

Award of Attorney's Fees in Copyright Litigation in the USA

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Introduction

I began the legal research in this essay when a federal judge in Illinois granted summary judgment to the defendant in a copyright infringement case, and the prevailing defendant then filed a motion to recover \$750,000 in attorney's fees. I did legal research for the plaintiff's attorney. *After* this case was concluded and after all appeals were finished, I posted my legal research — but *not* my confidential analysis of the client's case — at my website in this essay.

This essay reviews the evolution of legal criteria and standards for awards of attorney's fees in copyright cases, with emphasis on the U.S. Supreme Court's opinion in *Fogerty*, and subsequent cases in the Second, Fourth, Seventh, and Ninth Circuits. I included the Second and Ninth Circuit cases, because they are the major sources of copyright law jurisprudence in the USA.¹ I included many Seventh Circuit cases in this essay, because that was the jurisdiction where the case that inspired this essay was located. I included the Fourth Circuit, because some early Seventh Circuit cases cited Fourth Circuit cases. Because of the enormous value of fee-shifting in this case, I searched all federal cases nationwide for some detailed issues.

Beginning at page 82, I include some remarks on the concept of *reasonable* in fee-shifting in general, mostly from cases in the U.S. Supreme Court or the Seventh Circuit.

I did my own research first, so I could make an independent evaluation of the law on this topic. After I had spent approximately 80 hours doing legal research and drafting this essay during 3-17 May 2010, I went to a law library and searched for law review articles about fee-shifting in copyright cases. I found two articles published before the U.S. Supreme Court opinion in *Fogerty*, and four articles after *Fogerty*.

The topic of fee-shifting in copyright cases has received little attention in law review articles, and appellate opinions generally dispose of appeals of fee awards/denials in a terse paragraph or two. This lack of attention to fee-shifting is strange because the amount of attorney's fees often exceeds US\$ 100,000 and the amount of fees is often greater than the amount of damages awarded to a prevailing plaintiff in a copyright infringement case.

¹ The major publishing companies and television networks have headquarters in New York City (Second Circuit) and movie studios have headquarters in the Los Angeles area (Ninth Circuit).

disclaimer

This essay presents general information about an interesting topic in law, but is *not* legal advice for your specific problem. See my disclaimer at <http://www.rbs2.com/disclaim.htm> . From reading e-mail sent to me by readers of my essays since 1998, I am aware that readers often use my essays as a source of free legal advice on their personal problem. Such use is *not* appropriate, for reasons given at <http://www.rbs2.com/advice.htm> .

I list the cases in chronological order in this essay, so the reader can easily follow the historical development of law. If I were writing a legal brief, then I would use the conventional citation order given in the *Bluebook*. Because the original purpose of this essay was to collect cases that could be cited in a brief to a court, I have included long quotations from court cases.

Overview

If a plaintiff registers his/her copyright with the Copyright Office *before* the defendant infringes the copyright, *and* if the plaintiff wins the copyright infringement litigation, then courts may order the defendant to reimburse at least some of the plaintiff's attorney's fees, under 17 U.S.C. §§ 412, 505.

If a defendant wins copyright infringement litigation, then courts may order the plaintiff to reimburse at least some of the defendant's legal fees, under 17 U.S.C. § 505. The Seventh Circuit has case law since the year 2004 that establishes a "very strong presumption" that plaintiff will pay the prevailing defendant's attorney's fees, as explained below, beginning at page 42.

Before the year 1994, prevailing plaintiffs were commonly awarded attorney's fees, but a prevailing defendant needed to prove that plaintiff's claims were either baseless, unreasonable, frivolous, or brought in bad faith before a prevailing defendant could recover attorney's fees.² This dual standard was overruled by the U.S. Supreme Court in *Fogerty* in 1994. For this reason, one needs to use caution when citing cases decided before 1995 involving reimbursement of attorney's fees in copyright litigation.

There are two sets of criteria that judges should consider when awarding attorney's fees in copyright cases. One set is contained in *Lieb*,³ a Third Circuit case from 1986, the other set is contained in *McCulloch*,⁴ a Ninth Circuit case from 1987. The U.S. Supreme Court in *Fogerty*

² See the explanation that begins at page 9, below.

³ *Lieb* is discussed below, beginning at page 13.

⁴ *McCulloch* is discussed below, beginning at page 14.

endorsed the factors in *Lieb*. The *Lieb* factors are not particularly helpful to judges, and my reading of dozens of cases shows a lack of consistency by trial judges in the awarding of attorney's fees. Judge Posner of the Seventh Circuit noted this problem and wrote his own factors,⁵ which are binding precedent only in the Seventh Circuit, and which may conflict with the U.S. Supreme Court's suggested factors in *Fogerty*. In short, this area of the law is a mess.

There are at least two copyright cases in which attorney's fees of more than one million dollars have been awarded: *Basic Books v. Kinko's Graphics*, 21 USPQ2d 1639, 1991 WL 311892 (S.D.N.Y. 1991) (plaintiff awarded \$1.365 million in fees); *Fogerty v. Fantasy*, 94 F.3d 553 (9thCir. 1996) (defendant awarded \$1.347 million in fees, plus fees for the final appeal).⁶

For others who are doing searches of cases in this area, I suggest the following Westlaw terms and connectors search:

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copyright! /p ((attorney! counsel!) +1 fee) /s ....
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where the ellipses at the end must be replaced with additional relevant terms.

American Rule

The American Rule is that each party in litigation pays their own attorney's fees, in contrast with the British Rule that the loser reimburses the attorney's fees of the prevailing party. The U.S. Supreme Court has issued a long discussion of the American Rule in *Alyeska Pipeline Service Co. v. Wilderness Society*, 421 U.S. 240, 247-258 (1975). In 2007, the U.S. Supreme Court wrote:

Under the American Rule, "the prevailing litigant is ordinarily not entitled to collect a reasonable attorneys' fee from the loser." *Alyeska Pipeline Service Co. v. Wilderness Society*, 421 U.S. 240, 247, 95 S.Ct. 1612, 44 L.Ed.2d 141 (1975); see *Hauenstein v. Lynham*, 100 U.S. 483, 490-491, 25 L.Ed. 628 (1880); *Arcambel v. Wiseman*, 3 Dall. 306, 1 L.Ed. 613 (1796). This default rule can, of course, be overcome by statute. *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 717, 87 S.Ct. 1404, 18 L.Ed.2d 475 (1967).

It can also be overcome by an "enforceable contract" allocating attorney's fees. *Ibid.* *Travelers Casualty and Surety Co. of America v. Pacific Gas and Elec. Co.*, 549 U.S. 443, 448 (2007).

⁵ See *Gonzales*, which is discussed below, beginning at page 40, and the following case of *Assessment Technologies*.

⁶ *Fogerty* is discussed below, beginning at page 26.

17 U.S.C. § 505

The Copyright Act of 1976 contains a fee-shifting statute, but the award of attorney's fees is discretionary with the judge.

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 (enacted 1976, still current April 2010).

The section contains no factors for the judge to consider in deciding whether to award attorney's fees. The legislative history for this section of the Copyright Act of 1976 is terse and *unhelpful*.

The previous copyright statute, The Copyright Act of 1909, also tersely authorized awarding of attorney's fees to the prevailing party in a copyright case. 17 U.S.C. § 40 ("... the court may award to the prevailing party a reasonable attorney's fee as part of the costs."). Quoted in *Marks v. Leo Feist, Inc.*, 8 F.2d 460, 461 (2dCir. 1925); *Official Aviation Guide Co. v. American Aviation Associates*, 162 F.2d 541, 543 (7thCir. 1947); *Lewys v. O'Neill*, 49 F.2d 603, 618 (S.D.N.Y. 1931).

To understand fee-shifting in copyright litigation, it is first necessary to have a clear understanding of *why* there is a fee-shifting statute for copyright litigation. The U.S. Congress failed to explain why they included a fee-shifting statute in the Copyright Acts of 1909 and 1976. Awards for copyright infringement are often less than the attorney's fees of plaintiff, which makes it a Pyrrhic victory for plaintiff. A copyright law treatise from the year 1917 says:

The amount of money frequently involved in copyright litigation, especially on the part of the defendant is trifling. The expense of any litigation is considerable. Unless, therefore, some provision is made for financial protection to a litigant, if successful, it may not pay a party to defend rights, even if valid, a situation opposed to justice. It is increasingly recognized that the person who forces another to engage counsel either to vindicate, or defend, a right should bear the expense of such engagement and not his successful opponent.

Arthur Weil, *AMERICAN COPYRIGHT LAW*, 530-531 (1917).

Quoted in *Fogerty v Fantasy*, 510 U.S. 517, 529 (1994) (omits "either" in last sentence).

Allowing plaintiff to recover *both* damages *and* attorney's fees makes it worthwhile for a plaintiff to litigate copyright claims. The reasoning in the previous sentence is consistent with the old rule in the Second Circuit (see next section of this essay) that victorious plaintiffs routinely recovered their attorney's fees, but victorious defendants were awarded attorney's fees *only* if plaintiff's claims were *unreasonable*, *baseless*, or *frivolous*.

Weil in his book⁷ quotes an early judicial opinion that refers to fee-shifting in The Copyright Act of 1909:

The counsel fee provided for in the Copyright Act [of 1909] is merely a revival of old practice. I am not informed that it is known what reasons induced Congress to revive old practice in respect of copyrights only. Having, therefore, nothing but the text of the law to guide me, I do not regard the congressional provision as punitive, and I assume that the intent of Congress was merely to compensate counsel for professional labors. Consequently I inquire, not only into the extent of professional labor known to the court, but the importance of the litigation, both as to the principle involved and the pecuniary magnitude of the case. In my judgment the professional labor in this matter was out of all proportion to the principle or the amount of money involved. On the other hand, if I am right in my interpretation of the Copyright Act, the future importance of this litigation is but small, and the amount of money involved is certainly trivial.

Universal Film Mfg. Co. v. Copperman, 218 F. 577, 581-582, n.1 (2dCir. 1914) (quoting Judge Hough of the U.S. District Court, who awarded attorney's fees to a prevailing defendant).

A book on copyright law that was published approximately 16 years after the Copyright Act of 1909 authorized fee-shifting, tersely said:

The court may also award to the prevailing party in a copyright suit a reasonable attorney's fee as a part of the costs. The fees so awarded in cases reported have usually been small. [citing 3 cases]

Richard C. De Wolf, *AN OUTLINE OF COPYRIGHT LAW*, at 165 (1925).

Remarkably, my searches of opinions in Westlaw written by U.S. District Courts and U.S. Courts of Appeals found few judicial opinions that attempted to explain *why* the Copyright Acts of 1909 and 1976 contain a fee-shifting provision. Apparently, judges are content to mechanically apply a statute without understanding the reason for the statute. Of course, without understanding the reason for the statute, it is impossible to interpret the statute properly.

⁷ Arthur Weil, *AMERICAN COPYRIGHT LAW*, at 530 (1917).

Old Law in the Second Circuit

In March 1962, the Second Circuit affirmed an award of attorney's fees to a prevailing plaintiff:

The award of attorney's fees is discretionary with the court under the act. [citation omitted] Since such a provision for attorney's fees is at variance with the usual practice in litigation before our courts [i.e., the American Rule is the usual practice], however, it has been sparingly used and the amounts awarded modest. [citation omitted] In the case at bar, while a substantial amount of time was spent by plaintiffs' counsel, much of it was necessitated by counsel's unfamiliarity with the field. Considering, as we must, the amount of work necessary, the amount of work done, the skill employed, the monetary amount involved and the result achieved, we feel that \$10,000 is more than a liberal allowance and order the amount of attorney's fees reduced to \$5,000.

Orgel v. Clark Boardman Co., 301 F.2d 119, 122 (2d Cir. 1962), *cert. denied*, 371 U.S. 817 (1962).

In July 1967, a U.S. District Court in New York City summarized the law:

Section 116 of the Copyright Statute (Title 17 U.S.C. § 116) authorizes the Court in the exercise of its discretion to award 'to the prevailing party a reasonable attorney's fee as part of the costs'. It represents a departure from the normal practice of not permitting assessment of attorneys' fees as costs, which is designed to insure the availability of our courts to all alike by not rendering them prohibitive to the poor through imposition of heavy costs. For this reason an award of counsel fees is considered in the nature of a penalty which the Court has the discretionary power to impose on the losing party, see *Rose v. Bourne, Inc.*, 176 F.Supp. 605 (S.D.N.Y.), *aff'd*, 279 F.2d 79 (2d Cir.), *cert. denied*, 364 U.S. 880, 81 S.Ct. 170, 5 L.Ed.2d 103 (1960), and the statute has been 'sparingly used and the amounts awarded modest'. *Orgel v. Clark Boardman Co.*, 301 F.2d 119, 2 A.L.R.3d 1203 (2d Cir.), *cert. denied*, 371 U.S. 817, 83 S.Ct. 31, 9 L.Ed.2d 58 (1962). Accordingly the considerations prompting an award of fees to a successful plaintiff must of necessity differ from those determining whether a prevailing defendant is entitled to such an award. See *Davis v. E. I. DuPont de Nemours & Co.*, 257 F.Supp. 729 (S.D.N.Y. 1966, per Feinberg, J.). The purpose of an award of counsel fees to a plaintiff is to deter copyright infringement. See *Nom Music, Inc. v. Kaslin*, 227 F.Supp. 922, 928 (S.D.N.Y. 1964), *aff'd*, 343 F.2d 198 (2d Cir. 1965). In the case of a prevailing defendant, however, prevention of infringement is obviously not a factor; and 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. *Edward B. Marks Music Corp. v. Continental Record Corp.*, 222 F.2d 488 (2d Cir.), *cert. denied*, 350 U.S. 861, 76 S.Ct. 101, 100 L.Ed. 764 (1955); *Cloth v. Hyman*, 146 F.Supp. 185 (S.D.N.Y. 1956); *Barton Candy Corp. v. Tell Chocolate Novelties Corp.*, 178 F.Supp. 577 (E.D.N.Y. 1959); *Davis v. E. I. DuPont de Nemours & Co.*, *supra*.

Breffort v. I Had A Ball Co., 271 F.Supp. 623, 627 (S.D.N.Y. 1967).

Diamond (1984)

In September 1984, the Second Circuit affirmed an award of attorney's fees to a prevailing defendant in a copyright case, and validated a number of earlier holdings in the U.S. District Court in New York City:

Section 505 of the Copyright Act, 17 U.S.C. § 505, permits a court to “award a reasonable attorney's fee to the prevailing party,” but a distinction exists between the award of fees to a prevailing plaintiff and an award to a prevailing defendant. *Grosset & Dunlap, Inc. v. Gulf & Western Corp.*, 534 F.Supp. 606 (S.D.N.Y. 1982). Because Section 505 is intended in part to encourage the assertion of colorable copyright claims and to deter infringement, fees are generally awarded to prevailing plaintiffs. See e.g., *Breffort v. I Had A Ball Co.*, 271 F.Supp. 623, 627-28 (S.D.N.Y. 1967), cf. *Davis v. E.I. Dupont de Nemours & Co.*, 257 F.Supp. 729, 731 (S.D.N.Y. 1966). Fees to a prevailing defendant should not be awarded when the plaintiff's claim is colorable since such awards would diminish the intended incentive to bring such claims. See, e.g., *Italian Book Corp. v. American Broadcasting Co.*, 458 F.Supp. 65 (S.D.N.Y. 1978). When the plaintiff's claims are objectively without arguable merit, however, a prevailing defendant may recover attorney's fees under Section 505. See *Mailer v. R.K.O. Teleradio Pictures, Inc.*, 332 F.2d 747 (2dCir. 1964). Because the award of fees has a statutory basis, a finding of subjective bad faith is not necessary, compare *Nemeroff v. Abelson*, 704 F.2d 652 (2dCir. 1983) with *Christiansburg Garment Co. v. EEOC*, 434 U.S. 412, 98 S.Ct. 694, 54 L.Ed.2d 648 (1978), although the deliberate assertion of a meritless federal claim solely to obtain federal jurisdiction over pendent state claims qualifies as bad faith no matter how meritorious the state claims.

Judge Griesa [in the trial court] found appellant's copyright claim to be without a reasonable legal basis, a conclusion which the discussion above amply supports. An award of statutory attorney's fees to the defendants was thus a proper exercise of discretion. The amount awarded was limited to services rendered in defense of the copyright claim and was reasonable.

Diamond v. Am-Law Pub. Corp., 745 F.2d 142, 148-149 (2dCir. 1984).

Roth (1986)

In March 1986, the Second Circuit vacated the award of attorney's fees to a prevailing defendant in a copyright case.

“The award of attorney's fees is discretionary with the court under the [copyright] act.” *Orgel v. Clark Boardman Co.*, 301 F.2d 119, 122 (2d Cir.), cert. denied, 371 U.S. 817, 83 S.Ct. 31, 9 L.Ed.2d 58 (1962). The determination of whether a prevailing party is entitled to an award of attorneys' fees depends, in part, upon whether the plaintiff or defendant prevails. Because the Copyright Act is intended to encourage suits to redress copyright infringement, fees are generally awarded to a prevailing plaintiff. See *Diamond v. Am-Law Publishing Corp.*, 745 F.2d 142, 148 (2dCir. 1984). The logical converse of this legislative purpose, however, requires that attorneys' fees to prevailing defendants be awarded circumspectly to avoid chilling a copyright holder's incentive to sue on “colorable” claims. See *id.* This is particularly true since an award of attorneys' fees is deemed to serve the additional purpose of penalizing the losing party. See *Grosset & Dunlap, Inc. v. Gulf & Western Corp.*, 534 F.Supp. 606, 609 (S.D.N.Y. 1982).

The provision authorizing attorneys' fees "has been sparingly used and the amounts awarded modest." *Orgel*, 301 F.2d at 122. Prevailing defendants are granted such fees only when the "court finds plaintiff's suit to have been baseless, frivolous, unreasonable, or brought in bad faith." *Grosset & Dunlap*, 534 F.Supp. at 610; see also *Jartech, Inc. v. Clancy*, 666 F.2d 403, 407 (9thCir.), cert. denied, 459 U.S. 879, 103 S.Ct. 175, 74 L.Ed.2d 143 (1982).

Roth v. Pritikin, 787 F.2d 54, 57 (2dCir. 1986).

Roth v. Pritikin is unusual in that it contains an assertion that the purpose of the Copyright Act is to vindicate property rights ("encourage suits to redress copyright infringement").⁸

Whimsicality (1989)

In December 1989, the Second Circuit vacated that part of the district court's order which declined to award attorney's fees to prevailing defendants on summary judgment, and remanded the case to the district court for determination of whether plaintiff's misrepresentation in a copyright application was "bad faith" that would justify an award of attorney's fees to defendants.

The Copyright Act provides that the district court, in its discretion, may award attorney's fees to the prevailing party. 17 U.S.C. § 505 (1982). We review the determination of the district court for abuse of discretion. *Roth v. Pritikin*, 787 F.2d 54, 57 (2Cir. 1986).

We have interpreted the statute to distinguish between prevailing plaintiffs and defendants. Plaintiffs who prevail are awarded fees as a matter of course. *Diamond v. Am-Law Pub. Corp.*, 745 F.2d 142, 148 (2 Cir. 1984). Defendants, on the other hand, will recover if "plaintiff's claims are objectively without arguable merit," id., or "baseless, frivolous, unreasonable or brought in bad faith." *Roth*, supra, 787 F.2d at 57 (quoting *Grosset & Dunlap, Inc. v. Gulf & Western Corp.*, 534 F.Supp. 606, 610 (S.D.N.Y. 1982)). *Whimsicality, Inc. v. Rubie's Costume Co., Inc.*, 891 F.2d 452, 456-457 (2dCir. 1989).

Folio Impressions (1991)

In 1991, The U.S. Court of Appeals in New York City wrote:

Defendants requested that attorney's fees be awarded pursuant to 17 U.S.C. § 505 of the Copyright Act, which authorizes the district court in its discretion to award attorney's fees to the prevailing party. See *Whimsicality, Inc.*, 891 F.2d at 456. The district court denied the defendants' request. Whether to award attorney's fees depends, in part, on whether the plaintiff or the defendant is the prevailing party. *Roth v. Pritikin*, 787 F.2d 54, 57 (2dCir. 1986). Fees are awarded to prevailing plaintiffs as a matter of course, *Whimsicality, Inc.*, 891 F.2d at 457, but defendants are not awarded fees unless the plaintiff's suit is "baseless, frivolous, unreasonable, or brought in bad faith," *Roth*, 787 F.2d at 57, or "objectively without arguable merit." *Diamond v. Am-Law Publishing Corp.*, 745 F.2d 142, 148 (2dCir. 1984). This is because awards of attorney's fees to prevailing defendants on a more liberal

⁸ But see Peter Jazi, "505 And All That — The Defendant's Dilemma," 55 LAW & CONTEMPORARY PROBLEMS 107, 112 and n.17, 117 (Spring 1992) (See p. 115 for terse remarks about value of preserving the public domain).

basis would chill a copyright holder's incentive to sue to redress infringement, in contravention of the Copyright Act's intention to encourage such suits. See *Roth*, 787 F.2d at 57.

Folio Impressions, Inc. v. Byer California, 937 F.2d 759, 766-767 (2dCir. 1991).

This line of cases in the Second Circuit was overruled by the U.S. Supreme Court in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994).

U.S. Supreme Court: *Fogerty* (1994)

A prevailing defendant in a copyright infringement case moved for attorney's fees, which the trial court denied. The U.S. Court of Appeals affirmed, but the U.S. Supreme Court reversed. It is apparently obvious why a prevailing plaintiff should have his attorney's fees reimbursed: damages in copyright infringement cases are often less than the attorney's fees of plaintiff. The Court noted the reason why a prevailing defendant should have his attorney's fees reimbursed:

Because copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible. 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. In the case before us, the successful defense of "The Old Man Down the Road" increased public exposure to a musical work that could, as a result, lead to further creative pieces. Thus 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 by the holder of a copyright.

Fogerty v. Fantasy, Inc., 510 U.S. 517, 527 (1994).

The U.S. Supreme Court concluded:

Thus we reject both the "dual standard" adopted by several of the Courts of Appeals and petitioner's claim that § 505 enacted the British Rule for automatic recovery of attorney's fees by the prevailing party. Prevailing 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. "There is no precise rule or formula for making these determinations," but instead equitable discretion should be exercised "in light of the considerations we have identified." *Hensley v. Eckerhart*, 461 U.S. 424, 436-437, 103 S.Ct. 1933, 1941-1942, 103 S.Ct. 1933 (1983).**FN19** Because the Court of Appeals erroneously held petitioner, the prevailing defendant, to a more stringent standard than that applicable to a prevailing plaintiff, its judgment is reversed, and the case is remanded for further proceedings consistent with this opinion.

FN19. Some courts following the evenhanded standard have suggested several nonexclusive factors to guide courts' discretion. For example, the Third Circuit has listed several nonexclusive factors that courts should consider in making awards of attorney's fees to any prevailing party. These 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." *Lieb v. Topstone Industries, Inc.*, 788 F.2d 151, 156 (1986). We agree that

such factors may be used to guide courts' discretion, 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.

Fogerty v. Fantasy, Inc., 510 U.S. 517, 534-535 (1994).

The final disposition of *Fogerty* is discussed below, beginning at page 26.

Footnote 19 in *Fogerty* is welcome guidance, because the Copyright statute provides no guidance for judges. Immediately below, I quote extensively from *Lieb*, to give more detailed guidance.

Lieb (3dCir. 1986)

The U.S. Supreme Court in *Fogerty* cited *Lieb* with approval, so I quote the relevant part of *Lieb* below, to expand on the Court's guidance. In April 1986, the U.S. Court of Appeals in New Jersey wrote in *Lieb*:

Similarly, we do not believe Congress intended that the prevailing party should be awarded attorney's fees in every case as a matter of course. Were that the contemplated result, the statute would not have left the matter to the courts' discretion but would simply have mandated a fee allowance. [Cite as: 788 F.2d at 156] That Congress was quite able to distinguish the alternatives is made clear by the language in section 40 of the predecessor statute: "Full costs shall be allowed, and the court may award ... a reasonable attorney's fee as part of the costs." (emphasis added).

Thus we do not require bad faith, nor do we mandate an allowance of fees as a concomitant of prevailing in every case, but we do favor an evenhanded approach. The district courts' discretion may be exercised within these boundaries. **Factors which should play a part 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.**⁹ We expressly do not limit the factors to those we have mentioned, realizing that others may present themselves in specific situations. Moreover, we may not usurp that broad area which Congress has reserved for the district judge.

Having decided that fees should be awarded, the district court must then determine what amount is reasonable under the circumstances. As we noted in *Chappell*, 334 F.2d at 306, the **relative complexity of the litigation is relevant.**¹⁰ Also, a sum greater than what the client has been charged may not be assessed, but the award need not be that large. *Harris v. Emus Records Corp.*, 734 F.2d 1329 (9thCir. 1984); *Key West Hand Print Fabrics, Inc. v. Serbin, Inc.*, 269 F.Supp. 605 (S.D.Fla. 1966). **The relative financial strength of the parties is a valid consideration,**¹¹ *American Metropolitan Enterprises of New York, Inc. v. Warner*

⁹ Boldface added by Standler. This sentence was quoted in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534, n.19 (1994).

¹⁰ Boldface added by Standler.

¹¹ Boldface added by Standler.

Bros. Records, Inc., 389 F.2d 903 (2dCir. 1968); *Italian Book Corp. v. American Broadcasting Companies, Inc.*, 458 F.Supp. 65 (S.D.N.Y. 1978), as are the damages, *Oboler v. Goldin*, 714 F.2d 211 (2dCir. 1983); *Russell v. Price*, 612 F.2d 1123 (9thCir. 1979); *Cloth v. Hyman*, 146 F.Supp. 185 (S.D.N.Y. 1956). Where **bad faith**¹² is present that, too, may affect the size of the award. *Landsberg v. Scrabble Crossword Game Players, Inc.*, 736 F.2d 485 (9thCir. 1984).

In this case, plaintiff had ample opportunity to justify the filing of a lawsuit that patently had no legal merit. The principal justification plaintiff has proffered to this court has been the absence of bad faith, which as we noted above is not a prerequisite for the award of counsel fees under the Copyright Act. Thus, under ordinary circumstances, an award of some counsel fees to defendants would be appropriate. However, the arguments before the district court may suggest some other reason why an award of counsel fees is inappropriate, and we do not preclude the district court from so concluding on remand.

If the district court concludes that fees are proper, it should then consider the relative simplicity of the defense, and whether the retention of out-of-town counsel with the accompanying increased expense was necessary. **The sum requested is large, and we note that it may be both disproportionate to the amount at stake and excessive in light of the plaintiff's resources. We emphasize that the aims of the statute are compensation and deterrence where appropriate, but not ruination.**¹³

Lieb v. Topstone Industries, Inc., 788 F.2d 151, 155-156 (3dCir. 1986).

McCulloch (9thCir. 1987)

There is a less commonly used list of four factors to consider in awarding attorney's fees in copyright cases, which were first enunciated by Judge Blumenfeld in U.S. District Court in Connecticut in April 1980, in a case involving prevailing plaintiffs who were members of the American Society of Composers, Authors and Publishers (ASCAP):

Some of the considerations that might justify the denial of fees include [1] the presence of a complex or novel issue of law that the defendants litigate vigorously and in good faith, *Official Aviation Guide Co. v. American Aviation Ass'n*, 162 F.2d 541, 543 (7thCir. 1947); [2] the defendants' status as innocent, rather than wilful or knowing, infringers, see *Samet & Wells, Inc. v. Shalom Toy Co.*, 429 F.Supp. 895, 904 (E.D.N.Y. 1977), *aff'd mem.*, 578 F.2d 1369 (2dCir. 1978); [3] bad faith on the plaintiffs' part in prosecuting the action, see *Leo Feist, Inc. v. Apollo Records, N.Y. Corp.*, 300 F.Supp. 32, 43 (S.D.N.Y.), *aff'd*, 418 F.2d 1249 (2dCir. 1969), *cert. denied*, 398 U.S. 904, 90 S.Ct. 1694, 26 L.Ed.2d 63 (1970); or [4] a good faith attempt by the defendants to avoid infringement, *Shapiro, Bernstein & Co. v. Veltin*, 47 F.Supp. 648, 650 (W.D.La. 1942).

