorney's fees as the prevailing party plaintiff because, among other things, defendants' defenses were objectively reasonable and meritorious, and the award of \$5.3 million in actual damages and profits coupled with a 50% running royalty on revenue from defendants' song *Blurred Lines* were sufficient to compensate the plaintiffs and deter future infringements). See also AIPLA Newsstand, *Williams v. Bridgeport Music*, by Loeb and Loeb, April 12, 2016.

⁴⁴ 136 S. Ct. 1979 (2016). See generally *Graham*, *supra* note 10, at 1.

⁴⁵ 133 S. Ct. 1351 (2013). See 91 BNA PTCJ 794 (Jan. 22, 2016). The Second Circuit decision is at 605 Fed. App'x 48 (2d Cir. 2015). The first sale doctrine is codified at 17 U.S.C. § 109(a).

⁴⁶ The Second Circuit stated that the district court properly placed substantial weight on the reasonableness of Wiley's position in this case. It had pursued an objectively reasonable position. 605 Fed. App'x at 49–50. See also *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008), *aff'd by an equally divided Court*, 131 S. Ct. 565 (2010) (holding that goods lawfully made overseas are not lawfully made under U.S. copyright laws, and therefore the first sale doctrine does not limit the importation right for such copies). This interpretation of sections 602, 106(3) and 109(a) was overruled in the *Kirtsaeng* decision. See generally CCH Copyright Law Reports No. 460, at 1–2 (summarizing the district court and appellate court decisions).

⁴⁷ Mannatt Phelps & Phillips, *Be Reasonable: The Supreme Court Agrees to Review the Standard for Awarding Attorney's Fees to a Prevailing Party in Copyright Infringement Suits*, AIPLA NEWSSTAND, Apr. 19, 2016.

in favor of awarding fees for a meritorious defense in the Seventh Circuit⁴⁸ and in the Sixth Circuit the grant of fees under Section 505 was said to be routine—the rule rather than the exception.⁴⁹ In essence, he was contending that if Wiley had sued him in the Sixth and Seventh Circuits, his chances of recovering fees would have been better than having been sued in the Second Circuit. In addition, Kirtsaeng asserted that courts should weigh whether or not the litigation resolved an important, close legal issue in a way that clarified copyright law; if so, an award of fees would be appropriate.⁵⁰

The Supreme Court held unanimously in *Kirtsaeng* that among the several *Fogerty* factors courts should consider in awarding attorney’s fees under Section 505, they must give substantial weight to the objective reasonableness of the losing party’s position, but not dispositive weight. It rejected the ‘close case’ factor pushed by *Kirtsaeng*, emphasized that all the circumstances of the case must be considered in light of the goals of the Copyright Act, and said that fees might be appropriate even though the losing party’s position was reasonable.⁵¹ Without intimating that a different conclusion should be reached, the Court remanded the case for a new hearing on fees because the courts in the Second Circuit may have made ‘substantial weight’ given to the reasonableness of the plaintiff’s claim almost dispositive; i.e., if a court determined that the losing plaintiff’s claim was reasonable, then it followed that fees should not be shifted.⁵² On remand, the district court again denied the prevailing defendant’s request for attorneys’ fees, explaining that Wiley’s claim was objectively reasonable; a legitimate attempt to enforce its rights.⁵³

Kirtsaeng v. John Wiley & Sons provides nationwide clarity as to the appropriate test for awarding attorney’s fees under Section 505 and it resolves the “interesting disagreement” and perceived “venue advantage” for losing plaintiffs in some circuits⁵⁴ by eliminating the presumptions for, or against, fee

⁴⁸ *Klinger v. Conan Doyle Estate*, 761 F.3d 781, 791 (7th Cir. 2014).

⁴⁹ *Thoroughbred Software Int’l v. Dice Corp.*, 488 F.3d 352, 362 (6th Cir. 2007).

⁵⁰ *Graham*, *supra* note 10, at 4; Copyright L. Rep. (CCH) No. 460 at 2-3.

⁵¹ AIPLA Newsletter, Copyright Attorney Fee Decisions May Depend on ‘Objective Reasonableness,’ June 17, 2016, *discussing Kirtsaeng*, 136 S. Ct. 1979; *Graham*, *supra* note 10, at 4; Copyright L. Rep. (CCH) No. 460 at 3 (also explaining that Kirtsaeng’s suggested approach was not as administrable as Wiley’s).

⁵² *Kirtsaeng*, 136 S. Ct. at 1983; *Graham*, *supra* note 10, at 4; *Mazumdar*, *supra* note 9; Copyright L. Rep. (CCH) No. 460 at 4 (the court was to give substantial weight to the reasonableness of Wiley’s litigating position and also account for other relevant factors).

⁵³ AIPLA Newsstand, *John Wiley & Sons, Inc. v. Kirtsaeng*, Jan. 9, 2017.

⁵⁴ *Petition for Certiorari* at 30–31, *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979 (No. 15-375). *Graham*, *supra* note 10, at 4. At one point in the fall of 2015 the Supreme Court had four separate petitions asking it to review how lower courts exercised their discretion to award

shifting that had developed in different circuits.⁵⁵ However, notwithstanding those differences, there was no disagreement among the circuits that an award of attorney's fees is appropriate when the trial court found that the plaintiff's infringement claim was frivolous, objectively unreasonable or brought in bad faith.⁵⁶ In those situations, it might often be possible to justify awarding fees to the prevailing alleged infringer by turning to Rule 11 of the Federal Rules of Civil Procedure.

B. FEE SHIFTING UNDER RULE 11

Attorneys have an ethical obligation to the court to refrain from conduct that frustrates the aims of the Federal Rules of Civil Procedure. Rule 1 states that “[t]hese rules . . . should be construed, administered, and employed by the court and the parties to secure the just, speedy, and inexpensive determination of every action and proceeding.”⁵⁷ Rule 11 of the Federal Rules, which “governs attorneys’ ethical obligations associated with filing or pursuing a lawsuit,”⁵⁸ reinforces this principle by imposing a general duty of candor and care on litigants and their attorneys by requiring certification of pleadings and other documents which are filed in a lawsuit. It is a professionalism tool.⁵⁹ It provides that “[e]very pleading, written motion, and other paper must be signed by at least one attorney of record in the attorney’s name.”⁶⁰ The attorney is thereby certifying to the court “that to the best of the person’s knowledge,

attorney’s fees to the prevailing party under section 505. Tony Dutra, *Fourth Petition Filed on Copyright Case Fee Shifting*, BLOOMBERG BNA PAT., TRADEMARK & COPYRIGHT J. – DAILY EDITION (Oct. 15, 2015). The question presented in Kirtsaeng’s petition was: “What is the appropriate standard for awarding attorney’s fees to a prevailing party under §505 of the Copyright Act?” Anandaskankar Mazumdar, *Textbook Arbitrager Gets Second Trip to Supreme Court*, 91 BNA PTCJ 794 (Jan. 22, 2016). The Supreme Court’s denial of a copyright owner’s petition for review of a decision requiring him to pay an alleged infringer’s attorney’s fees in *Hunn v. Dan Wilson Homes, Inc.*, No. 15-431 (December 7, 2015) arguably signaled that the federal courts should be as willing to award fees to the prevailing party in copyright infringement cases as the Court held in *Octane Fitness* for the prevailing defendant in patent cases. Tony Dutra, *High Court Denies Copyright Case Fee Shifting Review*, BLOOMBERG BNA PAT., TRADEMARK & COPYRIGHT J. – DAILY EDITION (Dec. 7, 2015).

⁵⁵ Graham, *supra* note 10, at 1 (stating “the decision could make copyright fee awards in the Second Circuit slightly easier to obtain, it may have the opposite impact in circuits such as the Fifth and Seventh, which employ a presumption in favor of fee shifting that losing parties must overcome”).

⁵⁶ Cf. LEAFFER, *supra* note 24, at 469; JOYCE ET AL., *supra* note 7, at 946.

⁵⁷ FED. R. CIV. P. 1; 1993 Advisory Committee Notes for Rule 11.

⁵⁸ Gianfrancesco v. Laborers Intern. Union Local 594, 2013 WL 2296759, at *2 (D.N.J. 2013).

⁵⁹ RICHARD FREER, CIVIL PROCEDURE 379 (3d ed. 2012).

⁶⁰ FED. R. CIV. P. 11(a).

information, and belief, formed after an inquiry reasonable under the circumstances”⁶¹ that the document is not being presented for an improper purpose, that it has evidentiary support, and is warranted by existing law or a nonfrivolous argument for changing existing law.⁶² It imposes a “duty to look before leaping and may be seen as a litigation version of the familiar railroad admonition to ‘stop, look and listen.’”⁶³ “[W]here it is patently clear that a claim has absolutely no chance of success under the existing precedents, and where no reasonable argument can be advanced to extend, modify or reverse the law as it stands,” the rule is violated.⁶⁴

Upon motion or *sua sponte*, courts may impose sanctions for violations of the rule’s obligations.⁶⁵ The sanctions can include awarding the moving party its reasonable attorney’s fees resulting from the violation.⁶⁶ The purposes of Rule 11 sanctions include deterrence and compensation.⁶⁷ An award of attorney’s fees under the rule is not fee shifting but “a means by which to return to the status quo the party which incurred legal expenses as a result of an action or

⁶¹ *Id.* at 11(b).

⁶² See FREER, *supra* note 59, at 381 (discussing the obligations FED. R. CIV. P. 11(b)). These obligations apply with equal force to those defending claims. FED. R. CIV. P. 11(b)(2). The Advisory Committee Notes accompanying the 1993 revisions state:

Subdivisions (b) and (c). These subdivisions restate the provisions requiring attorneys and pro se litigants to conduct a reasonable inquiry into the law and facts before signing pleadings, written motions, and other documents, and prescribing sanctions for violation of these obligations. The revision in part expands the responsibilities of litigants to the court, while providing greater constraints and flexibility in dealing with infractions of the rule. The rule continues to require litigants to “stop-and-think” before initially making legal or factual contentions. It also, however, emphasizes the duty of candor by subjecting litigants to potential sanctions for insisting upon a position after it is no longer tenable and by generally providing protection against sanctions if they withdraw or correct contentions after a potential violation is called to their attention.

⁶³ *Gianfrancesco*, 2013 U.S. Dist. LEXIS 73668, at *6 (citing and quoting *Lieb v. Topstone Indus.*, 788 F.2d 151, 157 (3d Cir. 1986)).

⁶⁴ See *Eastway Constr. Corp. v. City of New York*, 762 F.2d 243, 254 (2d Cir. 1985) (holding that the District Court erred in denying municipal defendant’s motion for fees incurred in defending a claim that was destined to fail and on remand the court was to impose appropriate sanctions against the appellant, their counsel, or both).

⁶⁵ FED. R. CIV. P. 11(c)(1), (c)(3).

⁶⁶ *Id.* at 11(c)(4).

⁶⁷ See *Azubuko v. MBNA Am. Bank*, 396 F. Supp. 2d 1, 7 (D. Mass. 2005); *Cooter & Gell v. Hartmax Corp.*, 496 U.S. 384, 404 (1990) (stating that the rule’s goal is general and specific deterrence); cf. Hart, *supra* note 5, at 650 (“The primary purpose of Rule 11, however, remains deterrence, not compensation.”).

motion which ought never have been filed.”⁶⁸ Nevertheless, it has been noted that “[a]part from the statutory provisions allowing for the shifting of litigation costs, a federal court may award attorney’s fees pursuant to its inherent equitable powers, or pursuant to the dictates of” Rule 11 of the Federal Rules of Civil Procedure.⁶⁹

Rule 11 has been revised several times since adoption in 1938⁷⁰ and the current version, largely unchanged after substantial amendments in 1993, states that “the court *may* impose an appropriate sanction”⁷¹ and authorizes the imposition of nonmonetary as well monetary sanctions “limited to what suffices to deter repetition of the conduct or comparable conduct by others similarly situated.”⁷² Sanctions are not intended to punish but to deter violations of the general duty of reasonable care imposed by the rule.⁷³

Motions for sanctions have to be made separately from other motions and must describe the specific conduct that allegedly violates the duties listed in 11(b).⁷⁴ The motion is to be served on the attorney, law firm or party alleged to have violated the rule, but it must not be filed with or presented to court until twenty-one days after service on the alleged violator.⁷⁵ During this twenty-one day safe harbor period the alleged violator can withdraw or correct the challenged document, and if this happens sanctions will not be imposed.⁷⁶ An

⁶⁸ Collins v. Walden, 834 F.2d 961, 966 (11th Cir. 1987).

