

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

LESLIE S. KLINGER, an individual,)	
)	
Plaintiff,)	Case No.: 1:13-cv-01226
)	
v.)	Judge: Ruben Castillo
)	
CONAN DOYLE ESTATE, LTD., a business)	Magistrate Judge: Sheila Finnegan
Entity organized under the laws of the United)	
Kingdom,)	
)	
Defendant.)	

**CONAN DOYLE’S RESPONSE IN OPPOSITION TO
PLAINTIFF’S FEE PETITION AND AMENDED FEE PETITION**

Defendant Conan Doyle Estate, Ltd. (Conan Doyle) hereby opposes Plaintiff’s Fee Petition and Amended Fee Petition as follows.

INTRODUCTION

Mr. Klinger seeks nearly \$50,000 in fees and non-taxable costs. Conan Doyle asks that the Court exercise its discretion under the factors outlined by the Supreme Court and decline the fee request.

The Copyright Act commits to the discretion of the district court judge whether to award attorneys’ fees to the prevailing party. Mr. Klinger has not prevailed on his sole claim and basis for federal jurisdiction: “whether the publication of *In the Company of Sherlock [Holmes]* . . . infringes any copyright of Defendant.” (Compl. (Doc. 1), ¶ 39.) Mr. Klinger has never presented his proposed new book to any court for a determination of whether it infringes Conan Doyle’s ten copyrighted stories creating the full portrayal of Sherlock Holmes and Dr. Watson (the “Ten Stories”), and this central issue remains undecided. This Court also rejected Mr. Klinger’s claim that materials from the Ten Stories should be declared to be in the public domain, and rejected Mr. Klinger’s request that

Conan Doyle be enjoined from asserting its rights under copyright law over the complete list of Sherlock Holmes Story Elements.

Under the factors set forth in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n. 19 (1994), a fee award is not warranted. In this case, Conan Doyle sought to put Mr. Klinger to his proofs by requiring him to present his new work, *In the Company of Sherlock Holmes*, so that the Court could determine whether it infringed Conan Doyle's acknowledged copyrights. Conan Doyle argued that those copyrights in the Ten Stories protected significant parts of Holmes's character, including his genuine friendship with Watson, his love of nature, his attitudes towards new technology, and his developing emotional side. Conan Doyle argued that it is one thing to say as a theory that a public domain version of Holmes can be disentangled from this complex character, but it is quite another to actually do so without infringing the copyrighted character development. Conan Doyle argued that in order for Klinger to get his requested judgment of noninfringement, he should be required to present his new book for comparison to the protected elements in the copyrighted Ten Stories. This position was neither frivolous nor unreasonable.

Mr. Klinger's request for nearly \$50,000 in fees and costs is unreasonable in light of the fact that the license fee he tried to avoid was \$5,000, for a book seeking to use the copyrighted character Langdale Pike from the Ten Stories. Even after the lawsuit was filed, Conan Doyle kept in view the fact that only a \$5,000 licensing fee was at stake, and allowed Mr. Klinger to take a default judgment, which would have cost nothing and given Mr. Klinger the relief he sought. It was Mr. Klinger who embarked on the costly process of summary judgment that has still not resolved the ultimate question of whether *In the Company of Sherlock Holmes* infringes Conan Doyle's Ten Stories. Finally, a large portion of the claimed fees are for Jonathan Kirsch and other lawyers from his office—none of whom entered an appearance in this case, and none of whom appear to be admitted to practice before this Court. Fees for such lawyers should not be allowed, as these lawyers never submitted

themselves to the jurisdiction of this Court, never appeared in proceedings before this Court or were listed on any pleading in this Court.

Of the nearly \$50,000 Mr. Klinger seeks, nearly \$10,000 was billed for preparation of his petition for fees. This amount is excessive. *See Criswell v. W. Airlines, Inc.*, 709 F.2d 544, 556 (9th Cir. 1983) (affirming district court's reduction of \$31,000 fee request, over \$10,000 of which was for preparation of the fee petition, and reducing award to \$1,555).

