

No. _____

IN THE
Supreme Court of the United States

SUPAP KIRTSANG, DBA BLUECHRISTINE99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Section 505 of the Copyright Act provides that a “court may ... award a reasonable attorney’s fee to the prevailing party” in a copyright case. 17 U.S.C. § 505. The Ninth and Eleventh Circuits award attorneys’ fees when the prevailing party’s successful claim or defense advanced the purposes of the Copyright Act. The Fifth and Seventh Circuits employ a presumption in favor of attorneys’ fees for a prevailing party that the losing party must overcome. Other courts of appeals primarily employ the several “non-exclusive factors” this Court identified in dicta in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19 (1994). And the Second Circuit, as it did in this case, places “substantial weight” on whether the losing party’s claim or defense was “objectively unreasonable.” *Matthew Bender & Co. v. W. Publ’g Co.*, 240 F.3d 116, 122 (2d Cir. 2001).

The question presented is:

What is the appropriate standard for awarding attorneys’ fees to a prevailing party under § 505 of the Copyright Act?

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INTRODUCTION

The paradigmatic example of a circuit split must be that a party would prevail in one court of appeals but lose on precisely the same issue in another court of appeals for the sole reason that the law in the courts of appeals differs. That is precisely the situation here.

Respondent John Wiley & Sons, Inc. (“Wiley”) sued Petitioner Kirtsaeng for copyright infringement. Wiley is a publisher of textbooks and claimed that Kirtsaeng had infringed Wiley’s copyrights in those textbooks by purchasing them in other countries, where Wiley sold them on the cheap, and then reselling them in the United States for less than Wiley sold the same books domestically. This Court held in *Kirtsaeng v. John Wiley & Sons, Inc.*, that under the “first sale” doctrine, codified at 17 U.S.C. § 109(a), Kirtsaeng, as the lawful owner of the particular physical copy of the textbook purchased abroad, was permitted to resell that copy of the book in the United States without infringing Wiley’s copyright. 133 S. Ct. 1351 (2013), *reproduced at* Pet. App. 29a-113a.¹ After this Court’s decision, the Second Circuit held (without dispute) that Kirtsaeng had a complete and absolute defense to Wiley’s claim of infringement and reversed the original adverse judgment of the district court.

Having prevailed, Kirtsaeng sought his attorneys’ fees under § 505 of the Copyright Act, by which

¹ The appendix to this petition is “Pet. App.” The Joint Appendix below is “C.A.” Documents preceded by “C.A.” were filed in the court of appeals.

a “court may ... award a reasonable attorney’s fee to the prevailing party.” 17 U.S.C. § 505. This is where the split comes into play. Had Kirtsaeng prevailed in the Ninth or Eleventh Circuit, he would have obtained his reasonable attorneys’ fees. Had he prevailed in the Fifth or Seventh Circuits, he would have had a rebuttable presumption in favor of obtaining his attorneys’ fees. Had he prevailed in the Third, Fourth, or Sixth Circuits, Kirtsaeng very likely would have obtained his attorneys’ fees. Unluckily for Kirtsaeng, Wiley sued him in the Southern District of New York, and so when Kirtsaeng prevailed, he prevailed in the Second Circuit, where Second Circuit precedent meant Kirtsaeng could not obtain his attorneys’ fees.

Unlike the other circuits, the Second Circuit places “substantial weight” on the whether the losing party’s claim or defense was objectively unreasonable, Pet. App. 4a—which is to say, whether the losing party’s claim was clearly without merit or devoid of legal or factual basis. The Second Circuit’s emphasis on objective unreasonableness is not grounded in the fee provision of the Copyright Act. Instead, it originates in a rule from a bygone era, long rejected by this Court, that fee awards in copyright cases, especially for prevailing defendants, should be a rare punishment against plaintiffs who brought frivolous, baseless, or unreasonable lawsuits.

Because the Second Circuit’s decision splits with the approaches of the other courts of appeals and is inconsistent with this Court’s precedent, this Court should grant cert to address the proper standard for awarding fees under the Copyright Act.

OPINIONS AND ORDERS BELOW

The opinion of the court of appeals affirming the denial of Kirtsaeng's fee request is reported at 605 F. App'x 48, and reproduced at Pet. App. 1a-5a. The district court's opinion is reported at 2013 U.S. Dist. LEXIS 179113, and reproduced at Pet. App. 6a-24a.

JURISDICTION

The court of appeals rendered its decision on May 27, 2015. On August 17, 2015, Justice Ginsburg extended the time for filing a petition to and including September 24, 2015. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Section 505 of the Copyright Act provides:

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.

STATEMENT OF THE CASE***Wiley Erroneously Claims Kirtsaeng Infringed Its Copyrights***

Kirtsaeng is a citizen of Thailand, who was temporarily living in the United States, studying mathematics at Cornell and then the University of Southern California. Pet. App. 34a. Kirtsaeng “paid for his education with the help of a Thai Government scholarship which required him to teach in Thailand for 10 years on his return.” *Id.* After “successfully complet[ing] his undergraduate courses ... [and] a Ph.D.,” Kirtsaeng “returned to Thailand to teach.” *Id.*

Wiley is a publisher of textbooks in the United States and abroad. Pet. App. 32a. Many of the English-language textbooks Wiley sells abroad are “essentially equivalent” to the versions sold in the United States, with the exception of the price: The textbooks printed and sold abroad are sold “at low[er] prices” than those sold in the United States. Pet. App. 34a.

While “studying in the United States, Kirtsaeng asked his friends and family in Thailand to buy copies of foreign edition English-language textbooks at Thai book shops, where they were sold at low prices, and mail them to him in the United States.” *Id.* “Kirtsaeng would then sell them, reimburse his family and friends, and keep the profit.” *Id.*

In 2008, Wiley sued, claiming Kirtsaeng infringed its copyrights by bringing the textbooks into the United States and reselling them. Pet. App. 35a.

