


Kirtsaeng v. John Wiley & Sons, Inc., 136 S. Ct. 1979 (2016)

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KIRRTSAENG V. JOHN WILEY & SONS, INC., 136 S. Ct. 1979 (2016).

I. INTRODUCTION

In *Kirtsaeng v. John Wiley & Sons, Inc.*, Supap Kirtsaeng (“Kirtsaeng”), a citizen of Thailand, emigrated to the United States to study mathematics at Cornell University.¹ Upon finding that textbooks sold by John Wiley & Sons (“Wiley”), an academic publishing company, were available in Thailand for a fraction of the cost compared to those sold in the United States, Kirtsaeng asked family and friends to purchase the foreign editions from Thai bookstores and ship them to him.² He then sold the textbooks to American students, reimbursed his suppliers for the cost, and kept a healthy profit.³ Wiley sued Kirtsaeng for copyright infringement, claiming that its exclusive right to distribute textbooks was violated by Kirtsaeng’s activities.⁴ Kirtsaeng asserted he was the lawful owner of the textbooks, and under the “first sale” doctrine,⁵ Kirtsaeng could “otherwise dispose of [the textbooks] as he wishes.”⁵ The Supreme Court ultimately decided in favor of Kirtsaeng, holding that the first-sale doctrine allows the resale of domestic and foreign-made books, and remanded to the United States District Court for the Southern District of New York to determine attorney’s fees.⁶ Kirtsaeng invoked § 505 of the

¹ *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1983 (2016).

² *Id.*

³ *Id.*

⁴ *Id.* Wiley also argues that Kirtsaeng’s unauthorized importation of copyrighted books and his later resale is an infringement of section 602’s import prohibition. *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1357 (2013). See also 17 U.S.C. § 602(a)(1) (“Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106”).

⁵ *Id.* at 1984; 17 U.S.C. § 109 (2008) (“Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.”) (emphasis added).

⁶ *Kirtsaeng*, 136 S. Ct. at 1984. See also *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1371 (2013).

Copyright Act, seeking over two million dollars in attorney's fees from Wiley.⁷ The district court denied Kirtsaeng's motion, giving "substantial weight" to the "objective reasonableness" of Wiley's infringement claim.⁸ The Court of Appeals for the Second Circuit affirmed, stating that "the district court properly placed 'substantial weight' on the reasonableness of [Wiley's] position."⁹ Granting certiorari, the Supreme Court reversed the Second Circuit's decision by holding that the lower courts misconstrued the weight of the "objective reasonableness" factor.¹⁰ The future implications of this holding may be favorable to intellectual property lawyers and their clients who pursue an "objectively reasonable" position and refrain from engaging in aggressive behaviors, filing claims that are frivolous, or committing misconduct.

II. BACKGROUND

The broad language of § 505 of the Copyright Act of 1976, which states that the court "may" award costs and reasonable attorney's fees to the prevailing party, leaves the crucial issue of fee apportionment open to various interpretations.¹¹ As a result, a circuit split existed with regards to how courts should analyze the several factors involved in determining whether attorney's fees

⁷ *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1984 (2016). Section 505 of the Copyright Act states:

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 U.S.C. § 505 (1976).

⁸ *Kirtsaeng*, 136 S. Ct. at 1984; *John Wiley & Sons, Inc. v. Kirtsaeng*, 2013 WL 6722887, *3 (S.D.N.Y. 2013), *aff'd*, 605 F. App'x 48 (2d Cir. 2015), *vacated and remanded*, 136 S. Ct. at 1989 (2016), and *vacated and remanded*, 653 F. App'x 82 (2d Cir. 2016).

⁹ *Id.* (quoting *John Wiley & Sons, Inc. v. Kirtsaeng*, 605 F. App'x 48, 49 (2d Cir. 2015)).

¹⁰ *Kirtsaeng*, 136 S. Ct. at 1988.

