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Don't Be Unreasonable: U.S. Supreme Court Sets the Standard for Awarding Attorneys' Fees in Copyright Cases

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You have just received a cease and desist letter related to something that was posted on your company's website. Some person that you've never heard of before is threatening to sue you for thousands of dollars for copyright infringement unless you purchase a license or agree to a settlement for some amount of money. You now find yourself having to decide whether to fight this claim in court or pay to settle the matter. Thursday's Supreme Court ruling changed the analysis of one issue that might weigh heavily in your decision to fight or settle - the risk of having to pay the other side's attorneys' fees.

In Kirtsaeng v. John Wiley and Sons, 568 U.S. __ (2016), the Supreme Court held that when a District Court is deciding whether to award attorneys' fees to a prevailing party in a copyright action, it should give substantial weight to whether the losing party's arguments were objectively reasonable, but reasonableness is only one factor to be considered. In fact, the Supreme Court instructs that even if a losing party's arguments were objectively reasonable, courts cannot apply a presumption against granting fees, and other factors such as litigation misconduct or the need to deter repeated instances of copyright infringement or overaggressive assertions of copyright claims should be considered.

In Kirtsaeng, petitioner, Supap Kirtsaeng successfully defended against a copyright infringement claim brought by the publishing company John Wiley and Sons. After winning, Kirtsaeng petitioned the court for $2 million for attorneys' fees. The Southern District of New York and the Second Circuit both denied the petition, giving "substantial weight" to the finding that John Wiley and Sons' legal positions were objectively reasonable, and noting that no other relevant factor outweighed the finding of reasonableness.

The Supreme Court criticized the Second Circuit's overreliance on reasonableness as a deciding factor, finding that the Second Circuit's language incorrectly implied that reasonableness alone creates a presumption against awarding attorneys' fees. Justice Kagan, writing for a unanimous Court, noted, "district courts in the Second Circuit appear to have overly learned the Court of Appeals' lesson, turning 'substantial' into more nearly 'dispositive' weight." The Court listed other factors that should be considered, including "frivolousness, motivation, and [in some cases] compensation and deterrence." The Court remanded the case and ordered the District Court to reconsider the matter against the backdrop of this clarified standard.

The Kirtsaeng decision also resolves a Circuit split on how much weight should be given to the reasonableness of the losing party' arguments. Prior to this case, courts in some circuits gave substantial weight to objective reasonableness, some gave it equal weight to other factors, and still, others presumed that a prevailing party is entitled to attorneys' fees. With Thursday's ruling in Kirtsaeng, a single standard now applies in all courts deciding a copyright action.

In conclusion, should you find yourself deciding whether to assert a copyright infringement claim or defend one, be aware that not only must your claims and defenses be reasonable, your strategies and tactics must pass muster to avoid attorneys' fees responsibility.

If your institution has questions or concerns about this topic and you would like further information, please email Karen I. Levin at klevin@cullenanddykman.com

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