Kirtsaeng argued that the importation and resale of the textbooks was not copyright infringement under the “first sale” doctrine, codified at 17 U.S.C. § 109(a).² Under the “first sale” doctrine, the lawful owner of a particular “copy” of a work is “free to dispose of [that copy] as they wish” because “the ‘first sale’ has ‘exhausted’ the copyright owner’s ... exclusive distribution rights” in that copy. Pet. App. 30a.

The district court held that Kirtsaeng could not use the “first sale” doctrine as a defense because, in the district court’s view, the doctrine does not apply to foreign-manufactured works. Pet. App. 156a-87a. With Kirtsaeng unable to assert the “first sale” doctrine as a defense, the jury found that Kirtsaeng willfully infringed Wiley’s copyrights and assessed \$600,000 in statutory damages against Kirtsaeng. See Pet. App. 35a.

A divided panel of the Second Circuit agreed that the “first sale” doctrine does “not [apply] to foreign-manufactured works.” Pet. App. 140a. In reaching its decision, the panel “freely acknowledge[d]” that the issue presented “a particularly difficult question of statutory construction.” Pet. App. 141a. Indeed, whether the “first sale” doctrine applies to works manufactured abroad had divided this Court 4-4 just two terms earlier, *Costco Wholesale Corp. v. Omega S.A.*, 131 S. Ct. 565 (2010) (affirming by an equally divided Court). See Pet. App. 139a.

² “Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title ... is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.” 17 U.S.C. § 109(a).

***This Court Vindicates Kirtsaeng And Clarifies
The Scope Of The “First Sale” Doctrine***

This Court granted Kirtsaeng’s petition for certiorari and reversed. Pet. App. 35a-50a. In short, this Court concluded, based on the language of § 109(a), that so long as the work in question was made in compliance with the Copyright Act, the first sale of that copy—regardless of where it was manufactured or sold—extinguishes the copyright holder’s exclusive right to, among other things, import and resell that copy of the work. Pet. App. 36a-50a.

In reaching its conclusion, the Court relied on the policy consequences highlighted by Kirtsaeng and his amici. Pet. App. 52a-56a. The amici—through their experience buying and selling copyrightable works manufactured abroad—demonstrated “the practical copyright-related harms” that would occur if, as Wiley had urged, works manufactured and sold abroad could not be imported and resold in the United States without prior approval of the copyright holder. These “horribles” included “the disruptive impact of the threat of [copyright] infringement suits” on “many, if not all, of” the “over \$2.3 trillion worth of foreign goods [that] [a]re imported” and sold in the United States annually. Pet. App. 54a-55a. Such “horribles,” this Court feared, were “too serious, too extensive, and too likely to come about” to ignore, “particularly in light of the ever-growing importance of foreign trade to America.” Pet. App. 55a, 57a-58a.

Accordingly, relying on the statutory language of § 109(a), its legislative history, and consequences that would befall the economy under Wiley’s inter-

pretation, the Court held that the “first sale” doctrine protected the importation and resale of works manufactured and purchased abroad.

This Court’s decision in *Kirtsaeng*’s favor came as a surprise to commentators who had been following the issue. C.A. 399-411. *Kirtsaeng*’s defense had lost two terms earlier when this Court split 4-4. *See* Pet. App. 131a-132a. But in *Kirtsaeng*, with nine justices eligible to hear the matter, *Kirtsaeng* was able to prevail by taking a dramatically different approach to the statutes in question from the approach pressed by the defendant in the earlier case. C.A. 360-63 (¶¶ 22-24, 36). The shift in strategy worked, and *Kirtsaeng* prevailed 6-3, persuading the previously recused justice and another justice who must have sided against *Kirtsaeng*’s position two years prior.

On remand, the Second Circuit held that “*Kirtsaeng* [has] a valid defense to copyright infringement,” reversed the district court’s judgment against *Kirtsaeng*, and remanded for further proceedings. Pet. App. 28a.

Kirtsaeng Seeks His Attorneys’ Fees, And The Lower Courts Rule Against Him, Again

On remand, *Kirtsaeng*—as the now prevailing party—sought his attorneys’ fees under § 505 of the Copyright Act. Wiley opposed *Kirtsaeng*’s fee request both as to *Kirtsaeng*’s entitlement to any fees and as to the reasonableness of the fees sought.

The district court held that *Kirtsaeng* was not entitled to fees at all (and therefore did not address

the reasonableness of the fees sought). Pet. App. 6a-24a. The district court began its analysis by finding that Wiley's suit was not "objectively unreasonable." Pet. App. 12a. Because the "[Second] Circuit has emphasized in particular the importance of ... objective unreasonableness," Pet. App. 10a, the rest of the district court's analysis flowed from that single finding. The court found "it ... true that this litigation clarified the boundaries of copyright law" and thus advanced the purposes of the Copyright Act. Pet. App. 18a. But, the court held that the "need to compensate" Kirtsaeng for vindicating his rights under the Copyright Act and advancing the Copyright Act's purposes was "not so strong as to outweigh the fact that Wiley's claim was not objectively unreasonable." Pet. App. 16a-17a. It did not matter that "Kirtsaeng's successful defense against Wiley's claim clarified the contours of the Copyright Act," that Kirtsaeng obtained a high "degree of ... success in this litigation," or that Kirtsaeng overcame a massive "imbalance of wealth and power between" him and Wiley. Pet. App. 17a-18a. To the district court, "none of these ... factors outweighs the substantial weight accorded to the objective reasonableness of Wiley's ultimately unsuccessful claim." Pet. App. 18a; *see also* Pet. App. 15a-16a (any litigation misconduct by Wiley also would "not outweigh the important factor that [Wiley's] claim was objectively reasonable").

Kirtsaeng appealed, and the Second Circuit affirmed. Pet. App. 1a-5a. The panel acknowledged that it did "not agree in every instance with the district court's evaluation." Pet. App. 5a. Nevertheless, applying binding Second Circuit precedent, the court of appeals held that the district court properly

“placed ‘substantial weight’ on the reasonableness” of the losing plaintiff’s claim. Pet. App. 4a (quoting *Matthew Bender & Co. v. W. Publ’g Co.*, 240 F.3d 116, 122 (2d Cir. 2001)). To the Second Circuit, “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.* (quoting *Matthew Bender*, 240 F.3d at 122). Thus, it did not matter that many other factors supported Kirtsaeng’s request for fees because “th[o]se factors did not outweigh the ‘substantial weight’ afforded to John Wiley and Sons’ objective reasonableness.” Pet. App. 5a.