¹¹ *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1984–85 (2016); 17 U.S.C. § 505 (1976).

should be awarded to the prevailing party.¹² In an attempt to resolve the issue, the Supreme Court in *Fogerty v. Fantasy, Inc.* held that a district court may not award attorney's fees as a matter of course or treat prevailing parties differently.¹³ Instead, the Supreme Court held that a district court may consider: (1) the frivolousness of plaintiff's claim; (2) plaintiff's motivation; (3) objective reasonableness of plaintiff's claim; and (4) goals of compensation and deterrence.¹⁴ The Supreme Court's decision in *Fogerty* also allowed lower courts to exercise significant discretion in future cases based on the "lower courts' evolving experience."¹⁵

III. KIR TSAENG V. JOHN WILEY & SONS, INC.

On remand from the Supreme Court, the district court denied Kirtsaeng's § 505 claim, reasoning that since *Fogerty*, the Second Circuit has emphasized the importance of the "objective reasonableness" factor in determining whether to award attorney's

¹² Compare, e.g., *Lotus Dev. Corp. v. Borland Int'l, Inc.*, 140 F.3d 70, 74 (1st Cir. 1998) (emphasizing frivolousness and objectively unreasonable factors), and *Budget Cinema, Inc. v. Watertown Assocs.*, 81 F.3d 729, 732 (7th Cir. 1996) (awarding attorney's fees and costs because plaintiff's case was "quite clearly" objectively unreasonable), with *Rosciszewski v. Arete Associates, Inc.*, 1 F.3d 225, 234 (4th Cir. 1993) (applying a totality-of-the-circumstances approach), and *Hogan Systems, Inc. v. Cybresource Int'l, Inc.*, 158 F.3d 319, 325 (5th Cir. 1998) (prevailing party receives fees as a matter of course).

¹³ *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994). The issue in *Fogerty* was whether the dual standard in awarding attorney fees under § 505 was consistent with the Copyright Act's purpose. *Id.* at 519. Under the dual standard, prevailing plaintiffs are generally awarded attorney's fees as a matter of course, while prevailing defendants must show that the original suit was frivolous or brought in bad faith. *Id.* at 520–21. The Supreme Court rejected the dual standard and held that parties are to be treated alike and attorney's fees should be awarded to prevailing parties only as a matter of the court's discretion. *Id.* at 534.

¹⁴ *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19 (1994) (stating the nonexclusive factors to guide a courts' discretion are frivolousness, motivation, objective unreasonableness, and the need to advance considerations of compensation and deterrence)).

¹⁵ *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1985 (2016) (referring to *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 140 (2005) (noting that *Fogerty* was not intended to be the end of the matter)).

fees.¹⁶ The district court explained that the imposition of a fee award against a copyright holder with an “objectively reasonable” argument does not promote the purposes of the Copyright Act.¹⁷ Further, the court reasoned that a court should not award attorney’s fees where the case is novel or “close” because this type of litigation tends to clarify copyright law.¹⁸ The Second Circuit affirmed, holding that the district court properly placed substantial weight on the reasonableness of Wiley’s position and perceived no abuse of discretion.¹⁹ *Kirtsaeng* appealed, contending, *inter alia*, that the district court and the Second Circuit misconstrued *Fogerty* in placing substantial weight on the “objective reasonableness” factor.²⁰ The Supreme Court held that the “objective reasonableness” factor is only an important factor in assessing fee shifting, not the controlling one.²¹

IV. LEGAL ANALYSIS

In determining attorney’s fees pursuant to § 505, the Supreme Court was faced with the issue of whether the “objective reasonableness” factor should be dispositive, or alternatively, whether the lawsuit’s role in clarifying copyright law merits a fee award to the prevailing party.²² Ultimately, the issue in the case

¹⁶ *John Wiley & Sons, Inc. v. Kirtsaeng*, 2013 WL 6722887, at *2 (S.D.N.Y. 2013), *aff’d*, 605 F. App’x 48 (2d Cir. 2015), *vacated and remanded*, 136 S. Ct. 1979 (2016), and *vacated and remanded*, 653 F. App’x 82 (citing *Matthew Bender & Co. v. W. Pub’g Co.*, 240 F.3d 116, 122 (2d Cir. 2001)).

¹⁷ *Kirtsaeng*, 2013 WL The first copyright act was enacted in 1790 “[t]o promote the Progress of Science and useful Arts, by securing the limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” U.S. Constitution, Art. I, sec. 8. H.R. REP. 94–1476, at 47, *reprinted in* 1976 U.S.C.C.A.N. 5659, at 5660. In *Fogerty*, the court explained that “copyright law ultimately serves the purpose of enriching the general public through access to creative works.” *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1986 (2016) (quoting *Fogerty*, 510 U.S. at 526). The Copyright Act strikes a balance between two conflicting aims: “encouraging and rewarding authors’ creations while also enabling others to build on that work.” *Id.*

¹⁸ *Kirtsaeng*, 2013 WL 6722887, at *2.

