



## MEDIA, ENTERTAINMENT AND FIRST AMENDMENT NEWSLETTER

JULY 2016

### IN THE NEWS

- First Court of Appeals Justice Jane Bland and Haynes and Boone Partner Laura Prather have been selected by the Texas Bar College to receive The Franklin Jones Best CLE Article in 2015 for their article: “*Bullies Beware: Safeguarding Constitutional Rights Through Anti-SLAPP in Texas.*” [Read more.](#)
- Haynes and Boone testifies before the Congressional Subcommittee for Judiciary and Civil Justice on the SPEAK FREE Act, HR 2304. [Read more.](#)
- Haynes and Boone proudly congratulates Laura Prather as a Fellow of the Society of Professional Journalists for her service to the profession. [Read more.](#)

### Supreme Court Provides Guidance To District Courts When Determining Attorneys’ Fees in Copyright Cases

Jason Bloom and Matthew Chiarizio

*Kirtsaeng v. John Wiley & Sons, Inc.*, 578 U.S. \_\_\_, No. 15-375 (2016)



Jason Bloom    Matthew Chiarizio

This term, the Supreme Court unanimously held that district courts should give “substantial weight” to the objective reasonableness of the losing party’s litigating position when determining whether to award attorneys’ fees in copyright cases.<sup>1</sup> The Court cautioned, however, that “substantial” does not mean “dispositive,” and that while objective reasonableness

is the most important factor in deciding whether to award fees, courts must also consider all other relevant factors in such determinations.<sup>2</sup>

Supap Kirtsaeng previously prevailed at the Supreme Court when the Court held that the first-sale doctrine allowed the resale of foreign-made books.<sup>3</sup> Following that victory, Kirtsaeng sought over \$2 million in attorneys’ fees from John Wiley & Sons (“**Wiley**”) under 17 U.S.C. § 505. The district court denied the request, placing “substantial weight” on the “objective reasonableness” of Wiley’s infringement claim.<sup>4</sup> The Second Circuit affirmed, finding the district court’s analysis appropriate.<sup>5</sup> Although the Supreme Court agreed with the Second Circuit’s decision and rationale, it vacated and remanded the judgment to provide the lower court another look to ensure that the finding of reasonableness was not a de facto “presumption” against granting fees.<sup>6</sup>

Although the Supreme Court vacated the Second Circuit’s judgment, the Court unmistakably rejected Kirtsaeng’s argument that attorneys’ fees should be awarded in cases that resolve “close legal issues” and “meaningfully clarify” copyright law.<sup>7</sup> The Court found Kirtsaeng’s proposed approach unlikely to produce sure benefits, unlikely to encourage parties to litigate close cases to judgment, and administratively difficult.<sup>8</sup>

Conversely, the Court explained that giving substantial weight to objective unreasonableness while also considering other factors “advances the Copyright Act’s goals . . . by encouraging and rewarding authors’ creations while also enabling others to build on that work.”<sup>9</sup> The Second Circuit’s approach, the Court stated, encourages a party with a strong case to enforce its rights, because its risk of paying its own attorneys’ fees is diminished.<sup>10</sup> A party with a weak case is encouraged not to bring suit or to settle quickly to avoid the risk of paying not only its own attorneys, but the opponent’s as well. These results, the Court concluded, “promote the Copyright Act’s purposes, by enhancing the probability that both creators and users (*i.e.*, potential plaintiffs and defendants) will enjoy the substantive rights the statute provides.”<sup>11</sup>

In generally ratifying the Second Circuit’s approach to attorneys’ fees, the Supreme Court opinion implies that several other circuits may need to reconsider how they award fees in copyright cases. The Fifth and Seventh Circuits have both generally applied a rebuttable presumption that the prevailing party is entitled to fees.<sup>12</sup> These two circuits may have to institute a more thorough case-by-case analysis in light of the Court’s emphasis on the “objective reasonableness” factor and reiteration that, “[A] district court may not ‘award[] attorney’s fees as a matter of course’; rather, a court must make a more particularized, case-by-case assessment.”<sup>13</sup> The Ninth and Eleventh Circuits, on the other hand, have generally approved an equal application of several factors, as long as that application remains “faithful to the purposes of the Copyright Act.”<sup>14</sup> These circuits may now have to shift more weight to “objective unreasonableness” than they have in the past. While the Court did not explicitly overrule any circuit’s existing precedent, the opinion makes clear that the unanimous Court decided this case in hopes of reining in these disparate approaches by providing “additional guidance respecting the application of § 505.”<sup>15</sup>

<sup>1</sup> *Kirtsaeng v. John Wiley & Sons, Inc.*, 578 U.S. \_\_\_\_, No. 15-375, slip op. at 12 (2016) [hereinafter *Kirtsaeng II*].

