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

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BACKGROUND

Petitioner, Supap Kirtsaeng, is a citizen of Thailand, who came to the United States twenty years ago to earn his undergraduate degree in mathematics at Cornell University. Respondent, John Wiley & Sons ("Wiley"), is a global academic publishing company that markets its products to students, instructors, and other interested consumers. Kirtsaeng realized that Wiley sold identical textbooks in English in Thailand at a lower price point. Recognizing the profit that he could make, Kirtsaeng requested that his family and friends purchase these textbooks in Thailand and ship them, so that he could resell them to American students. Kirtsaeng’s business generated profits, giving rise to Wiley’s initial infringement suit and subsequent appeals.

PROCEDURAL HISTORY

Wiley initiated a copyright infringement suit against Kirtsaeng claiming that he violated Wiley’s exclusive right to distribute textbooks. Kirtsaeng raised the “first-sale doctrine” as a defense claiming that this doctrine precluded any copyright infringement action by allowing “the lawful owner of a book (or other work) to resell or otherwise dispose of it” at the seller’s discretion. However, Wiley maintained that the doctrine was inapplicable because it only applied when books were manufactured in the United States, and these were not.

The United States District Court for the Southern District of New York ruled in favor of Wiley, a decision affirmed by the Second Circuit Court of Appeals by a split panel. The Supreme Court granted certiorari, reversed the lower courts’ findings, and held that “the first-sale doctrine allows the resale of foreign-made books, just as it does domestic ones.”

With a favorable decision Kirtsaeng returned to the district court to seek over two million dollars ($2M) in attorney’s fees from Wiley pursuant to § 505 of the Copyright Act. The district court denied his

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2. Id.
motion, citing Second Circuit precedent, which held that the infringement claim was objectively reasonable; and therefore, Wiley was not liable for Kirtsaeng's attorney's fees. The Second Circuit affirmed and ruled that requiring Wiley to pay for attorney's fees, despite a meritorious claim, would not promote the purposes of the Copyright Act—to reward and encourage inventions, while not stifling innovation. The Supreme Court granted certiorari to provide guidance to the lower courts when addressing an application for attorney's fees in copyright cases, specifically as to when fee-shifting is appropriate.

ISSUE

The Court ruled on the issue of when it is appropriate for the losing party to pay for attorney's fees in copyright cases by considering which standard would "predictably encourage" useful copyright litigation. The Court specifically posited whether substantial weight should be given to "the objective reasonableness of a losing party's position" or to a lawsuit in totality that clarifies an ambiguous legal issue.

DECISION

The Court unanimously vacated and remanded the lower courts' decisions for further proceedings consistent with the clarified standard. It held that Wiley's proposed standard of applying substantial weight to the reasonableness of the losing party's claim promoted the overall goals of the Copyright Act and was more administrable. The Court noted that although substantial weight should be given, courts must also consider all other relevant factors in determining whether fee-shifting is appropriate. The Court vacated and remanded the decision to ensure that the correct legal standard was applied since the Second Circuit's rationale was ambiguous.

REASONING

The Court began its analysis by referring to the Copyright Act, which gives discretion to district courts to award reasonable attorney's fees to the party that prevails. It noted that although the courts have discretion to determine whether the losing party pays the attorney's fees, no specific standard to determine when to allow fee-shifting had been set.

With no clear standard, the Court looked to its prior holding in Fogerty v. Fantasy, Inc., wherein it identified several principles that

5. Id. at 1983.
limited judicial discretion in these matters. In *Fogerty*, the Court held that fee-shifting should be decided on a case-by-case basis, and further, that a court may not treat prevailing parties differently. The Court gave a non-exhaustive list of factors to consider: the frivolousness of the suit, the motivation of the suit, the objective unreasonableness of the claims, and "the "need in particular circumstances to advance considerations of compensation and deterrence." The Court emphasized the importance of encouraging litigation with valid claims and defenses and having a standard that promoted these ends.

Next, the Court noted how both litigants agreed on the broad latitude district courts have in interpreting fee-shifting statutes, as well as the common purpose of promoting innovation, consistent with the Copyright Act's goals. It then addressed the opposing arguments regarding what courts should consider when rendering such decisions.

As stated above, Wiley proposed that substantial weight must be given to the objective reasonableness of a losing party's claim. Kirtsaeng requested that the Court determine attorney's fees by the success of the lawsuit, meaning courts should base its' decisions on how much the case helps clarify an ambiguous legal component of the Copyright Act. The Court rationalized that in light of such discretion, without limits or predictability the purpose of justice would be stifled because parties with valid claims would be deterred from securing their rights for fear of having to pay the compounded cost of litigation without any assurance of success.

Entertaining Kirtsaeng's line of reasoning, the Court determined there was no certainty that fee-shifting would encourage valid parties to litigate; and moreover, Kirtsaeng presented no evidence to support that parties with clear, reasonable claims would pursue litigation or protect and/or defend their rights. It held that this proposed standard, to determine the novelty or usefulness of a lawsuit outcome, would be volatile, as it could take years for the impact of such decisions to be realized. Specifically, the Court reasoned that lower courts were ill-equipped to make such determinations, and at best, such attempts would be educated guesses. Thus, the Court sided with Wiley and held that the standard was intuitive for judges to assess whether the losing party's claims were objectively reasonable. By that same logic, the Court stated that it was easier to apply this standard than Kirtsaeng's proposed one.

Nevertheless, the Court was persuaded by Kirtsaeng's argument that the Second Circuit may have misapplied the standard for attorney's fees. The Court acknowledged that although the Second Circuit correctly cited precedent, the language in the Second Circuit's opinion raised concerns as to whether that court had not considered all

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7. *Id.* at 534 n.19 (quoting Lieb v. Topstone Indus., Inc., 788 F.2d 151, 156 (1986)).
relevant factors in rejecting Kirtsaeng's claim.

For the foregoing reasons, the Court accepted Wiley's standard and vacated and remanded the lower courts' decisions to ensure that all relevant factors in awarding attorney's fees would be considered.