¹⁹ *Kirtsaeng*, 136 S. Ct. 1979, 1984 (2016).

²⁰ *Id.*

²¹ *Id.* at 1988.

²² *Id.* at 1983.

was the question of which approach the Court should adopt to further the objectives of the Copyright Act.²³

Wiley argued that the Second Circuit's standard for awarding fees under § 505, by giving substantial weight to the reasonableness of a losing party's position, will best serve the Act's objectives.²⁴ In turn, Kirtsaeng argued that the Court should award the prevailing party fees where the lawsuit meaningfully clarified copyright law and thus advanced the public interest in creative work.²⁵

The Supreme Court determined that the "objective reasonableness" approach that Wiley favored best advances the purpose of the Copyright Act primarily because it encourages parties with strong legal positions to enforce their rights while also deterring litigants with weaker positions from proceeding with the action.²⁶ The Court reasoned that a copyright holder whose work has clearly been infringed has good reason to bring and maintain a claim, while the infringer will be incentivized to settle for fear of having to pay double fees.²⁷ Conversely, when a copyright holder has an unreasonable position, she or he has a strong incentive to refrain from filing suit; and the infringer with no reasonable affirmative defense has every reason to settle quickly.²⁸ The Court noted that this result will enhance the probability that both creators and lawful users will enjoy the substantive rights of the Copyright Act.²⁹ In contrast, Kirtsaeng's proposed approach would not necessarily encourage parties to fully litigate claims.³⁰ In fact, the Court found that fee awards under this standard may discourage

²³ *Id.* at 1985.

²⁴ *Kirtsaeng*, 136 S. Ct. 1979, 1985.

²⁵ *Id.* at 1987.

²⁶ *Id.* at 1986.

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Kirtsaeng*, 136 S. Ct. 1979, 1987.

³⁰ *Id.* The Court noted that fee shifting is a "double edged sword: [it] increase[s] the reward for a victory - but also enhance[s] the penalty for a defeat." *Id.* Indeed, maintaining a lawsuit under this approach will depend on whether the litigant is risk-averse or a "high roller." *Id.* See Richard A. Posner, *An Economic Approach to Legal Procedure and Judicial Administration*, 2 *J. Legal Studies* 399, 438 (1973) (explaining how the English rule, where a prevailing party is awarded fees as a matter of course, does not create an incentive to sue on every meritorious claim).

meritorious claims because the penalty for losing a case is very high.³¹

Further, the Court found Wiley's approach more administrable than Kirtsaeng's because in its determinations the district court already considers the strength and weaknesses of each party's claims, and thus determines if the claim or defense is unreasonable.³² District courts cannot readily determine whether a newly decided issue will have precedent-setting value that clarifies existing law.³³ Additionally, the Court found that Wiley's approach is consistent with *Fogerty* because it treats plaintiffs and defendants even-handedly.³⁴

By adopting Wiley's approach of giving substantial weight to the objective reasonableness of the losing party, the Court rejected the Second Circuit's interpretation of the *Fogerty* factors.³⁵ The Court of Appeals found that the Second Circuit's language suggests that a finding of reasonableness raises a presumption against awarding fees, and district courts have in turn interpreted the reasonableness of the party to be dispositive.³⁶ The Court clarified that a court may award fees even when the losing party was objectively unreasonable in its litigation position, such

³¹ *Kirtsaeng*, 136 S. Ct. at 1986–87.

³² *Id.* at 1987.

³³ *Id.* at 1987–88. The Court also notes that district courts are not accustomed to evaluating the broader ramifications of their rulings (at least in degree when compared to higher courts), and thus, their award determinations would reflect mere “educated guesses.” *Id.*

³⁴ *Id.* at 1988. *Fogerty* held that plaintiffs and defendants should be treated even-handedly, when determining fee awards, because a successful defense of copyright infringement as well as a successful prosecution of an infringement claim by the holder of a copyright may both further the policies of the Copyright Act. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 527 (1994).

³⁵ *Kirtsaeng*, 136 S. Ct. 1979, 1988.