<sup>2</sup> *Id.* at 11-12.

<sup>3</sup> *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1355-56 (2013) [hereinafter *Kirtsaeng I*].

<sup>4</sup> *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08-cv-07834, 2013 WL 6722887, at \*4 (S.D.N.Y. Dec. 20, 2013). Indeed, prior to *Kirtsaeng*’s own Supreme Court win, application of the first-sale doctrine to foreign products was an unsettled issue, with several circuit courts and three Supreme Court justices agreeing with Wiley’s position. *Kirtsaeng II* at 3.

<sup>5</sup> *John Wiley & Sons, Inc. v. Kirtsaeng*, 605 Fed. App’x 48, 50 (2d Cir. 2015).

<sup>6</sup> *Kirtsaeng II* at 11-12.

<sup>7</sup> *Kirtsaeng II* at 5.

<sup>8</sup> *Id.* at 7-9.

<sup>9</sup> *Id.* at 6.

<sup>10</sup> *Id.* at 6-7.

<sup>11</sup> *Id.* at 7.

<sup>12</sup> *E.g.*, *Hunn v. Dan Wilson Homes, Inc.*, 789 F.3d 573, 588-89 (5th Cir. 2015) (“[A]n award of attorney’s fees to the prevailing party in a copyright action is the rule rather than the exception and should be awarded routinely.”); *Eagle Servs. Corp. v. H2O Indus. Servs., Inc.*, 532 F.3d 620, 625 (7th Cir.) (“The presumption in a copyright case is that the prevailing party . . . receives an award of fees.”).

<sup>13</sup> *Kirtsaeng II* at 4 (citing *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 533 (1994)).

<sup>14</sup> *E.g.*, *Marshall & Swift/Boeckh, LLC v. Dewberry & Davis LLC*, 586 F. App’x 448, 449 (9th Cir. 2014); *InDyne, Inc. v. Abacus Tech. Corp.*, 587 F. App’x 552, 554 (11th Cir. 2014) (considering several factors, “if the application of those factors furthers the purposes of the Copyright Act.”).

<sup>15</sup> *Kirtsaeng II* at 4-5.

**Three Texas Supreme Court Decisions Affecting Media Companies (and others who have been SLAPP-ed)**

**Catherine Robb and Alicia Calzada**



Catherine Robb



Alicia Calzada

The Texas Supreme Court has recently issued three important First Amendment decisions that help clarify First Amendment and TCPA jurisprudence, addressing reports of official

proceedings, the actual malice standard for public officials, and the standard for attorneys' fees.

***KBMT Operating Company, LLC, et. al. v. Toledo***

Most recently, in *KBMT Operating Company, LLC, et. al. v. Toledo*,<sup>1</sup> the Texas Supreme Court clarified the media's common law privilege for reporting on official proceedings, ruling that "the truth of a media report of official proceedings of public concern must be measured against the proceedings themselves, not against information outside the proceedings." In short, the Supreme Court found that the media may report on the official proceedings themselves without being required to independently investigate the underlying matters involved.