⁶⁹ Eastway Constr. Corp., 762 F.2d at 253.

⁷⁰ The original version of Rule 11 from 1938 did little to prevent abuses in filing frivolous and sham pleadings so substantial revisions became effective in 1983. The amendments added an affirmative requirement that an attorney investigate the bases of a pleading before filing. The attorney had to certify that the pleading was well grounded in fact and warranted by existing law or a good faith argument for changing existing law, and that it was not interposed for any improper purpose. If a pleading did not meet this standard, then the court was required to impose sanctions which ordinarily were to order the offender to pay the opposing party his or her expenses, including attorney’s fees. GENE SHREVE & PETER RAVEN-HANSEN, UNDERSTANDING CIVIL PROCEDURE 217 (3d ed. 2002). However, these revisions generated a dramatic increase in satellite litigation over sanctions as well as criticism and discontent. *Id.* at 217–18. FREER, *supra* note 59, at 379 (there was a huge amount of satellite sanctions litigation due in large part to the required sanctions—it was a must/shall Rule); Hart, *supra* note 5, at 650.

⁷¹ FED. R. CIV. P. 11(c)(1) (emphasis added). Among other important changes, the revised Rule abolished the mandatory sanctions which had generated much of the satellite litigation. *See also* Hart, *supra* note 5, at 650.

⁷² FED. R. CIV. P. 11(c)(4). *See also* SHREVE & RAVEN-HANSEN, *supra* note 70, at 218–19 (explaining generally the changes made by the 1993 revisions to Rule 11).

⁷³ FREER, *supra* note 59, at 379, 382.

⁷⁴ FED. R. CIV. P. 11(c)(2).

⁷⁵ *Id.*

⁷⁶ *Id.*; FREER, *supra* note 59, at 381. Failure to comply with the technical requirements of the safe harbor provision, Rule 11(c)(2), such as service of a motion as opposed to a letter and

order imposing sanctions must describe the challenged conduct and explain the basis for the sanction.⁷⁷ Monetary sanctions cannot be imposed against a represented party for violating the obligations in Rule 11(b)(2) that one's legal contentions are warranted, but they can be imposed against the party's firm or an individual attorney.⁷⁸

The U.S. Supreme Court has made several important statements about the interpretation and application of Rule 11 in copyright infringement suits.⁷⁹ In *Pavelic & LeFlore v. Marvel Entertainment* the trial court directed a verdict in favor of the defendants against allegations of forgery in a suit for willful copyright infringement and then, upon defendants' motion, imposed a sanction of \$100,000 against the plaintiff attorney's firm because there was no basis in fact for the allegations, and there had been an insufficient pretrial investigation of the forgery allegation.⁸⁰ The law firm moved for relief, arguing that the sanction should be imposed against the attorney who signed the pleading, not the firm. The trial court agreed in part and split the sanction between the attorney and his firm and the Court of Appeals affirmed.⁸¹ The Supreme Court reversed but not because sanctions were inappropriate.⁸² Rather, it reversed because the version of Rule 11 in effect at that time stated that in the event of a violation "the court . . . shall impose upon the *person* who signed" the pleading an appropriate sanction.⁸³ The Court said that this language and the rule's other references to 'the signer' connoted an individual.⁸⁴ Accordingly, the decision

adhering to the time limits, will ordinarily result in denial of the motion for sanctions. *Gal v. Viacom Int'l*, 403 F. Supp. 2d 294, 309 (S.D.N.Y. 2005).

⁷⁷ FED. R. CIV. P. 11(c)(6); see *Gal*, 403 F. Supp. at 309 ("It does not seem overly demanding to require counsel to comply with the clear directives of Rule 11 when seeking sanctions.").

⁷⁸ FED. R. CIV. P. 11(c)(5)(A) states that "[t]he court must not impose a monetary sanction: (A) against a represented party for violating Rule 11(b)(2)." Rule 11 does not apply to discovery, FED. R. CIV. P. 11(b)(3), and courts retain inherent power to discipline attorneys and parties even though Rule 11 usually supersedes these inherent powers in situations where the rule applies. *SHREVE & RAVEN-HANSEN*, *supra* note 70, at 226 (citing *Chambers v. NASCO, Inc.*, 501 U.S. 32, 42 (1991)).

⁷⁹ *Bus. Guides, Inc. v. Chromatic Comms'ns. Enters., Inc.*, 498 U.S. 533 (1991); *Pavelic & LeFlore v. Marvel Entm't Grp.*, 493 U.S. 120 (1989).

⁸⁰ *Pavelic & LeFlore*, 493 U.S. at 122. See also *NIMMER & NIMMER*, *supra* note 11, at 12–178.

⁸¹ *Pavelic & LeFlore*, 498 U.S. at 122–23. The attorney who signed the documents, Ray LeFlore, joined Radovan Pavelic in a law partnership well after the action had been commenced. *Id.* at 122.

⁸² *Id.* at 124.

⁸³ *Id.* (quoting FED. R. CIV. P. 11 (emphasis added)).

⁸⁴ *Id.* The Court later added that the Rule is aimed "not [at] reimbursement but 'sanction', and that the purpose of Rule 11 as a whole is to bring home to the individual signer his personal, non-delegable responsibility." *Id.* at 126. See also *NIMMER & NIMMER*, *supra* note 11, at 12–178.

was reversed insofar as it allowed the attorney's fees to be imposed against the offending lawyer's firm.⁸⁵

The 1993 revisions to Rule 11 eliminated the 'individual signer' restriction.⁸⁶ The current version provides that "[a]bsent exceptional circumstances, a law firm must be held jointly responsible for a violation committed by its partner, associate, or employee."⁸⁷ Incidentally, there was no discussion in *Pavelic & LeFlore* of whether the defendant had sought an award of attorney's fees against the plaintiff under Section 505 of the Copyright Act in addition to seeking sanctions against plaintiff's counsel. After all, the plaintiff lost the forgery claim on a directed verdict motion, the jury returned a verdict against it on all other counts, and the court said that there was no basis in fact for the allegations.⁸⁸ The defendant was a prevailing party, and an award of its attorney's fees under Section 505 might have deterred the assertion of this kind of frivolous, unsupported, and objectively unreasonable claim by copyright holders just as effectively as the imposition of Rule 11 sanctions deters the filing of frivolous claims. Nevertheless, the Rule 11 sanctions imposed in this pre-*Fogerty* decision sent a strong message to plaintiff's counsel.⁸⁹

The Supreme Court made additional pronouncements on Rule 11 in the context of a copyright infringement claim in *Business Guides, Inc. v. Chromatic Communications Enterprises, Inc.*⁹⁰ which affirmed the award of attorney's fees under Rule 11 against the plaintiff and the plaintiff's law firm for filing an infringement action based on alleged common errors in the parties' respective works that were really correct information.⁹¹ The district court conducted its own investigation into the alleged copying, and determined that almost all the 'seeds' in defendant's directory alleged to be false were in fact accurate.⁹² The court then referred the matter to a Magistrate to determine whether Rule 11 sanctions should be

⁸⁵ *Pavelic & LeFlore v. Marvel Entertainment Group*, 493 U.S. 127 (1989).

⁸⁶ The Advisory Committee Notes for the 1993 revisions state that the new "provision is designed to remove the restrictions of the former rule." *Cf. id.* at 120 (stating that the 1983 version of Rule 11 does not permit sanctions against law firm of attorney signing groundless complaint).

⁸⁷ FED. R. CIV. P. 11(c)(1).

⁸⁸ *Pavelic & LeFlore*, 493 U.S. at 122.

⁸⁹ Of course, *Pavelic & LeFlore* was decided in 1989, four years before the Supreme Court decided *Fogerty* which put prevailing defendants in copyright infringement actions on equal footing with prevailing plaintiffs for purposes of awarding attorney's fees to the prevailing party pursuant to 17 U.S.C. § 505. *See supra* notes 27–39 and accompanying text.

⁹⁰ 498 U.S. 533 (1991).

⁹¹ *Id.* at 537; NIMMER & NIMMER, *supra* note 11, at 12-179.

⁹² *Bus. Guides, Inc.*, 498 U.S. at 536. The trial court had a law clerk spend about an hour calling the businesses in the ten the plaintiff had listed as the seeds which showed up in the defendant's directory. Nine of the ten did not contain false information.

imposed. This judge asked the plaintiff and its law firm to explain why nine of the ten allegations of copying were meritless, expressed doubt that it was mere coincidence, and recommended that both the law firm and the party be sanctioned.⁹³ Chromatic, the defendant, filed a motion for sanctions at the court's request but soon withdrew it as to the law firm because it had dissolved. The court accepted this withdrawal and, after stating that the entire suit had no basis in fact and that there was no evidence of infringement, dismissed the case with prejudice.⁹⁴ It imposed \$13,865.66 in sanctions against plaintiff Business Guides.⁹⁵ The Ninth Circuit and the Supreme Court affirmed.

The Supreme Court held that Rule 11

imposes on any party who signs a pleading, motion or other paper—whether the party's signature is required by the Rule or is provided voluntarily—an affirmative duty to conduct a reasonable inquiry into the facts and the law before filing, and that the applicable standard is one of reasonableness under the circumstances.⁹⁶

The Rule “imposes an objective standard of reasonable inquiry on represented parties who sign papers or pleadings,”⁹⁷ and the trial court had found that the plaintiff had not conducted a reasonable inquiry before submitting the initial TRO application and before submitting certain signed declarations.⁹⁸

Here, as in the Supreme Court's *Pavelic & LeFlore* decision, there was no discussion of whether the prevailing defendant sought attorney's fees under Section 505 of the Copyright Act against the plaintiff.⁹⁹ The alleged infringer was the prevailing party and the plaintiff's claim was without merit and objectively unreasonable. Accordingly, an award of fees under Section 505 could have been justified. Such an award would have compensated the defendant and also served as a deterrent. Of course, an award of fees under the Copyright Act would have been duplicative of the sanctions imposed under

⁹³ *Id.* at 539. The District Court judge agreed with the Magistrate and asked Chromatic, the defendant, to file a motion seeking sanctions.

⁹⁴ *Id.* The law firm was Finley Kumble. The court's rulings were without prejudice to the defendant's right to pursue sanctions against the firm at a later date. *Id.*

⁹⁵ *Id.* at 540 (the amount of Chromatic's legal expenses and out of pocket costs).

⁹⁶ *Id.* at 551.

⁹⁷ *Id.* at 554.

⁹⁸ *Id.*

⁹⁹ *Id.* at 551–54 (explaining why Rule 11 was valid under the Rules Enabling Act, 28 U.S.C. § 2072).

Rule 11.¹⁰⁰ Nevertheless, under either rationale the fee award would have had the effect of deterring this kind of frivolous, unsupported claim. In summary, the kind of litigation misconduct that might result in an award of attorneys' fees as a sanction under Rule 11 could also justify fee shifting to the prevailing party under Section 505 of the Copyright Act.