³⁶ *Id.* at 1989. See also *John Wiley & Sons, Inc. v. Kirtsaeng*, 2013 WL 6722887, at *2 (S.D.N.Y. 2013), *aff'd*, 605 F. App'x 48 (2d Cir. 2015), *vacated and remanded*, 136 S. Ct. 1979 (2016), and *vacated and remanded*, 653 F. Appen'x 82 (2016) (stating “[b]ecause the principle purpose of the [Copyright Act] is to encourage the origination of creative works by attaching enforceable property rights to them[,] . . . 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”) (emphasis in original) (quoting *Matthew Bender & Co. v. West Publ'g Co.*, 240 F.3d 116, 121–22 (2d Cir. 2001)).

as repeated instances of infringement, misconduct, or overaggressive behavior.³⁷ Therefore, the Court held that when assessing fee awards under § 505, the objective reasonableness of the party is important, but courts must consider on a case-by-case basis all the relevant circumstances.³⁸

V. FUTURE IMPLICATIONS

Kirtsaeng v. John Wiley & Sons, Inc. demonstrates the ongoing difficulty the judiciary faces when it grants attorney's fees based on the court's discretion.³⁹ However, the Court's affirmation of *Fogerty* and clarification of the proper weight to give the "objective reasonableness" factor should give comfort to intellectual property lawyers and their clients.⁴⁰ This is because a party who engages in reasonable prosecution of a copyright claim, or conversely engages in a reasonable defense, should not be at risk of fee shifting as long as they do not file frivolous claims, commit misconduct, or use aggressive litigation tactics.⁴¹ The Court's holding also acknowledges a fundamental reality of fee shifting; the prospect of a fee award raises the stakes of litigation, and those stakes only increase as fees accrue over multiple levels

³⁷ *Kirtsaeng*, 136 S. Ct. at 1988–89. Although the Court remanded the case, the Court may have been alluding to Wiley's overaggressive tactics because Wiley motioned the District Court to attach Kirtsaeng's personal property and to have Kirtsaeng adjudged in contempt. *John Wiley & Sons, Inc. v. Kirtsaeng*, 2013 WL 6722887, at *3 (S.D.N.Y. 2013).

³⁸ *Kirtsaeng*, 136 S. Ct. at 1989. In its holding, the Court strikes a balance between placing "substantial weight" on the objective reasonableness factor and applying a totality of the circumstances approach.

³⁹ The American rule states that attorney's fees are generally not awarded to the prevailing party absent a statute or enforceable contract. *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 717 (1967). This is in contrast to the English rule, which since the Statute of Gloucester in 1275, has ordinarily awarded attorney's fees and costs to the prevailing party in litigation. Arthur L. Goodhart, *Costs*, 38 Yale L.J. 849, 852 (1929). Proponents of the American rule state that since litigation is an uncertain endeavor, litigants should not be penalized for defending their rights, and that the poor may be discouraged from pursuing vindication if their defeat in court will also include the costs of the opposing party. *Fleischmann*, 386 U.S. at 718.

⁴⁰ Patrick H.J. Hughes, *Supreme Court sets attorney fee standard for copyright cases* (U.S.), 2016 WL 3343758.

⁴¹ *Id.*

of litigation.⁴² Thus, a party who has a meritorious claim may stand on its rights against an unreasonable party.⁴³

The Court's holding also avoids setting detrimental precedent for litigants by overhauling the *Fogerty* standard, or adopting a "loser pays" standard. The *Fogerty* factors allow courts to apply a well-reasoned and easily administrable test in awarding fees to a prevailing party by analyzing: (1) the objective reasonableness of the losing party's position; (2) its frivolousness; (3) its motivation and considerations of compensation; and (4) deterrence.⁴⁴ The Supreme Court properly reasoned that the other *Fogerty* factors may easily outweigh the objective reasonableness element in situations where the party files a frivolous claim or acts in bad faith by filing hundreds of lawsuits on an overbroad theory.⁴⁵ Equitable considerations of compensation and deterrence also aid courts in determining attorney fees in situations where the party should be compensated for costs resulting from bad faith claims or clear misconduct.⁴⁶ Under the Supreme Court's ruling in *Kirtsaeng*, litigants can rely on the *Fogerty* factors to obtain attorney's fees.

Kirtsaeng implicitly overrules the Fifth and Sixth Circuits' presumption that the prevailing party is entitled to fees.⁴⁷ As a result, these circuits may have to apply the *Fogerty* factors more vigorously and add substantial weight to the objective reasonableness of the losing party's position. Additionally, the

⁴² *Kirtsaeng*, 136 S. Ct. 1979, 1987.