I
THE SUPREME COURT HAS ESTABLISHED THAT
ATTORNEYS' FEES IN COPYRIGHT CASES ARE DISCRETIONARY
AND BASED ON CONSIDERATION OF FOUR FACTORS

The United States Supreme Court's precedent in copyright cases provides that an award of attorneys' fees pursuant to 17 U.S.C. § 505 is not to be automatically granted to a prevailing party. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994) (“[W]e reject . . . petitioner's claim that § 505 enacted the British Rule for automatic recovery of attorney's fees by the prevailing party.”). In *Fogerty*, the Supreme Court held that “attorney's fees are to be awarded to prevailing parties only as a matter of the court's discretion,” based on consideration of four factors. *Id.* *Fogerty* further requires that “[p]revailing plaintiffs and prevailing defendants . . . be treated alike” in deciding petitions for attorney fees under 17 U.S.C. § 505. *Id.*

In rejecting presumptive fee awards to either prevailing defendants or plaintiffs, *Fogerty* instead directed courts to assess the following factors to determine whether to award fees: “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.” *Id.* & n.19.

The Seventh Circuit followed this precedent, recognizing that such fees are discretionary and applying the *Fogerty* factors. *See Harris Custom Builders v. Hoffmeyer*, 140 F.3d 728, 730-31 (7th Cir. 1998) (acknowledging that “whether to grant fees is left to the judge's discretion[,]” and the four

Fogerty factors, and remanding the case for application of those factors and further explanation of the district court’s reasoning in exercising the discretion in awarding fees); *but see Gonzales v. Transfer Techs., Inc.*, 301 F.3d 608, 609–10 (7th Cir. 2002) (Posner, J.); *Assessment Techs. of Wisconsin, LLC v. WIREdata, Inc.*, 361 F.3d 434, 436–37 (7th Cir. 2004) (Posner, J.) (writing that a fee award presumption exists in favor of prevailing defendants, contrary to *Fogerty*: “When 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.”). In *Assessment Techs.*, the Seventh Circuit did not follow the *Fogerty* factors and focused instead on the strength of the prevailing party’s case and the amount of damages or other relief that party obtained. *Id.* at 436–37.

II THE SEVENTH CIRCUIT DECISION ON APPELLATE FEES IN THIS MATTER

Relying primarily on *Assessment Technologies*, the Seventh Circuit recently awarded Mr. Klinger the fees he incurred in the appeal of this matter. Slip Op. on Motion for Attorneys’ Fees, at 4. The ruling did not cite or apply the *Fogerty* standard, however, instead applying a “very strong” presumption that a prevailing defendant is entitled to fees, contrary to *Fogerty*. *Id.* (quoting *Assessment Techs.*, 361 F.3d at 437).

The ruling also stated that Conan Doyle’s licensing model was “a disreputable business practice” and a form of “extortion.” Slip Op. on Motion for Attorneys’ Fees, at 6. The court’s conclusions were based on the two licenses—the only two in the record: Mr. Klinger’s first book, licensed through his publisher Random House, and Mr. Klinger’s second book, the subject of this lawsuit.

As for Mr. Klinger’s first book, Mr. Klinger conceded in this matter that it used copyrighted material from the Ten Stories, and therefore needed a license. (Plaintiff’s Rule 56.1(b)(3) Response to Defendant’s Statement of Additional Material Facts (Doc. 29), at 14–15.) At the time, Mr. Klinger

had insisted the book did not use copyrighted material and needed no license—until his publisher intervened and decided otherwise. Mr. Klinger has now expressly admitted that the first book used copyrighted material from the Ten Stories. (*Id.*)

As for his second book, Mr. Klinger has refused to show it to the court or to Conan Doyle. The Seventh Circuit has never seen the book and cannot know whether it may be published without a license. Although Mr. Klinger claims it will not use copyrighted material, he said that about his first book too, and the Seventh Circuit expressly acknowledged that if Mr. Klinger is wrong about that, he may yet be sued for infringement regarding the second book. Slip. Op. at 7. The only thing known about the second book (and the way in which the Conan Doyle found out about it) is that one of its invited authors told the Estate that he wanted to use the character Langdale Pike, who was created solely in the copyrighted Ten Stories.

