IP Alert: U.S. Supreme Court Hears Arguments in Kirtsaeng v. John Wiley & Sons, Inc.

U.S. SUPREME COURT HEARS ARGUMENTS IN KIRTSAENG V. JOHN WILEY & SONS, INC.

By Rajit Kapur

Yesterday, April 25, 2016, the U.S. Supreme Court heard oral arguments in Kirtsaeng v. John Wiley & Sons, Inc., No. 15-375. The Court's ruling in this case ultimately may affect the circumstances in which attorney's fees are awarded to prevailing parties in copyright infringement cases.

This case began more than 10 years ago, when Kirtsaeng, a native of Thailand, developed a successful business in which he obtained foreign-edition copies of English-language textbooks abroad below their U.S. market prices and resold them in the U.S. at a profit. Wiley sued Kirtsaeng

for copyright infringement in 2008, alleging that Kirtsaeng violated Wiley's exclusive rights in distributing its copyrighted works and in preventing unauthorized importation of its copyrighted works.

After Kirtsaeng lost at trial, the case ultimately reached the Supreme Court, which ruled in a 6-3 decision (with Justices Ginsburg, Kennedy, and Scalia in dissent) that Kirtsaeng's actions did not constitute copyright infringement because Wiley's exclusive rights in the textbooks that Kirtsaeng obtained abroad were exhausted under the "first sale" doctrine.[1] In the three years that have passed since the Supreme Court's previous ruling, the case has returned to the district court, where Kirtsaeng is now seeking an award of attorney's fees from Wiley.

Under U.S. copyright laws, a "court may […] award a reasonable attorney's fee to the prevailing party as part of the costs."[2] The Supreme Court previously addressed this section of the copyright laws in Fogerty v. Fantasy Inc., 510 U.S. 517, 29 USPQ2d 1881 (1994). In Fogerty, the Court held that "[p]revailing plaintiffs and prevailing defendants are to be treated alike, but attorney's fees are to be awarded to prevailing parties only as a matter of the court's discretion."[3] The Court also discussed in Fogerty several "nonexclusive" factors that "may be used to guide courts' discretion" in deciding whether to award attorney's fees, "so long as such factors are faithful to the purposes of the Copyright Act and are applied to prevailing plaintiffs and defendants in an evenhanded manner."[4]

In the proceedings below, both the district court and the Second Circuit denied Kirtsaeng's bid for attorney's fees. In doing so, they have followed Second Circuit precedent that places "substantial weight" on the "objective reasonableness" factor — which asks whether the non-prevailing party's claims were "objectively reasonable" — relative to the other factors discussed in Fogerty.[5]

At issue now in Kirtsaeng is whether the lower courts' rulings run afoul of the statutory text of the Copyright Act and the Supreme Court's prior ruling in Fogerty by emphasizing the "objective reasonableness" factor over others when deciding whether to award attorney's fees in a copyright infringement action.

In yesterday's oral arguments, Justice Ginsburg, who authored the dissent in the earlier Kirtsaeng decision, started the questioning by asking Kirtsaeng's attorney, "if Kirtsaeng had lost this case […] should fees have been awarded to Wiley?" Her questioning continued from there and seemed to reveal concerns about whether awarding attorney's fees to Kirtsaeng in this case would be fair. Justices Sotomayor, Breyer, and Kagan continued this line of questioning with related questions. And Justice Kagan observed that "[a]s an ex-post matter, you have a great David versus Goliath story to tell. But as an ex-ante matter, I wonder if the rule that you suggest is not going to harm the Kirtsaengs of the world." Later in the argument, Justice Ginsburg, referring back to Justice Kagan's

earlier concern, noted that “your rule is if David faces Goliath and David wins, David gets fees no matter how reasonable Goliath’s position was.”

In addition to facing some tough questions from Justices Ginsburg, Sotomayor, Breyer, and Kagan related to fairness concerns, Kirtsaeng’s attorney was also prodded by Justice Alito over the suggestion that the district court should “take into account the relative financial resources of the parties.” Justice Alito seemed somewhat skeptical about whether such considerations would be appropriate.

At various points in the arguments, several Justices seemed concerned about statistics, which seem to suggest that, in practice, copyright infringement plaintiffs tend to win more awards for attorney’s fees than copyright infringement defendants. The Court explored these concerns both with Kirtsaeng’s attorney and with Wiley’s attorney, as well as with the attorney from the U.S. Solicitor General’s office who argued as amicus curiae in support of Wiley.

In questioning Wiley’s attorney, Justices Sotomayor and Kagan both seemed particularly concerned about the “skewed results” between plaintiffs and defendants when it comes to awards of attorney’s fees in copyright infringement cases.

The Justices also pressed Kirtsaeng’s attorney on what test or standard, if any, the Court should adopt in this case. Kirtsaeng’s attorney suggested that “a district court should consider the totality of the circumstances, including all of the Fogerty factors, and ask itself, would a fee award here advance the purposes of the Copyright Act?”

Justice Alito observed that such a rule might be difficult to administer because “different judges are going to have very different views about what will further the purposes of the Copyright Act.” And in a line that earned laughter in the courtroom, Justice Breyer mused that “I understand appellate lawyers love to create standards. I do not have that love at this moment.”

Overall, the Justices’ questions seemed to reveal concerns about whether the discrepancies in awards of attorney’s fees between plaintiffs and defendants are the result of its decision in Fogerty and the appellate court decisions that have followed in its wake, or whether such discrepancies are more properly attributable to the nature of copyright litigation itself. The Court also seemed concerned about whether it could articulate a new standard or test that would better achieve the desired aims — which themselves might not be entirely clear — than the standard already laid down in Fogerty. And perhaps of most concern to the parties of this case, the Court did not seem to be leaning one way or the other as to whether Kirtsaeng should be awarded attorney’s fees here. At best, the Justices’ questions seemed to suggest that they are divided on that issue.

We will continue watching this case, which has the potential to impact the strategic decisions involved in copyright litigation, including whether to bring cases, litigate cases, and settle cases, particularly in instances where there is a perceived power gap between the parties and in other instances where the looming specter of an award of attorney's fees may drive the decision-making process.

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[1]Kirtsaeng v. John Wiley & Sons Inc., 133 S. Ct. 1351, 568 US __, 106 USPQ2d 1001 (2013).
[2]17 U.S.C. 505.
[3]Fogerty, 29 USPQ2d at 1888.
[4]See Fogerty, 29 USPQ2d at 1889, fn. 19.
[5]Specifically, the rulings below follow the Second Circuit's decision in Matthew Bender & Co. v. West Publishing Co., 57 USPQ2d 1708 (2d Cir. 2001), which held that "objective reasonableness is a factor that should be given substantial weight in determining whether an award of attorneys' fees is warranted." Id. at 1712.

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