None of these justifications for denying an award of fees is present in this case. Quite the contrary, liability is unquestionable on both the law and the facts; the defendants' conduct, whatever their precise state of mind, was certainly not innocent; they repeatedly rebuffed offers to resolve this dispute prior to the commencement of litigation; their defense efforts in this action have been spare; and they made no attempt whatsoever to avoid infringement although they were well aware of the law's requirements. While statutory damages are assessed in lieu of actual damages, "the counsel fees provision was designed 'to penalize the

¹² Boldface added by Standler.

¹³ Boldface added by Standler.

losing party as (well as) to compensate the prevailing party.’ ” *Leo Feist, Inc. v. Apollo Records, N.Y. Corp.*, supra, at 43 (quoting *Norbay Music, Inc. v. King Records, Inc.*, 249 F.Supp. 285, 289 (S.D.N.Y. 1966)). Equity dictates that the defendants be required to pay the plaintiffs an allowance for attorneys' fees.
Boz Scaggs Music v. KND Corp., 491 F.Supp. 908, 915 (D.C.Conn. 1980).

These four factors were included in an opinion of the U.S. Court of Appeals in the Ninth Circuit that involved a prevailing plaintiff:

However, we do not believe Congress intended that the prevailing plaintiff should be awarded attorney's fees in every case. *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 155-56 (3dCir. 1986). Considerations which justify the denial of fees may include (1) the presence of a complex or novel issue of law that the defendant litigates vigorously and in good faith, (2) the defendant's status as innocent, rather than willful or knowing, infringer, (3) the plaintiff's prosecution of the case in bad faith, and (4) the defendant's good faith attempt to avoid infringement. *Ford Motor Co. v. B & H Supply, Inc.*, 646 F.Supp. 975, 992 (D.Minn. 1986); *Van Halen Music v. Palmer*, 626 F.Supp. 1163, 1167 (W.D.Ark. 1986); *Boz Scaggs Music v. KND Corp.*, 491 F.Supp. 908, 915 (D.Conn. 1980). We do not intend by this recitation to limit the factors to those mentioned above.
McCulloch v. Albert E. Price, Inc., 823 F.2d 316, 323 (9thCir. 1987), overruled on other grounds by *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 525-526 (1994). These four factors in *McCulloch* were quoted with approval in *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1583 (Fed.Cir. 1992). Because the U.S. Supreme Court in *Fogerty* was clear that prevailing plaintiffs and prevailing defendants should be treated alike, one can interchange “defendant” and “plaintiff” in the first consideration in *McCulloch*.

Discussing the four factors in *McCulloch*:

1. *Lieb* cites *Chappell*, 334 F.2d 303, 306 (3dCir. 1964) (affirming award of attorney's fees in case with five infringements “with several hotly contested factual issues”) for the relevance of “relative complexity of the litigation”, which is similar to “complex” in the first factor in *McCulloch*. More detail about no attorney's fees for litigating novel issue(s) of law is at page 73, below.
2. More detail about a willful infringer being ordered to reimburse attorney's fees of a prevailing plaintiff is at page 71, below.
3. The “motivation” factor in *Lieb* is similar to the “bad faith” factor in *McCulloch*. This “bad faith” factor is consistent with old law in Second Circuit (see page 9, above) and is also consistent with plaintiff's improper motive (see page 69, below).
4. The fourth factor in *McCulloch*, “defendant's good-faith attempt to avoid infringement”, is related to the second factor, about defendant's status as an innocent or willful infringer.

The U.S. Supreme Court in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534, n.19 (1994) explicitly said that the factors in *Lieb* were “nonexclusive”, which means that it is possible that other factors — like those in *McCulloch* — can also be appropriate. Indeed, the U.S. Supreme Court quoted without comment the first factor in *McCulloch*. *Fogerty*, 510 U.S. at 521, n.6.

Because of the Supreme Court's requirement of "evenhandedness" in *Fogerty*, the words "defendant" and "plaintiff" should be stricken from factors 1 and 3 in *McCulloch*, to make these factors apply equally to both plaintiffs and defendants. Instead, we should say that an improper or bad-faith motivation of the losing party justifies an award of attorney's fees to the prevailing party. That may be a reason why the Supreme Court in *Fogerty* did not quote the factors in *McCulloch*, since some editing would be required. More reasons are in the next paragraph.

Why did the U.S. Supreme Court in *Fogerty* chose to endorse the factors in *Lieb* and ignore the factors in *McCulloch*? In *Fogerty*, the Court agreed with *Lieb*'s "evenhanded" approach to attorney's fees, and rejected the dual standard¹⁴ in the Second and Ninth Circuits — including rejecting *Cooling Systems v. Stuart Radiator*, 777 F.2d 485 (9thCir. 1985) and also rejecting the dual standard in *McCulloch*. In the footnote that contains the *Lieb* factors, the Court says:

Some courts following the evenhanded standard have suggested several nonexclusive factors to guide courts' discretion. For example, the Third Circuit has listed several nonexclusive factors that courts should consider in making awards of attorney's fees to any prevailing party. These factors include

Fogerty v. Fantasy, Inc., 510 U.S. 517, 534, n.19 (1994).

Note that the Court in *Fogerty* did **not** say that the *Lieb* factors were the only factors to consider. Note that the Court in *Fogerty* neither criticized nor rejected the factors in *McCulloch*. It is essential to note that the factors to consider in awarding attorney's fees were **not** the issue before the Court in *Fogerty* — the issue was resolving the conflict between the Ninth Circuit's dual standard and the Third Circuit's "evenhanded" approach. *Fogerty*,. 510 U.S. at 521. Also notice the Court's final sentence:

Because the [Ninth Circuit] Court of Appeals erroneously held petitioner, the prevailing defendant, to a more stringent standard than that applicable to a prevailing plaintiff, its judgment is reversed, and the case is remanded for further proceedings consistent with this opinion.

Fogerty, 510 U.S. at 534-535. Again, it was *not* the Ninth Circuit's factors that were reversed by the Court. It was the dual standard (i.e., "held ... the prevailing defendant to a more stringent standard") that was reversed. I think that is why the Court put the *Lieb* factors in a footnote, instead of in the text of the Court's opinion: the factors are not relevant to the issue before the Court.

I suggest that the Court's endorsement of the *Lieb* factors caused the *McCulloch* factors to wither, although the Court never considered the validity of the *McCulloch* factors. The withering of the *McCulloch* factors is unfortunate because they include common issues not explicitly addressed by the *Lieb* factors, such as willfulness of infringement, and novel issues of law.

¹⁴ The dual standard routinely allowed attorney's fees to prevailing plaintiffs, but which required prevailing defendants to prove either "bad faith" by plaintiffs or frivolous claims by plaintiffs. Thus, prevailing defendants were less likely to be awarded attorney's fees than prevailing plaintiffs.

Purpose(s) of Copyright Act

The real requirement in *Fogerty* is at the end of footnote 19:

We agree that such factors [in *Lieb*] may be used to guide courts' discretion, 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.

Fogerty v. Fantasy, Inc., 510 U.S. 517, 534, n.19 (1994).

The U.S. Supreme Court opinion in *Fogerty* has three remarks about the purpose(s) of the Copyright Act. In discussing the old law, which had different rules for awarding attorney's fees to prevailing plaintiffs and prevailing defendants, the Court said:

The most common reason advanced in support of the dual approach is that, by awarding attorney's fees to prevailing plaintiffs as a matter of course, it encourages litigation of meritorious claims of copyright infringement. See, e.g., *McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316, 323 (CA9 1987) ("Because section 505 is intended in part to encourage the assertion of colorable copyright claims, to deter infringement, and to make the plaintiff whole, fees are generally awarded to a prevailing plaintiff") (citations omitted); *Diamond v. Am-Law Publishing Corp.*, 745 F.2d 142, 148 (CA2 1984) (same). Indeed, respondent relies heavily on this argument. We think the argument is flawed because it expresses a one-sided view of the purposes of the Copyright Act. While it is true that one of the goals of the Copyright Act is to discourage infringement, it is by no means the only goal of that Act.

Fogerty, 510 U.S. at 525-526.

In the second mention of the purposes of the Copyright Act, the Court quoted the U.S. Constitution:

We reiterated this theme in *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340, 349-350, 111 S.Ct. 1282, 1290, 113 L.Ed.2d 358 (1991), where we said: The primary objective of copyright is not to reward the labor of authors, but "[t]o promote the Progress of Science and useful Arts." [U.S. Constitution, Art. I, § 8, cl. 8. Accord, *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156, 95 S.Ct. 2040, 2044, 45 L.Ed.2d 84 (1975).] To this end, copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by a work. [*Harper & Row*, 471 U.S. 539, 556-557, 105 S.Ct. 2218, 2228-2229 (1985).]

Because copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible. 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.

Fogerty, 510 U.S. at 527. The U.S. Supreme Court in *Feist* and subsequent cases has weakened copyright protection, and emphasized the importance of the public domain. Citing the U.S. Constitution does *not* establish an *unambiguous* purpose for the Copyright Act. Promoting

the Progress of knowledge¹⁵ can be accomplished in different ways, one of them being strong property rights for copyright owners, with royalty payments encouraging authors to produce more text, and with strong remedies for copyright infringement that will discourage copiers. Another way to promote Progress is to have weak property rights for copyright owners, and tolerate copying by “free riders” and plagiarists.

In endorsing the *Lieb* factors, the Court said:

... such factors may be used to guide courts’ discretion, 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.

Fogerty, 510 U.S. at 534, n.19.

Several opinions of the U.S. Courts of Appeals have seized the Supreme Court’s words in *Fogerty* about the purpose of the Copyright Act:

- *Mitek Holdings, Inc. v. Arce Eng'g Co.*, 198 F.3d 840, 842-843 (11thCir. 1999) (“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’ in order to maximize the public exposure to valuable works. *Fogerty*, 510 U.S. at 526-27 ...”). “Thus, in determining whether to award attorney’s fees under § 505, the district court should consider not whether the losing party can afford to pay the fees but whether imposition of fees will further the goals of the Copyright Act.” *Mitek*, at 843.
- *Matthew Bender & Co. v. West Publ'g Co.*, 240 F.3d 116, 122 (2dCir. 2001) (“... 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.”).
- *Berkla v. Corel Corp.*, 302 F.3d 909, 923 (9thCir. 2002) (“It would be inconsistent with the Copyright Act’s purposes to endorse Corel’s improper appropriation of Berkla’s product by awarding fees.”).

Intriguingly, the Second Circuit — one of the two most important Circuits for interpreting copyright law — continues to hold, as explained below, that the principal purpose of the Copyright Act is to establish legally enforceable property rights for copyright owners, despite the U.S. Supreme Court condemning that holding in *Fogerty*, 510 U.S. at 525-526.

¹⁵ The word “Science” meant “knowledge” at the time the Constitution was written. See, e.g., Standler, Copyright Protection for Nonfiction or Compilations of Facts in the USA, <http://www.rbs2.com/cfact.pdf>, at p. 20 of 87, (Sep 2009).

In January 2001, the U.S. Court of Appeals in New York City wrote:

This emphasis on objective reasonableness is firmly rooted in *Fogerty'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." 510 U.S. at 534 n. 19, 114 S.Ct. 1023. The "principle¹⁶ purpose of the [Copyright Act] is to encourage the origination of creative works by attaching enforceable property rights to them." *Diamond v. Am-Law Publ'g Corp.*, 745 F.2d 142, 147 (2dCir. 1984).

Matthew Bender & Co., Inc. v. West Pub. Co., 240 F.3d 116, 122 (2dCir. 2001).

Quoted with approval in *U.S. v. Martignon*, 492 F.3d 140, 151-152 (2dCir. 2007).

In October 2007, the U.S. Court of Appeals in New York City remarked on the purpose of the Copyright Act:

... the "principal purpose" of the Copyright Act, which is "to encourage the origination of creative works by attaching enforceable property rights to them." *Diamond v. Am-Law Publ'g Corp.*, 745 F.2d 142, 147 (2dCir. 1984); see also *Veeck v. S. Bldg. Code Congress Int'l Inc.*, 241 F.3d 398, 402 (5thCir. 2001) ("The core purpose of copyright law is 'to secure a fair return for an author's creative labor' and thereby 'to stimulate artistic creativity for the general public good.'") (quoting *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156, 95 S.Ct. 2040, 45 L.Ed.2d 84 (1975)).

Davis v. Blige, 505 F.3d 90, 105 (2dCir. 2007).

The citation of *Diamond v. Am-Law* by *Bender* in 2001 and by *Davis v. Blige* in 2007 shows the continuing validity of this holding in *Diamond* in the Second Circuit. Copyright law — together with patents and trademarks — is part of what is commonly called "intellectual property law". The word "property" is appropriate, because a copyright is initially personal property belonging to an author, which the author can then sell or transfer to a publisher or anyone else. 17 U.S.C. § 201. There can be no doubt that the Copyright Act does establish legally enforceable property rights. The presence of other sections of the Copyright Act that favor users of copyrighted works (e.g., recognition of fair use in 17 U.S.C. § 107) does not alter the fact that the primary purpose of the Copyright Act is to establish property rights. The reason or goal for those property rights is to encourage authors to create new works.

In April 2000, the U.S. Court of Appeals in New York City wrote:

The pertinent purpose of the copyright laws — to encourage the production of creative works by according authors a property right in their works so that authors will not have to share profits from their labors with free riders, see, e.g., *Mazer v. Stein*, 347 U.S. 201, 219, 74 S.Ct. 460, 98 L.Ed. 630 (1954) ("The economic philosophy behind the [copyright] clause ... is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare");

SmithKline Beecham Consumer Healthcare, L.P. v. Watson Pharmaceuticals, Inc., 211 F.3d 21, 29 (2dCir. 2000).

¹⁶ Notice that *Diamond* misspells "principal" as "principle".

In June 1994, the Ninth Circuit held:

Federal copyright laws do not serve this purpose of protecting consumers. They are designed to protect the property rights of copyright owners. See, e.g., *Wheaton v. Peters*, 33 U.S. (8 Pet.) 591, 603, 8 L.Ed. 1055 (1834).

Anderson v. Nidorf, 26 F.3d 100, 102 (9thCir. 1994) (criminal case involving pirated tape recordings of music). Quoted with approval in *Creative Technology, Ltd. v. Aztech System Pte., Ltd.*, 61 F.3d 696, 704 (9thCir. 1995).

Without a clear, unambiguous statement of the purpose(s) of the Copyright Act it is impossible to follow the command in *Fogerty* to be “faithful to the purposes of the Copyright Act”. The Court’s opinion in *Fogerty* contains slogans, *not* criteria that are easy for trial judges to apply.

Modern Law in Second, Fourth, & Ninth Circuits

The following cases show how *Lieb* and *Fogerty* have been recently interpreted in the Second, Fourth, and Ninth Circuits.

Second Circuit

Matthew Bender (2001)

In January 2001, the Second Circuit wrote:

In *Fogerty v. Fantasy*, 510 U.S. 517, 534, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994), the Supreme Court held that the standard governing the award of attorneys' fees under section 505 should be identical for prevailing plaintiffs and prevailing defendants. In dicta, the Court noted that “[t]here is no precise rule or formula for making [attorneys' fees] determinations, but instead equitable discretion should be exercised,” *id.* (internal quotation marks omitted), and then proceeded to list several nonexclusive factors courts should consider when exercising this discretion, namely, “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.* at 534 n. 19, 114 S.Ct. 1023 (internal quotation marks omitted). The Court cautioned, however, that such factors may be used only “so long as [they] are faithful to the purposes of the Copyright Act.” *Id.*

Subsequent to *Fogerty*, several other circuits have accorded the objective reasonableness factor substantial weight in determinations whether to award attorneys' fees. See *Lotus Dev. Corp. v. Borland Int'l, Inc.*, 140 F.3d 70, 74 (1stCir. 1998) (affirming denial of fees because copyright holder's “claims were neither frivolous nor objectively unreasonable”); *Harris Custom Builders Inc. v. Hoffmeyer*, 140 F.3d 728, 730-31 (7th Cir.1998) (vacating award of fees because, inter alia, losing party's claims were objectively reasonable); *Budget Cinema, Inc. v. Watertown Assocs.*, 81 F.3d 729, 733 (7th Cir.1996) (holding that “the district court abused its discretion by failing to award attorney's fees based on the objective unreasonableness of [plaintiff's] complaint”); *Maljack Prods., Inc. v. GoodTimes Home Video Corp.*, 81 F.3d 881, 890 (9th Cir.1996) (awarding fees because, inter alia, plaintiff's claims were “factually unreasonable”); *Diamond Star Bldg. Corp. v. Freed*, 30 F.3d 503, 506 (4th Cir.1994) (affirming award of fees because, inter alia, “the objective reasonableness factor strongly [Cite as: 240 F.3d at 122] weigh[ed] in favor of awarding attorney's fees and

costs”). The same is true of the district courts in this Circuit. See, e.g., *EMI Catalogue P'ship v. CBS/Fox Co.*, 1996 WL 280813, at *2 (S.D.N.Y. May 24, 1996) (holding that copyright owner's claim was “not so objectively unreasonable as to justify” an award); *Williams v. Crichton*, 891 F.Supp. 120, 122 (S.D.N.Y.1994) (awarding fees solely because losing party's claims were objectively unreasonable); *Screenlife Establishment v. Tower Video, Inc.*, 868 F.Supp. 47, 52 (S.D.N.Y.1994) (same).

This emphasis on objective reasonableness is firmly rooted in *Fogerty'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.” 510 U.S. at 534 n. 19, 114 S.Ct. 1023. The “principle purpose of the [Copyright Act] is to encourage the origination of creative works by attaching enforceable property rights to them.” *Diamond v. Am-Law Publ'g Corp.*, 745 F.2d 142, 147 (2d Cir.1984). **As such, 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.**¹⁷ See *Mitek Holdings, Inc. v. Arce Eng'g Co.*, 198 F.3d 840, 842-43 (11th Cir.1999) (“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’ in order to maximize the public exposure to valuable works.” (quoting *Fogerty*, 510 U.S. at 526-27, 114 S.Ct. 1023)); *Lotus*, 140 F.3d at 75 (“When close infringement cases are litigated, copyright law benefits from the resulting clarification of the doctrine's boundaries. But because novel cases require a plaintiff to sue in the first place, the need to encourage meritorious defenses is a factor that a district court may balance against the potentially chilling effect of imposing a large fee award on a plaintiff, who, in a particular case, may have advanced a reasonable, albeit unsuccessful, claim.”). In sum, objective reasonableness is a factor that should be given substantial weight in determining whether an award of attorneys' fees is warranted.

Matthew Bender & Co., Inc. v. West Pub. Co., 240 F.3d 116, 121-122 (2d Cir. 2001).

This still good law in the Second Circuit. *Lava Records, LLC v. Amurao*, 354 Fed.Appx. 461, 462 (2d Cir. 2009); *Bryant v. Media Right Productions, Inc.*, 603 F.3d 135, 144 (2d Cir. 2010) (“The third factor — objective unreasonableness — should be given substantial weight. See *Matthew Bender & Co. v. West Publ'g Co.*, 240 F.3d 116, 122 (2d Cir.2001).”).

In Aug 2003, a trial court commented:

However, as is evident from the opinions of the Second Circuit involving the analogous issue of attorneys' fees in copyright cases, a party who has a non-frivolous claim or defense cannot be said to have brought an action in bad faith, even if that claim or defense is asserted for an improper purpose. For example, in *Matthew Bender & Co., Inc. v. West Pub. Co.*, 2001 WL 740781, at *3 (S.D.N.Y. July 2, 2001), this Court awarded attorneys' fees because it found that the defendant was asserting its copyright claims in order to maintain a monopoly in the publication of judicial opinions. The Circuit Court reversed that decision on the ground that the legal position asserted was objectively reasonable. *Matthew Bender & Co., Inc. v. West Publishing Co.*, 41 Fed. Appx. 507, 2002 WL 1583912, at *1 (2d Cir. July 17, 2002). See also *Matthew Bender & Co., Inc. v. West Pub. Co.*, 240 F.3d 116, 122 (2d Cir.2001).

Societe Del Hotels Meridien v. LaSalle Hotel Operating Partnership, Not Reported in F.Supp.2d, 2003 WL 21982959 at *1 (S.D.N.Y. 2003).

¹⁷ Boldface added by Standler.

The Sixth Circuit has accepted the holding in *Bender: Bridgeport Music, Inc. v. WB Music Corp.*, 520 F.3d 588, 593 (6thCir. 2008) (“As this court explained in *Rhyme Syndicate* [376 F.3d 615, 628 (6thCir. 2004)], “[I]t generally does not promote the purposes of the Copyright Act to award attorney fees to a prevailing defendant when the plaintiff has advanced a reasonable, yet unsuccessful claim.’ [...] (citing *Matthew Bender & Co. v. West Publ’g Co.*, 240 F.3d 116, 122 (2dCir. 2001); *Lotus Dev. Corp. v. Borland Int’l, Inc.*, 140 F.3d 70, 75 (1stCir. 1998)).”); *Fogerty v. MGM Group Holdings*, 379 F.3d 348, 357 (6thCir. 2004) (Quoting *Bender*, 240 F.3d at 122: “[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.”).

Crescent Publishing (2001)

In March 2001, the Second Circuit wrote:

Because section 505 establishes the court's ability to shift fees in copyright actions, it is useful to begin with the text of the statute. *Southeastern Cmty. Coll. v. Davis*, 442 U.S. 397, 405, 99 S.Ct. 2361, 60 L.Ed.2d 980 (1979) (“It is elementary that ‘[t]he starting point in every case involving construction of a statute is the language itself.’ ”) (citation omitted). Section 505 permits a court in its discretion to “allow the recovery of full costs by or against any party. ... Except as otherwise provided ..., the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.” 17 U.S.C. § 505 (emphasis added). This section clearly provides for a fee award to be made to a prevailing party, not directly to its counsel. Cf. *Healey v. Chelsea Res., Ltd.*, 947 F.2d 611, 624 (2d Cir.1991) (“When a fee-shifting statute that authorizes the courts to award attorneys' fees to prevailing parties does not mention an award against the losing party's attorney, the appropriate inference is that an award against attorneys is not authorized.”); *Neft v. Vidmark, Inc.*, 923 F.2d 746, 747 (9th Cir.1991) (finding no indication in the language or legislative history that Congress intended section 505 to be a means of imposing sanctions on attorneys). The emphasis on compensating a party for its “full costs” and including a “reasonable attorney's fee” as part of that cost lends arguable credence to *Crescent's* argument that the actual billing arrangement should provide a cap on the amount it could be required to pay.

The text of the statute, however, does not address what should qualify as “reasonable” in the first instance.^{FN6} Although the Supreme Court has not specifically held that courts should apply the lodestar method in calculating fees under section 505, it has indicated that the lodestar method (emphasizing a comparison to rates of lawyers of similar skill and experience in the community) is appropriate in calculating the “reasonable” fee permitted under other fee shifting statutes. See, e.g., *Hensley v. Eckerhart*, 461 U.S. 424, 433-34, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983)¹⁸ (Civil Rights Attorney's Fees Awards Act, 42 U.S.C. § 1988); *Pennsylvania v. Delaware Valley Citizens' Council for Clean Air*, 478 U.S. 546, 563-68, 106 S.Ct. 3088, 92 L.Ed.2d 439 (1986) (Clean Air Act, 42 U.S.C. § 7604(d)). Because copyright actions may not always result in high damage awards, for instance if the commercial value of the work is minimal, and may not always involve parties with substantial financial resources, an objective measure such as the lodestar seems the most effective method in enabling parties to retain competent counsel.

¹⁸ Quoted below, beginning at page 82.

FN6. The legislative history to the 1976 Act is sparse, see *Fogerty*, 510 U.S. at 523-24, 114 S.Ct. 1023, and does not address this issue. The legislative history of the 1909 Act, from which the attorneys' fee provision of section 505 was carried forward verbatim, is similarly unilluminating.

Choosing the lodestar method does not end our inquiry. The lodestar method suggests that the prevailing market rate in [Cite as: 246 F.3d at 151] the community should trump any agreement for a lower rate made between a client and its private counsel. **FN7** Cf. *Blanchard v. Bergeron*, 489 U.S. 87, 96, 109 S.Ct. 939, 103 L.Ed.2d 67 (1989) (civil rights); *Getty Petroleum Corp. v. Bartco Petroleum Corp.*, 858 F.2d 103, 114 (2d Cir.1988) (Lanham Act). But the emphasis on ascertaining a “reasonable” fee also suggests the absence of a penalty beyond the punitive or deterrent policies taken into consideration in the decision to award fees in the first instance. See 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 14.10[C], at 14-145 to 14-146 & n. 15 (2000) (“[T]he amount of such fee (as distinguished from the reason for its award ...) should be based upon the reasonable value of the services rendered without adding any additional amount by way of penalty.”). The actual billing arrangement certainly provides a strong indication of what private parties believe is the “reasonable” fee to be awarded.

FN7. We limit our discussion to agreements between clients and their attorneys who engage in customary private practice. Different considerations often arise with parties who appear pro se, see, e.g., *Quinto v. Legal Times of Washington, Inc.*, 511 F.Supp. 579 (D.D.C.1981), or with parties who engage for-profit public interest law firms, see, e.g., *Student Pub. Interest Research Group v. AT & T Bell Labs.*, 842 F.2d 1436 (3d Cir.1988). We also do not address situations in which a party and its counsel attempt to defraud the court through a manipulation of their billing arrangement. See, e.g., *Jewish Employment & Vocational Serv., Inc. v. Pleasantville Educ. Supply Corp.*, 601 F.Supp. 224 (E.D.Pa.1983).

We are not prepared to declare a per se rule that the actual billing arrangement places a ceiling on the amount the prevailing party can recover through a fee award under section 505, especially in light of the district courts' broad discretion in awarding fees. See, e.g., *Matthew Bender & Co. v. West Publ'g Co.*, 240 F.3d 116, 120-21 (2d Cir.2001). In some instances the actual billing arrangement may not be “reasonable.” Because we wish to give effect to the statutory language of the Copyright Act while applying the lodestar method, we conclude that, for prevailing parties with private counsel, the actual billing arrangement is a significant, though not necessarily controlling, factor in determining what fee is “reasonable.” **FN8** In weighing this factor, we remind the District Court that in no event should the fees awarded amount to a windfall for the prevailing party.

FN8. We realize that this decision is contrary to the holding of the Eighth Circuit, which declared that “the actual fee arrangement between the client and the attorney is immaterial.” *Pinkham v. Camex, Inc.*, 84 F.3d 292, 294 (8th Cir.1996). Because we believe that the text of the Copyright Act indicate that the actual fee arrangement is not only relevant but significant in certain contexts, we respectfully disagree with our sister Circuit.

Crescent Publishing Group, Inc. v. Playboy Enterprises, 246 F.3d 142, 150-151 (2dCir. 2001).

A Second Circuit case notes the discretionary nature of attorney fee shifting in copyright cases. *Medforms, Inc. v. Healthcare Management Solutions, Inc.*, 290 F.3d 98, 117 (2dCir. 2002) ("Attorneys' fees are available to prevailing parties under § 505 of the Copyright Act but are not automatic. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994).").