These were the facts about the copyright licenses the Seventh Circuit called “a form of extortion,” and a “disreputable business practice.” Mr. Klinger admits that Conan Doyle’s copyrights in the Ten Stories and all that they contain are valid and in full force.

III
UNDER THE *FOGERTY* FACTORS
PLAINTIFF IS NOT ENTITLED TO FEES

United States Supreme Court precedent requires the application of the four *Fogerty* factors to determine Mr. Klinger’s petition for fees. Those factors lead to the conclusion that Mr. Klinger is not entitled to the attorney fees he incurred litigating his case at the district court level.

To determine whether a fee award is warranted by 17 U.S.C. § 505, *Fogerty* instructs courts to consider (1) objective unreasonableness (both in the factual and in the legal components of the case), (2) frivolousness, (3) motivation, and (4) the need in particular circumstances to advance considerations of compensation and deterrence.

A. Conan Doyle's Defense Was Objectively Reasonable and on Some Issues Prevailed

The principal “purpose of the Copyright Act is to encourage the origination of creative works by attaching enforceable property rights to them.” *Matthew Bender & Co., Inc. v. West Pub. Co.*, 240 F.3d 116, 122 (2d Cir. 2001). “As such, the imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act.” *Id.* Accordingly, “objective reasonableness is a factor that should be given substantial weight in determining whether an award of attorneys’ fees is warranted.” *Id.*

In this case, Conan Doyle sought first and foremost to put Mr. Klinger to his proofs. The sole claim for relief in Mr. Klinger’s Complaint was “whether the publication of [his forthcoming book] by Plaintiff, his co-editor, and their licensees infringes any copyright of Defendant.” (Compl., ¶ 39.) Although Mr. Klinger said that this was the actual case or controversy, he refused to provide the book to the Court for decision of that issue, and in fact admitted the book was not yet complete. (Compl. (Doc. 1), at 2, 10 (book “is currently being prepared”).) Conan Doyle argued that for a decision to be anything other than advisory, Mr. Klinger was required to provide his fixed and final new book to the Court for comparison to the protected elements of the Sherlock Holmes and Dr. Watson characters in Conan Doyle’s Ten Stories. And in arguing for full protection for the developments in Holmes’ character created in those Ten Stories, Conan Doyle pointed out that it is one thing to say as a theory that a public domain version of Holmes can be disentangled from the complete character formed in the Ten Stories. But it is quite another thing to actually do so without infringing the Ten Stories. Because the Ten Stories were set at various points in Holmes’s fictional life, in practice it is difficult if not impossible to use a public domain version of Holmes that does not infringe the Ten Stories. Conan Doyle argued that in order to protect the admitted copyrights in the Ten Stories and in order for a judgment about Klinger’s new book to be based on concrete facts,

Klinger should be required to present his new book for comparison to the protected elements in the copyrighted stories.