REASONS FOR GRANTING THE PETITION

This Court should grant the petition because: (I) the courts of appeals are in utter disarray about the standard for considering fee requests under the Copyright Act; (II) the decision below contravenes this Court’s precedent; and (III) this case presents an ideal vehicle to consider this important question of federal law.

I. The Courts Of Appeals Are Hopelessly Split On The Proper Standard For Fee Awards Under The Copyright Act

Section 505 of the Copyright Act provides plainly that, in a copyright case, a “court may ... award a reasonable attorney’s fee to the prevailing party as part of the costs.” Nevertheless, the courts of appeals have long struggled with how to apply that simple statute.

Prior to this Court's decision in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 520-21 (1994), the courts of appeals were divided about whether § 505 authorized courts to award attorneys' fees to "prevailing plaintiffs ... as a matter of course," but only to "prevailing defendants ... [who] show that the original suit was frivolous or brought in bad faith." This double standard on attorneys' fees for prevailing plaintiffs and defendants was borne out of an old district court precedent from within the Second Circuit that held: "In the case of a prevailing defendant, ... if an award is to be made at all, it represents a penalty imposed upon the plaintiff for institution of a baseless, frivolous, or unreasonable suit, or one instituted in bad faith." *Id.* at 532 n.18 (quoting *Breffort v. I Had a Ball Co.*, 271 F. Supp. 623, 627 (S.D.N.Y. 1967)); *see id.* at 521 n.8 (observing that the Second Circuit applied a disparate standard that placed "a greater burden ... upon prevailing defendants than prevailing plaintiffs").

Fogerty "reject[ed]" what this Court dubbed the "dual" standard treating prevailing plaintiffs "differently" from prevailing defendants. *Id.* at 520, 533. Because "a successful defense of a copyright infringement action may further the policies of the Copyright Act," "defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious claims of infringement." *Id.* at 527. In holding that "[p]revailing plaintiffs and prevailing defendants are to be treated alike," *id.* at 534, this Court offered "several nonexclusive factors" that courts "may" consider to "guide [their] discretion" under § 505, *id.* at 534 n.19. Those "nonexclusive factors ... include

‘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.* (citation omitted). This Court made clear, however, that any factors may be used in considering whether to award fees to a prevailing party under the Copyright Act, but only “so long as such factors are faithful to the purposes of the Copyright Act.” *Id.* “[F]aithful[ness] to the purposes of the Copyright Act” was to be the primary “guide” to lower “courts’ discretion.” *Id.*

Even since *Fogerty*, the courts of appeals have continued to struggle with the standard for awarding attorneys’ fees under § 505. Eight courts of appeals have split at least four ways in considering defendants’ fee requests under § 505. Those standards range from a presumption in favor of fee awards (Fifth and Seventh Circuits) to a presumption against fee awards when the losing party’s claims or defenses were not objectively unreasonable (Second Circuit).

A. One camp asks simply whether the prevailing party’s claim or defense furthered the interests of the Copyright Act, with no presumptions one way or the other.

This is the approach in the Ninth Circuit, for example, where this Court’s *Fogerty* decision originated. After this Court overruled the Ninth Circuit’s dual approach to attorneys’ fees under § 505 in *Fogerty*, the matter was remanded for consideration of fees under an evenhanded approach. 510 U.S. at 520-21. Freed from the dual approach, the district

court awarded the prevailing defendant his attorneys' fees, and the Ninth Circuit affirmed. *Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 555 (9th Cir. 1996).

On appeal, the Ninth Circuit rejected the losing plaintiff's argument that fees should not be awarded because it had no "culpability"—i.e., its claims were not unreasonable or frivolous. "[A]ttorney's fee awards to prevailing defendants are within the district court's discretion if they further the purposes of the Copyright Act and are evenhandedly applied." *Id.* at 558; *accord id.* at 559 (collecting cases about the "importance of promoting the Copyright Act's objectives in considering attorney's fee awards"). This rule, the Ninth Circuit explained, derives from this Court's instruction that factors cannot be considered "if they are not 'faithful to the purposes of the Copyright Act.'" *Id.* at 558 (quoting *Fogerty*, 510 U.S. at 534 n.19). "Faithfulness to the purposes of the Copyright Act," the Ninth Circuit explained, "is, therefore, the pivotal criterion" in assessing a fee request under § 505. *Id.* In *Fantasy v. Fogerty*, because defendant Fogerty's "victory on the merits furthered the purposes of the Copyright Act," the Ninth Circuit held that he was entitled to his fees under the Copyright Act. *Id.* at 555; *accord id.* at 559 ("Fogerty's defense sufficiently furthered the purposes of the Copyright Act to warrant an award of attorney's fees.").

The Eleventh Circuit's analysis also focuses on whether the successful claim or defense of the prevailing party advanced the purposes of the Copyright Act: "The *touchstone* of attorney's fees under § 505 is whether imposition of attorney's fees will *further the interests of the Copyright Act, i.e.,* by encouraging the

raising of objectively reasonable claims and defenses, which may serve not only to deter infringement but also to ensure ‘that the boundaries of copyright law are demarcated as clearly as possible.’” *MiTek Holdings Inc. v. Arce Eng’g Co.*, 198 F.3d 840, 842-43 (11th Cir. 1999) (emphasis added) (quoting *Fogerty*, 510 U.S. at 527). “[I]n determining whether to award attorney’s fees under § 505, the district court should consider ... whether imposition of fees will further the goals of the Copyright Act.” *Id.* at 843. In *MiTek*, the Eleventh Circuit vacated and remanded “[b]ecause the district court did not assess whether imposition of attorney’s fees would further the goals of the Copyright Act.” *Id.*

B. By contrast, the Fifth and Seventh Circuits do not initially rely on a case-by-case analysis when considering a request for fees in a copyright case. Instead, both courts of appeals apply a presumption in favor of a fee award for prevailing parties. “Since *Fogerty* we have held that the prevailing party in copyright litigation is *presumptively entitled* to reimbursement of its attorneys’ fees.” *Riviera Distribs., Inc. v. Jones*, 517 F.3d 926, 928 (7th Cir. 2008) (emphasis added). Thus, the question in the Seventh Circuit is not whether the prevailing party is entitled to attorneys’ fees, but rather: “Is there any reason not to honor the presumption that the prevailing party, plaintiff or defendant, recovers attorneys’ fees under § 505?” *Id.* (emphasis omitted).