C. FEE SHIFTING UNDER 28 U.S.C. § 1927 OR INHERENT AUTHORITY

The current version of 28 U.S.C. § 1927 derives from an 1813 statute, and has provided for the award of attorney's fees since 1980.¹⁰¹ It states:

Any attorney or other person admitted to conduct cases in any court of the United States or any Territory thereof who so multiplies the proceedings in any case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys' fees reasonably incurred because of such conduct.

Section 1927 is described as a penal statute that deters unnecessary delays in litigation by requiring attorneys who violate it to personally satisfy costs associated with their litigation misconduct including attorney's fees.¹⁰² While Rule 11 focuses on pleadings, motions, and other signed papers, Section 1927 looks at the course of conduct.¹⁰³ Sanctions are triggered under this statute if the accused attorney multiplies the proceedings and the attorney's actions are both vexatious and unreasonable, or if he or she acted in bad faith.¹⁰⁴ It should be used only when the misconduct evidences a serious "disregard for the orderly process of justice."¹⁰⁵ An attorney who knows or, should know, that a

¹⁰⁰ *Business Guides* was also decided before the Supreme Court's decision in *Fogerty* that put prevailing defendants on equal footing with prevailing plaintiffs in regard to the award of fees under section 505.

¹⁰¹ GREGORY JOSEPH, SANCTIONS: THE FEDERAL LAW OF LITIGATION ABUSE § 20, at 374–75 (3d ed. 2000); Janet Eve Josselyn, *The Song of Sirens – Sanctioning Lawyers Under 28 U.S.C. § 1927*, 31 B.C. L. REV. 477, 477–78 (1990).

¹⁰² JOSEPH, *supra* note 101, at 374–75; see also Hart, *supra* note 5, at 651–52 (explaining a court may hold parties and counsel joint and severally liable for fees under section 1927); see also *Royal Oak Entertainment v. City of Royal Oak*, 486 F. Supp. 2d 675, 679 (E.D. Mich. 2007).

¹⁰³ Hart, *supra* note 5, at 652 (citing *Bowler v. U.S. Immigration & Naturalization Service*, 901 F. Supp. 597, 604 (S.D.N.Y. 1995)).

¹⁰⁴ *Dreiling v. Peugeot Motors of America*, 768 F.2d 1159, 1165 (10th Cir. 1985).

¹⁰⁵ *Id.* (explaining awards under section 1927 will not be set aside unless the court's "findings are clearly erroneous") (quoting *Kiefel v. Las Vegas Hacienda, Inc.*, 404 F.2d 1163, 1167 (7th Cir. 1968) (*cert. denied*)).

claim is frivolous, or that his or her tactics will block litigation of legitimate claims, may be subject to sanctions under Section 1927.¹⁰⁶ However, filing an objectively unreasonable copyright infringement claim that might result in an award of fees under Section 505 will not necessarily mean that the claim is so completely without merit to require the conclusion that it was filed for an improper purpose under Section 1927.¹⁰⁷

Section 1927 could be used in a copyright infringement suit when an award of fees to the prevailing party under Section 505 might not be appropriate but the court still determines it is necessary to sanction particular misconduct by counsel.¹⁰⁸ A court might turn to Section 1927 when it does not want to visit the misconduct sins of an attorney on his or her client—when the client’s only fault is making a poor choice in counsel.¹⁰⁹ For example, in *Baiul v. NBC Sports* the court granted a motion for judgment on the pleadings and for sanctions under Section 1927 against plaintiff’s counsel who had represented a former Olympic skater in a lengthy series of frivolous actions.¹¹⁰ The defendant requested sanctions against the attorney, arguing successfully that they were warranted because he maintained the action for years after it became clear that the allegations were meritless and contained deficiencies that precluded his client’s entitlement to relief. The court made detailed findings of fact showing with clear and convincing evidence that the lawyer’s conduct of the litigation was in bad faith and made for an improper purpose.¹¹¹

More types of misconduct can be sanctioned under Section 1927 than under Rule 11 but there is some overlap. Filing baseless or deceptive pleadings, baseless opposition papers, or pursuing a position after it is apparent that the position is devoid of merit and frivolous can fit under Rule 11 and also under

¹⁰⁶ *Pharmacy Records v. Nassar*, 572 F. Supp. 2d 869, 879 (E.D. Mich. 2008).

¹⁰⁷ *In re 60 E. 80th St. Equities*, 218 F.3d 109, 115 (2d Cir. 2000); 16 *Casa Duse v. Merkin*, 791 F.3d 247, 264 (2d Cir. 2015).

¹⁰⁸ *See Malibu Media, LLC v. Pelizzo*, Copyright L. Rep. (CCH) ¶ 30,743 (11th Cir. 2015) (finding no abuse of discretion in the district court’s denial fees under Section 505 because plaintiff had acted in an objectively reasonable manner up to a point, and affirming order requiring plaintiff’s counsel to pay vexatious litigation fees under 28 U.S.C. § 1927 after an admittedly ‘knee-jerk’ e-mail promising to continue the case against plaintiff).

¹⁰⁹ *Atkins v. Fischer*, 232 F.R.D. 116, 128 (D.D.C. 2005).

¹¹⁰ 2016 BL 123918 (S.D.N.Y. 2016) (BNA).

¹¹¹ *Id.* (explain that the fee award was ultimately reduced, in part due to the plaintiff’s attorney’s limited financial resources); *Baiul v. NBC Sports*, 2016 Copyright L. Dec. (CCH) ¶ 30,931 (S.D.N.Y. 2016); *see also Lightspeed Media Corp. v. Smith et al.*, 2016 Copyright L. Dec. (CCH) ¶ 30,960 (7th Cir. 2016) (imposing substantial sanctions on attorneys operating a “porno-trolling collective” under Section 1927 and discovery rules for filing frivolous, baseless and bullying claims, and for obstructing discovery).

Section 1927.¹¹² Such misconduct could also lead to an award of attorney’s fees under 17 U.S.C. § 505,¹¹³ but it might not fall within a court’s inherent power to impose sanctions because this authority can be invoked only for abusive litigation practices done fraudulently or in bad faith.¹¹⁴ A court can rely on its inherent equitable powers to award fees to the prevailing party “only where the unsuccessful litigant has been found to have ‘acted in bad faith, vexatiously, wantonly, or for oppressive reasons.’”¹¹⁵ Thus, a court’s inherent authority to sanction is narrower than its authority to impose sanctions under Rule 11 or Section 1927.¹¹⁶

In order for a court to impose sanctions under its inherent equitable powers there must be clear and convincing evidence that the claim is “‘entirely without color *and* made for reasons of harassment or delay or for other improper purposes.’”¹¹⁷ For instance, in *Scholastic, Inc. v. Stouffer* the court relied on its inherent authority to award \$50,000 in attorney’s fees as a sanction after dismissing defendant Stouffer’s counterclaim. It found that she had produced at least seven pieces of falsified evidence as well as falsified testimony, and that she had failed to correct her fraudulent submissions when confronted with evidence that undermined the validity of those submissions.¹¹⁸ The court made detailed findings with respect to each incidence of falsified evidence.¹¹⁹ The degree of misconduct needed to justify imposing sanctions under a court’s inherent power is underscored by the statement that a party’s fraud on the court must be established by clear and convincing evidence that the party “sentiently

¹¹² Hart, *supra* note 5, at 653. See, e.g., *Kramer v. Tribe*, 156 F.R.D. 96, 111 (D.N.J. 1994) (imposing sanctions on the plaintiff—former trial counsel—in a motion for sanctions brought before the court pursuant to Rule 11, 28 U.S.C. § 1927 and the court’s inherent disciplinary authority); cf. *Riley v. Philadelphia*, 136 F.R.D. 571, 574 (E.D. Pa. 1991) (attorney’s fees to be paid by counsel for filing a frivolous action and not dismissing the claim in a timely fashion were awarded pursuant to Rule 11 and 28 U.S.C. § 1927).

¹¹³ *Burger-Moss v. Steinman*, 127 F.R.D. 452, 453 (S.D.N.Y. 1989); 16 *Casa Duse, LLC v. Merkin*, 791 F.3d 247, 236–64 (2d Cir. 2015); *Pharmacy Records v. Nassar*, 572 F. Supp. 2d 869, 880–81 (E.D. Mich. 2008) (fees awarded to the defendant under sections 1927 and 505 with the court leaving it to the Magistrate Judge to allocate the total award between the losing counsel and his client).

¹¹⁴ *Chambers v. NASCO, Inc.*, 501 U.S. 32, 45–46 (1991).

¹¹⁵ *Eastway Constr. Corp. v. New York*, 762 F.2d 243, 253 (2d Cir. 1985) *citing and quoting from* *Alyeska Pipeline Serv. Co. v. Wilderness Soc.*, 421 U.S. 240, 258–59 (1975).

¹¹⁶ JOSEPH, *supra* note 101, § 26A1, at 427.

¹¹⁷ *Id. citing and quoting from* *Browning Debenture Holders’ Comm. v. DASA Corp.*, 560 F.2d 1078, 1088 (2d Cir. 1977); *Schlaifer Nance & Co. v. Estate of Warhol*, 194 F.3d 323, 336 (2d Cir. 1999).

¹¹⁸ 221 F. Supp. 2d 425, 439, 444 (S.D.N.Y. 2002).

¹¹⁹ *Id.* at 440–44.

set in motion some unconscionable scheme calculated to interfere with the judicial system's ability impartially to adjudicate" the action.¹²⁰

III. SIMILARITIES BETWEEN AWARDS UNDER SECTION 505, RULE 11 AND SECTION 1927

A. FEES UNDER 17 U.S.C. § 505

There are many post-*Fogerty* copyright infringement decisions discussing the award of attorney's fees under 17 U.S.C. § 505 to prevailing defendants¹²¹ and, as noted earlier,¹²² the Supreme Court's recent decision in *Kirtsaeng v. John Wiley & Sons* provides nationwide clarity as to the appropriate test for awarding fees under Section 505.¹²³ It resolved the "interesting disagreement" and perceived "venue advantage" for losing plaintiffs in some circuits¹²⁴ by eliminating the presumptions for or against fee shifting that had developed in different circuits.¹²⁵ However, there was no disagreement prior to the *Kirtsaeng* ruling that an award of attorney's fees was appropriate when the trial court determined that the plaintiff's infringement claim was frivolous, objectively unreasonable or brought in bad faith, both in the legal and factual components of the case.¹²⁶ Such litigation conduct could also justify an award of fees under Rule 11.¹²⁷

InDyne, Inc. v. Abacus Technology Corp., involved a claim against Abacus Technology for allegedly infringing software code used during a contract with

¹²⁰ *Id.* at 439 citing and quoting from *Loude v. Mobil Oil Corp.*, 892 F.2d 1115, 1118 (1st Cir. 1989); *Mahan v. Roc Nation, LLC*, 2016 Copyright L. Dec. (CCH) ¶ 30,986 at 48,951–52 (S.D.N.Y. 2016) (referring to assess fees against losing plaintiff's counsel because he had not acted in bad faith).

¹²¹ See generally NIMMER & NIMMER, *supra* note 11, § 14.10[D][3][b] at 14-230 to 14-243; Robert Rossi, 1 Attorneys' Fees § 10.42 (Copyright Actions) (3d ed. 2015).

¹²² See *supra* notes 40–54 and accompanying text.

¹²³ Graham, *supra* note 10, at 4.

¹²⁴ *Kirtsaeng v. John Wiley & Sons, Inc.*, Copyright L. Rep. (CCH) ¶ 30,371 (2d Cir. 2015) (docket number 15-375, cert filed September 24, 2015). The question presented in *Kirtsaeng's* petition was: What is the appropriate standard for awarding attorney's fees to a prevailing party under § 505 of the Copyright Act? Anandaskankar Mazumdar, *Textbook Arbitrager Gets Second Trip to Supreme Court*, PAT. TRADEMARK & COPYRIGHT J. (BNA), Jan. 22, 2016, at 794.

