

High Court Takes Up a 'Textbook' Case Over Fees

Suit involving Cornell student once again before the justices.
This time, lawyers' pay is at issue.

BY LEWIS R. CLAYTON

For the second time in three years, the U.S. Supreme Court is poised to consider important questions under the Copyright Act at the behest of Supap Kirtsaeng, a tenacious Thai math professor. In 2013, the Supreme Court in *Kirtsaeng v. John Wiley & Sons* handed Kirtsaeng an important victory in a litigation brought against him by a major publisher, holding that a copyrighted work published and purchased abroad may be resold in the United States without the permission of the copyright holder. Last month, the court granted review in Kirtsaeng's appeal from a decision denying him an award of attorney fees in the same case.

Kirtsaeng's second trip to the Supreme Court is likely to add some clarity to the vague standards federal courts use in awarding fees to prevailing parties in copyright cases.

CHEAPER BOOKS ABROAD

Kirtsaeng came to the United States in 1997 to study math at Cornell University on a Thai government scholarship. To help finance his education,



he took advantage of the fact that foreign edition English-language textbooks often sell abroad at substantial discounts. At his request, family members bought textbooks in Thailand and shipped them here, where Kirtsaeng resold them at a profit.

In 2008, Kirtsaeng was swept up in an intense controversy over the scope of the "first sale" doctrine in copyright law when academic publisher

John Wiley & Sons Inc. sued him for infringement. Under the first-sale doctrine codified in Section 109 of the Copyright Act, the buyer of a copyrighted work—a book, an artwork or a consumer good with copyrighted instructions or packaging—can resell it freely. But at the time, it was an open question whether the first-sale doctrine applied to works manufactured abroad, because

Section 602 of the Copyright Act prohibits unauthorized importation into the United States of copyrighted works.

In a 2010 decision involving watches made in Switzerland, the Supreme Court deadlocked, 4-4, on the issue of whether the “first sale” right to resell overrode the prohibition on importation.

When Wiley’s case against Kirtsaeng reached the Supreme Court in 2013, it attracted intense interest. Publishers argued that they should be allowed to charge lower prices abroad, and insulate the American market from competition.

On the other hand, museums and libraries claimed that, unless first-sale rights were recognized, they could not display foreign artworks or allow the circulation of millions of books printed abroad, and retailers said that their customers would be prohibited from reselling or giving away Japanese video games or Chinese clothing with copyrighted designs.

By a 6-3 vote, the Supreme Court held that first sale trumped the importation ban. Wiley’s claims against Kirtsaeng were dismissed. Kirtsaeng then asked the trial court for an award of attorney fees under Section 505 of the Copyright Act, which allows a discretionary fee award to a prevailing party.

The Supreme Court last gave guidance in 1994 on the standards to be

used in deciding whether to award fees in a Delphic footnote in *Fogerty v. Fantasy*.

The *Fogerty* footnote says that courts have discretion to consider “nonexclusive” factors such as “frivolousness, motivation, objective unreasonableness ... and the need in particular circumstances to advance considerations of compensation and deterrence,” as long as those factors are “faithful to the purposes of the Copyright Act” and applied in an evenhanded way to both prevailing plaintiffs and defendants.

DIVERGENT RESULTS

Not surprisingly, lower courts grappling with this language have reached widely divergent results.

Some courts seem to presume that attorney fees should be granted to every prevailing party, and others are reticent to award fees to a defendant when there was objective merit to a losing plaintiff’s position.

In Kirtsaeng’s case, a New York federal court, which was affirmed by the U.S. Court of Appeals for the Second Circuit, denied his request for more than \$2 million in fees, emphasizing that, when the suit was brought, Wiley’s position plainly was objectively reasonable under existing law. Kirtsaeng argued, to the contrary, that his position was just as reasonable and, moreover, that he had performed an important service

by vindicating first-sale rights in the Supreme Court.

In granting review of the fee decision, the Supreme Court appeared to recognize Kirtsaeng’s case as a vehicle to explore many of the underlying interests and tensions in the discretionary factors mentioned in *Fogerty*.

Given the unsettled state of the law when Wiley first sued Kirtsaeng, there is no doubt that each side’s position was objectively reasonable. And it is clear that important issues were at stake and that Kirtsaeng’s decision to contest the matter brought them to resolution. Of course, Wiley can claim that it too played an essential role in clarifying the law, and should not be forced to pay Kirtsaeng’s fees as well as its own.

The case also presents the example of a relatively wealthy copyright holder suing an individual infringer—a pattern that fits many cases brought against consumers or artists.

In an additional twist, Kirtsaeng’s counsel agreed to handle the case without charge, on the condition that they would be able to argue the matter in the Supreme Court. The Supreme Court therefore will be able to consider whether pro bono representation should be a factor in a copyright fee award.

Kirtsaeng’s trip to the Supreme Court in 2013 was memorable for copyright lawyers, and his visit this year will likely be the same.



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