The Seventh Circuit adopted this rebuttable presumption in favor of fee awards because “an award of attorneys’ fees may be necessary to enable the party possessing the meritorious claim or defense to press it to a successful conclusion rather than sur-

render it because the cost of vindication exceeds the private benefit to the party.” *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004). The Seventh Circuit explains that its presumption in favor of fees advances the purposes of the Copyright Act by incentivizing parties who would otherwise “be under pressure to throw in the towel” to continue litigating, *id.*, thereby further clarifying the boundaries of the Copyright Act and providing greater public access to copyrightable works, *see Fogerty*, 510 U.S. at 527.

While it does not use the term “presumption,” the Fifth Circuit follows the Seventh Circuit in awarding fees under § 505 unless the losing party proves that fees should not be awarded. Under the Fifth Circuit’s analysis: “[A]lthough attorney’s fees are awarded in the trial court’s discretion in copyright cases, they are the *rule rather than the exception* and should be awarded *routinely*.” *Hogan Sys., Inc. v. Cybresource Int’l, Inc.*, 158 F.3d 319, 325 (5th Cir. 1998) (emphasis added) (quoting *McGaughey v. Twentieth Century Fox Film Corp.*, 12 F.3d 62, 65 (5th Cir. 1994)).³

C. Still other courts of appeals—namely the Third, Fourth, and Sixth Circuits—have forged yet another path that does not employ a presumption or

³ The Sixth Circuit agrees that “[t]he grant of fees and costs is the rule rather than the exception and they should be awarded routinely,” *Bridgeport Music, Inc. v. WB Music Corp.*, 520 F.3d 588, 592 (6th Cir. 2008) (quotation marks and brackets omitted), though, as explained *infra*, the Sixth Circuit still predominantly applies the four factors mentioned in *Fogerty*.

explicitly consider whether the prevailing party advanced the purposes of the Copyright Act.

Instead, these courts rely on the four “nonexclusive factors” listed in *Fogerty* as factors that courts “may ... use[] to guide” their analysis—“frivolousness, motivation, objective unreasonableness ...[,] and ... considerations of compensation and deterrence.” 510 U.S. at 534 n.19 (quoting *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (3d Cir. 1986)). The Third Circuit has continued to follow its pre-*Fogerty* analysis, and the Sixth Circuit has similarly adopted this Court’s nonexclusive factors as the factors to consider when considering a fee award. See *Thoroughbred Software Int’l, Inc. v. Dice Corp.*, 488 F.3d 352, 361 (6th Cir. 2007) (“This Court uses [the] four non-exclusive [*Fogerty*] factors ...”); *Lieb*, 788 F.2d at 156. Meanwhile, the Fourth Circuit uses three of the four *Fogerty* factors as well as “any other relevant factor presented.” *Bond v. Blum*, 317 F.3d 385, 397 (4th Cir. 2003) (quotation marks omitted).

Further complicating matters, the Fifth Circuit does “not require” that its courts consider any of the factors identified in *Fogerty* and, instead, has accepted the district court’s use of a 12-factor analysis wholly separate from *Fogerty*. See *Hogan Sys., Inc.*, 158 F.3d at 325 (accepting factors from *Johnson v. GA Highway Exp., Inc.*, 488 F.2d 714, 717-19 (5th Cir. 1974)).

D. Despite the disarray in the seven previously discussed courts of appeals, the Second Circuit parts ways with all of them and holds to yet another approach. Rather than awarding fees when the prevailing party has advanced the purposes of the

Copyright Act or adopting a presumption in favor of fee awards or weighing a wide range of factors, the Second Circuit acknowledges the four factors mentioned in *Fogerty* but then, as it did in this case, places “substantial weight” on the reasonableness of the losing party’s claim. Pet. App. 4a (quoting *Matthew Bender*, 240 F.3d at 122). Instead of considering whether the successful claim or defense has advanced the purposes of the Copyright Act, the Second Circuit holds that “the imposition of a fee award” against a party who has advanced an “objectively reasonable” claim or defense does “not promote the purposes of the Copyright Act.” *Id.* (quoting *Matthew Bender*, 240 F.3d at 122).

By definition, a claim or defense that is “unreasonable” is one that is outside the norm of a usual claim, so, by applying a rule that attorneys’ fees are generally not awarded except when the losing party’s claim or defense was *unreasonable*, the Second Circuit has created a presumption *against* awarding fees. See *Lava Records LLC v. Amurao*, 354 F. App’x 461, 462-63 (2d Cir. 2009) (declining to adopt Fifth and Seventh Circuit’s presumptions). Awarding fees principally when a suit or defense is *unreasonable* makes the award of fees to prevailing parties the exception rather than the rule.

II. The Decision Below Conflicts With This Court’s Established Precedents

Not only is § 505 devoid of any indication that objective reasonableness is a factor to be given “substantial weight,” Pet. App. 5a, but affording objective reasonableness such undue weight contravenes this Court’s decision in *Fogerty* as well as its recent

decision interpreting the fee provision of the Patent Act.