¹²⁵ Graham, *supra* note 10, at 1 ("[T]he decision could make copyright fee awards in the Second Circuit slightly easier to obtain, it may have the opposite impact in circuits such as the Fifth and Seventh, which employ a presumption in favor of fee shifting that losing parties must overcome.").

¹²⁶ See JOYCE ET AL., *supra* note 7, at 946; LEAFFER, *supra* note 24, at 469.

¹²⁷ See *supra* notes 78–100 and accompanying text.

NASA.¹²⁸ The court granted summary judgment for defendant Abacus because InDyne could not produce a copy of the software that had been allegedly infringed. Accordingly, it was impossible for InDyne to prove substantial similarity. This judgment was affirmed by the Court of Appeals.¹²⁹ The defendant's motion for attorney's fees was granted because it was objectively unreasonable for the plaintiff to sue without evidence of their software code in order to prove substantial similarity, the court found that plaintiff's motives were questionable, and said that other copyright holders without evidence of software code should be deterred from filing similar suits.¹³⁰ In short, the plaintiff's claim was objectively unreasonable, its motive was dubious, and the court recognized a need to deter similar claims.¹³¹ Under these circumstances, it might have been possible to justify fee shifting under Rule 11.¹³²

The developers of the very popular World of Warcraft computer game were awarded attorney's fees under section 505 after a former employee's copyright infringement suit was dismissed on summary judgment.¹³³ The plaintiff had been a game master for the defendant who also performed voiceover work at the game developer's invitation. She believed her voice was being used solely for promotional videos but after leaving the company she learned that her voiceovers were also used in the games. The court concluded that she had no copyright interest in the voiceovers because content creation was one of her duties as spelled out in the employment manual so this made the voiceovers

¹²⁸ No. 6:11VC137Orl-22DAB, 2014 U.S. Dist. LEXIS 23582 (M.D. Fla. Feb. 25, 2014), *aff'd*, No. 14-11058, 2014 U.S. App. LEXIS 18266 (11th Cir. Sept. 24, 2014) (trial court did not abuse discretion when it ruled that plaintiff's decision to sue without proof of an element of its *prima facie* case was objectively unreasonable).

¹²⁹ *Id.*

¹³⁰ *Id.* at 555. See also Mahan v. Roc Nation, LLC, 2015 Copyright L. Dec. (CCH) ¶ 30,797 (S.D.N.Y. 2015) (entitling Rapper Jay Z to \$250,000 in fees against a plaintiff whose claims were clearly time-barred and thus objectively unreasonable); Medallion Home Gulf Coast, Inc. v. Tivoli Homes of Sarasota, Inc., 2016 Copyright L. Dec. (CCH) ¶ 30,999 (M.D. Fla. 2016) (award of fees justified because plaintiff's architectural copyright infringement claims were objectively unreasonable).

¹³¹ See also Choyce v. SF Bay Area Indep. Media Ctr., 2014 U.S. Dist. LEXIS 155438 (N.D. Cal. 2014) (fees awarded to prevailing defendant after plaintiff's claim was dismissed with prejudice under Rule 12(b)(6) as being objectively baseless, failing to take steps to ensure he had a valid claim, and then making additional meritless arguments); Murphy v. Lazarev, 2016 Copyright L. Dec. (CCH) ¶ 30,951 (6th Cir. 2010) (entitling defendant pop singer to fees and costs because infringement claims were frivolous and unreasonable).

¹³² *Cf.* Business Guides, Inc. v. Chromatic Commc'ns Enterprises, Inc., 498 U.S. 533 (1991). See also *supra* notes 90–100 and accompanying text.

¹³³ Lewis v. Activision Blizzard, Inc., No. C12-1096-CW 2014 U.S. Dist. LEXIS 135889, at *10 (N.D. Cal. Sept. 25, 2014).

work-for-hire.¹³⁴ In ruling on the defendant developer's fee request the court concluded that the employee's suit was "objectively unreasonable and bordered on frivolous" and her motivation was questionable.¹³⁵ It said that "detering such meritless claims supports the objective of the Copyright Act."¹³⁶ Here again, there was a frivolous claim, a bad motive and the need to deter similar meritless claims.¹³⁷ It may have been appropriate to support the award of fees under Rule 11.¹³⁸

In 2011 Perfect 10, the operator of an adult website, sued Giganews, Inc. for infringement alleging that Giganews users had posted Perfect 10's images in messages on the Giganews usenet service.¹³⁹ Perfect 10 ultimately lost and the court ordered it to pay Giganews more than \$5.2 million in attorney's fees under Section 505 even though the company's suit was deemed not frivolous when filed because it "involve[ed] difficult and somewhat novel questions of law."¹⁴⁰ However, this determination did not prevent the court from saying an award of attorney's fees was appropriate to promote the purposes of the

¹³⁴ *Id.* at *6.

¹³⁵ She made a \$1.2 million settlement demand and did not respond to the developer's settlement offer of \$15,000. The court granted \$152,104 in fees but reduced the award to \$15,000 due to the employee's financial situation. *Id.* See also *City of Inglewood v. Teixeira*, No. 2:15-cv-01815 (C.D. Cal. 2015) (holding city's infringement claim against defendant's posting of videos of council meetings on YouTube was objectively unreasonable, the city was suing to stifle his criticism of council, and awarding fees furthered the purposes of the act).

¹³⁶ *Lewis v. Activision Blizzard, Inc.*, No. C12-1096-CW, 2014 U.S. Dist. LEXIS 135889, at *8. Blizzard was awarded \$13,757 for prevailing on plaintiff's right of publicity claim, and \$15,000 for prevailing on the copyright claim. *Id.* at *15. See also *Savant Homes, Inc. v. Douglas Consulting LLC*, 2015 Copyright L. Dec. (CCH) ¶ 30,811 (D. Colo. 2015) (stating that although plaintiff's infringement theory might not have been frivolous or objectively unreasonable, the case warranted an award of fees for equitable reasons in that the plaintiff promoted no public good by suing over allegedly infringing custom homes and imposed substantial expenses on the defendants which were far in excess of damages it could have recovered).

¹³⁷ See also *Conrad v. AM Cmty. Credit Union*, 750 F.3d 634, 637–38 (7th Cir. 2014) (affirming dismissal of plaintiff's suit as being without merit, noting her abuse of process by filing multiple frivolous suits and being ordered to pay attorney's fees, and suggesting that she should be enjoined from suing again until she pays her debts); cf. *Elfie Film, LLC. v. Gregory Murphy*, 2015 Copyright L. Dec. (CCH) ¶ 30,834 (2d Cir. 2015) (awarding fees in unsuccessful defense in a declaratory judgment action).

¹³⁸ Cf. *Pavelic & Leflore v. Marvel Entm't Group*, 493 U.S. 120 (1989). See also *supra* notes 79–89 and accompanying text.

¹³⁹ *Perfect 10, Inc. v. Giganews, Inc.*, No. CV-11-07098-AB, 2015 U.S. Dist. LEXIS 54063, at *4 (C.D. Cal. Mar. 24, 2015).

¹⁴⁰ *Id.* The court noted that Perfect 10's suit was like its 2005 claims against Google and Amazon.com which it lost after the Ninth Circuit held that thumbnail images of Perfect 10 photos were transformative and thus protected as a fair use.

Copyright Act¹⁴¹ because “there [was] ample evidence . . . that Perfect 10 pursued this litigation for reasons inconsistent with the purpose of the Copyright Act, and this factor weighs in favor of an award of attorney’s fees.”¹⁴² It likened Perfect 10 to a copyright troll that was in the business of litigation, not protecting its copyrights.¹⁴³

The *Kirtseng* decision should not alter the outcome of this ruling and similar cases because the Supreme Court made clear that a “court could award fees even though the losing party presented reasonable arguments, or it could deny fees even though the losing party made unreasonable arguments.”¹⁴⁴ Either way, perhaps the conduct of Perfect 10’s attorneys in litigation against Giga News also violated their obligations under Rule 11(b)(1); by signing they certified to the court “that to the best of the person’s knowledge, information, and belief” that pleadings, motions or other papers are “not being presented for any improper purpose, such as to harass, cause unnecessary delay, or needlessly increase the cost of litigation.”¹⁴⁵

A frivolous claim inconsistent with the purposes of the Copyright Act and the need for deterrence came together to justify an award of attorney’s fees against the Estate of Sir Arthur Conan Doyle for its unsuccessful effort to

¹⁴¹ *Id.* at *8–9.

¹⁴² *Id.* at *31.

¹⁴³ *Id.* See also *Omega SA v. Costco Wholesale Corp.*, 776 F.3d 692 (9th Cir. 2015) (awarding fees against Omega’s unsuccessful effort to control sale of its watches via copyright upheld because it would further the purposes of the Copyright Act); *Hunn v. Dan Wilson Homes*, 2015 Copyright L. Dec. (CCH) ¶ 30,777 (5th Cir. 2015) (holding that lower court did not abuse its discretion in awarding attorney’s fees to defendants who prevailed on an implied license theory even though it did not explicitly state that the award promoted the purposes of the Copyright Act), *certiorari denied*, No. 15-431 (Dec. 7, 2015), reported in PAT. TRADEMARK & COPYRIGHT J. (BNA) – DAILY EDITION (12/7/15); *Humphreys & Partners Architects, L.P. v. Lessard Design Inc.*, 2015 Copyright L. Dec. (CCH) ¶ 30,848 (E.D. Va. 2015) (providing same outcome in an architectural copyright infringement action between competitors even though the plaintiff’s positions were not objectively unreasonable but based on plausible theories—the prevailing defendant was entitled to an award of fees because there was evidence that the plaintiff filed the suit to force a settlement rather than to protect its copyright, and to pursue an unusually large damages claim); *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004) (Seventh Circuit awarded attorney’s fees against a plaintiff whose suit was marginal, but not frivolous because the plaintiff’s claim attempted to improperly annex a portion of the public domain and the court said an award of fees was appropriate because the plaintiff was using its infringement suit “to obtain property protection, here in data, that copyright clearly does not confer, hoping to force a settlement or even achieve an outright victory over an opponent that may lack the resources or the legal sophistication to resist effectively”).

¹⁴⁴ *High Court Vacates, Remands Denial of Fees to Textbook Seller*, 459 Copyright L. Rep. (CCH) at 1 (June 21, 2016).

¹⁴⁵ FED. R. CIV. P. 11(b)(1).

extend the life of Sherlock Holmes' copyright to 135 years. Starting in 1887, Doyle published fifty-six stories and four novels with the great detective Sherlock Holmes as the central character. His final ten Holmes stories, published between 1923 and 1927, are still protected by copyright and will be joining all his pre-1923 works in the public domain between 2018 and 2022.¹⁴⁶ After being told by the Doyle estate to pay a \$5,000 license fee in order to put together an anthology of stories by current authors using Holmes, Dr. Watson and other characters from Doyle's public domain works, Leslie Klinger sought a declaratory judgment that he was free to use all the materials from those public domain works.¹⁴⁷ The trial court eventually issued the declaratory judgment for Klinger and the estate appealed.¹⁴⁸ Judge Posner, writing for the Court of Appeals,¹⁴⁹ responded to the estate's contention that copyright on a complex character like Sherlock Holmes does not enter the public domain until the copyright on the final story expires¹⁵⁰ by saying that there was no basis "in statute or case law for extending a copyright beyond its expiration. When a story falls into the public domain, story elements—including characters covered by the expired copyright—become fair game for follow on authors, . . ." ¹⁵¹ He stated that the estate "suggested no legal grounds for extending copyright

¹⁴⁶ Klinger v. Conan Doyle Estate, 755 F.3d 496, 497 (7th Cir. 2014).