This position was not only reasonable but in fact had universal support, including in the Seventh Circuit. Every circuit in the country to address the requirements of a justiciable controversy in these circumstances has held, both before and after *MedImmune, Inc. v. Genetech, Inc.*, 549 U.S. 118, 134 (2007), that a plaintiff in Klinger's position must submit his new work so the court can decide if any elements of the new work infringe protected elements of the original. *See Matthews Int'l Corp. v. Biosafe Eng'g, LLC*, 695 F.3d 1322, 1329 (Fed. Cir. 2012) (holding that without "specific and concrete evidence regarding" the potential infringing use, "any judicial determination regarding whether such use would infringe the [p]atents would be premature.") (citing *Sierra Applied Sys., Inc. v. Advanced Energy Indus., Inc.*, 363 F.3d 1361, 1379 (Fed. Cir. 2004); *Telectronics Pacing Sys., Inc. v. Ventritex, Inc.*, 982 F.2d 1520, 1527 (Fed. Cir. 1992); and *Lang v. Pac. Marine & Supply Co.*, 895 F.2d 761, 764 (Fed. Cir. 1990)); *Benitec Austl., Ltd v. Nucleonics, Inc.*, 495 F.3d 1340, 1349 (Fed. Cir. 2007) (a party should not be afforded declaratory relief without sufficient "information for a court to assess whether [its future activities] would be infringing or not"); *Vantage Trailers, Inc. v. Beall Corp.*, 567 F.3d 745, 751 (5th Cir. 2009) (affirming dismissal for subject-matter jurisdiction where the declaratory-judgment plaintiff "failed to meet its burden to show that its design was substantially fixed as to the potentially infringing elements," even though defendant had threatened to sue for infringement); *Int'l Harvester Co. v. John Deere & Co.*, 623 F.2d 1207, 1216 (7th Cir. 1980) (analyzed in detail below). Even when a plaintiff intends to re-publish an exact copy of a defendant's copyrighted work and the only issue is copyright validity, courts have held that a justiciable claim requires the plaintiff to show that its new work is fully prepared and ready for immediate publication. *Re-Alco Indus. v. Nat'l Center for Health Educ., Inc.*, 812 F. Supp. 387, 395 (S.D.N.Y. 1993) (quoting the Seventh Circuit's decision in *Int'l Harvester*).

That this Court and the Seventh Circuit have now taken a new and unprecedented approach to declaratory judgment actions in an infringement context does not make Conan Doyle's position unreasonable. In *Int'l Harvester Co.*, the Seventh Circuit previously held that a dispute over whether the defendant's patent rights were valid was not yet justiciable when the plaintiff's potential new work was still in the process of revision. 623 F.2d at 1216 (“[T]o be anything other than an advisory opinion, the plaintiff must establish that the product presented to the court is the same product which will be produced if a declaration of noninfringement is obtained.”).

Conan Doyle's position in this litigation urged the view of the unanimous courts of appeal including the Seventh Circuit until the present decision—and including the Supreme Court in *Calderon v. Ashmus*, 523 U.S. 740 (1998), which held that a declaratory judgment requests an advisory opinion if the plaintiff seeks to have a legal dispute decided that is carved out of the ultimate controversy between the parties. Notwithstanding the fees and effort expended by the parties, the fundamental question Mr. Klinger presented in this action—whether his new book needs to be licensed—remains unresolved because no court has seen the book. *See* Mem. Op. & Order at 9-10, 20 n.8 (copyright status of Sherlock Holmes character not addressed by this Court).

Second of all, Conan Doyle sought definition from this Court and the Seventh Circuit on what parts of the Holmes and Watson characters remain protected. This position too was well supported in the context of characters partly created in public domain works. *Warner Bros. Entmt. Inc. v. X One X Productions*, 644 F.3d 597 (8th Cir. 2001) (“We must determine (1) the apparent scope of the copyrights in the later works”) Conan Doyle submitted substantial facts and argument on the scope of that copyrighted character formation, but the Court did not address what the scope of that protection was, and did not (and could not) apply it to Mr. Klinger's forthcoming book.

Third, Conan Doyle argued that Mr. Klinger's list of Story Elements included several post-1923 elements that are still protected by copyright. Conan Doyle prevailed on this issue. *See* Mem.

Op. and Order (Doc. 40), at 15–19. Attempting to avoid this conclusion, Mr. Klinger argued that the post-1923 Story Elements were not protected by copyright because they were “events,” and not characteristics. (Doc. 29, at 10, 15; Doc. 29-1, at 1–2.) This Court rejected Klinger’s argument and ruled that the post-1923 Story Elements were protected. Mem. Op. and Order (Doc. 40), at 15–19. In addition, this Court denied Mr. Klinger’s request for injunctive relief over any of the Sherlock Holmes Story Elements. *Id.* at 20-21.