A. The Decision Below Is Inconsistent With This Court’s Authority Interpreting The Copyright Act

The Copyright Act arises from constitutional imperative “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” U.S. Const., Art. I, § 8, cl. 8. As the constitutional grant makes clear, while “[t]he immediate effect of our copyright law is to secure a fair return for an author’s creative labor[,] ... the ultimate aim is, by this incentive, to stimulate artistic creativity *for the general public good.*” *Fogerty*, 510 U.S. at 526-27 (emphasis added; additional quotation marks omitted) (quoting *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975)). “The primary objective of copyright [law] is not to reward the labor of authors, but “to promote the Progress of Science and useful Arts.”” *Id.* at 527 (brackets omitted) (quoting *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349-50 (1991)).

“[C]opyright law ultimately serves the purpose of enriching the general public through access to creative works.” *Id.* at 527. Accordingly, this Court has counseled that “it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible.” *Id.* “To that end, defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious claims of infringement” because “a successful

defense of a copyright infringement action may further the policies of the Copyright Act every bit as much as a successful prosecution of an infringement claim.” *Id.*

Having elucidated the “primary objective” of the Copyright Act and the critical role that “meritorious copyright defenses” can play in advancing the Copyright Act’s primary objective, *id.* (quotation marks omitted), *Fogerty* instructed that any factor “may be used to guide courts’ discretion [in awarding attorneys’ fees under § 505],” including the nonexclusive factors it listed, but only “so long as such factors [1] are faithful to the purposes of the Copyright Act and [2] are applied to prevailing plaintiffs and defendants in an evenhanded manner,” *id.* at 534 n.19.

The Second Circuit’s approach flouts both of these limitations from *Fogerty*.

Faithfulness to the purposes of the Copyright Act. This Court’s rationale for awarding fees to prevailing parties is that their successful claims or defenses can advance the purposes of the Copyright Act by helping to clarify the boundaries of copyright law and thus either incentivize creativity or secure public access to copyrightable works. *Id.* at 527.

This case is exhibit 1 of a case where the meritorious defense of a prevailing defendant clarified the boundaries of copyright law and secured public access to copyrightable works.

First, before this Court’s decision in *Kirtsaeng*, this Court was divided 4-4 on whether the “first sale”

doctrine protects the importation and resale of works manufactured and purchased abroad. *See* Pet. App. 35a-36a. Before this Court’s decision, no court of appeals had applied the “first sale” doctrine to works manufactured and sold abroad, and it appeared that five justices⁴ had concluded that the “first sale” doctrine did not apply to works manufactured and sold abroad. But Kirtsaeng vigorously pursued his defense in the face of those long odds, ultimately persuading this Court that the “first sale” doctrine does indeed apply to works sold abroad. In accepting Kirtsaeng’s reading of the relevant statutory provisions, this Court definitively resolved the issue and held that works lawfully manufactured and sold abroad can be imported and resold in the United States without fear of copyright infringement liability, Pet. App. 35a-69a, thereby clarifying the law and “demarcate[ing] as clearly as possible” “the boundaries of copyright law” in this critical area, *see Fogerty*, 510 U.S. at 527.

That is undisputed. The district court found “it is true that this litigation clarified the boundaries of copyright law,” Pet. App. 18a, and Wiley conceded the same in the briefing below, Wiley C.A. Ans. Br. 35 (“It is certainly true that the litigation has resulted in a clarification of the boundaries of copyright law.”); C.A. 554 (“The parties’ respective litigation efforts together contributed to clarification of the boundaries of copyright law.” (emphasis omitted)). Indeed, this is the case that proves the rule in *Foger-*

⁴ The five justices were the four that had voted against the defendant’s position in *Costco* and the justice who was recused for having filed a brief in *Costco* against the defendant’s position.

ty: Absent Kirtsaeng pursuing his “first sale” defense all the way through the Supreme Court, the boundaries of copyright law as it relates to the importation and resale of copyrighted goods would be unclear, at best, or, worse, drawn in a way that undermines the widespread dissemination of copyrightable works. *See* Pet. App. 52a-56a (this Court explaining real-world consequences of Wiley’s proposed reading).

Second, Kirtsaeng’s successful pursuit of his “first sale” defense “enrich[ed] the general public” and “serve[d] the public good” by enhancing the public’s access to copyrighted works. *Fogerty*, 510 U.S. at 526-27. Under Wiley’s urged reading of the “first sale” doctrine, works manufactured and purchased abroad could not be imported and resold in the United States without the copyright holder’s permission. Such a reading would have wrought horrendous “practical copyright-related harms ... threaten[ing] ordinary scholarly, artistic, commercial, and consumer activities.” Pet. App. 38a; *accord* Pet. App. 52a-56a.

For example, computers and other electronics manufactured abroad and containing copyrighted software could not be imported and resold in the United States without the permission of the copyright holder. Equipment containing copyrighted instructions and user manuals also could not be imported and resold. Libraries and used bookstores looking to import foreign-printed books as well as clothing retailers trying to import foreign-manufactured clothing with copyrighted designs would be unable to do so without the copyright-holder’s permission. Even museums planning to import priceless works of foreign art would be unable to

do so without the prior approval of the copyright holder, the identity of whom may be impossible to determine.

As the foregoing demonstrates, “reliance upon the ‘first sale’ doctrine is deeply embedded in the practices of ... booksellers, libraries, museums, and retailers[] who have long relied upon its protection” to save them from claims of copyright infringement for importing and reselling works manufactured abroad. Pet. App. 56a. Indeed, this Court tallied that “many, if not all, of” the “over \$2.3 trillion worth of foreign goods [that] [a]re imported” and sold in the United States every year would be subject “to the disruptive impact of the threat of [copyright] infringement suits” under Wiley’s proposed reading of the “first sale” doctrine. Pet. App. 52a-55a.

And, yet, the Second Circuit’s emphasis on objective reasonableness has nothing to do with encouraging meritorious claims and defenses to clarify copyright law and advance the Copyright Act’s purpose. The Second Circuit affords “substantial weight” to the objective-reasonableness factor, Pet. App. 4a (quoting *Matthew Bender*, 240 F.3d at 122), because, as the Second Circuit sees it: “[T]he 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,” Pet. App. 4a (emphasis added) (quoting *Matthew Bender*, 240 F.3d at 122). Under that approach, losing parties whose losing arguments were objectively reasonable will not be sanctioned with an adverse fee award whereas losing parties whose losing arguments were objectively *unreasonable* will be. Such an approach is not about encouraging meritori-

ous claims and defenses but instead about *discouraging* unreasonable claims and defenses by *punishing* the party that brought them through an adverse fee award.