¹⁴⁷ *Id.* at 497–98; *id.* at 500 (citing Silverman v. CBS, Inc., 870 F.2d 40 (2d Cir. 1989)); *id.* at 503. Klinger and his co-editor entered into negotiations with a publisher when the estate insisted on the license. There also was a threat by the estate to sue for infringement. Klinger's action acknowledged that he could not use those aspects of the post-1923 works which were still protected by copyright. There was no serious contention that Holmes, Watson and other well developed characters in this series of works were not entitled to copyright protection to begin with. Rather the issue was what happens to the many of those characters' traits as the works start entering the public domain with the expiration of their copyrights. The court noted that a decision in the Second Circuit involving the fictional Amos and Andy characters was very similar to this case.

¹⁴⁸ *Id.* at 498. The Doyle estate defaulted and the court gave Klinger leave to file a motion for summary judgment. The estate responded to this motion with some novel arguments about enlarging copyright protection.

¹⁴⁹ Judge Posner first had to deal with the estate's argument that there was no subject matter jurisdiction. It contended unsuccessfully that there was no case or controversy between the parties, and that Klinger's suit was not ripe. *Id.* at 498–500.

¹⁵⁰ *Id.* at 498, 500. The estate also contended that even though many Holmes stories were in the public domain it was still wrong to permit the use of these not yet fully developed characters even though the stories could be used. *Id.* at 498.

¹⁵¹ *Id.* at 500 (citing Silverman v. CBS, Inc., 870 F.2d 40, 49–51 (2d Cir. 1989) as a case similar to Klinger's action against the Doyle estate).

protection beyond the limits fixed by Congress” and that the “appeal borders on the quixotic.”¹⁵²

This victory was followed by Klinger’s request that the Conan Doyle estate reimburse the attorney’s fees he incurred on the appeal¹⁵³ pursuant to Section 505 of the Copyright Act.¹⁵⁴ Judge Posner noted that the Seventh Circuit had stated previously that as “a consequence of a successful defense of an infringement suit the defendant is entitled to a ‘very strong’ presumption in favor of receiving attorney’s fees in order to ensure that an infringement defendant does not abandon a meritorious defense in situations in which ‘the cost of vindication exceeds the private benefit to the party.’”¹⁵⁵ He explained that in this case it did not matter that the alleged infringer was the plaintiff because “a declaratory-judgment plaintiff in a copyright case is in effect a defendant permitted to precipitate the infringement suit.”¹⁵⁶ Judge Posner then turned to the estate’s business plan of charging a modest license fee for which there was no legal basis, and said that this worked until Klinger resisted, becoming a private attorney general to combat “a disreputable business practice—a form of extortion—and he is seeking by the present motion not to obtain a reward but merely to avoid a loss.”¹⁵⁷ Here again, there is a reasonable

¹⁵² *Id.* at 503. The court added that perpetual copyright would violate the copyright clause of the constitution. The Supreme Court later denied the estate’s petition for a writ of certiorari. Copyright L. Rep. (CCH) ¶ 30,619 (Nov. 13, 2014).

¹⁵³ It is the trial courts which ordinarily award attorney’s fees in copyright infringement cases, but it is settled that fees can also be awarded for services rendered on an appeal. NIMMER & NIMMER, *supra* note 11, § 12.10[E] at 14-243.

¹⁵⁴ *Klinger v. Conan Doyle Estate*, 761 F.3d 789, 790–91 (7th Cir. 2014) (quoting 17 U.S.C. § 505). Those fees totaled \$30,679.93 and Klinger filed a separate petition with the district court for his fees and related costs there tallying \$39,123.44.

¹⁵⁵ *Id.* at 791 (quoting *Assessment Technologies of Wisconsin, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004)). The Seventh Circuit, per Posner, stated in *WIREdata* that:
[w]hen the prevailing party is the defendant, who by definition receives not a small award but no award, the presumption in favor of awarding fees is very strong. . . . For without the prospect of such an award, the party might be forced into a nuisance settlement or deterred altogether from exercising his rights.

361 F.3d at 437. The Seventh Circuit’s presumption is now likely inappropriate following the Supreme Court’s decision in *Kirtsaeng*. See *supra* notes 43–56 and accompanying text.

¹⁵⁶ 761 F.3d at 792.

¹⁵⁷ *Id.* He concluded by saying it was time for the estate to change its business model and ordered it to pay Klinger’s fees. The court also discussed the serious problems the estate faced in asking booksellers to cooperate with it in enforcing its nonexistent copyright claims against Klinger—joining in the boycott of one of the estate’s competitors. This raised serious antitrust issues. The estate petitioned for an emergency stay of the Seventh Circuit’s ruling which was denied by Justice Kagan. Allisa Wickham, LAW360, July 19, 2014.

argument that the attorney for the Conan Doyle estate violated Rule 11(b)(2) by asserting expired copyrights in the many Sherlock Holmes stories and characters which had entered the public domain.¹⁵⁸

Notwithstanding Judge Posner's statement in the Conan Doyle estate litigation about victorious defendants being entitled to a strong presumption in favor of receiving fees,¹⁵⁹ awards of attorney's fees to prevailing defendants in copyright infringement actions were never supposed to be automatic.¹⁶⁰ Section 505 is a may-also-award provision. The Supreme Court made this point in *Fogerty* by rejecting the defendant's argument for adoption of the British rule,¹⁶¹ and it was re-emphasized in the Court's recent decision in *Kirtsaeng v. John Wiley & Sons*.¹⁶² There the Court underscored the district court's discretion in making fee awards, and made clear that although substantial weight should be given to the question of whether the losing side had a reasonable case to fight, all the other factors listed in *Fogerty* should be taken into account beyond the reasonableness of litigating positions.¹⁶³ It is no longer appropriate to make presumptions about fee awards under Section 505.¹⁶⁴ However, this does not mean that the *Klinger* fee ruling would come out differently post-*Kirtsaeng* without the Seventh Circuit's presumption because the Court of Appeals concluded that the Doyle estate's infringement claim was unreasonable and

¹⁵⁸ Under FED. R. CIV. P. 11(b)(2), an attorney who files a pleading or other written document certifies that the "claims . . . and other legal contentions are warranted by existing law or by a nonfrivolous argument for extending, modifying, or reversing existing law or for establishing new law."

¹⁵⁹ 761 F.3d at 791. *Cf.* *Marshall & Swift/Boeckh, LLC v. Dewberry & Davis, LLC*, 586 Fed. App'x 448 (9th Cir. 2014) (stating the trial court did not err when it declined to apply the presumption that prevailing defendant is entitled to fees).

¹⁶⁰ *See, e.g., Seltzer v. Green Day*, 725 F.3d 1170 (9th Cir. 2013) (vacating award of fees to successful defendants in part because there was no reason for the plaintiff to have known at the outset that his chances of success were slim to none); *ZilYen, Inc. v. Rubber Mfrs. Ass.*, 958 F. Supp. 2d 215 (D.D.C. 2013) (award of attorney's fees to prevailing defendant who won on a motion to dismiss was not warranted); *Am. Bd. of Internal Med. v. Von Muller*, 540 Fed. App'x 103 (3d Cir. 2013) (remanding award of attorney's fees for redetermination); *Reinicke v. Creative Empire, LLC*, 38 F. Supp. 3d 1192 (S.D. Cal. 2014) (holding no fee award warranted because plaintiff's claim was neither objectively unreasonable nor brought in bad faith); *Zalewski v. T.P. Builders, Inc.*, 2015 U.S. Dist. LEXIS 106 (N.D.N.Y. 2015) (awarding no fees because the problems with plaintiff's pleadings were attributable more to counsel's lack of talent than to any bad faith by the plaintiff); *cf. Williams v. Bridgeport Music, Inc., AIPLA NEWSSTAND*, Apr. 12, 2016 (district court denied request of Marvin Gaye's family for \$3.5 million in attorney's fees following victory in the highly publicized "Blurred Lines" trial).

¹⁶¹ 510 U.S. at 533–34. *See also supra* notes 27–43 and accompanying text.

¹⁶² *See supra* notes 43–56 and accompanying text.

¹⁶³ 136 S. Ct. at 1982–83; Mazumdar, *supra* note 9.

¹⁶⁴ Graham, *supra* note 10, at 1, 4.

frivolous.¹⁶⁵ In contrast, the infringement claim by publisher John Wiley & Sons against the importer of the low-priced text books was neither frivolous, marginal, nor inconsistent with the purposes of copyright.¹⁶⁶ The Doyle estate's frivolous and unreasonable claim might trigger fee shifting under Rule 11 as well as under Section 505, but the John Wiley & Son's claim against *Kirtseng* would not.

B. FEES UNDER RULE 11

The losing parties and their attorneys in the copyright infringement actions summarized above, in which fees were awarded under Section 505, might have violated their obligations under Rule 11 as well. When they presented their pleadings, motions, and other papers, each of these attorneys certified to the court “that to the best of the person’s knowledge, information, and belief, formed after an inquiry reasonable under the circumstances”¹⁶⁷ that the document was not being presented for an improper purpose, that it had evidentiary support, and that it was warranted by existing law or a nonfrivolous argument for changing existing law.¹⁶⁸ When a court granting a motion for fees under Section 505 concludes that a copyright infringement claim was objectively unreasonable and frivolous, and also questions the losing party’s motive, it often could also conclude that Rule 11 was violated.¹⁶⁹ After all, “where it is patently clear that a claim has absolutely no chance of success under the existing precedents, and where no reasonable argument can be advanced to extend, modify or reverse the law as it stands,” Rule 11 is violated.¹⁷⁰

This is not to suggest that Rule 11 violations can be found every time a court awards fees under Section 505 to a prevailing alleged infringer. In

¹⁶⁵ *Klinger v. Conan Doyle Estate, Ltd.*, 761 F.3d 789, 792 (7th Cir. 2014).

¹⁶⁶ *Kirtseng*, 136 S. Ct. at 1984; *see also* *Skidmore v. Led Zeppelin*, No. CV15-3402 RGK (AGRx) (C.D. Cal. 2016) (district court judge declines to award \$800,000 in fees to prevailing defendants in highly publicized *Stairway to Heaven* litigation because the plaintiff’s claim was objectively reasonable and properly motivated); *Loeb & Loeb LLP, AIPLA NEWSSTAND* (Aug. 8, 2016); *Dorsey & Whitney LLP, All That Glitters is Not Gold for Led Zeppelin’s Claim for Attorney’s Fees*, AIPLA NEWSSTAND (Aug. 25, 2016); *Bronstad*, *supra* note 16.

¹⁶⁷ FED. R. CIV. P. 11(b).

¹⁶⁸ *FREER*, *supra* note 59, at 381 (discussing the obligations of FED. R. CIV. P. 11(b)). These obligations apply with equal force to those defending claims. FED. R. CIV. P. 11(b)(4).

¹⁶⁹ *See* the discussions of several cases at *supra* notes 128–66 in which the courts concluded that the claims were objectively unreasonable and frivolous and questioned the losing parties’ motives.