⁴³ *Id.* at 1987.

⁴⁴ *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19 (1994).

⁴⁵ *Kirtsaeng*, 136 S. Ct. 1979, 1989. *See also Bridgeport Music, Inc. v. WB Music Corp.*, 520 F.3d 588, 590 (6th Cir. 2008) (awarding fees against a copyright holder who alleged nearly 500 counts against 800 defendants for copyright infringement arising from music sampling).

⁴⁶ *Kirtsaeng*, 136 S. Ct. at 1988–89.

⁴⁷ *See, e.g., Hunn v. Dan Wilson Homes, Inc.*, 789 F.3d 573, 588–89 (5th Cir. 2015), cert. denied, 136 S. Ct. 592 (2015) (holding that "an 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 . . . Although [the *Fogerty*] factors are useful, we have rejected the idea that district courts are bound to apply verbatim [those] factors") (internal quotations omitted), and *Eagle Servs. Corp. v. H2O Indus. Servs., Inc.*, 532 F.3d 620, 625 (7th Cir. 2008) (holding that "[t]he presumption in a copyright case is that the prevailing party . . . receives an award of fees) (internal quotations omitted).

Ninth and Eleventh Circuits, generally applying the *Fogerty* factors equally, will have to align their review of fee awards with the standard established in *Kirtsaeng*.⁴⁸ Therefore, although the Supreme Court refrained from explicitly overruling any circuit's precedent, the unanimous holding of the Court has the effect of setting a national standard for awarding fees in copyright cases.

Having considered the immediate repercussions of the Supreme Court's decision, one has to wonder, could the Supreme Court have done more? Although the Supreme Court avoided overhauling longstanding precedent by reaffirming *Fogerty*, the Court should have simplified the process for district courts to determine fee shifting by assigning equal weight to the *Fogerty* factors, as the Third, Fourth, and Sixth Circuits have.⁴⁹ These circuits employ the most flexible and impartial standard under § 505 by engaging in a balancing of the *Fogerty* factors, assigning no particular weight to any one factor. These circuits require lower courts to consider the totality of the circumstances, in an evenhanded and objective manner, even where the facts in the particular case merit fee shifting. The totality of the circumstances approach removes the requirement that the lower courts must give "substantial weight" to the "objective reasonableness" factor. Perhaps the Court in *Kirtsaeng* should have followed the totality of the circumstances approach as applied by the Third, Fourth, and Sixth Circuits, which would serve to clarify the process for judges, while also furthering the objectives of the Copyright Act.

VI. CONCLUSION

Supap Kirtsaeng successfully defended himself against John Wiley & Sons' copyright infringement lawsuit in the Supreme Court. On Remand to the Southern District Court of New York,

⁴⁸ See, e.g., *Marshall & Swift/Boeckh, LLC v. Dewberry & Davis LLC*, 586 F. App'x 448, 449 (9th Cir. 2014) (rejecting a presumption in favor of awarding fees to prevailing defendants but instead applying equal weight to the *Fogerty* factors), and *InDyne, Inc. v. Abacus Tech. Corp.*, 587 F. App'x 552, 554 (11th Cir. 2014) (awarding fees to defendant under equal consideration of *Fogerty* factors).

⁴⁹ See *Lieb v. Topstone Indus. Inc.*, 788 F.2d 151, 156 (3d Cir. 1986), *Bond v. Blum*, 317 F.3d 385, 397 (4th Cir. 2003), and *Thoroughbred Software Int'l Inc. v. Dice Corp.*, 488 F.3d 352, 361 (6th Cir. 2007).

Kirtsaeng petitioned for an award of more than two million dollars in fees from Wiley. The district court denied his petition on the ground that Wiley's position was objectively reasonable. The Second Circuit affirmed the district court's holding, whereupon Kirtsaeng filed certiorari to the Supreme Court. The Supreme Court, applying the nonexclusive factors cited in *Fogerty*, delivered a victory for Wiley. The Court clarified that when determining whether to award attorney's fees under § 505 of the Copyright Act to a prevailing party, courts must consider the objective reasonableness of the losing party's position as an important factor among several other relevant factors. Although *Kirtsaeng* established a standard for awarding attorney's fees, the Supreme Court could have added further clarity to § 505 of the Copyright Act by adopting the totality of the circumstances approach.

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