Fourth Circuit

Rosciszewski (1993)

In July 1993, the Fourth Circuit adopted the factors cited in *Lieb*:

As noted by the district court, this court has not heretofore specifically addressed the standard a district court should apply in exercising its discretion to award attorneys' fees and costs under § 505. We now take this opportunity to do so. In deciding whether to award attorneys' fees and costs under § 505, the district court should consider, and make findings with respect to, the following factors. First, the district court should evaluate the motivation of the parties. *Lieb*, 788 F.2d [151] at 156 [(3dCir. 1986)]. While a finding of willful infringement or bad faith on the part of the opposing party properly may be considered by the district court, the presence or absence of such motivation is not necessarily dispositive. *Id.* Second, the district court should weigh the objective reasonableness of the legal and factual positions advanced. *Id.* The court may consider, for example, whether the positions advanced by the parties were frivolous, on the one hand, or well-grounded in law and fact, on the other. Third, the court should consider "the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* In evaluating this factor, the court may find relevant, among other circumstances, the ability of the non-prevailing party to fund an award. Finally, these enumerated factors are not intended as an exhaustive list; the district court may also weigh any other relevant factor presented. *Id.*

Rosciszewski v. Arete Associates, Inc., 1 F.3d 225, 234 (4thCir. 1993).

Diamond Star (1994)

In April 1994, the Fourth Circuit reiterated the factors in *Lieb* (as stated in *Rosciszewski*) and noted the recent approval of these factors by the U.S. Supreme Court in *Fogerty*:

In *Rosciszewski* this court adopted the following factors to guide a district court in determining whether to award attorney's fees and costs to a prevailing party under § 505: (1) "the motivation of the parties," (2) "the objective reasonableness of the legal and factual positions advanced," (3) "the need in particular circumstances to advance considerations of compensation and deterrence," and (4) "any other relevant factor presented." *Rosciszewski*, 1 F.3d at 234 (quoting *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (3d Cir.1986)); see also *Fogerty*, 510 U.S. at 534, n. 19, 114 S.Ct. at 1033, n. 19 (noting that "such factors may be used to guide courts' discretion, 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").

Diamond Star Bldg. Corp. v. Freed, 30 F.3d 503, 505-506 (4thCir. 1994).

Superior Form Builders v. Dan Chase (1996)

In January 1996, the Fourth Circuit again reiterated the factors in *Lieb* (as stated in *Rosciszewski*).

A court deciding whether to award attorney's fees under 17 USC § 505 must consider:

- (1) the motivation of the parties;
- (2) the objective reasonableness of the legal and factual positions advanced;
- (3) the need in particular circumstances to advance considerations of compensation and deterrence; and
- (4) any other relevant factor presented.

See *Rosciszewski v. Arete Assocs., Inc.*, 1 F.3d 225, 234 (4thCir. 1993).

Chase maintains that he had a reasonable basis to test the legal question of whether animal mannequins are copyrightable and thus he should not be assessed legal fees for doing so. He points to the district court's assessment that the case "presented legal questions that were novel and complex." We agree that if Chase had pursued these legal issues in good faith, an award of attorneys fees would constitute an abuse of discretion. But the record in this case belies the suggestion that Chase maintained his legal position in good faith.

....

The district court recognized that it was not required to award attorneys fees to the prevailing party and did so only after carefully considering each of the relevant factors. In this case, it found Chase's conduct "outrageous," and we conclude that the court's finding is amply supported. Under such circumstances, we do not find the district court's award in this case to constitute an abuse of discretion.

Superior Form Builders, Inc. v. Dan Chase Taxidermy Supply Co., Inc., 74 F.3d 488, 498 (4thCir. 1996), *cert. denied*, 519 U.S. 809, 117 S.Ct. 53, 136 L.Ed.2d 16 (1996). These factors from *Rosciszewski* are still valid law in the Fourth Circuit. *Quantum Systems Integrators, Inc. v. Sprint Nextel Corp.*, 338 Fed.Appx. 329, 338 (4thCir. 2009).

Ninth Circuit

Jackson v. Axton (1994)

The U.S. Supreme Court decided *Fogerty* on 1 March 1994. Three months later, the Ninth Circuit followed the *Lieb* factors that were endorsed by the Court in *Fogerty*, with one added factor: "the degree of success obtained" by the prevailing party. In June 1994, the Ninth Circuit wrote:

The district court denied Appellees attorney's fees, requested pursuant to 17 U.S.C. § 505.[footnote quoting statute omitted] When the district court refused to grant attorney's fees, controlling authority in this circuit held that attorney's fees were unavailable to a defendant under § 505 unless the plaintiff's action was frivolous or in bad faith. *Cooling Systems & Flexibles, Inc. v. Stuart Radiator, Inc.*, 777 F.2d 485, 493 (9th Cir.1985).

Since that time, *Cooling Systems* has been overruled. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994). Under *Fogerty*, courts determining whether to grant attorney's fees are to exercise "equitable discretion ... 'in light of the considerations [the Court has previously] identified.'" *Id.* at 534, 114 S.Ct. at 1033 (quoting *Hensley v. Eckerhart*, 461 U.S. 424, 436-37, 103 S.Ct. 1933, 1941, 76 L.Ed.2d 40 (1983)). Such

considerations include, but might not be limited to, [1] the degree of success obtained, *Hensley*,¹⁹ 461 U.S. at 436, 103 S.Ct. at 1941; [2] frivolousness; [3] motivation; [4] objective unreasonableness (both in the factual and legal arguments in the case); and [5] the need in particular circumstances to advance considerations of compensation and deterrence. 510 U.S. at 534, n. 19, 114 S.Ct. at 1033 n. 19. Courts should keep in mind the purposes of the Copyright Act (to promote creativity for the public good) and apply the factors in an evenhanded manner to prevailing plaintiffs and prevailing defendants alike. 510 U.S. at 525, 114 S.Ct. at 1028.

We remand Appellees' attorney's fee claim. *Fogerty* gives the district court greater discretion than did *Cooling Systems*. See *id.* at ---, 114 S.Ct. at 1033. The district court should be able to exercise that discretion under the present standard. *Id.* On remand the district court should also consider whether Appellees should be granted attorney's fees pursuant to § 505 for work done on this appeal.

Jackson v. Axton, 25 F.3d 884, 890 (9thCir. 1994).

Although *Jackson v. Axton* is 16 years old, it remains good law. The five factors in *Jackson v. Axton* were quoted with approval in

- *Halicki Films, LLC v. Sanderson Sales and Marketing*, 547 F.3d 1213, 1230 (9thCir. 2008);
- *Wall Data Inc. v. Los Angeles County Sheriff's Dept.*, 447 F.3d 769, 787 (9thCir. 2006) (cites *Smith v. Jackson*, 84 F.3d 1213, 1221 (9thCir. 1996), which, in turn, cites *Jackson v. Axton*, *supra*);
- *Columbia Pictures Television, Inc. v. Krypton Broadcasting of Birmingham, Inc.*, 259 F.3d 1186, 1197 (9thCir. 2001);
- *Entertainment Research Group, Inc. v. Genesis Creative Group, Inc.*, 122 F.3d 1211, 1229 (9thCir. 1997);
- *Metcalf v. Bochco*, 200 Fed.Appx. 635, 640 (9thCir. 2006).

Fogerty after remand (1996)

After remand of *Fogerty* from the U.S. Supreme Court, the trial court awarded a whopping \$ 1,347,519 in attorney's fees to the prevailing defendant.²⁰ The U.S. Court of Appeals in California affirmed this award in August 1996, and mentioned two additional considerations for an award of attorney's fees: "the chilling effect of attorney's fees may be too great or impose an inequitable burden on an impecunious plaintiff".

[Cite as: 94 F.3d at 556] ...

¹⁹ Quoted below, beginning at page 82.

²⁰ The litigation in this case began sometime before Oct 1986, when a First Amended Complaint was filed. In late 1988, a jury found for defendant Fogerty, but the judge denied attorney's fees. Fogerty appealed to the Ninth Circuit and then to the U.S. Supreme Court. The Court overruled the Ninth Circuit's rule. On remand, the trial court awarded attorney's fees to Fogerty, and then Fantasy appealed to the Ninth Circuit, which, as explained in the quoted text below, affirmed the award of attorney's fees to Fogerty. This affirmance came at least ten years after this case began. The Court of Appeals awarded Fogerty more attorney's fees for the final appeal. 94 F.3d at 561.

Fogerty moved for a reasonable attorney's fee pursuant to 17 U.S.C. § 505.[footnote quoting § 505 omitted] The district court denied the request on the ground that Fantasy's lawsuit was neither frivolous nor prosecuted in bad faith and our then-existing precedent precluded an award of fees in the absence of one or the other. See *Cooling Systems & Flexibles, Inc. v. Stuart Radiator, Inc.*, 777 F.2d 485, 493 (9th Cir.1985). We affirmed for the same reason, *Fantasy, Inc. v. Fogerty*, 984 F.2d 1524, 1533 (9th Cir.1993) [Fogerty I], but the Supreme Court reversed and remanded in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994) [Fogerty II]. We then remanded to the district court for further proceedings consistent with Fogerty II. *Fantasy, Inc. v. Fogerty*, 21 F.3d 354 (9th Cir.1994) [Fogerty III].

On remand, the district court granted Fogerty's motion and, after reviewing extensive billing records, awarded \$1,347,519.15. Its decision was based on several factors. First, Fogerty's vindication of his copyright in "The Old Man Down the Road" secured the public's access to an original work of authorship and paved the way for future original compositions-by Fogerty and others-in the same distinctive "Swamp Rock" style and genre. Thus, the district court reasoned, Fogerty's defense was the type of defense that furthers the purposes underlying the Copyright Act and therefore should be encouraged through a fee award. Further, the district court found that a fee award was appropriate to help restore to Fogerty some of the lost value of the copyright he was forced to defend. In addition, Fogerty was a defendant author and prevailed on the merits rather than on a technical defense, such as the statute of limitations, laches, or the copyright registration requirements. Finally, **the benefit conferred by Fogerty's successful defense was not slight or insubstantial relative to the costs of litigation, nor would the fee award have too great a chilling effect or impose an inequitable burden on Fantasy, which was not an impecunious plaintiff.**²¹

Fogerty also sought interest to account for the lost use of the money paid to his lawyers over the years. While the district court awarded Fogerty almost all of what he asked for in fees, it declined to award interest. Fantasy timely appeals the fee award; Fogerty timely cross-appeals the refusal to award interest. [The trial court said awarding interest on attorney's fees "isn't the normal practice", and the Court of Appeals found no reason to disturb the trial court's discretion. 94 F.3d at 561]

II

We review the district court's decision to award attorney's fees under the Copyright Act for an abuse of discretion, *Maljack Productions v. GoodTimes Home Video Corp.*, 81 F.3d 881, 889 (9th Cir.1996), but "any elements of legal analysis and statutory interpretation which figure in the district court's decision are reviewable de novo," *Hall v. Bolger*, 768 F.2d 1148, 1150 (9th Cir.1985). "A district court's fee award does not constitute an abuse of discretion unless it is based on an inaccurate view of the law or a clearly erroneous finding of fact." *Schwarz v. Secretary of Health & Human Serv.*, 73 F.3d 895, 900 (9th Cir.1995) (internal quotations and citation omitted).

III

Fantasy contends that the district court had no discretion to award fees to Fogerty because Fantasy conducted a "good faith" and "faultless" lawsuit upon reasonable factual and legal grounds, or to put it somewhat differently, because Fantasy was "blameless." According to

²¹ Boldface added by Standler.

Fantasy, once the district court could find no fault in the way Fantasy conducted this case, that should have been the end of the matter. To award fees nevertheless, Fantasy contends, is incompatible with Fogerty II's rule of evenhandedness, [Cite as: 94 F.3d at 557] as evenhandedness cannot be achieved by rewarding each side for qualities that adhere only to that side. To do so, as Fantasy contends the district court did here, is tantamount to the British Rule's automatic fee award to the victor-which Fogerty II rejected. Rather, it submits, the court's discretion may only be informed by factors having to do with culpability that are capable of being applied equally to prevailing plaintiffs and prevailing defendants.

Fogerty, on the other hand, contends that Fogerty II focuses a district court's discretion on whether the prevailing party has furthered the purposes of the Copyright Act in litigating the action to a successful conclusion; under that standard, the district court was well within its discretion in finding that his successful defense of this action served important copyright policies. He also argues that the evenhanded approach does not mean that only "neutral" factors may be considered in the exercise of the court's discretion since, contrary to Fantasy's view, the Court itself recognized that somewhat different policies of the Copyright Act may be furthered when either plaintiffs or defendants prevail. Fogerty points out that the Court specifically observed that his successful defense of this action "increased public exposure to a musical work that could, as a result, lead to further creative pieces," Fogerty II, 510 U.S. at 527, 114 S.Ct. at 1030, and maintains that the fact that this factor happened to tip in Fogerty's favor as a prevailing defendant in this case should not prevent it from being considered at all.

A

In Fogerty II, the Supreme Court granted certiorari to resolve a conflict among the circuits concerning "what standards should inform a court's decision to award attorney's fees to a prevailing defendant in a copyright infringement action..." Id. at 519, 114 S.Ct. at 1026. The Court rejected both the "dual" standard that we had followed and applied in Fogerty I-whereby prevailing plaintiffs generally were awarded attorney's fees as a matter of course, while prevailing defendants had to show that the original lawsuit was frivolous or brought in bad faith-and the "British Rule" for which Fogerty argued-whereby the prevailing party (whether plaintiff or defendant) automatically receives fees. The Court instead adopted the "evenhanded" approach exemplified by the Third Circuit's opinion in *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151 (3d Cir.1986).FN2

FN2. In *Lieb*, the defendant won on summary judgment and requested attorney's fees, contending that the copyright infringement claim was filed in bad faith, was frivolous, and should not have been brought after reasonable investigation. The district court denied the request without discussion. The Third Circuit remanded for a statement of reasons, but in doing so explained that "we do not require bad faith, nor do we mandate an allowance of fees as a concomitant of prevailing in every case, but we do favor an evenhanded approach." Id. at 156. The court went on to identify a number of factors which should play a part in the district courts' discretion, including "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," but expressly declined to limit the factors to those mentioned. Id.

The Court held that

Prevailing 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. "There is no precise rule or formula for making these determinations," but instead equitable discretion should be exercised "in light of the considerations we have identified."

Fogerty II, 510 U.S. at 534, 114 S.Ct. at 1033 (quoting *Hensley v. Eckerhart*, 461 U.S. 424, 436-437, 103 S.Ct. 1933, 1941, 76 L.Ed.2d 40 (1983)). Considerations discussed by the Court include the Copyright Act's primary objective, "to encourage the production of original literary, artistic, and musical expression for the good of the public," *id.* at 524, 114 S.Ct. at 1028; the fact that defendants as well as plaintiffs may hold copyrights, *id.* at 525-527, 114 S.Ct. at 1029, and "run the gamut from corporate behemoths to starving artists," *id.* at 524, 114 S.Ct. at 1028 (internal quotations and citation omitted); the need to encourage "defendants who seek to advance a variety of meritorious copyright defenses ... to litigate them to the same extent that [Cite as: 94 F.3d at 558] plaintiffs are encouraged to litigate meritorious claims of infringement," *id.* at 527, 114 S.Ct. at 1030; and the fact 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 by the holder of a copyright," *id.*

The district court's decision was informed by these considerations, but Fantasy argues that it failed to appreciate the culpability underpinnings of the evenhanded rule and to apply the Lieb factors, which Fantasy contends are fault-based and were embraced by the Supreme Court in Fogerty II. However, neither Lieb nor the Court's discussion of the evenhanded rule and the Lieb factors in Fogerty II suggests that discretion to award fees to prevailing defendants is constrained by the plaintiff's culpability, or is limited to the specific factors identified in Lieb. As the Court's discussion in footnote 19 indicates, courts following the evenhanded standard have suggested several "nonexclusive factors to guide courts' discretion." *Id.* at 534 n. 19, 114 S.Ct. at 1033 n. 19. By way of example, footnote 19 refers to the factors listed by the Third Circuit in *Lieb* (frivolousness, motivation, objective unreasonableness, and considerations of compensation and deterrence),^{FN3} and says of them: "We agree that such factors may be used to guide courts' discretion, 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." *Id.* Thus, while courts may take the *Lieb* factors into account, they are "nonexclusive." Even so, courts may not rely on the *Lieb* factors if they are not "faithful to the purposes of the Copyright Act." *Id.* Faithfulness to the purposes of the Copyright Act is, therefore, the pivotal criterion.

FN3. See note 2, *supra*. [citing the factors in *Lieb*]

By the same token, a court's discretion may be influenced by the plaintiff's culpability in bringing or pursuing the action, but blameworthiness is not a prerequisite to awarding fees to a prevailing defendant. Fantasy made a similar argument in the Supreme Court, asserting that Congress must have intended attorney's fees for prevailing defendants only when the plaintiff's claim was frivolous or brought with a vexatious purpose because that was the clearly established law when § 505 was enacted. *Id.* at 527-529, 114 S.Ct. at 1030. The Court disagreed. In doing so, it singled out the statement in *Breffort v. I Had a Ball Co.*, 271 F.Supp. 623 (S.D.N.Y.1967), that "if an award is to be made at all [to a prevailing defendant], 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 627, 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," Fogerty II, 510 U.S. at 532-533 n. 18, 114 S.Ct. at 1032 n. 18. In

the face of this declaration, we cannot fault the district court for awarding fees to Fogerty as a prevailing defendant without first finding that Fantasy as the plaintiff was blameworthy.

Although we have not squarely addressed this question before, our post- Fogerty II opinions have recognized that a plaintiff's culpability is no longer required, that the Lieb factors may be considered but are not exclusive and need not all be met, and that attorney'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. In *Apple Computer, Inc. v. Microsoft Corp.*, 35 F.3d 1435 (9th Cir.1994), cert. denied, 513 U.S. 1184, 115 S.Ct. 1176, 130 L.Ed.2d 1129 (1995), for instance, we affirmed summary judgment for the defendants but remanded for the district court to reconsider its refusal to award attorney's fees in light of Fogerty II, explaining that "the district court now has greater discretion to award attorney's fees to prevailing defendants." Id. at 1448. We rejected the plaintiff's contention that "remand is unnecessary because the district court also made findings that require the denial of attorney's fees under the criteria set forth in Lieb," concluding that "[t]he district court clearly indicated that it might be inclined to award attorney's fees if a finding of bad faith or frivolousness were no longer required, and it invited [the defendants] to [**Cite as: 94 F.3d at 559**] renew their motions should the law in this circuit change." Id.; see also *Smith v. Jackson*, 84 F.3d 1213, 1221 (9th Cir.1996) (award upheld even though district court found no frivolousness but weighed many relevant considerations and didn't commit clear error of judgment). In *Jackson v. Axton*, 25 F.3d 884 (9th Cir.1994), we affirmed a summary judgment for the defendant and remanded for reconsideration of the refusal to award fees under Fogerty II, explaining that under Fogerty II, courts deciding whether to grant attorney's fees to a prevailing party are to exercise "equitable discretion" in light of the considerations the Court identified, the degree of success obtained, the Lieb factors, and the purposes of the Copyright Act; and are to apply such factors in an evenhanded manner. Id. at 890. We have been careful to indicate that such factors are only "some" of the factors to consider, and that courts are not limited to considering them. See *Maljack Productions, Inc.*, 81 F.3d at 889; *Jackson*, 25 F.3d at 890. And in *Historical Research v. Cabral*, 80 F.3d 377 (9th Cir.1996), we concluded that, under Fogerty II, " 'exceptional circumstances' are not a prerequisite to an award of attorneys fees; district courts may freely award fees, as long as they treat prevailing plaintiffs and prevailing defendants alike and seek to promote the Copyright Act's objectives." Id. at 378 (citations omitted); see also *Magnuson v. Video Yesteryear*, 85 F.3d 1424, 1432 (9th Cir.1996) (reiterating importance of promoting the Copyright Act's objectives in considering attorney's fee awards).

We also have not previously been asked to decide whether the factors relied upon by a district court in awarding fees to a prevailing copyright defendant must be exactly capable of being applied to a prevailing plaintiff in order to satisfy the evenhanded rule. However, Fogerty II has already answered this question. Fantasy argues that the point of evenhandedness is to eliminate as the premise for any fee award any factor which cannot occur on both sides of the litigation equation. But we believe this asks more of "evenhandedness" than Fogerty II expects. Fantasy's argument is just another way of making two points rejected by the Supreme Court-that for a prevailing defendant to qualify for fees the plaintiff must be blameworthy because whenever a plaintiff prevails the defendant, by definition, is blameworthy; and that to award fees when the plaintiff isn't blameworthy chills enforcement of the copyright laws. Of the latter the Court states:

[T]he argument is flawed because it expresses a one-sided view of the purposes of the Copyright Act. While it is true that one of the goals of the Copyright Act is to discourage infringement, it is by no means the only goal of that Act. In the first place, it is by no means always the case that the plaintiff in an infringement action is the only holder of a copyright; often times, defendants hold copyrights too, as exemplified in the case at hand.

More importantly, the policies served by the Copyright Act are more complex, more measured, than simply maximizing the number of meritorious suits for copyright infringement.

Fogerty II, 510 U.S. at 526, 114 S.Ct. at 1029 (internal citation omitted). And of the former, the Court says, speaking directly to this case:

In the case before us, the successful defense of “The Old Man Down the Road” increased public exposure to a musical work that could, as a result, lead to further creative pieces. Thus 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 by the holder of a copyright.

Id. at 527, 114 S.Ct. at 1030. We cannot, therefore, say that the district court erred by relying on factors identified by the Supreme Court which in this case led it to conclude that Fogerty's defense sufficiently furthered the purposes of the Copyright Act to warrant an award of attorney's fees.

Nor do we agree with Fantasy that the district court's award of fees imported the British Rule through the back door. The British Rule requires an award of attorney's fees to every prevailing party, regardless of the circumstances; nothing is left for the court to decide except how much. However, [Cite as: 94 F.3d at 560] Fogerty II makes clear that attorney's fees are within the courts' discretion. The district court recognized this point and, as it concluded, the reasoning upon which it relied does not lead to compulsory fee awards to prevailing copyright defendants: copyright claims do not always involve defendant authors, let alone defendant authors accused of plagiarizing themselves, and do not always implicate the ultimate interests of copyright; copyright defendants do not always reach the merits, prevailing instead on technical defenses; defenses may be slight or insubstantial relative to the costs of litigation; **the chilling effect of attorney's fees may be too great or impose an inequitable burden on an impecunious plaintiff;**²² and each case will turn on its own particular facts and equities.

In sum, evenhandedness means that courts should begin their consideration of attorney's fees in a copyright action with an evenly balanced scale, without regard to whether the plaintiff or defendant prevails, and thereafter determine entitlement without weighting the scales in advance one way or the other. Courts may look to the nonexclusive *Lieb* factors as guides and may apply them so long as they are consistent with the purposes of the Copyright Act and are applied evenly to prevailing plaintiffs and defendants; a finding of bad faith, frivolous or vexatious conduct is no longer required; and awarding attorney's fees to a prevailing defendant is within the sound discretion of the district court informed by the policies of the Copyright Act.

Since the reasons given by the district court in this case are well-founded in the record and are in keeping with the purposes of the Copyright Act, the court acted within its discretion in awarding a reasonable attorney's fee to Fogerty.

Fantasy, Inc. v. Fogerty, 94 F.3d 553, 556-560 (9thCir. 1996).

²² Boldface added by Standler. *Ets-Hokin v. Skyy Spirits, Inc.*, 323 F.3d 763, 766 (9thCir. 2003) (“The Ninth Circuit has added as additional considerations: the degree of success obtained, the purposes of the Copyright Act, and whether the chilling effect of attorney's fees may be too great or impose an inequitable burden on an impecunious plaintiff. *Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 559-60 (9thCir. 1996).”).

These factors were cited in *Stewart Title of California, Inc. v. Fidelity Nat. Title Co.*, 279 Fed.Appx. 473, 476 (9thCir. 2008); *Lamps Plus, Inc. v. Seattle Lighting Fixture Co.*, 345 F.3d 1140, 1147 (9thCir. 2003); *Ets-Hokin v. Skyy Spirits, Inc.*, 323 F.3d 763, 766 (9thCir. 2003).

miscellaneous Ninth Circuit

- *Magnuson v. Video Yesteryear*, 85 F.3d 1424, 1432 (9thCir. 1996) (“In this case, we are particularly concerned that the small award for damages [\$375] in this case is insufficient to deter future copyright infringements such as the one at issue here.”).
- *Brod v. General Pub. Group, Inc.*, 32 Fed.Appx. 231, 236 (9thCir. 2002) (“Third, the need for compensation and deterrence is not compelling. While Collins may not be a ‘corporate behemoth,’ neither is Brod. *Fogerty*, 510 U.S. at 524, 114 S.Ct. 1023. We will not discourage ‘starving artists’ from defending copyrights in original works due to the threat of attorney’s fees. *Id.* The District Court was correct to hold that the goals of the Copyright Act do not necessitate an award of attorney’s fees.”).

A software manufacturer, Corel, successfully defended a copyright infringement case — the copyright claims were dismissed on summary judgment, *Berkla v. Corel Corp.*, 66 F.Supp.2d 1129 (E.D.Cal. 1999) — but the trial court refused to award attorney’s fees to the prevailing defendant. The argument seems to be that, although plaintiff could not prove copyright infringement by Corel, there was evidence of misappropriation of plaintiff’s intellectual property by Corel. In August 2002, the Ninth Circuit affirmed the denial of attorney’s fees to Corel:

Corel argues that its successful defense of Berkla’s infringement claims on the ground that Berkla’s images contained no protectable expression furthered a primary objective of the Copyright Act — to “promote the Progress of Science and useful Arts” by “encourag[ing] others to build freely upon the ideas and information conveyed by a work.” *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349-50, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991). It contends that its defense of this suit fostered the important concept of distinguishing unprotectable ideas from protectable expression.

We find this argument unpersuasive and agree with the district court that Corel’s behavior in this case did not advance the purposes of the Copyright Act. In denying fees, the district court found that Corel’s use of Berkla’s nozzles to model its own Photo Paint images, while not technically violating the virtual identity standard of copyright infringement, nevertheless constituted a **highly questionable business practice**.²³ The district court emphasized:

Most important ... is the fact that the jury found Corel had acted improperly in utilizing Berkla’s databases for modeling of its own. While the jury’s finding of maliciousness or oppressiveness or fraud on the part of Corel in breaching Berkla’s confidence could be questioned, Corel has chosen not to contest these findings in post-trial motions. The jury’s unaltered liability verdict speaks loudly in proclaiming that Corel should not be rewarded for prevailing on a finding regarding copyright standard of proof in light of the found misdeeds on related issues.

²³ Boldface added by Standler.

It would be inconsistent with the Copyright Act's purposes to endorse Corel's improper appropriation of Berkla's product by awarding fees.[footnote omitted]
Berkla v. Corel Corp., 302 F.3d 909, 923 (9thCir. 2002).

The Ninth Circuit concluded:

Thus, Corel was not a blameless victim in this lawsuit — its admittedly illegal behavior prompted Berkla's complaint. Corel's attempt to paint Berkla as a litigious schemer who “set up” Corel obscures Corel's underlying wrongful conduct and is insufficient to warrant overturning the district court's denial of fees. We conclude that the district court did not abuse its discretion in denying Corel attorney's fees on the copyright claim.

Berkla v. Corel Corp., 302 F.3d 909, 924 (9thCir. 2002).