This sort of punishment-oriented approach to fee awards under the Copyright Act was part of what this Court rejected in *Fogerty*. Prior to *Fogerty*, an award of fees to a prevailing defendant would “represent[] a penalty imposed upon the plaintiff for institution of a ... unreasonable suit.” 510 U.S. at 532 n.18 (quoting *Breffort*, 271 F. Supp. at 627). *Fogerty* rejected it as “too narrow a view of the purposes of the Copyright Act because it fails to adequately consider the important role played by copyright defendants.” *Id.* Specifically, such an approach fails to take into account that “a successful defense of a copyright infringement action may further the policies of the Copyright Act every bit as much as a successful prosecution of an infringement claim.” *Id.* at 527. Defenses codified in the Copyright Act itself, such as the “first sale” doctrine, 17 U.S.C. § 109(a), enhance dissemination of expression, thereby promoting the purposes of the Copyright Act and thus should be encouraged. This is especially so when both sides have raised colorable arguments, rather than when one side’s arguments are objectively unreasonable. See *Lotus Dev. Corp. v. Borland Int’l, Inc.*, 140 F.3d 70, 75 (1st Cir. 1998) (“[A] copyright defendant’s success on the merits in a case of first impression may militate in favor of a fee award” because “[w]hen close infringement cases are litigated, copyright law benefits from the resulting clarification of the doctrine’s boundaries.”).

The decision below asserted, without explanation, that the Second Circuit’s “emphasis on objective reasonableness was firmly rooted in the Supreme Court’s admonition that any factor a court considers in deciding whether to award attorneys’ fees must be ‘faithful to the purposes of the Copyright Act.’” Pet. App. 4a (quoting *Matthew Bender*, 240 F.3d at 122). But the panels, both below and in *Matthew Bender*, do not explain why objective reasonableness is rooted in faithfulness to the Copyright Act’s purposes—nor is an explanation apparent. *Matthew Bender* observes that the “principle purpose” of the Copyright Act is “encourag[ing] the origination of creative works.” 240 F.3d at 122 (quotation marks omitted). And even if this Court had not already rejected such a narrow reading of the Copyright Act’s purpose, *supra* 17-18; *see also Golan v. Holder*, 132 S. Ct. 873, 888-89 (2012), it would not explain why objective reasonableness is relevant to—much less firmly rooted in—faithfulness to the Copyright Act’s purpose.

Accordingly, it is no answer to say, as the courts below did, that the Second Circuit’s jurisprudence “reserve[s] a space for district courts to decide that other factors may outweigh the objective unreasonableness factor.” Pet. App. 4a (quoting Pet. App. 13a). The court of appeals here held that any other factors supporting an award of fees for Kirtsaeng, such as advancing the Copyright Act’s purposes, “did not outweigh the ‘substantial weight’ afforded to ... objective reasonableness.” Pet. App. 5a. Determining whether or not advancing the purposes of the Copyright Act “outweigh[s]” the objective reasonableness of the losing party, *id.*, does not make “faithful[ness] to the purposes of the Copyright Act” the principal

consideration in determining whether to award fees. *Fogerty*, 510 U.S. at 534 n.19. Instead, objective reasonableness becomes the primary consideration, one that can only be overcome—or “outweigh[ed]”—with other particularly strong showings. Pet. App. 5a.

To be sure, there is nothing wrong with discouraging parties from bringing objectively unreasonable claims and defenses. Rule 11 of the Federal Rules of Civil Procedure performs that function admirably and thus makes § 505 unnecessary under the Second Circuit’s standard. In any event, the “policies served by the Copyright Act are more complex[] [and] more measured” than simply punishing parties for bringing unreasonable claims and defenses. *See Fogerty*, 510 U.S. at 526.

Requiring evenhanded consideration of fee requests. In *Fogerty*, this Court insisted that lower courts must consider fee requests in “an evenhanded manner.” 510 U.S. at 534 n.19. But, again, the Second Circuit’s approach contravenes this Court’s instruction.

The Second Circuit emphasizes objective reasonableness because “the imposition of a fee award against a *copyright holder* with an objectively reasonable position will generally not promote the purposes of the Copyright Act.” Pet. App. 4a (emphasis added) (quoting *Matthew Bender*, 240 F.3d at 122). But this rationale is, itself, not evenhanded. It speaks only to the objectively reasonable claims of a copyright holder, not of those by an accused defendant. Instead, the Second Circuit’s approach is a return to its own past practice of favoring fee awards for prevailing plaintiffs and only awarding fees

against prevailing plaintiffs when it is a “penalty imposed” against them for instituting a “baseless, frivolous, or unreasonable suit.” *Fogerty*, 510 U.S. at 532 n.18 (quoting *Breffort*, 271 F. Supp. at 627); *id.* at 521 n.8 (identifying Second Circuit as one of the courts of appeals that applied a disparate “dual’ standard” to prevailing plaintiffs and prevailing defendants).

Though the plain terms of a rule that heavily weights “objective reasonableness” need not evince a dual approach to fee awards, the practical effect is that prevailing plaintiffs much more easily obtain fee awards than prevailing defendants. Our research reveals that the Second Circuit has never approved a fee award to a prevailing defendant under the Copyright Act unless the plaintiff’s suit was objectively unreasonable. By contrast, however, the Second Circuit has approved a fee award to a prevailing plaintiff even though the defendant’s defenses were “non-frivolous[] [and] objectively reasonable.” *L.A. Printex Indus., Inc. v. Pretty Girl of Cal., Inc.*, 543 F. App’x 106, 107 (2d Cir. 2013) (affirming fee award for prevailing plaintiff). The difference, the Second Circuit has reasoned, is that fee awards for prevailing plaintiffs against losing defendants often are “in line with the statutory goal of deterrence [of copyright violations].” *Kepner-Tregoe, Inc. v. Vroom*, 186 F.3d 283, 289 (2d Cir. 1999) (affirming fee award for a prevailing plaintiff). Because awards for prevailing defendants against losing plaintiffs do not further the goal of *detering copyright violations*, under the Second Circuit’s approach, prevailing defendants are much less likely to obtain their attorneys’ fees. That is not the evenhanded approach this Court mandated in *Fogerty*.