¹⁷⁰ *Eastway Constr. Corp. v. City of New York*, 762 F.2d 243, 254 (2d Cir. 1985) (stating “it was error for the district court to deny municipal defendants’ motion for attorneys’ fees incurred in defending” a claim that was destined to fail and on remand the court was impose appropriate sanctions against the appellant, their counsel, or both).

jurisdictions where courts had said, pre-*Kirtsaeng*, that “a consequence of the successful defense of an infringement suit the defendant is entitled to a ‘very strong’ presumption in favor of receiving attorney’s fees, in order to ensure that an infringement defendant does not abandon a meritorious defense,”¹⁷¹ it would not be appropriate to conclude that the plaintiff violated Rule 11 by filing suit because simply losing does not mean the plaintiff’s suit was frivolous, meritless or without foundation. In essence, this now discredited strong presumption of fee shifting meant that attorney’s fees might be awarded against a plaintiff whose claim was neither frivolous nor objectively unreasonable. The same would have held true in those circuits in which it has been held that the award of fees under Section 505 of the Copyright Act was routine—the rule rather than the exception.¹⁷² As discussed earlier, the Supreme Court’s recent decision in *Kirtsaeng* seems to put an end to presumptions when courts exercise their discretion to award fees under Section 505 of the Copyright Act.¹⁷³

On the other hand, many of the courts which awarded attorney’s fees as a sanction for a Rule 11 violation in a copyright infringement case could have justified the fee shifting under Section 505 because the underlying claim was objectively unreasonable or frivolous. Nevertheless, the courts relied on Rule 11 instead of Section 505 so they could order the fees to be paid by the losing attorney rather than the losing party. Section 505 has not been interpreted to permit the prevailing party’s fees to be paid by opposing counsel.¹⁷⁴ For example, in *Hays v. Sony Corporation of America* sanctions were sought against opposing counsel under Rule 11 even though the defendant seemed to have a viable claim for fees under Section 505.¹⁷⁵ The trial court, after dismissing the plaintiffs’ copyright infringement suit for failure to state a claim, awarded

¹⁷¹ *Klinger v. Conan Doyle Estate, Ltd.*, 761 F.3d at 791 (quoting *Assessment Techs. of Wis., LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004)). The Seventh Circuit, per Posner, stated in *WIREdata* that

[w]hen the prevailing party is the defendant, who by definition receives not a small award but no award, the presumption in favor of awarding fees is very strong. . . . For without the prospect of such an award, the party might be forced into a nuisance settlement or deterred altogether from exercising his rights.

Assessment Tech., 361 F.3d at 437 (stating “the cost of vindication might otherwise exceed the private benefit to the party”).

¹⁷² *Thoroughbred Software Int’l v. Dice Corp.*, 488 F.3d 352, 362 (6th Cir. 2007) (citing *Positive Black Talk, Inc. v. Cash Money Records, Inc.*, 394 F.3d 357, 380 (5th Cir. 2004)).

¹⁷³ See *supra* notes 43–56 and accompanying text.

¹⁷⁴ See, e.g., *16 Casa Duse, LLC v. Merkin*, 791 F.3d 247, 264 (2d Cir. 2015) (the Copyright Act allows for the imposition of costs and fees only against a party, and not the party’s attorney (citing 17 U.S.C. § 505)).

¹⁷⁵ 847 F.2d 412 (7th Cir. 1988).

defendant Sony \$14,895.46 in attorney's fees under Rule 11 against the plaintiffs' lawyer but not against the plaintiffs, who were two high school teachers.¹⁷⁶ The lawyer appealed the sanctions, and the Seventh Circuit stated that the merit of his appeal "depends on the reasonableness of his pressing the suit as far as he did."¹⁷⁷ Although it concluded that the suit was a "mixture of the frivolous and the non-frivolous,"¹⁷⁸ it affirmed because it was clear that the trial judge awarded sanctions because the suit had not been pursued effectively by the attorney.¹⁷⁹ The court stated:

In the Rule 11 setting, the victims are the lawyer's adversary, other litigants in the court's queue, and the court itself. By asserting claims without first inquiring whether they have a plausible grounding in law and fact, a lawyer can impose on an adversary and on the judicial system substantial costs that would have been—and should have been—avoided by a reasonable prepleading inquiry.¹⁸⁰

The court also noted that plaintiffs' counsel, a solo practitioner from a small town, was not to be criticized for lacking expertise in copyright law and the niceties of federal procedure:

[b]ut the Rule 11 standard, like the negligence standard in tort law, is an objective standard . . . [which] . . . makes no allowance for the particular circumstances of particular practitioners. . . . There is no 'locality rule' in legal malpractice . . . the generalist acts at his peril if he brings a suit in a field or forum with which he is unacquainted.¹⁸¹

¹⁷⁶ *Id.* at 413.

¹⁷⁷ *Id.* at 414.

¹⁷⁸ *Id.*

¹⁷⁹ *Id.* at 417. This is why the trial court awarded Sony different percentages of the fees it had incurred in defending the suit from the time it was filed to the point the plaintiff's lawyer should have realized that the suit was hopeless, and from two other periods during the litigation. *Id.* at 417–18. The Seventh Circuit said "this method of calculation was lenient." *Id.* at 418.

¹⁸⁰ *Id.* at 418.

¹⁸¹ *Id.* at 418–19 (citations omitted). The court added that in these circumstances counsel should seek assistance from a lawyer with the required expertise, or learn the relevant law at every step of the case and litigate very carefully. *Id.* at 419. The plaintiffs' lawyer had "failed to heed this precept." *Id.* The Court of Appeals also granted Sony's request that plaintiffs' counsel pay the attorney's fees it incurred defending that portion of his appeal that sought to overturn the

Perhaps the defendant in *Hays v. Sony Corp. of America* did not seek an award of attorney's fees under Section 505 because the plaintiffs' statutory copyright infringement claim was not totally without merit even though most of their requests for relief were frivolous.¹⁸² Nevertheless, the district court dismissed the action, so defendant Sony was the prevailing party.¹⁸³ The more practical reasons for seeking sanctions against the plaintiffs' attorney under Rule 11 instead of from the plaintiffs under the Copyright Act might have been that the two school teachers would not have had the financial capacity to pay Sony's attorneys and, as noted above, because Section 505 has not been interpreted to permit the prevailing party's fees to be paid by opposing counsel.¹⁸⁴

The trial court in *Christian v. Mattel, Inc.* invoked Rule 11 to award attorney's fees as a sanction in a copyright infringement suit.¹⁸⁵ This decision also might have come out the same way under Section 505 of the Copyright Act but for the fact the fees were to be paid by the plaintiff's attorney, not the plaintiff.¹⁸⁶ The plaintiff's claim was that Mattel's "Cool Blue" Barbie allegedly infringed the copyright on her blonde doll with blue eyes called "Claudene" that resembled a University of Southern California cheerleader.¹⁸⁷ The plaintiff created this doll in 1996 and received copyright registration in 1997.¹⁸⁸ She sought damages of \$2.4 billion and injunctive relief against Mattel.¹⁸⁹ The major problem with her claim was that Mattel had clear and convincing evidence that its Cool Blue Barbie could not, as a matter of law, have infringed the copyright on plaintiff's doll because Cool Blue had been created and copyrighted in 1991, several years before the plaintiff's doll was created.¹⁹⁰ Mattel filed a motion for summary judgment and tried to convince plaintiff's lawyer that the complaint was frivolous, but he refused to even look at the Cool Blue Barbie doll at a meeting

judgment on the merits. *Id.* at 419–20. The basis for this order was not Rule 11 because an appellate court cannot award fees under this Rule. *Id.* at 420.

¹⁸² *Id.* at 415, 417.

¹⁸³ *Id.* at 420.

¹⁸⁴ Sony initially sought some \$47,000 in fees and related costs against the attorney, and the court awarded \$14,895.46. *Id.* at 413. See, e.g., 16 Casa Duse, LLC v. Merkin, 791 F.3d 247, 264 (2d Cir. 2015) (stating that the Copyright Act allows for the imposition of costs and fees only against a party, and not the party's attorney (citing 17 U.S.C. § 505)).

¹⁸⁵ 286 F.3d 1118, 1121 (9th Cir. 2002).

¹⁸⁶ The district court had awarded attorney's fees to Mattel in a related action, and Mattel had also sued Christian's company, Collegiate Doll Company, in which that company's multiple counterclaims against Mattel had been dismissed. That case settled. *Id.* at 1122, 1125.

¹⁸⁷ *Id.* at 1122–23.

¹⁸⁸ *Id.* at 1123 & n.2.

¹⁸⁹ *Id.*

¹⁹⁰ *Id.*

with Mattel's lawyer and threw the dolls off a conference table.¹⁹¹ The plaintiff's attorney should have recognized that this copyright infringement claim against Mattel had no basis whatsoever.¹⁹²

Having been unsuccessful in convincing Hicks to dismiss Christian's action voluntarily, Mattel served Hicks with a motion for Rule 11 sanctions . . . argu[ing], among other things, that Hicks had signed and filed a frivolous complaint based on the legally meritless theory that Mattel's prior-created head sculptures infringed Claudene's 1997 copyright. Hicks declined to withdraw the complaint during the 21-day safe harbor period provided by Rule 11, and Mattel filed its motion [for sanctions].¹⁹³

Notwithstanding this motion Hicks fought back and filed additional papers but the trial court granted Mattel's motion for summary judgment.¹⁹⁴ In subsequently granting Mattel's Rule 11 motion for sanctions, the trial court said that the plaintiff's attorney had "filed a meritless claim against defendant Mattel. A reasonable investigation by Mr. Hicks would have revealed that there was no factual foundation for [Christian's] copyright claim."¹⁹⁵ The court awarded Mattel \$501,565 in attorney's fees to be paid by Hicks.¹⁹⁶

Even though the Ninth Circuit later agreed with Hicks that the trial court had improperly considered conduct other than that covered by Rule 11 in making the fee shifting award, such as discovery abuses and misstatements to the court during oral presentations,¹⁹⁷ there was no doubt that the filing of this frivolous infringement claim warranted sanctions under Rule 11.¹⁹⁸ Given the fact that the claim was frivolous and without merit, an award of attorney's fees to Mattel under Section 505 of the Copyright Act would have been warranted,

¹⁹¹ *Id.*

¹⁹² *Id.*

¹⁹³ *Id.*

¹⁹⁴ *Id.* at 1124 (explaining that since Mattel had created the alleged infringing doll long before plaintiff created Claudene, Mattel could not have copied the plaintiff's doll).

¹⁹⁵ *Id.* The plaintiff's attorney had engaged in other forms of misconduct spelled out by the trial court; the court therefore asked Mattel to provide a general description of the work its attorneys performed to defend the frivolous claim.

¹⁹⁶ *Id.* at 1125–26.

¹⁹⁷ *Id.* at 1125, 1130–31.

¹⁹⁸ *Id.* at 1129, 1131–32 (holding that the trial court's order be vacated, and on remand that the trial court was to determine whether or not the time spent by Mattel's attorneys was reasonably and appropriately spent in relation to both the patent frivolousness of the complaint and the services directly caused by the sanctionable conduct).

but it appears that Mattel wanted to send a message to the plaintiff's attorney, Mr. James B. Hicks.¹⁹⁹

There are other decisions in which courts have turned to Rule 11 to award attorney's fees, payable by plaintiff's counsel, for filing frivolous copyright infringement claims which were ultimately dismissed even though an award of attorney's fees payable by the plaintiff under Section 505 might have been justified. In *Smith & Johnson, Inc. v. Hedaya Home Fashions, Inc.*²⁰⁰ the court ordered plaintiff's attorney to pay the defendant \$500 as a Rule 11 sanction for filing an infringement claim that was clearly frivolous because the plaintiff had stipulated in a related action that it did not own copyrights in certain designs for afghan shawls and blankets at issue in this and a prior case filed originally in federal court.²⁰¹ "Plaintiff cannot state a claim with no probability of success merely to get back into federal court—a court it was once so anxious to escape. In such circumstances, sanctions under Rule 11 are appropriate to deter baseless claims."²⁰² Similarly, in *Historical Truth Productions, Inc. v. Sony Pictures Entertainment*²⁰³ the court turned to Rule 11 to sanction the plaintiff's lawyer after granting summary judgment for defendants because no reasonable juror could find substantial similarity between plaintiff's proposed movie, *The Last Boxer*, and defendants' film *Universal Soldier*.²⁰⁴ The defendants' motion for sanctions alleged, among other things, that the plaintiff had misrepresented the content of the works at issue, and the court agreed that the allegations of similarity contained outright falsehoods. The judge stated that he was

troubled at this apparent attempt to deceive the court, and I can only conclude that plaintiff's attorney either did not closely examine . . . allegations or did not carefully review the two works upon which the allegations are based. Defendants have been put

¹⁹⁹ *Id.* at 1130–31. The Court of Appeals also acknowledged alternative bases for fee shifting—28 U.S.C. § 1927 and inherent authority—and said that, on remand, the trial court, would have an opportunity to spell out the bases for its sanctions order.