In September 2009 the U.S. Court of Appeals in California wrote:

¶17. Given the district court's detailed analysis and the fact that it considered the relevant factors in assessing the reasonableness of the attorneys' fee awards, we cannot conclude that the district court abused its discretion. Although Archives technically prevailed against Julien's, we acknowledge that Archives' limited success (essentially nominal damages) would have supported an award of no fees (or significantly lower fees). See *Farrar v. Hobby*, 506 U.S. 103, 115, 113 S.Ct. 566, 121 L.Ed.2d 494 (1992) (“In some circumstances, even a plaintiff who formally ‘prevails’ ... should receive no attorney's fees at all. A plaintiff who seeks compensatory damages but receives no more than nominal damages is often such a prevailing party.”). “[A]ttorney's fees may be properly denied where the plaintiff's success on a legal claim can be characterized as purely technical or de minimis.” *Park*, 464 F.3d [1025] at 1036 [(9thCir. 2006)]²⁴ (alteration, citations and internal quotation marks omitted). Such is the case here. However, when awarding attorneys' fees under the Copyright Act, “district courts are given wide latitude to exercise ‘equitable discretion.’ ” *Entm't Research Group, Inc. v. Genesis Creative Group, Inc.*, 122 F.3d 1211, 1229 (9th Cir.1997) (citing *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994)). Although an award of attorneys' fees that is ten times the amount recovered in damages seems unreasonable under the circumstances of this case, the district court knows the history of the litigation, has observed the conduct of the parties throughout, and is in a better position to weigh the equitable factors. Here, the district court correctly identified the relevant factors, *Wall Data Inc.*, 447 F.3d at 787, and considered “the most critical factor[:] the degree of success obtained.” See *Hensley v. Eckerhart*, 461 U.S. 424, 436, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983) (vacating and remanding a fee award where the district court failed to “properly consider the relationship between the extent of success and the amount of the fee award”).²⁵ Given the district court's analysis, we cannot say that we have a “definite and firm conviction that the [district court] committed a clear error of judgment in the conclusion it reached upon a weighing of the relevant factors.” *Smith*, 84 F.3d at 1221 (citation omitted).

Milton H. Greene Archives, Inc. v. Julien's Auction House LLC, 345 Fed.Appx. 244, 249, ¶17 (9thCir. 2009). One dissenting judge would have vacated the \$340,000 attorney's fee award because of misconduct by plaintiff's attorneys (e.g., “flagrant greed,” “systematically engag[ing] in

²⁴ *Park* is a case arising under the Individuals with Disabilities Education Act, and has nothing to do with copyright infringement. But this rule in *Park* is broadly applied to fee-shifting in many kinds of cases, see page 77, below.

²⁵ Quoted below, beginning at page 82.

conduct that caused the case to be blown out of proportion,” “embarrassing sloppiness,” “miscit[ing] the law,” and incorrectly characterizing the district court's own order). *Ibid.* at 250.

Modern Law in the Seventh Circuit

NLFC v. Devcom (N.D.Ill. 1996)

In January 1996, a trial court in Illinois awarded \$ 165,562 in attorney's fees to a prevailing defendant.

[The U.S. Supreme Court in] *Fogerty* directs lower courts to exercise ‘equitable discretion’ in light of several nonexclusive factors including “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.” *Fogerty*, 510 U.S. at 534, n. 19, 114 S.Ct. at 1033 n. 19, quoting *Lieb v. Topstone Industries, Inc.*, 788 F.2d 151, 156 (3d Cir.1986).[footnote omitted] Post- *Fogerty* caselaw has taken into consideration other relevant factors such as the prevailing party's degree of success. See *Diamond Star Bldg. Corp. v. Sussex Co. Builders, Inc.*, 21 F.3d 59 (4th Cir.1994).

Once liability is established, the prevailing party must prove that the costs and fees requested are reasonable. Caselaw also provides guidance as to the reasonableness of the amount. Several factors may be considered at this stage: relative complexity of the litigation, relative financial strength of the parties and bad faith. See *Lieb*, 788 F.2d at 156. At base, the sum recoverable may not exceed that charged the client but the award does not have to equal that amount. *Lieb*, 788 F.2d at 156.

NLFC, Inc. v. Devcom Mid-America, Inc., 916 F.Supp. 751, 756-757 (N.D.Ill. 1996).

Having found NLFC liable under § 505 for prevailing party Devcom's costs and legal fees, we must now consider whether the amounts claimed by Devcom were necessary and reasonable. Devcom, as the applicant, bears the burden of providing sufficient evidence that the rates charged by Golden & Rosenbaum were in line with those prevailing in the community for similar services by lawyers of reasonably comparable skill, experience and reputation. See *Blum v. Stenson*, 465 U.S. 886, 895-96, 104 S.Ct. 1541, 1544-47, 79 L.Ed.2d 891 (1984).²⁶ In addition, Devcom bears the burden of establishing the number of hours reasonably expended on the case. *Hensley v. Eckerhart*, 461 U.S. 424, 433, 103 S.Ct. 1933, 1939, 76 L.Ed.2d 40 (1983).²⁷ While failure to present sufficient records can result in reduction of hours requested, the critical determination is whether the documentation, when taken in context, sufficiently identifies what work was done. *Gekas v. Attorney Registration & Disciplinary Comm'n*, 793 F.2d 846, 853 (7thCir. 1986).

NLFC, Inc. v. Devcom Mid-America, Inc., 916 F.Supp. 751, 760 (N.D.Ill. 1996).

²⁶ Quoted below, beginning at page 85.

²⁷ Quoted below, beginning at page 82.

Budget Cinema (1996)

In April 1996, the Seventh Circuit reversed a trial court's denial of attorney's fees to prevailing defendants, because the trial court used the wrong criteria for determining whether to award attorney's fees to a prevailing party:

The Copyright Act provides that "the court may ... award a reasonable attorney's fee to the prevailing party as part of the costs." 17 U.S.C. § 505. Prior to 1994, several courts of appeals, including ours, adopted a dual standard under Section 505 whereby a greater burden was placed upon prevailing defendants than on prevailing plaintiffs to recover attorney's fees. Prevailing defendants in copyright cases had to show bad faith or frivolousness to recover attorney's fees. *Video Views, Inc. v. Studio 21, Ltd.*, 925 F.2d 1010, 1022 (7th Cir.1991), certiorari denied, 502 U.S. 861, 112 S.Ct. 181, 116 L.Ed.2d 143. However, in 1994 the Supreme Court in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 114 S.Ct. 1023, 127 L.Ed.2d 455, rejected the dual standard and ruled that prevailing plaintiffs and prevailing defendants are to be treated alike under Section 505. The Court stated that no precise formula governs the determination, but instead equitable discretion should be exercised. *Id.* at 1033. It noted several nonexclusive factors to guide courts' discretion: frivolousness, motivation, objective unreasonableness (both factual and legal components), and the need in particular circumstances to advance considerations of compensation and deterrence. *Id.* at 1033 n. 19. We endorse these factors along with the other courts of appeals that have applied Section 505 post-*Fogerty*. *Superior Form Builders, Inc. v. Chase Taxidermy Supply Co.*, 74 F.3d 488, 498 (4th Cir.1996); *Knitwaves, Inc. v. Lollytogs, Ltd.*, 71 F.3d 996, 1011-1012 (2d Cir. 1995); *Mary Ellen Enters. v. Camex, Inc.*, 68 F.3d 1065, 1072 (8th Cir. 1995); *Jackson v. Axton*, 25 F.3d 884, 890 (9th Cir. 1994). We will reverse a district court's determination if it either applied the wrong legal standard or abused its discretion. *Knitwaves*, 71 F.3d at 1012.

Budget Cinema, Inc. v. Watertower Associates, 81 F.3d 729, 731 (7th Cir. 1996).

Notice the Seventh Circuit's acceptance of the factors in *Fogerty* and the Fourth Circuit's factors in *Superior Form Builders*, each of which can be traced back to *Lieb*.

Applying the appropriate factors, we conclude that defendants were entitled to an award of reasonable attorney's fees under Section 505. Although there is little indication of actual bad faith on the part of Budget, the record demonstrates quite clearly that Budget's case against defendants was objectively unreasonable, both factually and legally.

Budget Cinema, Inc. v. Watertower Associates, 81 F.3d 729, 732 (7th Cir. 1996).

The Court of Appeals concluded:

Although we do not hold that attorney's fees must be awarded under Section 505 in every case, we are convinced that the district court abused its discretion by failing to award attorney's fees based on the objective unreasonableness of Budget's complaint. Accord *Diamond Star Bldg. Corp. v. Freed*, 30 F.3d 503, 507 (4th Cir. 1994). The judgment denying the award of attorney's fees is reversed and the case remanded for a determination of these defendants' reasonable attorney's fees.

Budget Cinema, Inc. v. Watertower Associates, 81 F.3d 729, 733 (7th Cir. 1996).

Note the acceptance of the Fourth Circuit's criteria, which can be traced back to *Lieb*.

FASA v. Playmates Toys (1997)

In March 1997, Judge Diane Wood of the Seventh Circuit wrote:

Playmates, which reports to this court that it spent in excess of \$2.5 million defending itself against FASA's accusations, argues that the district court's remarks explaining why he was denying attorneys' fees reveal a mistake of law on the standard to be applied. In *Fogerty*, it argues, the Supreme Court made clear that section 505 of the Copyright Act, 17 U.S.C. § 505, does not require a prevailing party to prove either bad faith or exceptional circumstances in order to obtain its attorneys' fees. For its part, FASA does not disagree with that characterization of *Fogerty*, but it argues that the district court's mention of bad faith and exceptional circumstances pertained only to the Lanham Act ground for attorneys' fees, based on 15 U.S.C. § 1117. The citations to *Fogerty* and *BASF Corp. v. Old World Trading Co., Inc.*, 41 F.3d 1081 (7th Cir.1994), and the allusions to decisions in the Second and Third Circuits (which FASA speculates included *Lieb v. Topstone Industries*, 788 F.2d 151 (3d Cir.1986) (developing approach later taken by the Supreme Court in *Fogerty*) and *Diamond v. Am-Law Publishing Corp.*, 745 F.2d 142 (2d Cir.1984) (concluding that plaintiff's subjective bad faith was immaterial)), indicate to FASA that the court both knew of and applied the proper standard insofar as § 505 was at issue. Playmates responds that even if the district court properly understood [**Cite as: 108 F.3d at 143**] that *Fogerty* provides the governing standard, it abused its discretion in denying the fee petition in light of all the circumstances of the litigation (which both parties describe in detail in their briefs).

As Playmates points out, the standards for granting attorneys' fees to a prevailing party differ considerably between the Lanham Act, which governed the trademark parts of this litigation, and the Copyright Act. After setting forth what may be recovered as damages in a Lanham Act case for violation of a right held by a registered trademark holder, 15 U.S.C. § 1117 states that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” This court has observed that the “exceptional” cases to which the statute refers encompass “cases in which the acts of infringement are ‘malicious, fraudulent, deliberate or willful.’ ” *BASF Corp.*, 41 F.3d at 1099 (citation omitted). Distinguishing between cases in which the plaintiff prevails and those in which the defendant prevails, the Fourth Circuit has held that a finding of bad faith on the part of a plaintiff is not necessary for a prevailing defendant to prove that the case is “exceptional,” but a prevailing plaintiff would need to show that a defendant acted in bad faith in order to succeed. *Scotch Whisky Ass'n v. Majestic Distilling Co., Inc.*, 958 F.2d 594, 599 (4th Cir.1992).

The Supreme Court took a turn away from a mode of analysis that distinguishes between prevailing plaintiffs and prevailing defendants when it considered the Copyright Act's attorneys' fee provision in *Fogerty v. Fantasy, Inc.*, *supra*, which may call into question the distinction that the Fourth Circuit adopted in *Scotch Whisky*. It remains true, however, that the language of the Lanham Act requires some kind of exceptional circumstances, and we see no reason why the bad faith of one of the parties may not be part of those exceptional circumstances. Section 505 of the Copyright Act stands in marked contrast to its Lanham Act counterpart:

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. In *Fogerty*, the Supreme Court expressly approved the “evenhanded” approach to § 505 that the Third Circuit had adopted, citing *Lieb* with approval; it characterized

the Second, as well as the Ninth, Seventh, and D.C. Circuits, as followers of a “dual” standard under which a greater burden had been placed on prevailing defendants than prevailing plaintiffs before fees could be awarded. See 510 U.S. at 521-22 & n. 8, 114 S.Ct. at 1027 & n. 8. The Court expressly disapproved the practice of awarding fees to prevailing defendants only upon a showing of frivolousness or bad faith, *id.* at 531-32, 114 S.Ct. at 1032, and it also rejected the argument that the “British Rule” requiring fees as a matter of course for the winner should be adopted, *id.* at 533, 114 S.Ct. at 1033. Instead, it opted for a middle ground, under which “[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.” *Id.* at 534, 114 S.Ct. at 1033. It agreed that the factors the Lieb court had identified as relevant could be used to guide the court's discretion, as long as they were applied in an evenhanded manner. That list included “ ‘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.* at 534 n. 19, 114 S.Ct. at 1033 n. 19, quoting Lieb at 788 F.2d at 156. See also *Methodist Hospitals, Inc. v. Sullivan*, 91 F.3d 1026, 1030 (7th Cir.1996) (noting that Fogerty required courts applying the Copyright Act to rely on one standard for awarding attorney's fees to prevailing parties).

We have, therefore, a situation in which the standard for awarding fees to Playmates for the trademark part of FASA's case is significantly stricter than the standard for the copyright portion. If the district court had awarded fees based on the stricter standard, it would have been relatively [**Cite as: 108 F.3d at 144**] easy to justify the award based on the more lenient standard as well. Here, however, the court opted to deny fees to the prevailing party. Much as we would like to put this litigation to an end, we are unable to discern from the remarks made in the hearing on the fee petition whether or not the court actually followed the correct standard for the copyright claims. In almost the same breath, the judge referred to the Lanham Act standard and *BASF, to Fogerty and Sassafra Enterprises, Inc. v. Roshco, Inc.*, 889 F.Supp. 343, 348 (N.D.Ill.1995) (correctly holding that Fogerty “made it clear that the standard for [an attorney's fee] award is the same for plaintiffs and defendants,” and quoting the Lieb factors), and to unspecified Third and Second Circuit cases. Since the Supreme Court disapproved of the Second Circuit's approach, and since the Lanham Act standard does not apply in copyright cases, we cannot tell what the court intended to do here.

In its briefs, FASA has made a Herculean effort to parse the judge's comments, suggesting that perhaps he meant to refer to the bad faith and exceptional circumstances test to justify the denial of fees for Lanham Act purposes, and the circumstances as a whole to justify the denial of the fees for copyright purposes. This interpretation may gain some support from the FASA III opinion itself, where the court expressed the view that the case hung too closely in the balance to justify an award of costs for Playmates. (We note that costs under 28 U.S.C. § 1920 are normally awarded to the prevailing party as a matter of course, unless exceptional circumstances are present, see *Overbeek v. Heimbecker*, 101 F.3d 1225, 1228 (7th Cir.1996), or unless the case has a mixed outcome, see *Testa v. Village of Mundelein*, 89 F.3d 443, 447 (7th Cir.1996). Here, Playmates has not contested the decision to deny its costs for § 1920 purposes; any argument it might have had on that point is therefore waived.) The word “costs” at the conclusion of a judicial opinion is a term of art, which normally does not encompass attorneys' fees. It is common for courts to enter a direction about costs and then to entertain a separate fees motion. Although Judge Castillo may have meant both costs and attorneys' fees, as he indicated at the fee petition hearing, that takes us back where we started, to the problem of the standard he was using for a fee award.

Rather than attempting further to read between the lines of the judge's oral remarks, we prefer to send the fee question back to him to rule again on the petition under the applicable legal standards. We emphasize in this connection that *Fogerty* says that “attorney's fees are to be awarded to prevailing parties only as a matter of the court's discretion.” 510 U.S. at 534, 114 S.Ct. at 1033. As we have frequently noted, this standard is a generous one. See generally, *Monticello School Dist. No. 25 v. George L.*, 102 F.3d 895, 907 (7th Cir.1996) (attorney's fees under IDEA); *Briggs v. Marshall*, 93 F.3d 355, 361 (7th Cir.1996) (attorney's fees under 42 U.S.C. § 1988). Our own review of this record does not leave us with the impression that the result of the fee petition could go only one way. The judgment with respect to the attorneys' fee petition is Vacated and Remanded for further proceedings consistent with this opinion.

FASA Corp. v. Playmates Toys, Inc., 108 F.3d 140, 142-144 (7th Cir. 1997) (Wood, J.).

In April 1998, on remand, the U.S. District Court in Illinois explained why it denied attorney's fees to the prevailing defendant:

This Court concludes that FASA's lawsuit was motivated by a desire to stop Playmates from what it earnestly believed was wrongful copying of works FASA had created. While there is in hindsight no doubt that FASA may have litigated with too broad of a brush, there are absolutely no facts in this Court's prior three opinions that support any factual finding of improper motivation by FASA in bringing its unsuccessful lawsuit. Moreover, this Court expressly finds that the chilling effect of awarding Playmates attorneys' fees would be too great and would impose an inequitable burden on FASA under the particular facts and equities presented by this case. In *Sanford v. CBS, Inc.*, 108 F.R.D. 42, 43 (N.D.Ill.1985), Judge Aspen denied fees to a prevailing defendant in a similar situation because “it would be inequitable to force [plaintiff] into financial ruin for bringing in good faith what appeared to be a legitimate copyright claim.” Playmates' argument that *Sanford* is inapplicable because it was decided before *Fogerty* ignores the fact that equitable considerations of this type are precisely what the Supreme Court directed district courts to consider in exercising discretion to grant or deny fees. See *Fogerty*, 510 U.S. at 533-35.

D. The Purposes Of The Copyright Act Do Not Support An Award Of Fees.

Most importantly, an award of attorneys' fees in this case would not serve to advance the purposes of the Copyright Act because there are no considerations of compensation or deterrence that need to be vindicated here. An award of attorneys' fees to Playmates would serve only to reward its behavior, which was just barely outside the reach of copyright and trademark laws. Such an award would be contrary to the legislative purposes of the federal statutes involved in this case.

An award of fees to Playmates will not serve to promote the ultimate aim of our copyright laws to stimulate artistic creativity for the general public good. See *Fogerty*, 510 U.S. at 525. If anything, an award of attorneys' fees to Playmates under the circumstances presented here would discourage creative entities like FASA from ever seeking to vindicate its rights against a large corporate defendant. In essence, FASA was the party that primarily vindicated the interests sought to be protected in the Copyright Act by establishing the protectible original elements of its works and overcoming Playmates' written waiver defense.

Nor does Playmates' reliance on multiple defenses, some of which were ultimately meritorious, inevitably further creative purposes. Instead, the lesson of this costly litigation is that it may be better to seek a business rather than a litigation solution, before creating [**Cite as: 1 F.Supp.2d at 867**] a toy line that is similar to, but not an illegal copy of, a prior

product to which the company was previously exposed. Ultimately, this Court determined that Playmates made a conscious business decision to nearly copy the creative works of FASA. Playmates escaped liability only because the manner in which it copied FASA's works was distinct enough to avoid liability and because many of the features of FASA's works were not protectible under the Copyright Act. These technical defenses, while successful, are slight and insubstantial relative to the enormous costs of this litigation to both sides.^{FN4} See *Creations Unlimited, Inc. v. McCain*, 112 F.3d 814, 816-17 (5th Cir.1997) (affirmed district court's decision to decline to award attorneys' fees to copyright defendant who prevailed on summary judgment on basis of lack of substantial similarity between plaintiff's line drawings and defendant's tee-shirts).

FN4. The Seventh Circuit's opinion in this case indicated that Playmates had spent over \$2.5 million litigating this case. See *FASA*, 108 F.3d at 141. It does not take much for this Court to harbor the safe assumption that FASA has also spent a similar figure litigating this case. In fact, FASA may have spent more because it bore the burden of proof in this matter.

CONCLUSION

The proper exercise of this Court's discretion herein requires the Court to once again reject an award of fees. It is unfortunate that this litigation was prolonged by this attorneys' fees dispute. The Court recognizes that it bears great responsibility by not clearly enunciating the specific basis of its prior denial of attorneys' fees. Perhaps the Court mistakenly sought to avoid writing a fourth opinion in this hotly disputed litigation. Yet, the Court expressly notes that, rather than seek easy clarification from this Court, Playmates' counsel merely thanked the Court at the conclusion of the February 13, 1996 proceeding and proceeded to the appellate court.

FASA Corp. v. Playmates Toys, Inc., 1 F.Supp.2d 859, 866-867 (N.D.Ill. 1998).

This is the final reported opinion in this case. Note that the court found "there are absolutely no facts in this Court's prior three opinions that support any factual finding of improper motivation by [plaintiff] in bringing its unsuccessful lawsuit."

Harris Custom Builders (1998)

In April 1998, the Seventh Circuit wrote:

However, although the Supreme Court [in *Fogerty*] declined to follow our approach, it also declined to adopt the British rule, which would have meant that the prevailing party would receive fees as a matter of course. Rather, whether to grant fees is left to the judge's discretion:

Prevailing 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.

Fogerty v. Fantasy, Inc., 510 U.S. 517, 534, 114 S.Ct. 1023, 1033, 127 L.Ed.2d 455 (1994). The Supreme Court did not precisely articulate what should guide a district judge's exercise of that discretion. It did, however, cite *Lieb v. Topstone Industries, Inc.*, 788 F.2d 151, 156 (3rd Cir. 1986), with approval in a footnote, for a nonexclusive list of factors which could be considered. They 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.” 510 U.S. at 534 n. 19, 114 S.Ct. at 1033 n. 19.

In the present case, what the district court relied on was that the award was for work done on the copyright claims only, not on any of Hoffmeyer's counterclaims, and that the court itself had prolonged the litigation by making an incorrect decision on Harris' summary judgment motion.

Harris Custom Builders, Inc. v. Hoffmeyer, 140 F.3d 728, 730 (7thCir. 1998).

Cited in *Susan Wakeen Doll Co., Inc. v. Ashton Drake Galleries*, 272 F.3d 441, 457 (7thCir. 2001); *McRoberts Software, Inc. v. Media 100, Inc.*, 329 F.3d 557, 571 (7thCir. 2003).

In June 1999 the Seventh Circuit affirmed the award of \$228,918 in attorney's fees to prevailing defendant:

Other considerations cited by the district judge include that the motivation for this lawsuit was to “defeat a business competitor.” In fact, it appears that Hoffmeyer was financially destroyed by the lawsuit and is now bankrupt. [¶] In short, we are satisfied that the district judge properly exercised his discretion in awarding fees. The decision to do so is
AFFIRMED.

Harris Custom Builders, Inc. v. Hoffmeyer, not reported in F.3d, 1999 WL 417865 at *2 (7thCir. 1999).

Gonzales (2002)

In August 2002, the Seventh Circuit heard an appeal from a case in which plaintiff received a mere \$3000 statutory damages (the minimum amount on each of four counts) and the plaintiff received no attorney's fees. The trial judge tersely explained the denial of attorney's fees: “[Defendant]’s actions, though willful, are not the kind of flagrant behavior that would justify an award of attorneys' fees.”²⁸ The defendant had willfully infringed plaintiff's copyrights, but the trial judge did not award attorney's fees because the defendant had stopped infringing when he was sued by plaintiff. Judge Posner wrote a lengthy discussion that suggested that the trial judge should have awarded attorney's fees, or at least the trial judge should have better explained his reasons for denying attorney's fees:

Section 505 of the Copyright Act does not set forth a standard for awarding attorneys' fees to a prevailing party; it merely authorizes such awards. In *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994), the Supreme Court was asked to align interpretation of section 505 with that of the civil rights attorneys' fees awards act, 42 U.S.C. § 1988, under which a prevailing plaintiff is entitled to fees virtually as a matter of course but a prevailing defendant only if the suit is frivolous. E.g., *Christiansburg Garment Co. v. EEOC*, 434 U.S. 412, 422, 98 S.Ct. 694, 54 L.Ed.2d 648 (1978); *Khan v. Gallitano*, 180 F.3d 829, 837 (7th Cir.1999); *National Home Equity Mortgage Ass'n v. Face*, 283 F.3d 220, 224 (4th Cir.2002). The Court in *Fogerty* refused, reasoning that copyright defenses are as important as copyright claims (a successful defense enlarges the public domain, an important resource for creators of expressive works) and therefore there should be no thumb on the scales. It did not define the unitary standard to be applied to prevailing parties in copyright

²⁸ *Gonzales*, 301 F.3d at 609 (quoting trial judge).

suits but in a footnote, quoting a lower-court opinion, listed the following nonexclusive factors to guide determination: “frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance consideration of compensation and deterrence.” *Fogerty v. Fantasy, Inc.*, supra, 510 U.S. at 535 n. 19.

Since the factors aren't exclusive, and seem rather miscellaneous and ill-assorted, they leave the decision on whether to grant or deny attorneys' fees to the prevailing party in a copyright case pretty much to the discretion of the district judge, subject to necessarily highly deferential appellate review²⁹ — for the vaguer a standard to be applied by a trial judge, the greater his roaming room. But we do have to insist that the judge explain the grounds for his decision in sufficient depth to enable their reasonableness to be determined; otherwise there would be no appellate control at all over such decisions. And so we have not hesitated in the past to remand section 505 determinations when the district judge had not supplied us with sufficient indication of his reasoning process to enable us to decide whether the determination was reasonable. *Susan Wakeen Doll Co., v. Ashton-Drake Galleries*, 272 F.3d 441, 457-58 (7th Cir.2001); *Harris Custom Builders, Inc. v. Hoffmeyer*, 140 F.3d 728, 730-31 (7th Cir.1998); *FASA Corp. v. Playmates Toys, Inc.*, 108 F.3d 140, 144 (7th Cir.1997); *Budget Cinema, Inc. v. Watertown Associates*, 81 F.3d 729, 731-32 (7th Cir.1996); *Magnuson v. Video Yesteryear*, 85 F.3d 1424, 1432 (9th Cir.1996); *Historical Research v. Cabral*, 80 F.3d 377, 379 (9th Cir.1996) (per curiam).

This is such a case. The fact that Transfer did not persist in its infringing activities after being sued is no doubt a point in its favor, but without amplification is not a strong one. The fact that a criminal does not persist in committing crimes after he's indicted doesn't argue strongly in his favor. The infringement was willful; and willful infringements involving small **[Cite as: 301 F.3d at 610]** amounts of money cannot be adequately deterred (and remember “the need in particular circumstances to advance consideration of ... deterrence”) without an award of attorneys' fees. No one can prosecute a copyright suit for \$3,000. The effect of the district court's decision if universalized would be to allow minor infringements, though willful, to be committed with impunity, to be in effect privileged, immune from legal redress. **The smaller the damages, provided there is a real, and especially a willful, infringement, the stronger the case for an award of attorneys' fees.**³⁰ We urge this point, and we are not the first to do so — see, e.g., *Magnuson v. Video Yesteryear*, supra, 85 F.3d at 1432; *Quinto v. Legal Times of Washington, Inc.*, 511 F.Supp. 579, 581 (D.D.C.1981); Paul Goldstein, COPYRIGHT § 12.3.2.2 (2d ed.2002); Melville B. Nimmer and David Nimmer, NIMMER ON COPYRIGHT § 14.10 (2002) — not as a rule to be mechanically applied but rather as a consideration for district judges to weigh seriously; we go so far as to suggest, by way of refinement of the *Fogerty* standard, that **the prevailing party in a copyright case in which the monetary stakes are small should have a presumptive entitlement to an award of attorneys' fees.**³¹ The judge in this case may have had a good reason to find the presumption rebutted but this we cannot tell from his extremely brief discussion. The case must therefore be remanded for further consideration consistent with this opinion.