The case involved a pediatrician, Toledo, who was disciplined by the Texas Medical Board for "unprofessional conduct." KTMB broadcast a 30-second report of the Board's actions, reporting that Toledo was disciplined for "engag[ing] in sexual contact with a patient and bec[oming] financially or personally involved with a patient in an inappropriate manner." KTMB's report was based on the information found on the Board's website, including the press release, the disciplinary order itself, and Toledo's Board profile. Based on that information, KTMB reported on the reason for Toledo's discipline (sexual contact with a patient and inappropriate financial or personal involvement with a patient) and the punishment. Although Toledo was a pediatrician, the patient with whom she was involved was a 60-year-old man with whom she had been in a long-term relationship. Neither any of the documents located on the Board's website or KTMB's broadcast mentioned the age of the patient with whom she was involved. Toledo sued KTMB for defamation alleging that the broadcast was defamatory because, by not advising that the patient was an adult, it implied she had sexual contact with a child. At the heart of the case was the question of whether KTMB, who reported on Toledo's disciplinary proceeding based on information contained on the Board's website (which did not include information

about the patient's age), was required to conduct additional research on the matter and to report on that additional information. The trial court denied the TCPA motion and the appellate court affirmed the denial, finding that Toledo had demonstrated the requisite falsity because the gist of the broadcast was that Toledo had sexual contact with a child. On review, the Texas Supreme Court reversed the lower courts' denial of KTMB's TCPA motion and remanded the matter to the trial court, finding that KTMB was not required to independently investigate the underlying proceedings, but only to accurately report on the official proceedings, which, in this case, did not mention the patient's age. Because Toledo did not prove that the gist of the broadcast was not substantially true, she failed to meet her burden under the TCPA.

***Greer v. Abraham***

The other two recent Texas Supreme Court opinions concerned defamation claims filed by Salem Abraham, a school board member in Canadian, Texas. In *Greer v. Abraham*,<sup>2</sup> AgendaWise, an internet blog, published a story stating that Abraham, the longest serving member of the Canadian ISD board of trustees and, as such, a public figure, was forcibly removed from a campaign event for Jim Landtroop, a candidate for state representative. The Landtroop event had no connection to Abraham's work on the school board, although Landtroop's campaign had criticized Abraham's fellow school board member. After later determining that Abraham had not been forcibly removed, but rather had left voluntarily after being asked to do so, AgendaWise published two clarifications. Nevertheless, Abraham sued AgendaWise and its executive director, Daniel Greer, for defamation. Defendants filed a motion to dismiss under the Texas Citizens Participation Act ("TCPA"), which, because the statements were on a matter of public concern, required Abraham to present clear and specific evidence of each of the elements of his defamation claim, including actual malice.

Although the trial court found that Abraham had not presented evidence of actual malice and dismissed the claim pursuant to the TCPA, the court of appeals reversed, holding that because the article did not mention Abraham's work as a school board member and did not relate to his conduct as a public figure or his fitness for office, the proper standard was negligence, not actual malice. The appeals court further determined that, because the article was published on the internet and, thus, was viewable worldwide, Abraham's status as a public figure was not implied because there was no evidence that Abraham was known worldwide as a member of the Canadian school board.

Granting a petition for review, the Texas Supreme Court reversed, holding that Abraham was a public figure for purposes of the blog article in question, and that the actual malice standard applied to the case. The high court explained that statements about public figures relate to their official conduct not only when they relate to their performance of public duties, but also when they relate to their fitness for office, as was the case with the article. Additionally, the Court found that it is not necessary to mention a public official's connection to public office if that connection can be implied—and it is implied if the official is so well known within his or her community that the general public associates the official with that office. This association is tied to the community in which the public official serves, not to the audience of the publication, which may very well go beyond the immediate community of the official. Thus, there are two important takeaways from this case as they concern public official status in Texas. First, if an article mentions a public official, actual malice is required for a claim of defamation if the story relates to his or her fitness for office—even if the story does not relate directly to the individual's work as a public figure. And, a reference to the person's official capacity is not necessary if that person is so well known in that community that he or she is generally associated with that position. Furthermore, the relevant community is the community in which the public official serves, not the circulation reach of the story.

### ***Sullivan v. Abraham***

The other Abraham case, *Sullivan v. Abraham*,<sup>3</sup> concerned the award of attorneys' fees under the TCPA. At issue in that case was the statutory construction of the TCPA's phrase "as justice and equity may require" in awarding costs, fees, and expenses to a prevailing movant under the TCPA. Pursuant to the TCPA, "the court shall award to the moving party [for dismissal] ... (1) court costs, reasonable attorney's fees, and other expenses incurred in defending against the legal action as justice and equity may require." Tex. Civ. Prac. & Rem. Code Sec. 27.009 (emphasis added). At issue was whether the phrase "as equity and justice may require" applied to the award of attorney's fees or only to "other expenses." The trial court applied the "justice and equity" standard to reduce Sullivan's claim for attorneys' fees, which was upheld by the appellate court, partly based on a 1998 Texas Supreme Court decision under the Declaratory Judgment Act that uses similar statutory text.