B. The Decision Below Equates The Standard In Copyright Cases With The Much Higher Standard In Patent Cases

This Court recently addressed the standard for attorneys' fees under the very different fee provision of the Patent Act. Under the Patent Act, attorneys' fees are permitted only "in exceptional cases," 35 U.S.C. § 285. *See Fogerty*, 510 U.S. at 525 n.12 (contrasting the Copyright Act and Patent Act fee provisions).

In considering when a case is "exceptional" under the Patent Act, this Court recently held that fees are warranted when the case "stands out from others with respect to the substantive strength [or weakness] of a party's litigati[on] position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014). "[A] case presenting ... exceptionally meritless claims may sufficiently set itself apart from mine-run cases to warrant a fee award." *Id.* at 1757. Accordingly, under the Patent Act, the case may be sufficiently "exceptional" to "warrant a fee award" when the losing claim or defense was clearly meritless based on "the governing law and ... facts of the case." *Id.* at 1756-57. That is nearly the precise standard that courts in the Second Circuit use to determine whether a copyright claim is objectively unreasonable, i.e., "clearly without merit or otherwise patently devoid of legal or factual basis." *Silberstein v. Fox Entm't Grp., Inc.*, 536 F. Supp. 2d 440, 444 (S.D.N.Y. 2008).

By affording substantial weight to the objective-reasonableness consideration, the Second Circuit's rule makes it so that fees are awarded in a copyright case under the Copyright Act under the same circumstances that fees would be available in a patent case under the Patent Act—which is to say, when the case is “exceptional.” That cannot be correct. There is no requirement that a case be exceptional for fees to be awarded under the Copyright Act. *Compare* 35 U.S.C. § 285 (Patent Act) (permitting fees only in “exceptional cases”) *with* 17 U.S.C. § 505 (Copyright Act) (providing simply that a district court “may” award fees to the prevailing party). As this Court explained in *Fogerty*, the Patent Act contains a “proviso that fees are only to be awarded in ‘exceptional cases’” that is absent in the Copyright Act. 510 U.S. at 525 n.12; *accord Historical Research v. Cabral*, 80 F.3d 377, 378 (9th Cir. 1996) (quotation mark omitted) (observing that there is no requirement for the case to be “exceptional” under the Copyright Act).

By equalizing the Patent Act and the Copyright Act, the Second Circuit's rule makes it so the Patent Act's “exceptional case” requirement either has no effect *or* fee awards under the Copyright Act turn *sub silencio* on the exceptional unreasonableness of the losing party. Neither can be true. Congress's decision not to limit attorneys' fee awards in copyright cases to only exceptional cases must be given meaning. *Russello v. United States*, 464 U.S. 16, 23 (1983); *see also Moskal v. United States*, 498 U.S. 103, 109-10 (1990) (courts should “give effect, if possible, to every clause and word of a statute” (internal quotation marks omitted)).

III. This Case Is The Ideal Vehicle For Resolving An Issue Of National Importance

A. The proper interpretation of a federal statute, particularly one that has explicit origins in the Constitution, is always an issue of significant, national importance. That is just as true today as it was 20 years ago when this Court granted cert to consider the meaning of § 505 in *Fogerty*. It is also just as true today as it was in *Octane Fitness*, just two terms ago.

If anything, the importance of proper fee determinations has only increased as litigation costs have continued to rise. This Court recognized more than two decades ago in *Fogerty* that it is important that parties “be encouraged to litigate” their “meritorious copyright defenses” and “meritorious claims of infringement.” 510 U.S. at 527. That is because “an award of attorneys’ fees may be necessary to enable the party possessing the meritorious claim or defense to press it to a successful conclusion rather than surrender it because the cost of vindication exceeds the private benefit to the party.” *Assessment Techs.*, 361 F.3d at 437.

Though the copyright laws, and thus the public good, benefit from meritorious litigation that clarifies the boundaries of the Copyright Act, *Fogerty*, 510 U.S. at 527, for parties who stand to gain very little monetarily for prevailing—i.e., plaintiffs seeking small awards and defendants who “receive[] ... no [compensatory] award [for prevailing]”—the economic realities of the cost of litigating such a case may “force[]” that party “into a nuisance settlement or [be] deterred altogether from exercising [their]

rights.” *Assessment Techs., Inc.*, 361 F.3d at 437. This is especially true for “[a] defendant who [when he or she] prevails in copyright litigation vindicates the public’s interest in the use of intellectual property, but without an award of fees the prevailing defendant has only losses to show for the litigation.” *FM Indus., Inc. v. Citicorp Credit Servs., Inc.*, 614 F.3d 335, 339-40 (7th Cir. 2010). In those circumstances, “an award of attorneys’ fees may be necessary to enable the party possessing the meritorious claim or defense to press it to a successful conclusion.” *Assessment Techs.*, 361 F.3d at 437.