Gonzales v. Transfer Technologies, Inc., 301 F.3d 608, 609-610 (7th Cir. 2002) (Posner, J.).

²⁹ Boldface added by Standler. The Seventh Circuit has generally ignored the *Lieb* factors, see page 56, below.

³⁰ Boldface added by Standler.

³¹ Boldface added by Standler.

There are no further opinions in this case in Westlaw, so we do not know the final outcome.

Judge Posner does not cite *Lieb*. Instead, he mentions the U.S. Supreme Court in *Fogerty* “... in a footnote, quoting a lower-court opinion, listed the following factors” *Gonzales*, 301 F.3d at 609. About 19 months after *Gonzales*, Judge Posner wrote his own factors in *Assessment Technologies*.

In my May 2010 search for law review articles on fee-shifting in copyright cases, the most recent article was published in January 2004. In that article, two young attorneys criticize the holding in *Gonzales*:

... both the Fifth Circuit and the Seventh Circuit have undermined *Fogerty* by establishing broad presumptions that fail to reflect the unique characteristics of each individual case in relation to the purposes of the Copyright Act. [footnote to two Fifth Circuit cases and *Gonzales* in the Seventh Circuit.]

Robert Aloysius Hyde and Lisa M. Sharrock, “A Decade Down the Road But Still Running Through the Jungle: A Critical Review of Post-*Fogerty* Fee Awards,” 52 UNIV. KANSAS LAW REVIEW 467, 468 (Jan 2004). See also, *Ibid.* at 475.

It appears that the *Gonzales* presumption is premised on the counterintuitive proposition that the least successful prevailing plaintiffs should have the greatest entitlement to attorney’s fees. [¶] A related flaw in the *Gonzales* opinion is the court’s erroneous assumption parties can predict the amount of damages that will ultimately be awarded before deciding whether to engage in protracted litigation.

Ibid. at 477.

But note that willful infringement by defendant would justify awarding attorney’s fees to prevailing plaintiff, as explained below at page 71. Therefore, the result in *Gonzales* could easily be justified under old law, without any need for new rules (e.g., “presumptive entitlement”).

Assessment Technologies (2004)

In 2003, the Seventh Circuit considered a case “about the attempt of a copyright owner to use copyright law to block access to data that not only are neither copyrightable nor copyrighted, but were not created or obtained by the copyright owner.” *Assessment Technologies*, 350 F.3d 640, 641 (7thCir. 2003). The Seventh Circuit dismissed the copyright claim. In March 2004, a panel of the Seventh Circuit — including Judges Richard Posner and Diane Wood — ordered an award of attorney’s fees to prevailing defendant in that case. Judge Posner wrote a long discussion:

Before us now is the defendant's motion for an award of attorneys' fees incurred by it in defending the suit both in the district court and in our court. The **[Cite as: 361 F.3d at 436]** Copyright Act authorizes the award of reasonable attorney's fees to the prevailing party in a suit under the Act. 17 U.S.C. § 505. And unlike civil rights suits, where while a prevailing plaintiff is presumptively entitled to an award of fees a prevailing defendant is entitled to such an award only if the suit was groundless, e.g., *Christiansburg Garment Co. v. EEOC*, 434 U.S. 412, 98 S.Ct. 694, 54 L.Ed.2d 648 (1978); *Johnson v. Daley*, 339 F.3d 582, 587 (7th Cir.2003) (en banc), in copyright suits “prevailing plaintiffs and prevailing defendants are to

be treated alike.” *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994). The reason is that the plaintiff in such a suit is not a little guy suing a big guy — an employee suing an employer, for example — but often the reverse. For such a suit pits a property owner against an individual or firm that will often be, and in this case is, someone who seeks not to enforce a property right — a right to exclude that may generate big profits — but to obtain nonexclusive access to the intellectual public domain. The public interest in that access is as great as the public interest in the enforcement of copyright; this is shown by the restrictions with which copyright is hedged about, of which the most pertinent is that, as we pointed out in our original opinion, once work enters the public domain it cannot be appropriated as private (intellectual) property. 350 F.3d at 643; *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340, 348, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991); *Country Kids 'N City Slicks, Inc. v. Sheen*, 77 F.3d 1280, 1287 (10th Cir.1996); *Norma Ribbon & Trimming, Inc. v. Little*, 51 F.3d 45, 47 (5th Cir.1995); *Engineering Dynamics, Inc. v. Structural Software, Inc.*, 26 F.3d 1335, 1344 (5th Cir.1994); *Computer Associates International, Inc. v. Altai, Inc.*, 982 F.2d 693, 710 (2d Cir.1992); 3 Melville B. Nimmer & David Nimmer, *NIMMER ON COPYRIGHT* § 13.03[F][4], p. 13-141 (2004); see also *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262, 99 S.Ct. 1096, 59 L.Ed.2d 296 (1979); *Gonzales v. Transfer Technologies, Inc.*, 301 F.3d 608, 609 (7th Cir. 2002).

The courts have not said, however, that the symmetry of plaintiff and defendant in copyright cases requires a presumption that the prevailing party, whichever it is, is entitled to an award of attorneys' fees. They have instead left it to judicial discretion by setting forth a laundry list of factors, all relevant but none determinative. *Fogerty v. Fantasy, Inc.*, supra, 510 U.S. at 534 n. 19, 114 S.Ct. 1023; *McRoberts Software, Inc. v. Media 100, Inc.*, 329 F.3d 557, 571 (7th Cir.2003); *Gonzales v. Transfer Technologies, Inc.*, supra, 301 F.3d at 609; *Berkla v. Corel Corp.*, 302 F.3d 909, 923 (9th Cir.2002); *Lotus Development Corp. v. Borland Int'l, Inc.*, 140 F.3d 70, 73-74 (1st Cir.1998). The list, moreover, is nonexclusive, *Hogan Systems, Inc. v. Cybresource International, Inc.*, 158 F.3d 319, 325 (5th Cir.1998), arguably dictum, *Matthew Bender & Co. v. West Publishing Co.*, 240 F.3d 116, 121 (2d Cir. 2001), and in need of simplification — a process begun in this circuit in *Gonzales v. Transfer Technologies, Inc.*, supra, and continued here.

The two most important considerations in determining whether to award attorneys' fees in a copyright case are the strength of the prevailing party's case and the amount of damages or other relief the party obtained. If the case was a toss-up and the prevailing party obtained generous damages, or injunctive relief of substantial monetary value, there is no urgent need to add an award of attorneys' fees. Cf. *Mathias v. Accor Economy Lodging, Inc.*, 347 F.3d 672, 677 (7th Cir.2003). But if at the other extreme the claim or defense was frivolous and the prevailing party obtained no relief at all, the case for awarding him **[Cite as: 361 F.3d at 437]** attorneys' fees is compelling. As we said with reference to the situation in which the prevailing plaintiff obtains only a small award of damages, “the smaller the damages, provided there is a real, and especially a willful, infringement, the stronger the case for an award of attorneys' fees [W]e go so far as to suggest, by way of refinement of the *Fogerty* standard, that the prevailing party in a copyright case in which the monetary stakes are small should have a presumptive entitlement to an award of attorneys' fees.” *Gonzales v. Transfer Technologies, Inc.*, supra, 301 F.3d at 610; see also *Magnuson v. Video Yesteryear*, 85 F.3d 1424, 1432 (9th Cir.1996). **When the prevailing party is the defendant**, who by definition receives not a small award but no award, **the presumption in favor of awarding fees is very strong.**³² See *Diamond Star Building Corp. v. Freed*, 30 F.3d 503, 506 (4th Cir. 1994).

³² Boldface added by Standler.

For without the prospect of such an award, the party might be forced into a nuisance settlement or deterred altogether from exercising his rights.

We of course were not saying that the smaller the damages, the larger the fee. The fee is independent of the size of the damages. The point is only that when a meritorious claim or defense is not lucrative, 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. The best illustration is in fact a case like this, where the party awarded the fees, being the defendant, could not obtain an award of damages from which to pay his lawyer no matter how costly it was for him to defend against the suit.

Although the plaintiff managed to obtain a judgment from the district court, and so we do not go so far as to call the suit frivolous, the suit was marginal, as we explained in our opinion. The plaintiff was rather transparently seeking to annex a portion of the intellectual public domain. And since the prevailing party was the defendant, it obtained no affirmative relief from its victory. Unless a party in that situation has a prospect of obtaining attorneys' fees, it will be under pressure to throw in the towel if the cost is less than the anticipated attorneys' fees. We suggested in our opinion that "for a copyright owner to use an infringement suit to obtain property protection, here in data, that copyright law clearly does not confer, hoping to force a settlement or even achieve an outright victory over an opponent that may lack the resources or the legal sophistication to resist effectively," could be a form of copyright misuse. 350 F.3d at 647. **We did not reach the question whether the plaintiff's conduct rose to the level of actual copyright misuse, but we made clear that it came close, and an award of attorneys' fees to the defendant is an appropriate sanction.**³³ For illustrative cases, see *Budget Cinema, Inc. v. Watertown Associates*, 81 F.3d 729, 732-33 (7th Cir.1996); *Bond v. Blum*, 317 F.3d 385, 397-98 (4th Cir.2003) (a case in which misuse was found); *Coles v. Wonder*, 283 F.3d 798, 804 (6th Cir.2002); *Edwards v. Red Farm Studio Co.*, 109 F.3d 80, 83 (1st Cir.1997).

Most of the fees incurred by the defendant were incurred in the district court proceedings, and ordinarily that would argue compellingly for our limiting our award to the appellate fees and inviting the defendant to file in the district court a motion for the award of the fees that he incurred in that court. But in some cases in which detailed billing records of the applicant are submitted to the court of appeals, as the defendant has done in this case, and the opposing party has **[Cite as: 361 F.3d at 438]** had a chance to rebut, as it has, we can make the full award and save the parties the added expense and the district judge the added bother of a separate fees proceeding in the district court. *Cengr v. Fusibond Piping Systems, Inc.*, 135 F.3d 445, 454 (7th Cir.1998); *Nanetti v. University of Illinois*, 944 F.2d 1416, 1422 (7th Cir.1991); *Ustrak v. Fairman*, 851 F.2d 983, 989 (7th Cir.1988); *In re Thirteen Appeals*, 56 F.3d 295, 312 (1st Cir.1995); cf. *Walz v. Town of Smithtown*, 46 F.3d 162, 170 (2d Cir.1995). Such an approach furthers the principle that the fees tail should not be allowed to wag the merits dog too vigorously. *Ustrak v. Fairman*, supra, 851 F.2d at 987-88; see also *Hensley v. Eckerhart*, 461 U.S. 424, 437, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983).

In all the cases cited, except *Hensley* and *Walz*, the court of appeals was fixing fees for services incurred in the district court as well, as we are asked to do here; and that might seem contrary to the principle that the award of fees is committed to the discretion of the court in which the services for which fees are being sought were rendered; for that is the court that observed the rendition of the services. Ordinarily, of course, discretion is to be exercised by the judicial officer to whom that discretion has been confided. *Icicle Seafoods, Inc. v.*

³³ Boldface added by Standler.

Worthington, 475 U.S. 709, 106 S.Ct. 1527, 89 L.Ed.2d 739 (1986). But the scope of a judicial officer's discretion varies with the circumstances. Sometimes it is broad, sometimes a mere point. In this case, because there is no room for disagreement over the reasonableness of the various fees sought by the defendant for the work in the district court, there is no discretion for the district court to exercise and so no purpose would be served by a remand.

The defendant's lawyer billed the defendant for 778.2 hours of work, up to and including the trial in the district court, at an average rate of \$115 per hour, for a total of \$88,374.35. The plaintiff does not question the total number of hours billed or the billing rate. But some of this work, the plaintiff contends and the defendant concedes, was allocable to the state court proceedings discussed in our opinion on the merits, and the defendant suggests that we reduce the total amount by a third, to \$58,916.23, to reflect this fact. Our examination of the billing records persuades us that this is indeed the correct discount.

The defendant's lawyer billed the defendant another \$7,849.05 for 68.7 hours of work spent challenging the plaintiff's request in the district court for an award of attorneys' fees, plus a flat fee of \$7,500 for work on the wording of the injunction and another flat fee of \$17,500 for representing the defendant on appeal. The defendant wants us to ignore the flat fees and award a larger fee based on the number of hours that the lawyer actually worked on the two matters.

The courts of appeals have split three ways on the question of the weight to be given to the terms of the contract between the party and his lawyer in determining an award of attorneys' fees in a copyright case. Compare *Pinkham v. Camex, Inc.*, 84 F.3d 292, 294 (8th Cir.1996) (no weight), with *Crescent Publishing Group, Inc. v. Playboy Enterprises*, 246 F.3d 142, 144 (2d Cir.2001) (some weight), with *Lieb v. Topstone Industries*, 788 F.2d 151, 156 (3d Cir.1986) (controlling weight in the sense that the contract places a ceiling on what the court can award the lawyer). This court has not opined on the issue, but we think the Third Circuit has it right. The best evidence of the value of the lawyer's services is what the client agreed to pay him. See **[Cite as: 361 F.3d at 439]** *Medcom Holding Co. v. Baxter Travenol Laboratories, Inc.*, 200 F.3d 518, 520 (7th Cir.1999).

This conclusion may seem in tension with the decision of the Supreme Court in *Blanchard v. Bergeron*, 489 U.S. 87, 92-96, 109 S.Ct. 939, 103 L.Ed.2d 67 (1989), to decline to give controlling weight to the fees specified in contingent-fee contracts in civil rights cases. But the reason was related to the structure of contingent-fee contracts, and we are not dealing with such a contract in this case. Even a generous such contract will not yield a significant fee if the damages that the plaintiff obtains are slight: 40 percent of \$1,000 is not enough to induce a competent lawyer to handle even a slam-dunk case. The lawyer might nevertheless take on a contingency basis a case unlikely to yield more, if there were some probability of a larger award. And so one observes contingent-fee contracts in cases in which the likeliest recovery is small. In many of those cases, were it not for the expectation of an additional, court-ordered award if the suit was successful but yielded little in the way of damages, the plaintiff might not have been able to interest a lawyer in taking the case in the first place. So the percentage specified in the contract should not cap such awards. Conceivably, the fixed fees that the defendant's lawyer charged his client here were influenced by the prospect of a larger fee if the defendant won the case and persuaded the court to award fees, for his contract with the defendant required that any additional award be turned over to him. In the circumstances, however, the negotiated fees should be the ceiling. For work on the wording of the injunction, the defendant is seeking \$9,973, which is almost \$2,500 above the agreed-on \$7,500 fee for this service, and strikes us as excessive. For the appeal, the defendant is seeking \$42,056, a sum not unreasonable in itself, but supported by time sheets for only \$5,031, which is less than a third of the flat fee of \$17,500 that the lawyer charged.

That the defendant did not prevail on every single one of its contentions is no reason to cut down the award of fees, however. E.g., *Hensley v. Eckerhart*, supra, 461 U.S. at 440, 103 S.Ct. 1933. As we pointed out recently, “a plaintiff is not to be denied full attorneys' fees merely because he lost some interim rulings en route to ultimate success. Such setbacks are well-nigh inevitable, and a lawyer who nevertheless was sedulous to avoid them might lose a good case through an excess of caution.” *Alliance to End Repression v. City of Chicago*, 356 F.3d 767, 770 (7th Cir.2004) (citations omitted).

To summarize, the plaintiff is ordered to pay the defendant a total of \$91,765.28 (\$58,916.23 + \$7,849.05 + \$7,500 + \$17,500) in attorneys' fees. *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 435-439 (7th Cir. 2004) (Posner, J.).

I make two criticisms of *Assessment Technologies*:

1. Neither the statute, 17 U.S.C. § 505, nor the U.S. Supreme Court, *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994), mentions presumptions in awarding attorney's fees. *Assessment Technologies* is a departure from law in that it creates a very strong presumption for awarding attorney's fees to a prevailing defendant in a copyright case.
2. *Assessment Technologies* effectively creates a rule for mandatory fee awards. This is contrary to both the statute (“the court in its discretion *may* [emphasis added] allow”) and *Fogerty*, 510 U.S. at 534 (“... we find it impossible to believe that Congress, without more, intended to adopt the British Rule. attorney's fees are to be awarded to prevailing parties *only* [emphasis added] as a matter of the court's [equitable] discretion.”).

The rules in *Assessment Technologies* needs to be read together with the facts of this one case, which involved attempted copyright misuse by plaintiff. When interpreted with the facts of this one case, *Assessment Technologies* is consistent with application of the *Lieb* factors (e.g., motivation) mentioned in *Fogerty*. But *Assessment Technologies* should not be read as a general rule, applicable to *all* copyright cases, because such a general rule would violate both the statute and binding precedent in *Fogerty*. However, as discussed beginning at page 60, below, the Seventh Circuit has apparently interpreted *Assessment Technology* to replace the factors in *Lieb*.

In January 2009, a federal trial court in Washington state rejected *Assessment Technologies*:

[Defendant] asserts that there is a strong presumption in favor of awarding fees to prevailing defendants. *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7th Cir.2004). However, there are several reasons to believe that such a presumption does not apply, in the Ninth Circuit in general, or in this case in particular. First, *WIREdata* is a Seventh Circuit case; [Defendant] has not cited Ninth Circuit authority that indicates an applicable presumption. Second, in *WIREdata*, an award of attorney's fees was appropriate because the Plaintiff's conduct came close to copyright misuse; in that case, the Plaintiff was attempting to extend copyright protection to public domain data. *Id.* at 437. No such accusation of an impermissible application of copyright has been claimed against the Plaintiff in the present case. Third, in *Fogerty*, the Supreme Court rejected an argument that courts in copyright cases should employ the “British Rule” and automatically award attorney's fees to prevailing parties. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994).FN2

FN2. Even if a presumption of attorney's fees exists, the Court would not award attorney's fees in this case.

Modular Arts, Inc. v. Defendant Corp., Not Reported in F.Supp2d, 2009 WL 151336 at *1 (W.D.Wash. 2009).

Woodhaven Homes (2005)

In January 2005, in a case where defendant won summary judgment, the Seventh Circuit wrote:

The primary issue on appeal is Robbins'³⁴ efforts to recover its attorney fees from Woodhaven under § 505. The Copyright Act allows the award of reasonable attorney fees to a prevailing party. 17 U.S.C. § 505. The district court denied Robbins' request in light of the factors outlined by the Supreme Court in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994). These 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 consideration of compensation and deterrence.” *Id.* at 534 n. 19, 114 S.Ct. 1023. The court concluded that Robbins should not be awarded fees because much of the work performed by its lawyers related to various defenses that were ultimately never addressed or resolved.

But in the time period since the district court's decision, we issued an opinion clarifying the Fogerty standard. In *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 436 (7th Cir.2004), we held that **prevailing defendants in copyright cases, like Robbins, are presumptively entitled (and strongly so) to recover attorney fees:**³⁵

[T]he prevailing party in a copyright case in which the monetary stakes are small should have a presumptive entitlement to an award of attorneys' fees. When the prevailing party is the defendant, who by definition receives not a small award but no award, the presumption in favor of awarding fees is very strong. For without the prospect of such an award, the party might be forced into a nuisance settlement or deterred all together from exercising his rights.

Id. at 437 (internal quotation and citations omitted). Robbins did prevail, but its victory was costly — it incurred over \$220,000 in legal fees. In this case, like *Assessment Technologies*, awarding attorney fees is appropriate because Robbins “could not obtain an award of damages from which to pay his lawyer no matter how costly it was for [it] to defend against the suit.” 361 F.3d at 437.

The district court evaluated the fees issue without the benefit of *Assessment Technologies*. Accordingly, we remand the case with instructions to evaluate Robbins' request in light of *Assessment Technologies*. While we do not pass judgment on what the award should be, § 505 demands that it be “reasonable.” And the amount Robbins seeks, over \$220,000, seems quite excessive. This was not a high stakes case, as Woodhaven claimed only \$55,000 in damages. Indeed, Robbins' [Cite as: 396 F.3d at 825] fees nearly surpassed the value of the Hotzes' home.

Woodhaven Homes & Realty, Inc. v. Hotz, 396 F.3d 822, 824-825 (7thCir. 2005).

³⁴ Hotz owned the home, Robbins was the contractor who built the home. Hotz had paid Woodhaven \$1500 for a set of “customized blueprints”, which Robbins used. Robbins is a defendant in this case.

³⁵ Boldface added by Standler.

On remand, the court criticized the attorney for Robbins for not providing detailed records of attorney's fees that were organized "according to the type of work done." The trial court wanted to know how much was spent on each motion, *not* how much was spent each month. *Woodhaven Homes & Realty, Inc. v. Hotz*, Not Reported in F.Supp.2d, 2005 WL 1924214 at *3 (E.D.Wis. 2005). After the attorney for Robbins submitted revised records, the trial court awarded \$75,000 in attorney's fees, which was approximately 20% of the amount requested by Robbins. The trial court's legal analysis says:

17 U.S.C. § 505 provides that in a copyright infringement action, "the court may ... award a reasonable attorney's fee to the prevailing party as part of the costs." Prevailing plaintiffs and prevailing defendants (like Robbins in the instant case) are treated alike, but attorney's fees are awarded to prevailing parties only as a matter of the court's discretion. See *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994). However, when the "prevailing party is the defendant, who by definition receives not a small award but no award, the presumption in favor of awarding fees is very strong. For without the prospect of such an award, the party might be forced into a nuisance settlement or deterred altogether from exercising his rights." *Assessment Technologies*, 361 F.3d at 437 (internal citations omitted).

[Cite as: 2007 WL 30882 at *5] In light of this exceedingly strong presumption, the Court has no trouble concluding that an award of attorney's fees is appropriate in the instant case, and the Seventh Circuit has already held that Robbins is entitled to such an award. See *Woodhaven Homes*, 396 F.3d at 824 ("[i]n this case, like *Assessment Technologies*, awarding attorney fees is appropriate"). The Court still must determine what amount is reasonable, based on the hours worked by Robbins' attorneys and legal support staff.

The "lodestar" figure, obtained by multiplying the number of hours reasonably expended on the litigation by a reasonable hourly rate, is presumed to be the reasonable fee. See *Hensley v. Eckerhart*, 461 U.S. 424 (1983). The Court has already concluded that the hourly rates charged by Robbins' attorneys and paralegals is reasonable. Docket No. 215, August 9, 2005 Decision and Order at 6. As to the amount of hours, they must be "reasonably expended." "Cases may be overstaffed, and the skill and expertise of lawyers vary widely. Counsel for the [requesting party] should make a good faith effort to exclude from a fee request hours that are excessive, redundant, or otherwise unnecessary, just as a lawyer in private practice ethically is obligated to exclude such hours from his fee submission." *Hensley*, 461 U.S. at 434.

The most important factor used to determine the reasonableness of a fee request is the result obtained. Where a party has obtained "excellent results, his attorney should recover a fully compensatory fee. Normally this will encompass all hours reasonably expended on the litigation, and indeed in some cases of exceptional success an enhanced award may be justified. In these circumstances the fee award should not be reduced simply because the [requesting party] failed to prevail on every contention raised in the lawsuit." *Hensley*, 461 U.S. at 435. Litigants "in good faith may raise alternative legal grounds for a desired outcome, and the court's rejection of or failure to reach certain grounds is not a sufficient reason for reducing a fee." *Id.* A "plaintiff is not to be denied full attorneys' fees merely because he lost some interim rulings en route to ultimate success. Such setbacks are well-nigh inevitable, and a lawyer who nevertheless was sedulous to avoid them might lose a good case through an excess of caution." *Alliance to End Repression v. City of Chicago*, 356 F.3d 767, 770 (7th Cir.2004).

However, in some cases (and this is such a case), a party may present “distinctly different claims for relief that are based on different facts and legal theories.” *Hensley*, 461 U.S. at 434. In such cases, “counsel's work on one claim will be unrelated to his work on another claim. Accordingly, work on an unsuccessful claim cannot be deemed to have been ‘expended in pursuit of the ultimate result achieved.’” *Id.* at 435 (internal citation omitted).

Therefore, the Court must analyze the reasonableness of Robbins' fees while considering the “relationship between the amount of the fee awarded and the results obtained” in the litigation. *Hensley*, 461 U.S. at 437. The results obtained by Robbins were positive-dismissal from the lawsuit, the avoidance of monetary liability, and an ultimate ruling by the Seventh Circuit that it was entitled to an award of attorneys' fees. However, this was not a “high stakes case, as Woodhaven claimed only \$55,000 in damages. Indeed, Robbins' fees nearly surpassed the value of the Hotzes' home.” *Woodhaven Homes*, 396 F.3d at 824-25. It appears that Robbins spent \$360,000 to avoid a \$55,000 adverse judgment and to recover its fees.

[Cite as: 2007 WL 30882 at *6] The Court is mindful that the fee award need not be tied to the actual amount of damages at issue. See *International Korwin Corp. v. Kowalczyk*, 855 F.2d 375 (7th Cir.1988) (allowing \$21,500 in attorney's fees to a plaintiff who was awarded \$4,500 in statutory damages in infringement). Defendants accused of commercial copyright infringement have a variety of reasons to litigate unrelated to the damages sought in a specific case. These include maintaining the defendant's commercial reputation, maintaining the ability to continue the use of a particular design and/or terminating the alleged monopoly of the plaintiff in the design. See *Trico Products Corp. v. Anderson Co.*, 147 F.2d 721, 722 (7th Cir.1945). Therefore, it was not presumptively unreasonable for Robbins to continue litigating as its legal fees escalated. At the same time, this principle mitigates against the measure of success obtained by Robbins in this litigation, as Robbins did not prevail on its claim for invalid copyright. And as the Court noted in the context of Robbins' continuing efforts to litigate its claim for invalid copyright, Robbins did not allege any future intent to use the copyright, so it is unclear how important such a result would have been for Robbins. The Court has reviewed the bills submitted by Robbins in light of all of the foregoing considerations and legal principles.

Woodhaven Homes & Realty, Inc. v. Hotz, Not Reported in F.Supp.2d, 2007 WL 30882 at *4-*6 (E.D.Wis. 2007). The trial court also said:

The Supreme Court cautions that “[a] request for attorney's fees should not result in a second major litigation,” yet that is exactly what this has become. *Hensley*, 461 U.S. at 437. While the Court is inclined to allow some fees relating to Robbins' pursuit of fees, \$136,000.00 is an absurd amount.

Woodhaven, 2007 WL 30882 at *7.

Finally, the Court is quite familiar with the course of this litigation and Robbins' litigiousness therein. The Court has no choice but to conclude, in some degree, that the amount of fees incurred by Robbins is a direct result of overzealous litigation.

Woodhaven, 2007 WL 30882 at *8.

Bryant v. Gordon (N.D. Ill 2007)

In August 2007, a U.S. District Court denied attorney's fees to prevailing plaintiff because there was nothing frivolous, and no bad faith, about either the claims or defenses. The court quoted two U.S. Supreme Court cases, including the *Lieb* factors, but ignored *all* of the Seventh Circuit jurisprudence on attorney's fees in copyright cases. *Bryant v. Gordon*, 503 F.Supp.2d 1062, 1066-67 (N.D.Ill. 2007). One wonders whether (1) the attorneys did quick legal research and stopped with the U.S. Supreme Court cases, or (2) at least one of the attorneys preferred to avoid the presumption in *Assessment Technologies* and subsequent cases. The U.S. Supreme Court decision in *Fogerty* is, of course, binding precedent in the Seventh Circuit.