²⁰⁰ 1996 U.S. Dist. LEXIS 19023 (S.D.N.Y. 1996).

²⁰¹ *Id.* at *3–4, *24.

²⁰² *Id.* at *24–25. The defendant's motion for fees under Section 1927 was denied because even though the claim was frivolous, it did not multiply the proceedings. *Id.* at *25.

²⁰³ 1995 U.S. Dist. LEXIS 17477 (S.D.N.Y. 1995).

²⁰⁴ See generally *id.* (showing the court's very thorough and in depth comparison of the two works).

to needless expense contesting a claim the/that plaintiff's attorney should have recognized as meritless.²⁰⁵

Here again, an award of attorney's fees under section 505 might have been warranted, and it was the opposing counsel who was obligated to pay defendant's attorney's fees under Rule 11.

Similarly, in *Robinson v. Double R Records* the court also concluded that plaintiff's counsel had violated Rule 11(b)(2) by bringing an infringement claim against his client's co-author because it is settled law that a joint copyright owner cannot sue his co-owner for infringement.²⁰⁶ In addition, a claim for royalties under a compulsory license had no chance of success because the " 'Plaintiffs allege[d] that at no time have Defendants obtained a compulsory license pursuant to 17 U.S.C. § 115,' " thus foreclosing any claim.²⁰⁷ The court ordered plaintiff's counsel to pay defendant's attorney's fees incurred in defending these frivolous claims.²⁰⁸ In this regard, Rule 11(c)(5)(A) makes clear that courts cannot impose a monetary sanction against a represented party for

²⁰⁵ *Id.* at *41. The court asked the defendants' attorney to document fees and expenses, and gave the plaintiff's attorney an opportunity to respond before making a final determination of the sanction at a later conference.

²⁰⁶ 2007 U.S. Dist. LEXIS S1459, at *4 (S.D.N.Y. 2007).

²⁰⁷ *Id.* (citing Court Order at 14, *Robinson v. Double R Records*, 2007 U.S. Dist. LEXIS S1459 (S.D.N.Y. 2007) (No. 04-4120), 2007 WL 2049724).

²⁰⁸ *Robinson v. Double R. Records*, 2007 U.S. Dist. LEXIS S1459, at *8 (S.D.N.Y. 2007) (quoting the court's earlier order granting a Rule 12(b)(6) motion against the plaintiff). The court told the defendant to submit a computation of the attorney's fees and expenses it incurred in defending against the frivolous claims. *See also* *Tilmon-Jones v. Boladian*, 581 Fed. Appx. 493 (6th Cir. 2014). The Sixth Circuit discussed the award of attorney's fees as a sanction for a Rule 11 violation, to be paid by plaintiff's counsel, in connection with related disputes over royalties. In one dispute the widow attacked a consent order she had entered with Bridgeport Music and Bridgeport's President whereby all causes of action and claims against Bridgeport, including future claims, were dismissed with prejudice. She moved to set it aside, alleging fraud by defendant's counsel for withholding documents. The defendants showed that the documents in question had been produced, so the widow withdrew her motion but soon refiled, alleging fraud and misconduct. *Id.* at 495-96. The trial court explained that its award of \$20,000 in fees was because counsel had "vexatiously and unreasonably multiplied the proceeding . . . for the improper purpose of harassing the defendants." The Sixth Circuit affirmed this award after noting that it seemed low. *Id.* at 497. The second dispute arose subsequent to, and in part from, the same consent order and settlement that had disposed of all known and unknown claims against Bridgeport. Accordingly, Bridgeport moved to dismiss and for sanctions, and the trial court ruled in its favor on both motions. The consent order barred the plaintiffs' claims, so the suit was a meritless action lacking factual and legal support. The Sixth Circuit agreed with making a fee award as a sanction but remanded for a better explanation, raising concerns that the amount might not have been sufficient for deterrence given counsel's egregious conduct in filing the suit. *Id.* at 496-99. This might have been an appropriate case for fee shifting under 28 U.S.C. § 1927.

his or her attorney's violation of the Rule 11(b)(2) obligation to certify that a claim is warranted by existing law.²⁰⁹

Several courts have said that the kind of misconduct that justifies the award of fees under Section 1927 could also justify fee shifting under Rule 11 or Section 505 of the Copyright Act. For example, in *Burger-Moss v. Steinman* the plaintiff consented to summary judgment for the defendants on the ground that it could not prove that defendants had access to its copyrighted work.²¹⁰ The defendants sought sanctions because the plaintiff should have withdrawn the suit early in the litigation after all the facts were uncovered and it became clear that access could not be established.²¹¹ The court granted the motion against plaintiff's counsel who put the defendants to three years of effort and expense defending the baseless claims and had thus vexatiously multiplied the proceeding to warrant fee shifting under Section 1927. In addition, there had been a clear violation of Rule 11(b)(2).²¹²

IV. CHOOSING BETWEEN THE ALTERNATIVE BASES FOR FEES

The decisions discussed in this Article show that although neither the Copyright Act nor Rule 11 mandate the award of attorney's fees, and although both grant considerable discretion to the trial judge awarding attorney's fees, there are differences. The U.S. Court of Appeals for the Third Circuit stated in *Lieb v. Topstone Industries*:

Rule 11 may be applied to only a small segment of the litigation, but the Copyright Act looks to the whole of the case. Furthermore, Rule 11 is more insistent on imposing sanctions where objectively a case lacks merit than is the Copyright Act. However, the rule offers a broader selection of remedies. Although it is possible that the Copyright Act and Rule 11 may in some circumstances apply to identical conduct, it should be

²⁰⁹ FED. R. CIV. P. 11(c)(5)(A) (showing sanctions can be imposed against a *pro se* litigant). The obligations under FED. R. CIV. P. 11(b) explicitly apply to unrepresented parties. See, e.g., *Smith v. Education People, Inc.*, 233 F.R.D. 137 (S.D.N.Y. 2005) (holding that a Rule 11 sanction, in the form of an injunction against duplicative litigation, was warranted based on the *pro se* plaintiff filing collaterally estopped copyright infringement actions against defendant's vendors and customers).

²¹⁰ *Burger-Moss v. Steinman*, 127 F.R.D. 452 (S.D.N.Y. 1989).

²¹¹ *Id.*

²¹² *Id.* at 453.

understood that there should be no duplication of any recovery for counsel fees.²¹³

The ‘overlap’ cases, in which a prevailing defendant has sought attorney’s fees under Section 505 of the Copyright Act, and as a sanction under Rule 11, present a fairly standard scenario: (a) the plaintiff files an infringement claim that is objectively unreasonable and frivolous; (b) the defendant files a motion to dismiss or for summary judgment and also serves plaintiff with a motion for sanctions pursuant to Rule 11(c)(2) that spells out the serious defects with the complaint; (c) the plaintiff fails to withdraw or correct the complaint within the twenty-one day safe harbor provided by Rule 11; (d) the motion for sanctions is then filed with the court; (e) the court grants the defendant’s motion to dismiss or for summary judgment; (f) the defendant seeks attorney’s fees under Section 505; and (g) the court has to rule on this request and on the defendant’s motion for sanctions under Rule 11.²¹⁴ In some of these situations, the courts also discuss 28 U.S.C. § 1927 and their inherent equitable authority to impose sanctions. Here are the key principles which can be drawn from these ‘overlap’ decisions.

No Duplicative Awards: These bases for awarding attorney’s fees are alternative grounds and there will be only one award. For instance, in *United States ex rel. Taylor v. Times Herald Record Newspaper* an inmate at a correctional facility claimed that a series of newspaper articles about the Shawangunk region in New York infringed the copyright on his unpublished science fiction novel titled *Shawangunk*.²¹⁵ The trial court granted summary judgment for the defendants against this *pro se* litigant, finding that his allegations were totally without merit.²¹⁶ The defendants’ application for costs and attorney’s fees under Section 505 was granted with the court acknowledging that despite this *pro se* plaintiff’s lack of legal training, his claim of infringement was objectively

²¹³ 788 F.2d 151, 158 (3d Cir. 1986). *Lieb* was discussed and cited with approval by the Supreme Court in its *Fogerty* decision. 510 U.S. at 534 n.19 (1994).

²¹⁴ *Cf. Gal v. Viacom International, Inc.*, 403 F. Supp. 2d 294 (S.D.N.Y. 2005). The court ultimately denied the defendant’s Rule 12(b)(6) motion making any award of attorney’s fees under section 505 inappropriate. The court was, however, troubled by plaintiff’s counsel failing to discover and correct an error in the initial filing, even after defendant’s counsel had pointed out the mistake in a letter. Nevertheless, it did not award sanctions because defendant’s counsel’s letter did not comply with Rule 11 in that it was not in the form of a motion. *Id.* at 307–09.

²¹⁵ 1992 WL 236163 (S.D.N.Y. 1992).

²¹⁶ *Id.* at *1 (stating “[n]ot one of the eighty-four purported instances of copying in the Shawangunk articles is ‘similar,’ as that word is used in common parlance, much less ‘substantially similar,’ as that term is used in copyright jurisprudence, to plaintiff’s unpublished novel, *Shawangunk*”).

frivolous and without any apparent justification, and that it “would be unfair to require the defendants to bear the cost of attorney’s fees.”²¹⁷ It concluded in response to the defendants’ motion for sanctions under FED. R. CIV. P. 11 that given the differences between the newspaper articles and his novel, the plaintiff “should have known that his infringement claim was entirely fanciful” and said that the defendants were entitled to sanctions under Rule 11.²¹⁸ Still, the court decided against assessing sanctions because attorney’s fees were being awarded to the prevailing defendant under Section 505.²¹⁹ The court added that if the fee award under Section 505 was vacated, then the FED. R. CIV. P. 11 sanctions would be assessed.²²⁰ In any event, an award under Rule 11 would have been duplicative of the Section 505 award, and there should be no duplication of any recovery of counsel fees.²²¹

This point was also made in *Warner Bros., Inc. v. Dae Rim Trading*,²²² which was a complicated suit involving characters from the movie *Gremlins*. The court ultimately found that an infringement claim by Warner Brothers was unreasonable, that it had continued to litigate after it became unreasonable, and that even though it had not acted in bad faith, its conduct was vexatious, oppressive and unreasonable.²²³ The Court decided to award attorney’s fees to the prevailing party²²⁴ and then added that the defendants had also asked for an award of attorney’s fees under Rule 11, but “[s]ince attorney’s fees are being awarded to defendants under 17 U.S.C. § 505, we need not stop to determine that, as seems likely, they also be awarded under Fed. R. Civ. P. 11.”²²⁵ Here also, an award of fees under Rule 11 would have duplicated the fees awarded under Section 505.²²⁶

Who pays the fees; the attorney or the client: Another principle that emerges from these overlap cases is that liability for the payment of attorney’s fees under Section 505 can be imposed only against the losing party, not his or

²¹⁷ *Id.* at *2.

²¹⁸ *Id.*

²¹⁹ *Id.*

²²⁰ *Id.*

²²¹ *See Lieb v. Topstone Industries, Inc.*, 788 F.2d 151, 158 (3d Cir. 1986).

²²² 677 F. Supp. 740 (S.D.N.Y. 1988).

²²³ *Id.* at 773.

²²⁴ *Id.* at 772–73.

²²⁵ *Id.* at 774.