Ensuring that the incentives to continue to pursue meritorious claims and defenses are calibrated properly is particularly important in David vs. Goliath cases like this one. When Wiley brought this suit, Kirtsaeng was a graduate student on a Thai government scholarship that required him to return to Thailand as a professor. Pet. App. 34a. By contrast, Wiley (NYSE: JWA) is a global publishing company with 4900 employees and annual revenue of more than \$1.82 billion. John Wiley & Sons, Inc., Annual Report (Form 10-K), at 4, 13 (Apr. 30, 2015), available at <http://tinyurl.com/o8ecd7r>. Nevertheless, Wiley brought its substantial resources to bear in filing not just this lawsuit but a host of lawsuits against impecunious individual defendants and then engaging in scorched-earth litigation tactics to force those individual defendants to give in and settle.⁵

⁵ See, e.g., Compl., *John Wiley & Sons, Inc., v. John Doe Nos. 1-44*, No. 12-CV-1568, 2012 WL 870299 (S.D.N.Y. 2012); Am. Compl., *John Wiley & Sons, Inc., v. Ng*, No. 11-Civ-7627, 2012 WL 1611326 (S.D.N.Y. 2012); Compl., *John Wiley & Sons,*

Because parties with lesser means are more likely to settle or abandon defenses in order to avoid ever-accumulating fees and costs, *Assessment Techs.*, 361 F.3d at 437, the financial disparity between the parties is important. An impecunious defendant is far more likely to be forced to settle or abandon his rights because he cannot afford the heavy cost of litigation. If those economic “pressure[s]” force the defendant to “throw in the towel” and give up meritorious defenses, *id.*, copyright law and the public suffer from the missed opportunity to clarify copyright law and expand public access to original, scholarly works. *See Fogerty*, 510 U.S. at 527.

B. It is particularly important for this Court to take this issue to prevent putative plaintiffs from engaging in blatant forum shopping. As discussed above (at 25), the Second Circuit’s approach to fee awards under § 505 is decidedly pro-plaintiff since prevailing plaintiffs obtain their fees in the Second Circuit while prevailing defendants rarely—if ever—do. Accordingly, plaintiffs, such as Wiley, who could sue in any number of venues, are likely to shop for a forum, such as the Second Circuit, where it is unlikely that they would be compelled to pay attorneys’ fees if they lose. By contrast, such a plaintiff would

Inc., v. John Doe Nos. 1-21, No. 12-CV-4730, 2012 WL 2566389 (S.D.N.Y. 2012); Compl., *John Wiley & Sons, Inc., v. John Doe Nos. 1-35*, No. 12-CV-2968, 2012 WL 1389735 (S.D.N.Y. 2012); Compl., *John Wiley & Sons, Inc., v. John Doe Nos. 1-30*, No. 12-CV-3782, 2012 WL 1834871 (S.D.N.Y. 2012); Am. Compl., *John Wiley & Sons, Inc., v. Williams*, No. 12-Civ-0079, 2012 WL 3019463 (S.D.N.Y. 2012); Am. Compl., *John Wiley & Sons, Inc., v. Swancoat*, No. 08-CV-05672, 2009 WL 956206 (S.D.N.Y. 2009); Am. Compl., *John Wiley & Sons, Inc., v. Shumacher*, No. 09-CV-02108, 2009 WL 3219590 (S.D.N.Y. 2009).

likely avoid the Fifth or Seventh Circuits, where they presumptively would have to pay the prevailing defendant's fees. By granting certiorari and resolving the split in the courts of appeals, this Court can prevent further forum shopping in copyright cases.

C. This case is an ideal vehicle to examine the standard for awarding fees under the Copyright Act. Not only is this Court already familiar with the case, but the issues are crisply presented. As the district court already found as fact, it is undisputed that this litigation, including Kirtsaeng's pursuit of his meritorious defense under the "first sale" doctrine, "clarified the boundaries of copyright law," and therefore advanced the purposes of the Copyright Act. Pet. App. 18a, *accord* Wiley C.A. Ans. Br. 35; C.A. 554 (Wiley district court brief). That much is obvious from this Court's decision, which explained in detail how Kirtsaeng's reading of the "first sale" doctrine ensured greater public access to copyrightable goods manufactured abroad. Pet. App. 52a-59a. Kirtsaeng also overcame tremendous odds against a much larger and richer opponent to obtain an absolute victory.

At the same time, it is undisputed that Wiley's copyright claim was not frivolous or objectively unreasonable. The combination of undisputed issues here frees this Court to consider what the proper standard should be for an award of attorneys' fees under the Copyright Act without getting bogged down in the very different scenario where the losing party's claim was frivolous or objectively unreasonable.

The split amongst the court of appeals is also cleanly presented. Contrary to the analysis that would have been performed in other courts of appeals, the lower courts here placed “substantial weight” on the objective reasonableness prong and refused to award fees because other factors did not “outweigh” what the Second Circuit considers to be the weightiest of all factors. Pet. App. 4a (quoting Pet. App. 13a). Because Kirtsaeng’s fee petition would have been decided differently had objective reasonableness not been the factor that must be “outweigh[ed]” to obtain fees, the fractured approaches in the courts of appeals are well-presented here.

Finally, it is irrelevant that the Second Circuit chose to make its decision here unpublished. The panel applied the Second Circuit’s settled (and published) law in the form of *Matthew Bender*. Pet. App. 4a-5a (citing, quoting, and relying on *Matthew Bender*, 240 F.3d at 122). Accordingly, this case provides an appropriate vehicle to consider the disparate approaches of the courts of appeals to fee awards under the Copyright Act. And, in any event, this Court routinely takes cases where the decision of the court of appeals was unpublished—including eight times just last term alone. *See, e.g., Johnson v. United States*, 135 S. Ct. 2551 (2015); *Mata v. Lynch*, 135 S. Ct. 2150 (2015); *Bank of Am. v. Caulkett*, 135 S. Ct. 1995 (2015); *Henderson v. United States*, 135 S. Ct. 1780 (2015); *United States v. June*, 135 S. Ct. 1625 (2015); *Armstrong v. Exceptional Child Center, Inc.*, 135 S. Ct. 1378 (2015); *Gelboim v. Bank of Am. Corp.*, 135 S. Ct. 897 (2015); *Jennings v. Stephens*, 135 S. Ct. 793 (2015).

In short, this case presents an ideal vehicle to overturn the Second Circuit's approach to fee awards under the Copyright Act, which is flatly inconsistent with this Court's precedents, and to resolve a four-way circuit split that has hopelessly divided the courts of appeals.

CONCLUSION

For the foregoing reasons, this Court should grant the petition for a writ of certiorari.

Respectfully submitted,

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