Conan Doyle’s positions were supported not only by the foregoing legal authorities but by five fact affidavits, three from recognized Sherlockian experts and two from literary-character experts. *Gaiman v. McFarlane*, No. 02-cv-48, 2010 WL 897364, at *4 (W.D. Wis. March 12, 2010) (holding that in discretion of district court, attorneys’ fees would not be awarded to either party in copyright case).

B. Conan Doyle’s Defenses Were Not Frivolous

The objective reasonableness of Conan Doyle’s positions in both fact and law indicates Conan Doyle was not frivolous in seeking protection for the fuller portrayal of Sherlock Holmes in the copyrighted Ten Stories, and arguing that any new work based on the public domain stories must be actually compared to the Ten Stories in order to render a judgment about whether it infringes. Frivolousness generally requires a showing of bad faith or that the legal arguments were wholly without merit. *See Depoister v. Mary M. Holloway Foundation*, 36 F.3d 582, 588 (7th Cir. 1994) (In considering whether a case is frivolous, “courts have looked for some indication of the appellant’s bad faith suggesting that the appeal was prosecuted with no reasonable expectation of altering the district court’s judgment and for purposes of delay or harassment or out of sheer obstinacy.”).

Far from being frivolous, the factual and legal issues presented in this case were substantial and complex. Conan Doyle’s positions were firmly supported, in some cases by Seventh Circuit

precedent, such as the holding that a dispute over the validity of rights is not justiciable when the plaintiff's potential new work was still in the process of revision. *Int'l Harvester*, 623 F.2d at 1216. Other positions taken up by Conan Doyle were matters of first impression, such as whether a continuously developing character is thrust into the public domain when stories creating the character remain under copyright. Such positions are not frivolous. *See Estiverne v. Sak's Fifth Avenue*, 9 F.3d 1171, 1174 (5th Cir. 1993) (indicating that a finding of frivolousness is “inappropriate if the issue is one of first impression.”); *Taylor AG Inds. v. Pure-Gro*, 54 F.3d 555, 543 (9th Cir. 1995) (indicating that even in cases where the law is clearly established, if the circuit has never spoken on the issue, an argument cannot be characterized as “wholly without merit”); *see also Ordower v. Feldman*, 826 F.2d 1569 (7th Cir. 1987) (indicating that a case is not frivolous if a party “presented substantial arguments on appeal”); *Carlock v. Nat'l Co-Operative Refinery Ass'n*, 424 F.2d 148, 152 (10th Cir. 1970) (indicating that the complexity of the case weighs against finding an appeal frivolous).

C. Conan Doyle's Motivation Was to Protect Valid and Existing Copyrights

Conan Doyle's request that Mr. Klinger pay a modest licensing fee before publishing *In the Company of Sherlock Holmes* was not an act of extortion or the result of any other improper motivation. Rather, Conan Doyle's motivation was to protect its valid copyrights in the Ten Stories—something it has had to do in the past with Mr. Klinger's work. Mr. Klinger's previous book (which he had told Conan Doyle at the time would not infringe) had used copyrighted material, which Mr. Klinger conceded only after the license was secured by his publisher. (Doc. 29, at 14–15.)

Conan Doyle learned about Mr. Klinger's new book by accident when one of its invited writers told the Estate he wanted to use Langdale Pike, a character created solely in the copyrighted Ten Stories. Mr. Klinger again represented that (except for Langdale Pike) the new book would not infringe. Considering the use of Langdale Pike, however, and the near impossibility of creating a

collection of new stories while avoiding Conan Doyle's valid story and character copyrights, Conan Doyle requested a \$5,000 licensing fee. Mr. Klinger has steadfastly refused to submit his book to support his claim that it uses no copyrighted material.