JCW Investments v. Novelty (2007)

In November 2007, in a case involving prevailing plaintiffs who sought attorney's fees for an appeal reported at 482 F.3d 910 (7th Cir. 2007), Judge Wood of the Seventh Circuit wrote:

Novelty's next argument is that an award of fees is unwarranted because its appeal was not frivolous. But a finding of frivolity or bad faith is not required under the Copyright Act, which permits an award of attorneys' fees and costs in the court's discretion. 17 U.S.C. § 505. That discretion is guided by many factors, including "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." *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n. 19, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994) (internal quotation omitted). We have said that the two most important considerations are "the strength of the prevailing party's case and the amount of damages or other relief the party obtained." *Assessment Technologies*, 361 F.3d at 436; see also *Gonzales v. Transfer Technologies, Inc.*, 301 F.3d 608, 610 (7th Cir.2002). The amount of damages Tekky³⁶ has recovered in this litigation is not small: the jury awarded a total of \$291,000 on Tekky's various claims, and the district court awarded \$575,099.82 in attorneys' fees, which covered most of the expense of the district court litigation. When "a plaintiff wins a suit and is entitled by statute to a reasonable attorneys' fee, the entitlement extends to the fee he reasonably incurs in defending the award of that fee. Otherwise the fee will undercompensate." *Gorenstein Enters.*, 874 F.2d at 438 (internal citation omitted). The strength of Tekky's case against Novelty weighs heavily in favor of awarding fees, as the copyright infringement in this case was flagrant, see *JCW Invs.*, 482 F.3d at 916-17, and the trademark infringement was willful, see *BASF Corp. v. Old World Trading Co., Inc.*, 41 F.3d 1081, 1099 (7th Cir.1994) (interpreting Lanham Act's allowance of fees in "exceptional" cases to encompass those in which the act of infringement was "malicious, fraudulent, deliberate or willful"). Accordingly, we are persuaded that Tekky is entitled to an award of the fees that it reasonably incurred in defending against Novelty's appeal.

This brings us to the third and final question: whether the amount Tekky seeks is reasonable. Novelty predictably asserts that it is not, but it does not explain whether it objects to the hourly rate, the number of hours expended on particular tasks, or both. Having reviewed the records ourselves, we conclude that one category of the requested fees is indeed

³⁶ Tekky Toys is the plaintiff in this case.

excessive, and so we will reduce it even without an explicit request from Novelty to do so. Specifically, lead counsel claims that it took him 33.25 hours to prepare this petition, at a rate of \$450 per hour, for a total of \$14,962.50. The petition, however, [**Cite as: 509 F.3d at 343**] consisted only of a six-page argument, a three-page affidavit, and several computer-generated billing records. Because an experienced litigator should not have required more than half that amount of time to prepare such a document, we reduce the fee award of \$77,905 by \$7,481.25.

JCW Investments, Inc. v. Novelty, Inc., 509 F.3d 339, 342-343 (7thCir. 2007) (Wood, J.).

There are no further opinions in this case in Westlaw, so we do not know the final outcome.

Note that willful infringement by defendant would justify awarding attorney's fees to prevailing plaintiff, as explained below at page 71. Therefore, the result in *JCW* could easily be justified under old law.³⁷

Riviera (2008)

In February 2008, the Seventh Circuit considered attorney's fees in a copyright case where the *plaintiff* had filed a motion to dismiss, "conceded that it lacked the evidence to prove its claim". Judge Easterbrook of the Seventh Circuit wrote:

Midwest then applied for attorneys' fees under § 101 of the Copyright Act of 1976, codified at 17 U.S.C. § 505. That section authorizes a district court to "award a [**Cite as: 517 F.3d at 928**] reasonable attorney's fee to the prevailing party as part of the costs." Unlike many fee-shifting statutes, which entitle prevailing plaintiffs to recover fees as a matter of course but allow prevailing defendants to recover fees only if the suit was frivolous, § 505 treats both sides equally and allows an award in either direction. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994). **Since *Fogerty* we have held that the prevailing party in copyright litigation is presumptively entitled to reimbursement of its attorneys' fees.**³⁸ See, e.g., *Woodhaven Homes & Realty, Inc. v. Hotz*, 396 F.3d 822, 824 (7thCir. 2005); *Assessment Technologies of Wisconsin, LLC v. WIREdata, Inc.*, 361 F.3d 434 (7thCir. 2004).

The district court denied Midwest's request for fees, ruling that it is not the prevailing party. The judge wrote that he "did not in any way pass on the merits of the litigation.... [T]here has been no evidence of lack of merit to [Riviera's] copyright infringement claims and no finding with respect to the merits of the case. The Court therefore does not believe that [Midwest is] entitled to prevailing party status on the facts of this case."

³⁷ *JCW Investments, Inc. v. Novelty, Inc.*, 482 F.3d 910, 914 (7thCir. 2007) ("The jury found Novelty liable for trademark infringement for using the phrase 'Pull My Finger' to sell the farting Santa dolls and found that Novelty's conduct was willful and wanton, justifying an award of punitive damages under Illinois's unfair competition law."), *JCW Investments, Inc. v. Novelty, Inc.*, 509 F.3d 339, 342 (7thCir. 2007) ("The strength of Tekky's case against Novelty weighs heavily in favor of awarding fees, as the copyright infringement in this case was flagrant, see *JCW Invs.*, 482 F.3d at 916-17, and the trademark infringement was willful,").

³⁸ Boldface added by Standler.

This approach supposes that the content of a judge's opinion is what makes a litigant a prevailing party. If the judge sustains a litigant's position on the merits, then it “prevails”; otherwise not. The Supreme Court took a different view in *Buckhannon Board & Care Home, Inc. v. West Virginia Dep't of Health & Human Resources*, 532 U.S. 598, 121 S.Ct. 1835, 149 L.Ed.2d 855 (2001), which holds that a litigant “prevails” (for the purpose of fee-shifting statutes) when it obtains a “material alteration of the legal relationship of the parties”, 532 U.S. at 604, 121 S.Ct. 1835, quoting from *Texas State Teachers Ass'n v. Garland Independent School District*, 489 U.S. 782, 792-93, 109 S.Ct. 1486, 103 L.Ed.2d 866 (1989). A judgment in a party's favor has such an effect, which is why a consent decree confers prevailing-party status even though everyone denies liability as part of the underlying settlement, and the judge takes no position on the merits.

Midwest obtained a favorable judgment. That this came about when Riviera threw in the towel does not make Midwest less the victor than it would have been had the judge granted summary judgment or a jury returned a verdict in its favor. Riviera sued; Midwest won; no more is required.³⁹ See *Mother & Father v. Cassidy*, 338 F.3d 704, 708 (7th Cir.2003) (dismissal under Rule 41(a)(2), with prejudice, after a plaintiff gives up makes the defendant the prevailing party). The district court recognized as much when it awarded costs to Midwest under Fed.R.Civ.P. 54. Only the “prevailing party” is entitled to costs. Because Midwest is the prevailing party for regular costs, it must be the prevailing party for the purpose of § 505, which allows an award of attorneys' fees as part of costs.

What remains is the question whether this is an appropriate occasion for fee shifting. The district judge thought not, writing that “the Court rejects the suggestion that [Riviera's] pursuit of this action was frivolous, baseless, or objectively unreasonable.” This is not, however, the standard for an award under § 505; it is the standard used under statutes such as 42 U.S.C. § 1988 that authorize an award to a prevailing defendant only if the suit is frivolous or vexatious. Fogerty rejects such an asymmetric approach for § 505.

Is there any reason not to honor the presumption that the prevailing party, plaintiff or defendant, recovers attorneys' fees under § 505? The district judge observed [**Cite as: 517 F.3d at 929**] that he denied Midwest's motion to dismiss the complaint, but that's a common step on the way to a decision and not a good reason to force the prevailing party to swallow the legal costs of the suit. The judge hinted that Midwest should be penalized for abandoning an attempt at mediation, but any litigant is entitled to insist that its case be adjudicated. Curtailing mediation actually held down the costs of defense. The district court also chastised Midwest for delay in responding to Riviera's discovery requests. The judge would have been within his rights to lop off any fees incurred to frustrate or drag out discovery, but an award of zero for the case as a whole is not an appropriate response to the wrangling that is regrettably common in discovery.

This case turns out to be an especially good candidate for fee shifting under § 505, because it was filed in the teeth of an agreement not to sue. Riviera and Midwest have been at each others' throats for years, and this is the second suit based on fundamentally the same claim of infringement. Eventually the first suit was settled. One clause of the settlement provides for alternative dispute resolution of any future claims:

In the event that either party hereto believes that its rights as to the Riviera [intellectual property] Rights or Enhancements have been violated by [Midwest], then such source code and programs shall be provided to a mutually agreeable, independent software expert who shall inspect and review such applicable source code and programs and determine such questions. The parties agree to be bound by the findings of the independent software expert.

³⁹ Note by Standler: this sentence refers to controversy over who is the prevailing party, *not* to an automatic decision to award attorney's fees to the winner.

Riviera says that, after the settlement, Midwest went right on infringing its copyrights. But the point of a clause such as the one quoted above is to submit to an expert the question whether any of Midwest's games uses Riviera's source code. Riviera can't justify this suit by assuming an affirmative answer to the very question that the expert is supposed to decide.

When Midwest moved to dismiss Riviera's complaint, it brought this clause to the district judge's attention. The judge's order denying the motion to dismiss does not mention Riviera's agreement to have an expert, rather than a judge, resolve any controversy about infringement. Perhaps the judge assumed that, because this agreement is not a traditional arbitration clause, it is ineffectual. But we held in *Omni Tech Corp. v. MPC Solutions Sales, LLC*, 432 F.3d 797 (7th Cir.2005), that agreements to engage in alternative dispute resolution must be enforced, if they are valid as a matter of state contract law, whether or not they are aptly labeled "arbitration." In *Omni Tech* the agreement was one to have a financial dispute resolved by an accountant; here the agreement is one to have a dispute about how software source code has been used resolved by a programmer. There is no basis on which *Omni Tech* can be distinguished — and Riviera does not even try. Its sole argument is that by asserting that infringement has continued, it liberates itself from the agreement to have an expert resolve any dispute about infringement.

Riviera came to the wrong forum. Agreements such as the one between Riviera and Midwest are designed to reduce the price tag of decision-making. By filing another suit, Riviera forced Midwest to bear the very expenses that the parties had agreed to avoid. The party responsible for creating excessive legal costs must bear them itself in the end.

This conclusion makes it unnecessary to discuss the parties' other disputes, such as whether by filing a second suit Riviera [Cite as: 517 F.3d at 930] entitled Midwest to an award under 28 U.S.C. § 1927.

The judgment is reversed, and the case is remanded for an award of reasonable attorneys' fees to Midwest under 17 U.S.C. § 505. The award should include the legal fees that Midwest has incurred to vindicate its rights on appeal.

Riviera Distributors, Inc. v. Jones, 517 F.3d 926, 928-930 (7th Cir. 2008) (Easterbrook, J.).

There are no further opinions in this case in Westlaw on 2 June 2010, so we do not know the final outcome.

Assessment Technologies in 2004 established a very strong presumption that prevailing *defendants* will be awarded attorney's fees, and *Woodhaven Homes* in 2005 reiterated that holding.

In *Riviera*, Judge Easterbrook enlarged that presumption to any prevailing party (plaintiff or defendant). But note that baseless litigation by plaintiff would justify awarding attorney's fees to prevailing defendant even under the pre-*Fogerty* law in the Second Circuit. Therefore, the result in *Riviera* could easily be justified under old law, without any need for new rules.

Note that Judge Easterbrook, Chief Judge of the Seventh Circuit, rejected two of the factors in *Lieb*:

What remains is the question whether this is an appropriate occasion for fee shifting. The district judge thought not, writing that "the Court rejects the suggestion that [Riviera's] pursuit of this action was frivolous, baseless, or objectively unreasonable." This is not, however, the standard for an award under [17 U.S.C.] § 505; it is the standard used under statutes such as 42 U.S.C. § 1988 that authorize an award to a prevailing defendant only if the suit is frivolous or vexatious. *Fogerty* rejects such an asymmetric approach for § 505.

Riviera Distributors, Inc. v. Jones, 517 F.3d 926, 928 (7th Cir. 2008).

Note that “frivolous” and “objectively unreasonable” are words that appear in the *Lieb* factors that were endorsed by the U.S. Supreme Court in *Fogerty*. This quotation from *Riveria* adds evidence to my fear that the law in the Seventh Circuit is *inconsistent* with the U.S. Supreme Court and the law in the other circuits.

Mostly Memories v. For Your Ease (2008)

In May 2008, the Seventh Circuit reversed a district court’s denial of attorney’s fees to defendant. The trial court dismissed the case on *plaintiff’s* motion, after plaintiff’s attorney concluded the case was “completely baseless”.⁴⁰ The Seventh Circuit wrote:

For Your Ease moved for attorney’s fees under § 505 of the Copyright Act of 1976 and section 1065/5 of the ITSA. See 17 U.S.C. § 505; 765 Ill. Comp. Stat.. 1065/5 (2004). Section 505 authorizes an award of fees to the prevailing party in a suit under the Copyright Act; the state statute permits an award of fees as a sanction for bad faith ITSA litigation. Compare *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n. 19, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994) (concerning fee-shifting [Cite as: **526 F.3d 1099**] under § 505), with 765 Ill. Comp. Stat.. 1065/5 (the sanctioned party must have acted in “bad faith”). For Your Ease also invoked the vexatious litigation statute, 28 U.S.C. § 1927, and the court’s inherent authority. The district court denied the motion without explanation.

While an award of attorney’s fees under § 505 is entrusted to the district court’s discretion, *FASA Corp. v. Playmates Toys, Inc.*, 108 F.3d 140, 141 (7th Cir.1997), we have held that the prevailing party in Copyright Act litigation is presumptively entitled to an award of fees under § 505, *Woodhaven Homes & Realty, Inc. v. Hotz*, 396 F.3d 822, 824-25 (7th Cir.2005); *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 436-37 (7th Cir.2004). In the case of prevailing defendants, we have described this presumption as “very strong.” *Assessment Techs.*, 361 F.3d at 437. There is no question that a dismissal with prejudice makes the defendant the prevailing party for purposes of an award of attorney’s fees under § 505. *Claiborne v. Wisdom*, 414 F.3d 715, 719 (7th Cir.2005). This is no less true when a case is dismissed because the plaintiff “threw in the towel” — that is, where the dismissal is on the plaintiff’s own motion. *Riviera Distributors, Inc. v. Jones*, 517 F.3d 926, 928 (7th Cir.2008).

The district court’s summary ruling reflects no consideration of these principles. The judge simply said *Mostly Memories’* conduct did not “warrant [] the imposition of sanctions,” but the loser’s conduct need not be “sanctionable” for the winner to be entitled to attorney’s fees under § 505. *Id.* **For Your Ease was the prevailing party and is entitled to an award of attorney’s fees under the Copyright Act.**⁴¹ Because For Your Ease is entitled to reimbursement of its attorney’s fees under § 505, we need not consider its arguments for an award of fees under the ITSA, § 1927, or the court’s inherent authority. *Mostly Memories, Inc. v. For Your Ease Only, Inc.*, 526 F.3d 1093, 1098-1099 (7th Cir. 2008).

⁴⁰ *Mostly Memories*, 526 F.3d at 1094-95.

⁴¹ Boldface added by Standler.

This case continues the presumption established in *Riviera* that a prevailing party is entitled to attorney's fees. But note that baseless litigation by plaintiff would justify awarding attorney's fees to prevailing defendant even under the pre-*Fogerty* law in the Second Circuit. Therefore, the result in *Mostly Memories* could easily be justified under old law, without any need for new rules.

On remand, the trial court awarded defendant For Your Ease Only \$592,729.10 in attorneys fees and defendant QVC, Inc. \$90,946.25 in attorneys fees, for a total of \$684,000. *Mostly Memories, Inc. v. For Your Ease Only, Inc.*, 594 F.Supp.2d 931 (N.D.Ill. 2009). The trial court makes a terse remark about typical attorney's fees in copyright cases with more than one million dollars in damages.

Moreover, although FYEO's fee request is high, it is in line with other copyright cases; on average, copyright cases in Chicago involving between \$1-25 million in damages result in \$760,000 in fees incurred through the close of discovery. *Mostly Memories, Inc. v. For Your Ease Only, Inc.*, 594 F.Supp.2d at 935.

Eagle Services (2008)

In July 2008, Judge Posner wrote:

So we have a suit brought almost certainly in bad faith, a frivolous suit, a suit against a newer and probably smaller and weaker firm. Under any standard we know for shifting attorney's fees from a losing plaintiff to a winning defendant, H2O (and the individuals joined as defendants along with it) would be entitled to an award of attorney's fees. E.g., *Alyeska Pipeline Service Co. v. Wilderness Society*, 421 U.S. 240, 258, 95 S.Ct. 1612, 44 L.Ed.2d 141 (1975); *Chambers v. NASCO, Inc.*, 501 U.S. 32, 46, 111 S.Ct. 2123, 115 L.Ed.2d 27 (1991); *IDS Life Ins. Co. v. Royal Alliance Associates, Inc.*, 266 F.3d 645, 654 (7th Cir.2001). Under the standard for such shifting in a copyright case, the defendants' entitlement is even stronger. The Supreme Court in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994), said that, unlike the rule in an employment discrimination case, where the plaintiff is presumptively entitled to his attorney's fees if he wins but the defendant only if the suit was frivolous, in copyright suits "prevailing plaintiffs and prevailing defendants are to be treated alike." That is why we concluded in *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7th Cir.2004), that "when the prevailing party is the defendant, who by definition receives not a small award but no award, the presumption in favor of awarding fees is very strong." See also *Mostly Memories, Inc. v. For Your Ease Only, Inc.*, 526 F.3d 1093, 1099 (7th Cir.2008); *Riviera Distributors, Inc. v. Jones*, 517 F.3d 926, 927-29 (7th Cir.2008); *Woodhaven Homes & Realty, Inc. v. Hotz*, 396 F.3d 822, 824 (7th Cir.2005). The conclusion is implicit in the Supreme Court's directive in *Fogerty* to treat the parties to a copyright case symmetrically. If the only thing disturbing the symmetry is that the defendant prevailed, it is presumptively entitled to an award of its reasonable attorney's fees. Here, of course, the presumption is not rebutted, but instead is reinforced, by the considerations that we have reviewed.

Yet *Murray Hill Publications, Inc. v. ABC Communications, Inc.*, 264 F.3d 622, 640 (6th Cir.2001), disregarding *Fogerty*, says (and is not alone in saying) that "because we believe the plaintiffs presented [Cite as: 532 F.3d at 625] one or more colorable, albeit meritless, claims to the district court, we reverse the award of attorneys fees" to the defendant. Such decisions (criticized in 6 Patry, supra, § 22:210, pp. 469-70), by treating a copyright case

as if it were an employment discrimination case, ignore the symmetry of interests in a copyright or other intellectual property case. In the typical copyright case a victory for the defendant enlarges the public domain by denying the plaintiff's right to prevent the defendant- or anyone else- from using the intellectual property alleged to infringe the plaintiff's copyright. The public domain is "an important resource for creators of expressive works and therefore there should be no thumb on the scales" in deciding whether to award attorneys' fees. *Gonzales v. Transfer Technologies, Inc.*, 301 F.3d 608, 609 (7th Cir.2002); see also *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, supra, 361 F.3d at 436.

If there is an asymmetry in copyright, it is one that actually favors defendants. The successful assertion of a copyright confirms the plaintiff's possession of an exclusive, and sometimes very valuable, right, and thus gives it an incentive to spend heavily on litigation. In contrast, a successful defense against a copyright claim, when it throws the copyrighted work into the public domain, benefits all users of the public domain, not just the defendant; he obtains no exclusive right and so his incentive to spend on defense is reduced and he may be forced into an unfavorable settlement.

This case is atypical, because the defendants did not succeed in forcing the plaintiff's manuals into the public domain. But there is nothing in the cases to suggest that the thumb is to be taken off the scales only when a defendant by his successful defense enlarges the public domain. That would be cutting things too fine. The presumption in a copyright case is that the prevailing party (though if it is the plaintiff, only if his copyright had been registered, 17 U.S.C. § 412; *Budget Cinema, Inc. v. Watertower Associates*, 81 F.3d 729, 733 (7th Cir.1996)) receives an award of fees. *Gonzales v. Transfer Technologies, Inc.*, supra, 301 F.3d at 610; see also *Hogan Systems, Inc. v. Cybresource Int'l, Inc.*, 158 F.3d 319, 325 (5th Cir.1998); *McGaughey v. Twentieth Century Fox Film Corp.*, 12 F.3d 62, 65 (5th Cir.1994). The presumption has not been rebutted.

The judgment is therefore reversed and the case remanded with instructions to compute and award reasonable attorney's fees to the defendants.

Eagle Services Corp. v. H2O Industrial Services, Inc., 532 F.3d 620, 624-625 (7th Cir. 2008) (Posner, J.). There are no further opinions in this case in Westlaw on 2 June 2010, so we do not know the final outcome. Note that frivolous litigation by plaintiff would justify awarding attorney's fees to prevailing defendant even under the pre-*Fogerty* law in the Second Circuit. Therefore, the result in *Eagle Services* could easily be justified under old law, without any need for new rules.

Lieb factors in Seventh Circuit
before *Assessment Technologies* (March 2004)

A string of five Seventh Circuit cases in eight years before *Assessment Technologies* cited the *Lieb* factors:

- *Budget Cinema, Inc. v. Watertower Associates*, 81 F.3d 729, 731 (7th Cir. 1996) ("The [U.S. Supreme] Court [in *Fogerty*, 510 U.S. 517 (1994)] stated that no precise formula governs the determination, but instead equitable discretion should be exercised. *Id.* [114 S.Ct.] at 1033. It noted several nonexclusive factors to guide courts' discretion: frivolousness, motivation, objective unreasonableness (both factual and legal components), and the need in particular circumstances to advance considerations of compensation and deterrence. *Id.* at 1033 n. 19. We endorse these factors along with the other courts of appeals that have applied Section 505 post-*Fogerty*. [citations to four cases omitted]");

- *FASA Corp. v. Playmates Toys, Inc.*, 108 F.3d 140, 143 (7thCir. 1997);
- *Harris Custom Builders, Inc. v. Hoffmeyer*, 140 F.3d 728, 730 (7thCir. 1998) (“The Supreme Court did not precisely articulate what should guide a district judge’s exercise of that discretion. It did, however, cite *Lieb v. Topstone Industries, Inc.*, 788 F.2d 151, 156 (3rdCir. 1986), with approval in a footnote, for a nonexclusive list of factors which could be considered. They 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.’ 510 U.S. at 534 n. 19, 114 S.Ct. at 1033 n. 19.”);
- *Harris Custom Builders, Inc. v. Hoffmeyer*, Unpublished, 1999 WL 417865 at *1 (7thCir. 1999) (“Factors guiding the exercise of discretion may include frivolousness, motivation, objective unreasonableness, and deterrence. *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151 (3dCir. 1986).”);
- *Susan Wakeen Doll Co., Inc. v. Ashton Drake Galleries*, 272 F.3d 441, 457 (7thCir. 2001) (“In utilizing its discretion to award attorney’s fees under 17 U.S.C. § 505, a court should consider such non-exclusive factors as ‘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.’ *Harris Custom Builders, Inc. v. Hoffmeyer*, 140 F.3d 728, 730 (7thCir. 1998) (quoting *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n. 19, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994)).”);
- *McRoberts Software, Inc. v. Media 100, Inc.*, 329 F.3d 557, 571 (7thCir. 2003) (“When a court exercises its discretion to award attorney’s fees under [17 U.S.C.] § 505 it should consider such non-exclusive factors as ‘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.’ *Harris Custom Builders, Inc. v. Hoffmeyer*, 140 F.3d 728, 730 (7thCir. 1998) (quoting *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n. 19, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994)).”).

Gonzales and Assessment Technologies

In August 2002, Judge Posner criticized the *Lieb* factors:

The Court in *Fogerty* did not define the unitary standard to be applied to prevailing parties in copyright suits but in a footnote, quoting a lower-court opinion, listed the following nonexclusive factors to guide determination: “frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance consideration of compensation and deterrence.” *Fogerty v. Fantasy, Inc.*, supra, 510 U.S. at 535 n. 19.

Since the factors aren’t exclusive, and seem rather miscellaneous and ill-assorted, they leave the decision on whether to grant or deny attorneys’ fees to the prevailing party in a copyright case pretty much to the discretion of the district judge, subject to necessarily highly deferential appellate review — for the vaguer a standard to be applied by a trial judge, the greater his roaming room.

Gonzales v. Transfer Technologies, Inc., 301 F.3d 608, 609 (7thCir. 2002) (Posner, J.).

In *Gonzales* (2002) and *Assessment Technologies* (2004), Judge Posner wrote his own factors, and then the Seventh Circuit apparently departed from the *Lieb* factors endorsed by the U.S. Supreme Court in *Fogerty*. However — and this is important — the results in *Gonzales* and progeny (with the possible exception of *Woodhaven*) are easy to justify using the *Lieb* factors or other pre-*Fogerty* law, so Posner's presumptions are *not* necessary to the result in each of these cases.

When Judge Posner introduced the presumption in attorney fee shifting in Seventh Circuit copyright cases, he specifically said that the presumption was “by way of refinement of the *Fogerty* standard”. *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7thCir. 2004) (Posner, J.) (quoting *Gonzales v. Transfer Technologies, Inc.*, 301 F.3d 608, 610 (7thCir. 2002) (Posner, J.)).

However, the Seventh Circuit seems to have generally ignored the four *Lieb* factors after *Assessment Technologies*. Instead, the Seventh Circuit asserts that two factors — neither of which is mentioned in *Lieb* or *McCulloch* — are most important to consider in attorney fee shifting in copyright cases:

The two most important considerations in determining whether to award attorneys' fees in a copyright case are the strength of the prevailing party's case and the amount of damages or other relief the party obtained.

Assessment Technologies of WI, LLC v. WIREdata, Inc., 361 F.3d 434, 436 (7thCir. 2004).

Reiterated in *JCW Investments, Inc. v. Novelty, Inc.*, 509 F.3d 339, 342 (7thCir. 2007).

Because a prevailing defendant receives zero damages, there is a “very strong presumption” that a prevailing defendant will be awarded attorney's fees. *Assessment Technologies*, 361 F.3d at 437.

after *Assessment Technologies* (March 2004)

In September 2011, only two Seventh Circuit cases in the eight years after *Assessment Technologies* quote the four *Lieb* factors:

- *Woodhaven Homes & Realty, Inc. v. Hotz*, 396 F.3d 822, 824 (7thCir. 2005) (District Court used *Lieb* factors. “But in the time period since the district court's decision, we issued an opinion [*Assessment Technologies*] clarifying the *Fogerty* standard.”);
- *JCW Investments, Inc. v. Novelty, Inc.*, 509 F.3d 339, 342 (7thCir. 2007) (“That discretion [to award attorney's fees] is guided by many factors, including” the factors in *Lieb*.)

In September 2011, only one reported case from the U.S. District Court in Illinois has used the four *Lieb* factors after *Assessment Technologies*: *Bryant v. Gordon*, 503 F.Supp.2d 1062, 1067 (N.D.Ill. 2007) (“With this standard in mind, the Court denies ... requests for attorney's fees,”).