²²⁶ *See also Universal City Studios, Inc. v. Nintendo Co.*, 615 F. Supp. 838, 864–65 (S.D.N.Y. 1985) (the award of fees under Rule 11 was not supplementary to the award of fees under the Copyright Act and the Lanham Act but an additional foundation for reaching the same result).

her attorney.²²⁷ On the other hand, fee awards under Section 1927 are generally paid by counsel,²²⁸ violations of the obligations imposed by Rule 11(b)(2) must be paid by counsel, and joint and several liability is possible for violations of the obligations in Rule 11(b)(3).

For example, in *Zuk v. Eastern Pennsylvania Psychiatric Institute* the trial court awarded attorney's fees under Section 505 and imposed sanctions under Rule 11, with the losing plaintiff paying fees under 505 and his lawyer paying fees under Rule 11.²²⁹ The plaintiff, Dr. Zuk, was a psychologist who worked on the faculty of the Eastern Pennsylvania Psychiatric Institute (EPPI) in the early 1970s.²³⁰ He had a technician film some of his family therapy sessions, and the films were then made available for rental.²³¹ He also wrote a book containing transcripts of some of these sessions which was copyrighted in 1975.²³² Long after Zuk left EPPI he filed suit alleging that EPPI was infringing his copyright on the book by continuing to rent the films.²³³ EPPI moved to dismiss under Rule 12(b)(6) on the ground that the copyright on the book did not extend to the films, and because these claims were barred by the statute of limitations.²³⁴ EPPI also notified Zuk's attorney of its intention to move for sanctions under Rule 11 on the ground that he had failed to conduct a reasonable inquiry into the facts and the law.²³⁵ The motion to dismiss was granted.²³⁶ EPPI next moved for attorney's fees under Section 505 of the Copyright Act and shortly thereafter moved for sanctions under Rule 11.²³⁷ The trial court ultimately held that the plaintiff and his lawyer were jointly and severally liable to EPPI for

²²⁷ *Pharmacy Records v. Nassar*, 572 F. Supp. 2d 869, 881 (E.D. Mich. 2008) (Section 505 does not expressly authorize an award from an attorney for a party); 16 *Casa Duse, LLC v. Merkin*, 791 F.3d 247, 264 (2d Cir. 2015) (the Copyright Act allows for the imposition of costs and fees only against a party, not the party's attorney); *cf.* *Neff v. Vidmark, Inc.*, 923 F.2d 746, 747 (9th Cir. 1991) (when a statute authorizing the award of attorneys' fees to prevailing parties does not mention an award against counsel the appropriate inference is that an award against attorneys is not authorized).

²²⁸ Section 1927 allows a court to require an attorney to satisfy personally cost and fees. 16 *Casa Duse, LLC v. Merkin*, 791 F.3d 247, 264 (2d Cir. 2015); *Royal Oak Entm't v. City of Royal Oak*, 486 F. Supp. 2d 675, 679 (E.D. Mich. 2007) (a court may hold parties and counsel jointly and severally liable under Section 1927).

²²⁹ 103 F.3d 296 (3d Cir. 1996).

²³⁰ *Id.*

²³¹ *Id.*

²³² *Id.*

²³³ *Id.*

²³⁴ *Id.*

²³⁵ *Id.*

²³⁶ *Id.*

²³⁷ *Id.*

attorney's fees of \$15,000.00, concluding that joint and several liability was permissible under Rule 11 and under the general authorization in 28 U.S.C. § 1927.²³⁸ Dr. Zuk settled with EPPI for \$6,250 in fees, and the attorney appealed.²³⁹

The Third Circuit held that the trial court did not err in making an award of fees under Section 505 to the prevailing party because this was the kind of case in which an award is justified.²⁴⁰ It then stated that “under the statutory directive, the attorney’s fee is considered an element of costs and therefore liability attached only to Dr. Zuk [the party] and not his attorney . . . Dr. Zuk has settled his liability, and the appellant’s [Dr. Zuk’s attorney] liability under the Copyright Act should not detain us. There is none.”²⁴¹ In other words, the fee award under the Copyright Act goes against the party as an element of costs, and the liability of the party’s attorney for a portion of those fees had to be justified under different authority. The Court of Appeals turned to the attorney’s possible liability under Rule 11 and 28 U.S.C. § 1927, and determined that meaningful review was impossible because the trial court had failed to explain what part of the award was based on Rule 11 and what was attributable to the perceived violation of section 1927.²⁴²

Even though the Court of Appeals vacated the award, it addressed the proper type and amount of sanctions to be awarded pursuant to Rule 11.²⁴³ It said that there was no error in imposing sanctions because the lawyer (1) had not conducted a reasonable factual investigation prior to filing the suit and thus violated his duties under Rule 11(b)(3),²⁴⁴ and (2) his inquiry into basic copyright fundamentals was so weak as to cause him to pursue a course of conduct not warranted by existing law in violation of his obligations under Rule 11(b)(2).²⁴⁵

²³⁸ *Id.* at 297 (quoting 28 U.S.C. § 1927).

²³⁹ *Id.* at 296–97.

²⁴⁰ *Id.* at 297.

²⁴¹ *Id.*

²⁴² *Id.* at 298.

²⁴³ *Id.* *Cf.* *Pharmacy Records v. Nassar*, 572 F. Supp. 2d 869, 880–81 (E.D. Mich. 2008) (awarding fees to the prevailing defendant who had warded off a frivolous case to be paid by plaintiff and plaintiff’s counsel under sections 505 and 1927).

²⁴⁴ 103 F.3d at 299–300 (holding counsel had not investigated whether the film had been distributed at all during the three year period prior to filing the suit and the statute of limitations problem was obvious).

²⁴⁵ *Id.* at 300. The case was remanded for the trial court to determine whether the specific sanctions against the plaintiff’s attorney were contrary to the spirit of Rule 11. *Id.* at 301. In short, the award of sanctions against the plaintiff’s attorney under Rule 11 was affirmed but vacated as to the type and amount of sanctions imposed under the Rule and under 28 U.S.C. § 1927. The Third Circuit noted that monetary awards under Rule 11 are not encouraged, but

Explaining the exercise of discretion: These “overlap cases” show that the kind of misconduct which justifies an award of fees under Section 505 of the Copyright Act might also justify fee shifting under Rule 11 or section 1927. The courts have also noted that fee awards under these provisions are discretionary, and that this discretion can be abused.²⁴⁶ Accordingly, another principle is that the trial court has to provide a sufficient explanation for its exercise of discretion. It has to be clear in explaining its rationale for the award of fees. For example, in *Burger-Moss v. Steinman* the plaintiff consented to summary judgement for the defendants on the ground that it could not prove that defendants had access to its copyrighted work.²⁴⁷ The defendants sought sanctions because the plaintiff should have withdrawn its claim early in the litigation after facts were uncovered which made it clear that access could not be established.²⁴⁸ The court granted the motion against plaintiff’s counsel explaining that he put the defendants to three years of effort and expense defending the baseless claims and had thus vexatiously multiplied the proceeding to warrant fees under section 1927.²⁴⁹ In addition, the Court said there had been a clear violation of Rule 11.²⁵⁰

In *16 Casa Duse, LLC v. Merkin*, the Second Circuit held that the trial court had not abused its discretion in holding the plaintiff and its attorney jointly and severally liable for costs and attorney’s fees under both section 1927 and section 505 of the Copyright Act.²⁵¹ The lawyer had argued that the Copyright Act allows for the imposition of fees only against a party, not a party’s attorney, but the appellate court noted that the trial court awarded the fees under “both the Copyright Act and 28 U.S.C. § 1927. The latter statute allows a court to require an attorney to ‘satisfy personally’ costs and fees. . . . The district court’s allocation of costs and fees was not contrary to law.”²⁵²

The Ninth Circuit has stated that a trial court’s decision to impose sanctions in reliance on Section 1927 or its inherent authority requires the court to

they are not forbidden either. *Id.* (quoting *Doering v. Union County Bd. of Chosen Freeholders*, 857 F.2d 191, 194 (3d Cir. 1988) (the Court of Appeals told the lower courts that fee shifting is one of several methods of achieving the goals of Rule 11 and that alternative sanctions should be considered to adequately deter undesirable behavior)).

²⁴⁶ *Burger-Moss v. Steinman*, 127 F.R.D. 452, 453 (S.D.N.Y. 1989). When this opinion was issued sanctions under Rule 11 were mandatory. The 1993 revisions changed this to a ‘may’ impose sanctions Rule. *See* Rule 11(c)(1).

²⁴⁷ 127 F.R.D. 452, 453 (S.D.N.Y. 1989).

²⁴⁸ *Id.*; *see also supra* notes 210–12 and accompanying text.

²⁴⁹ 127 F.R.D. at 453.

²⁵⁰ *Id.*

²⁵¹ 791 F.3d 247, 264–65 (2d Cir. 2015).

²⁵² *Id.* at 264.

articulate separately the grounds for the sanction so as to assure that the conduct at issue falls within the scope of the sanctions remedy.²⁵³ To impose sanctions under inherent authority the court has to “make an explicit finding that counsel’s conduct ‘constituted, or was tantamount, to bad faith.’”²⁵⁴ In other words, it has to be able to explain how counsel committed misconduct in an unreasonable and vexatious manner that violated 28 U.S.C. § 1927,²⁵⁵ or how it constituted the kind of bad faith that comes under the court’s inherent authority to sanction.²⁵⁶ When a court turns to section 1927 to require opposing counsel to pay the other side’s attorney’s fees it needs to explain its reasoning or it will risk being overturned for lacking analysis.²⁵⁷

V. CONCLUSION

Many cases in which attorney’s fees are awarded under section 505 will not support an award of fees under Rule 11, section 1927 or inherent authority. However, in those instances in which a court can conclude that a plaintiff’s copyright claim is frivolous or objectively unreasonable to justify a fee award under Section 505, there often will be significant overlap with the standard justifications for awarding fees under Rule 11, section 1927, and sometimes under inherent authority. In these “overlap cases,” if the prevailing party and the court want to punish and deter opposing counsel instead of visiting his or her sins on the plaintiff, then it would be appropriate to turn to Rule 11 and its provisions on sanctions, or to 28 U.S.C. § 1927, to justify the fee award instead of relying on Section 505 of the Copyright Act. Moreover, if the misconduct is serious enough the court might be able turn to Rule 11, Section 1927 or inherent powers along with Section 505 to hold the losing counsel and his or her client jointly and severally liable for attorney’s fees and costs.²⁵⁸

²⁵³ *Christian v. Mattel, Inc.*, 286 F.3d 1119, 1131 (9th Cir. 2002).

²⁵⁴ *Primus Auto. Fin. Serv. Inc. v. Batarse*, 115 F.3d 644, 648 (9th Cir. 1997).

²⁵⁵ *BKB v. Maui Police Department*, 276 F.3d 1091, 1107 (9th Cir. 2002).

²⁵⁶ *Fink v. Gomez*, 239 F.3d 989, 991–92 (9th Cir. 2001).

²⁵⁷ *Nicholson v. Shafe*, 558 F.3d 1266, 1279 (11th Cir. 2009); *cf. Mahan v. Roc Nation, LLC*, 2016 Copyright Law Decisions ¶ 30,986 at 48,951 (S.D.N.Y. 2016) (the award of attorney’s fees against the plaintiff was justified under Section 505 but the plaintiff’s counsel could not be sanctioned under the court’s inherent power because although his claims lacked a colorable basis, they were not made in bad faith). *See also Lieb v. Topstone Industries, Inc.*, 788 F.2d 151, 158 (3d Cir. 1986) (remand ordered because the record gave the appellate court no basis for reviewing the trial court’s exercise of discretion under the Copyright Act and Rule 11).

²⁵⁸ *See, e.g., Burger-Moss v. Steinman*, 127 F.R.D. 452, 453 (S.D.N.Y. 1989); *Pharmacy Records v. Nassar*, 572 F. Supp. 2d 869, 881 (E.D. Mich. 2008).