Had Mr. Klinger's publisher not conceded the need for a license from Conan Doyle to publish his first collection of stories, Mr. Klinger would have published that book in violation of Conan Doyle's copyrights. Mr. Klinger appeared to be repeating his practice in regard to his second publication. Conan Doyle's motivation – specifically, preventing infringement by Mr. Klinger, who had already demonstrated a willingness to violate Conan Doyle's copyrights – does not weigh in favor of awarding fees to Mr. Klinger.

**D. A Fee Award Under the Circumstances of this Case
Does Not Advance Considerations of Compensation and Deterrence**

Three circumstances unique to this case obviate any need for compensation or deterrence by an award of fees. First, Conan Doyle permitted Mr. Klinger to avoid even the very small license fee it had originally requested. Given the modesty of the market for Klinger's proposed new book, Conan Doyle allowed a default judgment to be entered in this case, so that Klinger could publish his book without inordinately expensive litigation. Had Klinger accepted a default judgment, the issue of his book would now be decided, two courts' dockets would have been reduced, and neither side would have had to expend the attorneys' fees now being sought.

However, Mr. Klinger requested summary judgment instead. He sought judgment only on the potential use of certain Story Elements without providing a copy of the planned book, thus precluding this Court from deciding whether the book will actually infringe Conan Doyle's copyrights.

Second, the issues of proper compensation and deterrence can only be determined after the final decision as to whether Mr. Klinger's forthcoming book in fact infringes Conan Doyle's copyrights. This Court and the Seventh Circuit relieved Mr. Klinger of his duty to present the final

version of his book, and ruled solely upon Mr. Klinger's exceedingly spare representations as to the contents of his unfinished book. Even so, this Court and the Seventh Circuit both acknowledged that when Mr. Klinger's book is finally published (rather than presented in a declaratory action) it may contain infringement and necessitate another lawsuit. Mem Op. & Order, 9–10 & 20 n.8; Slip Op. at 7. Because Mr. Klinger has never put his new book before any court, and the issue as to whether it infringes has yet to be decided, he cannot claim to be entitled to compensation for pursuing a rightful case, or for purposes of deterring Conan Doyle's contention that a declaratory judgment should be made only on concrete facts.

Third, Conan Doyle's actions to enforce its copyrights were reasonable based upon Mr. Klinger's past attempts to thwart Conan Doyle's rightful enforcement efforts – rendering any deterrence of such rightful actions improper.

CONCLUSION

For the foregoing reasons, Conan Doyle respectfully requests that the Court exercise its discretion to decline an award of attorneys' fees. Alternatively, Conan Doyle respectfully requests that the Court exercise its discretion to greatly reduce the amount of the requested fee award to fairly reflect the fact that Mr. Klinger did not prevail upon the central issue of the case—whether *In the Company of Sherlock Holmes* infringes Conan Doyle's valid copyrights.

Respectfully submitted,

SUTIN THAYER & BROWNE APC

By /s/ Benjamin Allison

Benjamin Allison

Lynn Mostoller

317 Paseo de Peralta

Santa Fe, New Mexico 87501

(505) 988-5521 / (505) 982-5297 fax

Counsel for Defendant Conan Doyle Estate Ltd.

William F. Zieske
ZIESKE LAW
P.O. Box 31457
Chicago IL 60631
(312) 252-9599
(312) 278-0955 fax

CERTIFICATE OF SERVICE

We hereby certify that on August 18, 2014, we electronically filed the attached Response in Opposition to Plaintiff's Fee Petition and Amended Fee Petition with the Clerk of the Court using the CM/ECF system and sent by email such filing to the following:

Scott M. Gilbert
Polsinelli P.C.
161 N. Clark Street, Suite 4200
Chicago, IL 60601
sgilbert@polsinelli.com

Attorneys for Plaintiff

SUTIN, THAYER & BROWNE
A Professional Corporation

 /s/ Benjamin Allison
Benjamin Allison

3333595.doc