While the four factors in *Lieb* are not commonly used in the Seventh Circuit after *Assessment Technologies*, individual factors continue to be used in the Seventh Circuit, although generally without citation to *Lieb* or *Fogerty*. For example, Judge Posner's concern about the amount of damages obtained by the prevailing party is consistent with "considerations of compensation" in *Lieb*. Searches of Seventh Circuit cases in Westlaw find the continuing use of key words (e.g., frivol! motiv! unreasonabl! deterrence) from *Lieb*:

- *JCW Investments, Inc. v. Novelty, Inc.*, 509 F.3d 339, 342 (7thCir. 2007) ("That discretion [in 17 U.S.C. § 505] is guided by many factors, including "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." *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n. 19, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994) (internal quotation omitted).");
- *Eagle Services Corp. v. H2O Industrial Services, Inc.*, 532 F.3d 620, 623-624 (7thCir. 2008) ("frivolous");
- *Johnson v. Cypress Hill*, 641 F.3d 867, 873 (7thCir. 2011) ("the claim was frivolous and objectively unreasonable").

Searches of Seventh Circuit cases in Westlaw find the continuing use of key words or concepts from *McCulloch*, but without citing *McCulloch*:

- *JCW Investments, Inc. v. Novelty, Inc.*, 509 F.3d 339, 342 (7thCir. 2007) ("... the copyright infringement in this case was flagrant, see *JCW Invs.*, 482 F.3d [910] at 916-17,")
- *Eagle Services Corp. v. H2O Industrial Services, Inc.*, 532 F.3d 620, 624 (7thCir. 2008) ("So we have a suit brought almost certainly in bad faith,");
- *Kelley v. Chicago Park District*, 635 F.3d 290, 291 (7thCir. 2011) ("... the main event here is the VARA claim, which is novel and tests the boundaries of copyright law." Apparently no award of attorney's fees, because not an issue on appeal.).

Because of this continuing use of individual *Lieb* factors in the Seventh Circuit, I suggest that the four *Lieb* factors (endorsed by the U.S. Supreme Court in *Fogerty*) — or the individual factors in *McCulloch* — is the way to rebut the presumption in *Assessment Technology* and its progeny. If my suggestion is wrong, then there is an obvious question of how to rebut the presumption in *Assessment Technologies* and it clearly is a rebuttable presumption.

prevailing defendant in 7th Circuit

The law in the Seventh Circuit has a “very strong presumption” that a prevailing defendant in a copyright case will be awarded fees. By August 2011, this law is expressed in a string of *eight* cases at the Seventh Circuit:

8. *Johnson v. Cypress Hill*, 641 F.3d 867, 873 (7thCir. 2011) (“*See also, Woodhaven Homes & Realty, Inc. v. Hotz*, 396 F.3d 822, 824 (7th Cir. 2005) (quoting *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7thCir. 2004)) (‘When the prevailing party is the defendant, who by definition receives not a small award but no award, the presumption in favor of awarding fees is very strong’).”);
7. *HyperQuest, Inc. v. N'Site Solutions, Inc.*, 632 F.3d 377, 387 (7thCir. 2011) (Wood, J.) (“Defendants who defeat a copyright infringement action are entitled to a strong presumption in favor of a grant of fees. *Mostly Memories, Inc. v. For Your Ease Only, Inc.*, 526 F.3d 1093, 1099 (7thCir. 2008).”);
6. *FM Industries, Inc. v. Citicorp Credit Services, Inc.*, 614 F.3d 335, 339 (7thCir. 2010) (Easterbrook, J.) (“... a defendant that prevails in copyright litigation is presumptively entitled to fees under § 505. See *Mostly Memories, Inc. v. For Your Ease Only, Inc.*, 526 F.3d 1093, 1099 (7thCir. 2008).”);
5. *Eagle Services Corp. v. H2O Industrial Services, Inc.*, 532 F.3d 620, 624 (7thCir. 2008) (Posner, J.) (“... we concluded in *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7thCir. 2004), that ‘when the prevailing party is the defendant, who by definition receives not a small award but no award, the presumption in favor of awarding fees is very strong.’ ”);
4. *Mostly Memories, Inc. v. For Your Ease Only, Inc.*, 526 F.3d 1093, 1099 (7thCir. 2008) (“In the case of prevailing defendants, we have described this presumption as ‘very strong.’ *Assessment Techs.*, 361 F.3d at 437.”);
3. *Riviera Distributors, Inc. v. Jones*, 517 F.3d 926, 928 (7thCir. 2008) (Easterbrook, J.) (“Since *Fogerty* we have held that the prevailing party in copyright litigation is presumptively entitled to reimbursement of its attorneys' fees.”);
2. *Woodhaven Homes & Realty, Inc. v. Hotz*, 396 F.3d 822, 824 (7th Cir. 2005) (quoting *Assessment Technologies*);
1. *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7thCir. 2004)) (Posner, J.) (“When the prevailing party is the defendant, who by definition receives not a small award but no award, the presumption in favor of awarding fees is very strong”);

0. *Gonzales v. Transfer Technologies, Inc.*, 301 F.3d 608, 610 (7th Cir. 2002) (Posner, J.) (“... we go so far as to suggest, by way of refinement of the *Fogerty* standard, that the prevailing party in a copyright case in which the monetary stakes are small should have a presumptive entitlement to an award of attorneys' fees.”).

Note that *Assessment Technologies* and progeny are **binding precedent** in the Seventh Circuit. Above, at page 46, I argue that this rule in *Assessment Technologies* violates both the statute and the U.S. Supreme Court opinion in *Fogerty*. However, in my opinion, it would be futile to argue with this law in the Seventh Circuit, unless one is prepared to appeal to the U.S. Supreme Court that the rule in *Assessment Technologies* and progeny is wrong.

My legal research shows that the Seventh Circuit is the worst place in the USA for a plaintiff to lose a copyright case, because of this very strong presumption that a prevailing defendant's attorney's fees will be reimbursed by plaintiff.

Ability to pay fees

In my searches of copyright cases on attorney's fees in May/June 2010, I found that the general rule is that judges order reimbursement of actual fees paid, unless there is a good argument why those fees are *unreasonable*. The general rule in copyright cases seems to be for judges to ignore ability to pay, which is a harsh rule of law. See, e.g., *Mitek Holdings, Inc. v. Arce Engineering Co., Inc.*, 198 F.3d 840, 843 (11th Cir. 1999) (“The decision to award attorney's fees is based on whether imposition of the fees will further the goals of the Copyright Act, not on whether the losing party can afford to pay the fees.”).

Agee (1994)

In November 1994, a U.S. District Court in New York City awarded defendant \$24,722 attorney's fees in a copyright case that was dismissed on summary judgment for defendant. Note that defendant was a huge corporation and plaintiff was an individual person.

The manner in which plaintiff proceeded in this action leads the court to conclude that plaintiff's strategy was to escalate the costs for Paramount and to harass this defendant by naming more than 100 defendants from around the country over which this Court has no jurisdiction, making numerous infringement claims, reframing infringement claims as Lanham Act claims contrary to established case law and demanding damages far in excess of the statutory limitations.

This court refuses to attempt to limit the language of *Fogerty* to apply to defendant copyright holders as plaintiff suggests. The court does not consider the speculative effects of such an award of attorney's fees and costs as awarded herein on the financial condition of plaintiff as a decisive factor. While the financial condition of the losing party can be considered in awarding attorney's fees to the prevailing party, *Lieb v. Topstone Industries, Inc.*, 788 F.2d 151, 156 (3d Cir. 1986) (cited in *Fogerty*, 510 U.S. at ----, n. 19, 114 S.Ct. at 1033 n. 19), *Agee* has not submitted any proof, although requested to by the court, that this

award would lead to his financial ruin. He elected to plead poverty without proof. The Second Circuit has noted that, “where the plaintiff can afford to pay, of course, the Congressional goal of discouraging frivolous litigation demands full fees be levied.” *Faraci v. Hickey-Freeman Co., Inc.*, 607 F.2d 1025, 1028 (2d Cir.1979) (examining the similar language of 42 U.S.C. § 1988 regarding awarding attorney's fees to successful defendants in civil rights actions.).

In the alternative, this court bases the award of attorney's fees and costs made herein on its inherent power and on 28 U.S.C. § 1927 which imposes excess costs and attorney's fees on an attorney who “multiplies the proceedings in any case unreasonably and vexatiously.” As an exception to the American Rule, the inherent power of the court allows the court to award reasonable attorneys' fees to the prevailing party when the opposing party has “acted in bad faith, vexatiously, wantonly, or for oppressive reasons.” *Oliveri v. Thompson*, 803 F.2d 1265, 1272 (2d Cir.1986) (citing to *F.D. Rich Co., Inc. v. United States ex rel. Industrial Lumber Co., Inc.*, 417 U.S. 116, 129, 94 S.Ct. 2157, 2165, 40 L.Ed.2d 703 (1974)); *United States v. International Brotherhood of Teamsters*, 948 F.2d 1338, 1345 (2d Cir.1991); *Wood v. Brosse U.S.A., Inc.*, 149 F.R.D. 44, 48 (S.D.N.Y.1993); *Mopaz Diamonds v. Institute of London Underwriters*, 822 F.Supp. 1053, 1057 (S.D.N.Y.1993). *Agee v. Paramount Communications, Inc.*, 869 F.Supp. 209, 211-212 (S.D.N.Y. 1994), *appeal dismissed*, 114 F.3d 395, 398 (2dCir. 1997) (“A district court has ‘inherent power’ to award attorneys' fees against the offending party and his attorney when it determines a party has ‘acted in bad faith, vexatiously, wantonly, or for oppressive reasons.’ *Sierra Club v. U.S. Army Corps of Engineers*, 776 F.2d 383, 390 (2dCir. 1985)”).

Lotus v. Borland (1998)

In 1998, a U.S. Court of Appeals in Massachusetts wrote:

Borland now contends that the district court erred by ignoring Lotus's alleged anti-competitive purposes in bringing the litigation, relying impermissibly on Borland's refusal to settle the case, and discounting the importance of encouraging copyright defendants to assert meritorious defenses. Borland notes that it advanced the interests of copyright law by litigating this case all the way through the Supreme Court against an unusually wealthy plaintiff. It also contends that the “vindication” of its own copyright in Quattro Pro increased the availability of copyrighted works. Borland concludes that “if ever there were a situation where the assertion of meritorious defenses should be encouraged, it is a case involving issues of first impression.”

None of these contentions provides a basis for overriding the denial of fees and costs. Both sides proffered evidence on the issue of whether Lotus had intended to use this litigation to bankrupt Borland and thus maintain its dominant position in the spreadsheet market.[footnote omitted] We cannot say, on the record before [Cite as: 140 F.3d at 75] us, that the presence of an impermissible motive on Lotus's part is so clear that a contrary conclusion could not reasonably be reached. After all, copyright law often delineates the boundaries of economic competition. See, e.g., *Feist Publications, Inc. v. Rural Tel. Service*, 499 U.S. 340, 349, 111 S.Ct. 1282, 1289-90, 113 L.Ed.2d 358 (1991) (holding that the plaintiff's telephone directory lacked originality and thus copyright law did not bar defendant from copying the information to create a competing product). Arguably, there is nothing inherently improper about bringing a claim that is well-founded in law and fact against one's competitors, even when legal action, if successful, will inflict severe economic consequences upon them.

....

Turning to the need to encourage meritorious defenses, a copyright defendant's success on the merits in a case of first impression may militate in favor of a fee award, but we are unwilling to hold that a successful defense in an important case necessarily mandates an award of attorney's fees. **When close infringement cases are litigated, copyright law benefits from the resulting clarification of the doctrine's boundaries. But because novel cases require a plaintiff to sue in the first place, the need to encourage meritorious defenses is a factor that a district court may balance against the potentially chilling effect of imposing a large fee award on a plaintiff, who, in a particular case, may have advanced a reasonable, albeit unsuccessful, claim.**⁴² *Fogerty* made clear that courts are to evaluate cases on an individualized basis, with the primary responsibility resting on the shoulders of the district judge. Regardless of whether we would have approached the matter similarly, we are unable to say that the district court's analysis strikes us as an abuse of that discretion.

Borland's final contentions — that the district court erred by ignoring Borland's “vindication” of its own copyrighted computer program and Lotus's unusual wealth — are unpersuasive. As a basis for awarding fees, we see no meaningful distinction between Borland's vindication of its own copyrighted work and its assertion of a meritorious defense. The latter necessarily implies the former. In addition, the district court supportably found that both parties were financially able to litigate this important case. Lotus's unusual wealth in no way alters this conclusion.

Lotus Development Corp. v. Borland Intern., Inc., 140 F.3d 70, 74-75 (1st Cir. 1998).

MiTek (1999)

In 1999, a U.S. Court of Appeals in Alabama wrote:

Here, the magistrate judge was correct in noting that MiTek's good faith in bringing its suit was not determinative of the issue of attorney's fees. See *Sherry Mfg. Co.*, 822 F.2d at 1034; see also *Original Appalachian Artworks, Inc. v. Toy Loft, Inc.*, 684 F.2d 821, 832 (11th Cir.1982) (applying § 505 to a prevailing plaintiff's fees demand; “While the defendant's good faith and the complexity of the legal issues involved likely would justify a denial of fees to a successful plaintiff, a showing of bad faith or frivolity is not a requirement of a grant of fees. Rather, the only preconditions to an award of fees is that the party receiving the fee be the ‘prevailing party’ and that the fee be reasonable.”) (citation omitted; emphasis in original). However, the district court erred in considering only the financial means of MiTek and of Arce in determining that MiTek should be liable for Arce's attorney's fees.

While several courts have held that issues of compensation may, in appropriate cases, be considered in ruling on a motion for attorney's fees, see, e.g., *Rosciszewski v. Arete Assoc.*, 1 F.3d 225, 234 (4th Cir.1993); *Lieb*, 788 F.2d at 156, we have found no case affirming a grant of attorney's fees based solely on an economic disparity between the prevailing and losing parties. Indeed, the First Circuit has held that differences in financial wealth are irrelevant where both parties are able to pay for the costs of litigation. See *Lotus Dev. Corp. v. Borland Int'l Inc.*, 140 F.3d 70, 75 (1st Cir.1998). It is unsurprising that no case law supports the proposition that a difference in financial wealth, in and of itself, is sufficient to justify

⁴² Boldface added by Standler.

imposition of attorney's fees under § 505. 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 [**Cite as: 198 F.3d at 843**] as clearly as possible” in order to maximize the public exposure to valuable works. *Fogerty*, 510 U.S. at 526-27, 114 S.Ct. at 1029-30 (discussing the varied goals of the Copyright Act); see also *Lotus Dev.*, 140 F.3d at 75 (“When close infringement cases are litigated, copyright law benefits from the resulting clarification of the doctrine's boundaries. But because novel cases require a plaintiff to sue in the first place, the need to encourage meritorious defenses is a factor that a district court may balance against the potentially chilling effect of imposing a large fee award on a plaintiff, who, in a particular case, may have advanced a reasonable, albeit unsuccessful, claim.”). Thus, in determining whether to award attorney's fees under § 505, **the district court should consider not whether the losing party can afford to pay the fees but whether imposition of fees will further the goals of the Copyright Act.**⁴³ See, e.g., *id.* at 74 (affirming denial of attorney's fees despite the claim that the prevailing defendant had “advanced the interest of copyright law by litigating this case all the way through the Supreme Court against an unusually wealthy plaintiff” and had “increased the availability of copyrighted works”). Because the district court did not assess whether imposition of attorney's fees would further the goals of the Copyright Act, we vacate the district court's order as to the award of attorney's fees and remand for reevaluation of Arce's fee request. [footnote omitted]

MiTek Holdings, Inc. v. Arce Engineering Co., Inc., 198 F.3d 840, 842-843 (11th Cir. 1999).

The boldfaced sentence in *MiTek* was quoted with approval outside the Eleventh Circuit in:

- *Harrison Music Corp. v. Tesfaye*, 293 F.Supp.2d 80, 85 (D.D.C. 2003) (“The decision to award attorney’s fees is based on whether imposition of the fees will further the goals of the Copyright Act, not on whether the losing party can afford to pay the fees. *Mitek Holdings, Inc. v. Arce Engineering Co., Inc.*, 198 F.3d 840, 843 (11th Cir.1999).”);
- *Penguin Books U.S.A., Inc. v. New Christian Church of Full Endeavor, Ltd.*, Not Reported in F.Supp.2d, 2004 WL 728878 at *6 (S.D.N.Y. 2004) (same).
- *Chivalry Film Productions v. NBC Universal, Inc.*, Not Reported in F.Supp.2d, 2007 WL 4190793 at *3 (S.D.N.Y. 2007) (same).

other copyright cases in the U.S. Courts of Appeals

On 3-4 May 2010, I searched *all* federal cases, nationwide, for copyright cases involving attorney’s fee awards that would be burdensome to the payor. The following cases considered the ability of a party to pay shifted attorney’s fees.

- *Lieb v. Topstone Industries, Inc.*, 788 F.2d 151, 156 (3d Cir. 1986) (“We emphasize that the aims of the statute are compensation and deterrence where appropriate, but not ruination.”).

⁴³ Boldface added by Standler.

- *Fantasy v. Fogerty*, 94 F.3d 553, 560 (9thCir. 1996) (After remand from U.S. Supreme Court: “... the chilling effect of attorney’s fees may be too great or impose an inequitable burden on an impecunious plaintiff; ...”);
- *FASA Corp. v. Playmates Toys, Inc.*, 1 F.Supp.2d 859, 866 (N.D.Ill. 1998) (“In *Sanford v. CBS, Inc.*, 108 F.R.D. 42, 43 (N.D.Ill. 1985), Judge Aspen denied fees to a prevailing defendant in a similar situation because ‘it would be inequitable to force [plaintiff] into financial ruin for bringing in good faith what appeared to be a legitimate copyright claim.’ ”).
- *Ets-Hokin v. Skyy Spirits, Inc.*, 323 F.3d 763, 766 (9thCir. 2003) (“The Ninth Circuit has added as additional considerations ... whether the chilling effect of attorney’s fees may be too great or impose an inequitable burden on an impecunious plaintiff. *Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 559-60 (9thCir. 1996).”). The word *impecunious* also appears in the U.S. Supreme Court’s opinion, *Fogerty*, 510 U.S. at 524 (1994).
- *Vargas v. Pfizer, Inc.*, 352 Fed.Appx. 458, 460 (2dCir. 2009) (“Plaintiffs’ contention that the attorneys’ fees award was inappropriate because it will cause them financial ruin similarly is to no avail. The district court carefully considered Plaintiffs’ financial situation before awarding fees, and it specifically noted that it was awarding [\$175,000] an amount significantly below what would have been reasonable under the lodestar method because such an award — \$797,000 — would threaten Plaintiffs with financial ruin. We see no error in the district court’s decision.”).

inability to pay in other areas of civil law

While ability to pay attorney’s fees is *not* commonly mentioned in copyright cases, the ability to pay is commonly considered in other kinds of cases involving attorney fee shifting. For example, since the early 1980s, the Seventh Circuit has a five-part test of equitable considerations for attorney fee shifting, which is discussed below, beginning at page 99.

In July 2011, I searched Westlaw for all cases in the U.S. Courts of Appeals, nationwide, for the following broad query back to January 1990:

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(afford! able! unafford! unable inability) /s pay /s
((attorney! counsel!) +1 fee)
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This broad query was intended to dredge up financial considerations in many different contexts, not only copyright cases. I found the following interesting cases:

In civil rights cases under 42 U.S.C. § 1988 or 42 U.S.C. § 2000e-5(k), the inability of plaintiff to pay attorney's fees to prevailing defendant is a factor to consider in the *amount* of an award of attorney's fees. See, e.g.,

- *Faraci v. Hickey-Freeman Co., Inc.*, 607 F.2d 1025, 1028 (2dCir. 1979) (“But because fee awards are at bottom an equitable matter, courts should not hesitate to take the relative wealth of the parties into account. [citations omitted]”);
- *Munson v. Friske*, 754 F.2d 683, 697 (7thCir. 1985) (“The courts have held that fee awards are an equitable matter, thereby permitting the district court to consider the relative wealth of the parties. See, e.g., *Faraci v. Hickey-Freeman Co.*, 607 F.2d 1025, 1028 (2dCir. 1979).” Affirmed award of \$42,095 in attorneys’ fees.);
- *Wolfe v. Perry*, 412 F.3d 707, 723-724 (6thCir. 2005) (“All the courts of appeals which have addressed the issue have concluded that a nonprevailing plaintiff’s ability to pay is not ‘a proper factor to consider in determining *whether* to award attorneys’ fees against [the plaintiff],’ but may be considered when determining *the amount* of the attorneys’ fees to be awarded against that party. *Alizadeh v. Safeway Stores, Inc.*, 910 F.2d 234, 238 (5thCir. 1990); see also [citing seven other cases in U.S. Courts of Appeals]”);
- *Roth v. Green*, 466 F.3d 1179, 1194 (10thCir. 2006) (adopting *Wolfe v. Perry*).

Similarly with fee shifting under the Americans with Disabilities Act, 42 U.S.C. § 12205. *Adkins v. Briggs & Stratton Corp.*, 159 F.3d 306, 307-308 (7thCir. 1998) (“In exercising its discretion, the court is free to weigh equitable considerations (including the employee’s ability to pay) and to award a nominal fee — or even no fee — if the court, for acceptable reasons, deems it appropriate.”).

There is a long line of cases on shifting attorney’s fees in Employee Retirement Income Security Act (ERISA) cases that mention a five-part test, of which one factor is ability to pay. See, e.g.,

- *Hummell v. S.E. Rykoff & Co.*, 634 F.2d 446, 453 (9thCir. 1980) (“the ability of the opposing parties to satisfy an award of fees”);
- *Nichol v. Pullman Standard, Inc.*, 889 F.2d 115, 121, n.9 (7thCir. 1989) (“the degree of the ability of the offending parties to satisfy personally an award of attorneys’ fees”.);
- *Hardt v. Reliance Standard Life Insurance Co.*, 130 S.Ct. 2149, 2155, n.1, n.8 (2010) (“ability of opposing parties to satisfy an award of attorneys’ fees”).

This line of cases in the Seventh Circuit is discussed below, beginning at page 99. As of September 2011, only one U.S. Court of Appeals opinion has mentioned both the five-part test for ERISA cases and *Lieb* factors in copyright cases: *Eddy v. Colonial Life Ins. Co. of America*, 59 F.3d 201, 204, 206 (D.C.Cir. 1995) (*Hummell* factors).

need evidence in trial court

A case in the District of Columbia trial court in January 2009 ordered a pro se plaintiff to pay defendant's attorney's fees. The trial court cited *Assessment Tech* in the Seventh Circuit for the "very strong" presumption that a prevailing defendant should receive an award of attorney's fees and *MiTek Holdings* in the Eleventh Circuit for the proposition that "the underlying purposes of the Copyright Act are served by awarding attorneys' fees to deter unnecessary and protracted proceedings, thereby encouraging objectively reasonable claims." The trial court wrote:

Turning to the amount to be awarded, the court multiplies the "number of hours reasonably expended on the litigation" by "a reasonably hourly rate." *Harrison Music Corp. v. Tesfaye*, 293 F.Supp.2d 80, 85 (D.D.C.2003). The defendants submit a voluminous account of the hours worked on this matter with accompanying hourly rates and documentation to support the reasonableness of those rates. Metalitz Decl., Attachs. 1-5. The billing reports indicate that the fees incurred in defense of the instant action totaled \$144,668.99 with nontaxable costs of \$1,000.88. Defs.' Mot. at 20-22. In response, the plaintiff summarily concludes that the fees are "excessive, outrageous and well beyond reasonable." Pl.'s Opp'n at 3. **FN1**

FN1. The plaintiff also states that she is of "modest financial means." *Id.* Although the court is mindful that "the aims of the [Copyright Act] are compensation and deterrence where appropriate, but not ruination," *Lieb*, 788 F.2d at 156, the court has no basis on which to determine the plaintiff's financial footing. Therefore, this factor does not affect the court's analysis. *Mallery v. NBC Universal, Inc.*, 2008 WL 719218, at *2 (S.D.N.Y. Mar. 18, 2008) (discounting the plaintiffs' argument that the award should be reduced due to financial hardship because they failed to offer documentary support).

Scott-Blanton v. Universal City Studios Productions LLLP, 593 F.Supp.2d 171, 176 (D.D.C. 2009). Turning to *Mallery* — cited in the footnote of *Scott-Blanton* — *Mallery* says "While it is not contested that the relative financial status of the parties may be an appropriate consideration in determining whether an award under § 505 is reasonable, [citation omitted] unsupported affidavits are insufficient to alter the analysis in this case." Perhaps the real lesson of *Scott-Blanton* and *Mallery* is that impecunious plaintiffs should file copies of their federal income tax returns and other relevant financial documents, with their affidavit about being unable to reimburse defendant's attorney's fees.

analogy to criminal law

I am disappointed to find so few opinions that discuss a party ability to reimburse attorney's fees of the opposition. However, there is an analogous issue in criminal law, where it is well established that a judge can not impose *unaffordable* fines on a criminal defendant. The Eighth Amendment to the U.S. Constitution explicitly prohibits excessive fines ("... nor excessive fines imposed ..."). The federal sentencing guidelines during the 1990s made ability to pay and burden to the defendant and his dependents relevant criteria in determining the amount of a fine:

In determining the amount of the fine, the court shall consider: ... (2) any evidence presented as to the defendant's ability to pay the fine (including the ability to pay over a period of time) in light of his earning capacity and financial resources; (3) the burden that the fine places on the defendant and his dependents relative to alternative punishments; Sentencing Guidelines §5E1.2(d). Quoted in *U.S. v. Petty*, 132 F.3d 373, 382, n.3 (7thCir. 1997). See also *U.S. v. Riley*, 493 F.3d 803, 810, n.11 (7thCir. 2007) (U.S. Sentencing Guideline § 5E1.2(a) provides: “The court shall impose a fine in all cases, except where the defendant establishes that he is unable to pay and is not likely to become able to pay any fine.”). Similarly, the federal criminal statute about the amount of fines says:

In determining whether to impose a fine, and the amount, time for payment, and method of payment of a fine, the court shall consider, in addition to the factors set forth in section 3553(a) —

(1) the defendant's income, earning capacity, and financial resources;

(2) the burden that the fine will impose upon the defendant, any person who is financially dependent on the defendant, or any other person (including a government) that would be responsible for the welfare of any person financially dependent on the defendant, relative to the burden that alternative punishments would impose;

18 U.S.C. § 3572(a), imposition of a sentence of fine and related matters. (current July 2011).

However, the Eighth Amendment does *not* apply to civil cases. *Browning-Ferris Industries of Vermont, Inc. v. Kelco Disposal, Inc.*, 492 U.S. 257, 264 (1989) (The Eighth Amendment “does not constrain an award of money damages in a civil suit when the government neither has prosecuted the action nor has any right to receive a share of the damages awarded.”). Quoted with approval in *Exxon Shipping Co. v. Baker*, 554 U.S. 471, 504, n.18 (2008). Still, one wonders why criminals are protected from judgments they can not afford to pay, while the losing plaintiff in a copyright case — who is *neither* a criminal *nor* a tortfeasor⁴⁴ — can be ordered to reimburse attorney’s fees that they can not afford to pay.

Excessive fines may also violate the Equal Protection Clause of the U.S. Constitution, by discriminating against indigents. *Williams v. Illinois*, 399 U.S. 235, 242 (1970) (“Here the Illinois statutes as applied to Williams works an invidious discrimination solely because he is unable to pay the fine.”). See also *Bearden v. Georgia*, 461 U.S. 660, (1983) (Can not revoke indigent defendant’s probation for failure to pay a fine and make restitution.).

There is abundant case law on affordability of sanctions paid by attorneys under Federal Rules of Civil Procedure 11 and 37. For example, in a March 2009 case involving sanctions for discovery misconduct against an attorney, Waggett, the Federal Circuit wrote:

As to the court's imposition of joint and several liability on Waggett for the \$121,207.38 under Rule [of Civil Procedure] 37(c)(1)(A), we agree with Waggett that the court abused its discretion by failing to consider that Waggett does not have the ability to pay when fashioning the sanction against him. Thus, we reverse the imposition of liability as to him personally.