After undergoing an extensive analysis, the Court construed the phrase to apply only to the last item in the series, "other expenses." As the Court explained, had the phrase "... as justice and equity may require" been preceded by a comma, the Court would have construed the phrase to apply to the entire series. Thus, while court costs, attorneys' fees, and other expenses must have been incurred in defending the TCPA action, only the award of "other expenses" are tempered by the requirement of "justice and equity."

<sup>1</sup> *KMBT Operating Company, LLC, et. al. v. Toledo*, -- S.W.3d --, No 14-0456 (Tex. June 17, 2016),

<sup>2</sup> *Greer v. Abraham*, -- S.W.3d ---, No. 14-0669, 2016 WL 1514425 (Tex. Apr. 15, 2016).

<sup>3</sup> *In Sullivan v. Abraham*,-- S.W.3d --, No. 14-0987, 2016 WL 1513674 (Tex. Apr. 15, 2016), Abraham sued Michael Quinn Sullivan for defamation and Sullivan prevailed on a motion to dismiss under the TCPA. The only issue on appeal to the Supreme Court of Texas was the application of the TCPA's attorney's fees provision.

UPCOMING SPEECHES

**Laura Lee Prather**

**2016 Media Law Conference**

[MLRC, the National Newspaper Association, and the National Association of Broadcasters co-chair of the “Hot Issues in Anti-SLAPP Law” Boutique session](#)

September 21-23, 2016  
Reston, Virginia



**Thomas J. Williams**

**Open Government Seminars**

[Texas Attorney General's Office and Freedom of Information Foundation of Texas](#)

November 16, 2016  
Denton, Texas



**Google Beats Oracle’s \$8.8 Billion Damages Claim after Jury Finds Fair Use**

Stephanie Sivinski and Jason Bloom



Stephanie Sivinski



Jason Bloom

Six years after Oracle first accused Google’s popular Android platform of infringing Oracle’s copyrights in Java application programming interfaces (“**APIs**”), a Northern District of California jury found that Google’s copying constituted fair use. Oracle was seeking \$8.8 billion in damages for the alleged infringement. But the verdict allows Google to avoid all liability and obviates the need for a second trial in which the jury was set to hear evidence that Google willfully infringed.

Oracle initially brought claims for infringement of both patents and copyrights. But after a 2012 trial, the jury found non-infringement on all patent claims. Oracle ultimately chose not to appeal the jury’s verdict of non-infringement, ending the litigation over the patent claims.

On the copyright claims, a jury found that Google had in fact copied portions of the Java APIs. But the district judge overturned the verdict on the basis that the APIs were “functional” and therefore not entitled to copyright protection. Oracle appealed and won a reversal at the Federal Circuit, which had jurisdiction based on the patent claims litigated at the district court. In its high-profile opinion, the Federal Circuit found that while the APIs were functional in some ways, they were still entitled to copyright protection. After the Supreme Court declined review, the Federal Circuit remanded the case for a trial on Google’s fair-use defense and Oracle’s damages claims. The trial began May 9, 2016 and jurors heard testimony from high-ranking Silicon Valley executives like Google co-founder Larry Page and Oracle’s executive chairman Lawrence Ellison. Based on the jury’s verdict, the district court entered final judgment in favor of Google in June 2016.

Many in the software industry have carefully watched the case, which has far-reaching implications for software developers who rely on programming languages like Java. APIs help programs share data with one another and have become critical to mobile and cloud technology. With so much at stake, Oracle has already announced plans to appeal the verdict to the Federal Circuit, and the case is unlikely to come to a final resolution any time soon.

This is the second major copyright fair use win for Google in as many months. In April, the United States Supreme Court declined to review a Second Circuit ruling holding that Google's digital library of millions of books constituted a permissible fair use, insulating Google from copyright claims asserted by the Author's Guild.

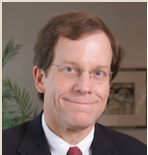
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