⁴⁴ *If* a losing plaintiff had an improper motive in copyright litigation, then the plaintiff may be a tortfeasor, and then the considerations beginning at page 69 below are relevant.

We note that the Fifth Circuit “has consistently held that a district court, when considering the imposition of sanctions for discovery violations ... should impose the least severe sanction that will accomplish the desired result.” *United States v. Garrett*, 238 F.3d 293, 298 (5th Cir. 2000) (internal quotation marks omitted). Although Rule 37(b)(2)(C) specifically authorizes the court to order “the attorney advising [the] party” to pay “reasonable expenses, including attorney's fees,” a number of circuits, including the Fifth, have concluded that monetary sanctions must be tailored to a party's ability to pay. See

- *Thomas v. Capital Sec. Servs., Inc.*, 836 F.2d 866, 881 (5th Cir.1988) (en banc) (noting, in the Rule 11 context, that the “resources of the party to be sanctioned” are “relevant” to the sanction imposed); see also
- *Martin v. Automobili Lamborghini Exclusive, Inc.*, 307 F.3d 1332, 1337 (11th Cir.2002) (“We conclude that, when exercising its discretion to sanction under its inherent power, a court must take into consideration the financial circumstances of the party being sanctioned.”);
- *Johnson v. A.W. Chesterton Co.*, 18 F.3d 1362, 1366 (7th Cir.1994) (“One equitable consideration is the ability of the sanctioned attorney (or party) to pay an award of the other party's attorney's fees.” (addressing Rule 11));
- *Oliveri v. Thompson*, 803 F.2d 1265 (2d Cir.1986) (“[G]iven the underlying purpose of sanctions — to punish deviations from proper standards of conduct with a view toward encouraging future compliance and deterring further violations — it lies well within the district court's discretion to temper the amount to be awarded ... by a balancing consideration of his ability to pay.”); cf.
- *Arnold v. Burger King Corp.*, 719 F.2d 63, 68 (4th Cir.1983) (“The policy of deterring frivolous suits is not served by forcing the misguided Title VII plaintiff into financial ruin simply because he prosecuted a groundless case.”).

Although these courts did not specifically address sanctions in the Rule 37 context, we find their guidance applicable here. In Waggett's case, even an award of \$121,107.38 is four times his reported net income for the 2006 fiscal year. We conclude that the district court erred in failing to consider that Waggett lacked the ability to pay. Therefore, we find an abuse of discretion, and reverse the award of joint and several liability as against Waggett. [footnote 9 says the Court “in no way condone his discovery misconduct.”]

ClearValue, Inc. v. Pearl River Polymers, Inc., 560 F.3d 1291, 1305-06 (Fed.Cir. 2009)

(formatting of string cite added by Standler). See also *Doering v. Union County Board of Chosen Freeholders*, 857 F.2d 191, 195-196 and n.3 (3d Cir. 1988).

Improper Motive for Litigation

When plaintiff has an improper motive for litigating (e.g., bad-faith complaint, harass defendant, harm a smaller competitor by inflicting substantial legal fees for defending the litigation, etc.), courts will often award attorney's fees to a prevailing defendant. I searched all federal cases nationwide in Westlaw on 28 May 2010 for the query:

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((harass! harm improper inappropriate) /s (motiv! purpose)) /p
((attorney! counsel!) +1 fee) /p copyright
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The following cases are significant:

- *Cloth v. Hyman*, 146 F.Supp. 185, 193 (S.D.N.Y. 1956) (“An attorney’s fee is properly awarded when the infringement action has been commenced in bad faith, as where the evidence establishes that the plaintiff’s real motive is to vex and harass the defendant or where plaintiff’s claim is so lacking in merit as to present no arguable question of law or genuine issue of fact. [cites five cases]”). Mentioned in *Fogerty v. Fantasy*, 510 U.S. 517, 531, n.16 (1994).
- *NLFC, Inc. v. Devcom Mid-America, Inc.*, 916 F.Supp. 751, 759-760 (N.D.Ill. 1996) (“The Court can only conclude that it was not motivated by a good faith intent to prevail, but rather, a bad faith attempt to harm Devcom by forcing Devcom into extremely costly litigation. The Court finds that NLFC’s course of conduct exhibits bad faith motivation to harass Devcom rather than a motivation to protect its property interests.”);
- *Yankee Candle Co., Inc. v. Bridgewater Candle Co.*, 140 F.Supp.2d 111, 118 (D.Mass. 2001) (“Taken as a whole, Yankee’s hardball conduct in pursuing this litigation provides evidence of an improper motivation: to drain as much profit as possible out of a far smaller competitor. The attorneys’ fees provision in the copyright act should serve to deter litigation conduct of this kind.”), *aff’d*, 259 F.3d 25 (1stCir. 2001);

In August 2004, U.S. Court of Appeals in Tennessee reversed an award of attorney’s fees to defendants who prevailed on summary judgment:

Under [17 U.S.C. § 505], a district court may “impose attorney[s] fees in frivolous and objectively unreasonable lawsuits.” *Murray Hill Publ’ns, Inc. v. ABC Communications, Inc.*, 264 F.3d 622, 639 (6th Cir.2001). A district court’s decision to award attorneys’ fees should be based on such factors as “[the] frivolousness of the claim,” the “motivation” of the claimant, the “reasonableness” of the claim and the goal of “deter[ring]” frivolous claims. *Coles v. Wonder*, 283 F.3d 798, 804 (6thCir. 2002) [“Such fees are subject to the discretion of the trial court and should be based upon the factors listed in the district court’s order, such as, frivolousness of the claim, motivation, reasonableness, and deterrence.”)]. We review a district court’s decision to grant or deny fees for an abuse of discretion. *ABC Communications, Inc.*, 264 F.3d at 639.

While plaintiffs’ claim ultimately proved meritless, that does not make it “objectively unreasonable” as a matter of law or fact. See *id.* at 639-40 (reversing an award of attorneys’ fees under 17 U.S.C. § 505 because “at the time [the] litigation was before the district court, the law on certain relevant aspects of [the] lawsuit was unsettled”); cf. *Protective Life Ins. Co. v. Dignity Viatical Settlement Partners, L.P.*, 171 F.3d 52, 58 (1st Cir.1999) (“The mere fact that a claim ultimately proves unavailing, without more, cannot support the imposition of Rule 11 sanctions.”). At the time *Fogerty* and *Crow* filed their complaint, they knew only that *Crow* delivered “This Game We Play” to Michael Sandoval and, ten months later, *MGM* used a very similar song as the theme song for “The World Is Not Enough.” Nowhere does *MGM* contend that filing a complaint on this basis was objectively unreasonable. See *Matthew Bender & Co. v. West Publ’g Co.*, 240 F.3d 116, 122 (2dCir. 2001) (“[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.”).

Fogerty v. MGM Group Holdings Corp., Inc., 379 F.3d 348, 356-357 (6thCir. 2004).

See also:

- *Baker v. Urban Outfitters, Inc.*, 431 F.Supp.2d 351, 357 (S.D.N.Y. 2006) (“Here, the equitable factors overwhelmingly weigh in favor of an award of costs and fees because (1) this lawsuit was motivated by improper considerations, (2) the lawsuit was prosecuted in bad faith, (3) the factual and legal contentions advanced by the plaintiff were either frivolous or objectively unreasonable, and (4) there is a unique need in this case for both compensation and deterrence.”);
- *Wood v. Cendant Corp.*, 504 F.Supp.2d 1174, 1176 (N.D.Okla. 2007) (“... consideration of the following nonexclusive factors: (1) frivolousness of losing party's case; (2) improper or bad faith motivation of the losing party;”);
- *Randolph v. Dimension Films*, 634 F.Supp.2d 779, 795 (S.D.Tex. 2009) (“The defendants have cited no case, and this court has located none, that infers an improper motive or bad faith simply because a plaintiff makes an objectively unreasonable infringement claim against deep-pocket defendants. Some evidence of bad faith must be shown.”).

Willful Infringement

Willful copyright infringement requires either (1) the defendant knew he was infringing the plaintiff's copyrights or (2) the defendant acted with reckless disregard of plaintiff's copyrights.⁴⁵ Because a proper copyright notice defeats a defense of “innocent infringement”, 17 U.S.C. § 401(d), a defendant who copied material with a proper copyright notice may have committed “willful infringement” of copyright. Since the early 1980s, it has been well established law in the USA that, when a defendant willfully infringed plaintiff's copyright, the court is especially likely to award attorney's fees to a prevailing plaintiff. The following cases are significant:

- *Taylor v. Meirick*, 712 F.2d 1112, 1122 (7thCir. 1983) (“There is no suggestion that the \$10,000 the magistrate awarded is unreasonably high in relation to the effort expended by [Plaintiff's] counsel and there was abundant evidence that the infringement was willful, so the magistrate acted well within her discretion in awarding this sum to [Plaintiff].
... attorney's fees have long been awarded in cases of willful copyright infringement even though no actual damages were awarded or even sought. See, e.g., *Shapiro, Bernstein & Co. v. Jerry Vogel Music Co.*, 161 F.2d 406, 410 (2dCir. 1946); *Twentieth Century Music Corp. v. Frith*, 645 F.2d 6 (5thCir. 1981) (per curiam).”). Cited with approval in *International Korwin Corp. v. Kowalczyk*, 855 F.2d 375, 384 (7thCir. 1988); *Rulo v. Russ Berrie & Co.*, 886 F.2d 931, 942 (7thCir. 1989).

⁴⁵ *In re Barboza*, 545 F.3d 702, 705 (9thCir. 2008); *Lipton v. Nature Co.*, 71 F.3d 464, 472 (2dCir. 1995).

- *McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316, 323 (9thCir. 1987) (“the defendant’s status as innocent, rather than willful or knowing, infringer”), overruled on other grounds by *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994). *McCulloch* is discussed at page 14, above.
- *Chi-Boy Music v. Charlie Club, Inc.*, 930 F.2d 1224, 1230 (7thCir. 1991) (“We begin by noting that a finding of willful infringement will support an award of attorney's fees. See *Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 942 (7thCir. 1989), *cert. denied*, 493 U.S. 1075, 110 S.Ct. 1124, 107 L.Ed.2d 1030 (1990); *Kowalczyk*, 855 F.2d [375] at 384 [(7thCir. 1988)]; *Taylor v. Meirick*, 712 F.2d 1112, 1122 (7thCir. 1983). As we have indicated, the record fully supports the court's finding of willfulness. Under these circumstances, the court properly awarded attorney’s fees. Moreover, this case presents a particularly appropriate occasion on which to award attorney’s fees. The district court found that [Defendant] treated the copyright laws with disdain.”).
- *Superior Form Builders, Inc. v. Dan Chase Taxidermy Supply Co., Inc.*, 881 F.Supp. 1021, 1024-25 (E.D.Va. 1994) (“Defendant has been involved in copyright suits for years. Only substantial awards of damages as well as attorney’s fees will deter Mr. Chase from continuing this willful and outrageous conduct. In short, considerations of compensation and deterrence justify an award of attorney's fees in this case.”), *aff’d*, 74 F.3d 488, 492, 497-498 (4thCir. 1996), *cert. den.*, 519 U.S. 809 (1996);
- *Historical Research v. Cabral*, 80 F.3d 377, 379 (9thCir. 1996) (“Although willful infringement is an important factor favoring an award of fees, it does not, in itself, compel such an award. See *Cable/Home Communication Corp. v. Network Productions, Inc.*, 902 F.2d 829, 854 (11thCir. 1990).”);
- *Kepner-Tregoe, Inc. v. Vroom*, 186 F.3d 283, 289 (2dCir. 1999) (“The court's award of attorney fees under the Copyright Act, 17 U.S.C. § 505, is also justified based on the court's finding of willfulness and is in line with the statutory goal of deterrence.”);
- *Matthew Bender & Co. v. West Publ'g Co.*, 240 F.3d 116, 122 (2dCir. 2001) (“... 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.”).
- *JCW Investments, Inc. v. Novelty, Inc.*, 509 F.3d 339, 342 (7thCir. 2007) (“The strength of [Plaintiff's] case against [Defendant] weighs heavily in favor of awarding fees, as the copyright infringement in this case was flagrant,”).

This rule is still good law in the USA in May 2010, under the factor of deterrence in *Lieb*, as shown by remarks in *Superior Form Builders* and *Kepner-Tregoe*.

other misconduct

Eventually, the emerging doctrine of “copyright misuse” may be an explicit factor that justifies reimbursement of attorney’s fees. In May 2010, only one case has clearly made this connection. *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7thCir. 2004), quoted beginning at page 42, above.

Also, see page 32 above, for *Berkla v. Corel Corp.*, 302 F.3d 909, 923 (9thCir. 2002) (“highly questionable business practice” by prevailing party negates fee-shifting). In this type of case, the prevailing party sometimes wins on purely technical grounds,⁴⁶ but — nevertheless — there is a feeling that the prevailing party engaged in some kind of misconduct.

Novel or Complex Legal Issues

Since the mid-1980s, it has been well established law that novel legal issues in a copyright case make an award of attorneys fees generally *not* appropriate. The following cases are significant:

- *Official Aviation Guide Co. v. American Aviation Ass'n*, 162 F.2d 541, 543 (7th Cir. 1947) (“The instant case was hard fought and prosecuted in good faith, and it presented a complex problem in law. There was no further facts or circumstances which would indicate that the court had abused its discretion in denying attorneys' fees. [citations to three cases omitted, none of the three mention "novel".]”);
- *Overman v. Loesser*, 205 F.2d 521, 524 (9thCir. 1953) (“The case was hard fought. There is no indication that the appeal was pursued in bad faith. And the principal question before us presented a complex question of law. [footnote to *Official Aviation Guide Co. v. American Aviation Associates*, 7 Cir., 1947, 162 F.2d 541. See, also, discussion of similar provisions in Title 35, Patents, U.S.C.A. § 70, now § 285, in *Park-In-Theatres v. Perkins*, 9 Cir., 1951, 190 F.2d 137, 142.] Accordingly we decline to award attorney fees as part of appellee's costs.”);
- *Edward B. Marks Music Corp. v. Continental Record Co.*, 222 F.2d 488, 493 (2dCir. 1955) (“... we feel that in this case the unsuccessful litigant should not thus be penalized [by awarding attorney’s fees to the opponent]. The litigation which it instituted was not vexatious but involved a novel question of statutory interpretation.”).
- *Norbay Music, Inc. v. King Records, Inc.*, 249 F.Supp. 285, 289 (S.D.N.Y. 1966) (“The cases reveal that a fee allowance is rarely made where there are unsettled issues of law and fact. [citing five case, none of which mention the word "unsettled"]”);

⁴⁶ A win on purely technical grounds will also not justify fee-shifting, as explained at page 77.

- *Boz Scaggs Music v. KND Corp.*, 491 F.Supp. 908, 915 (D.Conn. 1980) (“Some of the considerations that might justify the denial of fees include the presence of a complex or novel issue of law that the defendants litigate vigorously and in good faith, *Official Aviation Guide Co. v. American Aviation Ass'n*, 162 F.2d 541, 543 (7th Cir. 1947);”). Cited with approval in *McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316, 323 (9th Cir. 1987); *Van Halen Music v. Palmer*, 626 F.Supp. 1163, 1167 (W.D.Ark. 1986); *Ford Motor Co. v. B & H Supply, Inc.*, 646 F.Supp. 975, 992 (D.Minn. 1986); *Sailor Music v. IML Corp.*, 867 F.Supp. 565, 570 (E.D.Mich. 1994), amongst other cases.
- *Encyclopaedia Britannica Educational Corp. v. Crooks*, 542 F.Supp. 1156, 1186-87 (W.D.N.Y. 1982) (“When faced with novel, unsettled, or complex problems in copyright cases, courts have refused to award attorneys’ fees. *Eisenschiml v. Fawcett Publications, Inc.*, 246 F.2d 598, 604 (7th Cir. 1957)⁴⁷; *Norbay Music, Inc. v. King Records, Inc.*, 249 F.Supp. 285, 289-90 (S.D.N.Y. 1966). This case has presented such novel issues, based upon recent technical advancements as well as unsettled issues of law and fact.”);
- *Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc.*, 609 F.Supp. 1325, 1329 (E.D.Pa. 1985) (no fee-shifting because infringement was before registration, but — in dicta — judge discussed novel issues of law that would preclude a fee award), *aff’d on other grounds*, 797 F.2d 1222 (3d Cir. 1986), *cert. den.*, 479 U.S. 1031 (1987);
- *McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316, 323 (9th Cir. 1987) (“Considerations which justify the denial of fees may include (1) the presence of a complex or novel issue of law that the defendant litigates vigorously and in good faith, [citations omitted]”), *overruled on other grounds by Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994). Quoted with approval in *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1583 (Fed.Cir. 1992). *McCulloch* is discussed at page 14, above.
- *Bourne Co. v. MPL Communications, Inc.*, 678 F.Supp. 70, 72 (S.D.N.Y. 1988) (“Given the novelty of the issues involved in this action, and the lack of any bad faith on the part of defendants, the Court declines to award costs or attorney's fees to plaintiff.”).

⁴⁷ *Eisenschiml* actually says the case involved “a very close question” of law, so an award of attorney’s fees to a prevailing plaintiff was an abuse of discretion by the trial judge. *Eisenschiml* mentions neither “novel”, “unsettled”, nor “complex”.

- *Applied Innovations, Inc. v. Regents of the Univ. of Minn.*, 876 F.2d 626, 638 (8th Cir. 1989) (“In the present case the district court decided not to award attorney's fees to plaintiffs because the litigation involved numerous complex or novel questions which defendant had litigated vigorously and in good faith. The district court's assessment of this case is amply supported by the record and the issues raised on appeal and cross-appeal. We cannot say that the district court abused its discretion in refusing to award reasonable attorney's fees to plaintiffs.”);
- *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1583 (Fed.Cir. 1992) (In copyright case, attorney's “fees may be denied in various situations, including: ‘(1) the presence of a complex or novel issue of law that the defendant litigates vigorously and in good faith,’ ” [quoting *McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316, 323, 3 USPQ2d 1503, 1508 (9thCir. 1987).]);
- *Bourne Co. v. Walt Disney Co.*, Not Reported in F.Supp., 1994 WL 263482 at *2 (S.D.N.Y. 1994) (“Among the factors that may justify the denial of fees to a prevailing plaintiff is ‘the presence of a complex or novel issue of law that the defendants litigate vigorously and in good faith.’ *Boz Scaggs Music v. KND Corp.*, 491 F.Supp. 908, 915 (D.Conn. 1980).”), *aff'd on other grounds*, 68 F.3d 621 (2dCir. 1995).
- *Maljack Productions, Inc. v. GoodTimes Home Video Corp.*, 81 F.3d 881, 889 (9thCir. 1996) (“The district court’s fee order stated that [Plaintiff’s] copyright claims were objectively unreasonable, that [Plaintiff] presented no complex or novel questions of copyright law,”);
- *Lotus Development Corp. v. Borland Intern., Inc.*, 140 F.3d 70, 75 (1stCir. 1998) (“Turning to the need to encourage meritorious defenses, a copyright defendant’s success on the merits in a case of first impression may militate in favor of a fee award, but we are unwilling to hold that a successful defense in an important case necessarily mandates an award of attorney’s fees. When close infringement cases are litigated, copyright law benefits from the resulting clarification of the doctrine's boundaries. But because novel cases require a plaintiff to sue in the first place, the need to encourage meritorious defenses is a factor that a district court may balance against the potentially chilling effect of imposing a large fee award on a plaintiff, who, in a particular case, may have advanced a reasonable, albeit unsuccessful, claim.”) (See also at page 72: “... the district court reasoned, in essence, that [the Parties] had litigated a novel and unsettled question of copyright law ..., and thus ... an award of fees was not warranted.”);
- *Action Tapes, Inc. v. Mattson*, 462 F.3d 1010, 1014 (8thCir. 2006) (“Here, [Plaintiff] raised important and novel issues under the seldom-litigated Rental Amendments Act. The district court did not abuse its discretion in denying an attorneys’ fee award [to prevailing defendant].”);

- *Brown v. Perdue*, Not Reported in F.Supp.2d, 2006 WL 2679936 at *4 (S.D.N.Y. 2006) (The Magistrate Judge wrote that: “Moreover, cases with claims involving novel or complex issues do not warrant a court in making a finding of objective unreasonableness. See *Littel v. Twentieth Century-Fox Film Corp.*, No. 89 Civ. 8526, 1996 WL 18819, at *3 (S.D.N.Y. Jan. 18, 1996).”);
- *Meshwerks, Inc. v. Toyota Motor Sales U.S.A., Inc.*, 528 F.3d 1258, 1270, n.11 (10thCir. 2008) (“Defendants’ request for the costs and attorneys fees associated with this appeal is denied. Far from being frivolous, this suit presents a novel and consequential question focused on the copyrightability of images in a relatively new technological medium.”);

Notice that in *Boz Scaggs*, Judge Blumenfeld in U.S. District Court in Connecticut in April 1980 invented the rule about novel legal issues defeating fee-shifting, although he cited a case for the proposition that complex litigation defeated fee-shifting. Complexity is a different criterion than novel issues of law. However, Judge Blumenfeld was correct to include novel issues of law as a relevant criterion, because litigating novel issues of law helps clarify legal rights, thereby promoting the purposes of the Copyright Act. Encouraging presentation of novel legal issues is consistent with *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 518 (1994) (“... it is peculiarly important that the law’s boundaries be demarcated as clearly as possible.”). See also *Lotus Development Corp. v. Borland Intern., Inc.*, 140 F.3d 70, 75 (1stCir. 1998).

This rule about novel legal issues is consistent with the rule that willful infringement of copyrights justifies an award of attorney’s fees to prevailing plaintiff. In cases involving novel legal issues, copying is *unlikely* to be willful, because the *uncertain* legal issue(s) prevents knowledge of wrongfulness.

The presence of novel legal issues may also justify a higher hourly fee — and more total hours — by the attorneys, see the second factor in *Johnson*, which is quoted on page 79, below. So it is unfortunate from the perspective of the prevailing party that such large legal fees can not be reimbursed by the losing party.

Note that there are four factors in *Lieb*, which factors must be juggled and weighed by a judge. On the other hand, the presence of novel issues of law is a consideration that will bar award of attorney’s fees.

Purely Technical Win

Note that a purely technical win by the prevailing party in a copyright case does *not* justify fee-shifting. This rule may originate in a U.S. Supreme Court decision in March 1989:

Thus, at a minimum, to be considered a prevailing party within the meaning of [42 U.S.C.] § 1988, the plaintiff must be able to point to a resolution of the dispute which changes the legal relationship between itself and the defendant. [citations deleted] Beyond this absolute limitation, a technical victory may be so insignificant ... as to be insufficient to support prevailing party status. Where the plaintiff's success on a legal claim can be characterized as purely technical or de minimis, a district court would be justified in concluding that even the "generous formulation" we adopt today has not been satisfied. [citations deleted]

Texas State Teachers Ass'n v. Garland Indep. School District, 489 U.S. 782, 792 (1989).

For copyright cases, see, e.g.,

- *Warner Bros. v. Dae Rim Trading*, 877 F.2d 1120, 1126 (2dCir. 1989) (citing *Texas State*);
- *Screenlife Establishment v. Tower Video, Inc.*, 868 F.Supp. 47, 50 (S.D.N.Y. 1994) (Sotomayor, J.) (citing *Texas State* and *Warner Bros.*);
- *Cable/Home Communication Corp. v. Network Productions*, 902 F.2d 829, 853 (11thCir. 1999) (citing *Texas State*);
- *Collins v. Aztar Corp.*, Unpublished, 2000 WL 302782 at *3 (2dCir. 2000) (citing *Texas State*);
- *Berkla v. Corel*, 302 F.3d 909, 924 (9thCir. 2002), which was quoted at page 32, above;
- *Milton H. Greene Archives v. Julien's Auction House*, 345 Fed.Appx. 244, 249, ¶17 (9thCir. 2009), which was quoted at page 33, above.

There are two different types of "purely technical wins":

1. Winning on procedural grounds, instead of on the merits of the case. *Ruckelshaus v. Sierra Club*, 463 U.S. 680, 688, n. 9 (1983) ("Of course, we do not mean to suggest that trivial success on the merits, or purely procedural victories, would justify an award of fee"); *United States v. Hooker Chem. & Plastics Corp.*, 591 F.Supp. 966, 968 (W.D.N.Y. 1983) ("Nor may fees be awarded for purely procedural victories.").
2. Winning a trivial amount of damages, e.g., a plaintiff who sues for \$ 17 million but is awarded only \$ 1. *Farrar v. Hobby*, 506 U.S. 103, 119 (1992) (O'Connor, J., concurring) ("[T]he occurrence of a purely technical or de minimis victory is such a circumstance. Chimerical accomplishments are simply not the kind of legal change that Congress sought to promote in the fee statute.").

Reasonableness

The fee-shifting statute itself requires that any award of attorney's fees be *reasonable*:

... the court may also award a reasonable attorney's fee to the prevailing party ...

17 U.S.C § 505. Reading the statute shows that *reasonable* is the most important criterion in deciding the amount of fees to award to a prevailing party — because it is the only criterion mentioned in the statute.

Most of the judicial opinions about reasonableness of attorney's fees have been in the context of reimbursing attorney's fees in civil rights litigation and other litigation *not* involving copyrights. Because of the large number of reported cases on this issue, I concentrated on

1. *Johnson v. Georgia Highway Exp., Inc.*, 488 F.2d 714 (5thCir. 1974), a frequently cited historic case that gives useful factors to consider in determining reasonableness of fees (beginning at page 78, below)
2. opinions of the U.S. Supreme Court during 1980-2010 (beginning at page 82, below)
3. some opinions in the U.S. Courts of Appeals for the Second and Seventh Circuits (beginning at pages 95 and 99 below)

It is clear that the same legal standards apply to determining a *reasonable* attorney fee in all kinds of civil cases, as explained in detail below, at page 87.

There are two approaches to determining reasonable attorney's fees: (1) a list of twelve factors in *Johnson* and (2) the lodestar method. These two methods are *not* mutually exclusive, as practical applications of the lodestar method often considers some of the factors in *Johnson* to adjust the number of hours or to adjust the hourly rate, to obtain a reasonable attorney's fee, as explained below at page 92.

Johnson v. Georgia Highway Express (5thCir. 1974)

In January 1974, a U.S. Court of Appeals in Georgia issued a set of criteria to consider in determining a reasonable attorney's fee under the civil rights statute. The opinion was subsequently cited in legislative history by the U.S. Congress and also cited by the U.S. Supreme Court. As explained below, beginning at page 92, I believe these criteria remain useful to determine a *reasonable* attorney's fee.

It is for these reasons that we must remand to the District Court for reconsideration in light of the following guidelines:

(1) The time and labor required. Although hours claimed or spent on a case should not be the sole basis for determining a fee, *Electronics Capital Corp. v. Sheperd*, 439 F.2d 692 (5thCir. 1971), they are a necessary ingredient to be considered. The trial judge should weigh the hours claimed against his own knowledge, experience, and expertise of the time required to complete similar activities. If more than one attorney is involved, the possibility of duplication of effort along with the proper utilization of time should be scrutinized. The time

of two or three lawyers in a courtroom or conference when one would do, may obviously be discounted. It is appropriate to distinguish between legal work, in the strict sense, and investigation, clerical work, compilation of facts and statistics and other work which can often be accomplished by non-lawyers but which a lawyer may do because he has no other help available. Such non-legal work may command a lesser rate. Its dollar value is not enhanced just because a lawyer does it.

[Cite as: 488 F.2d at 718]

(2) The novelty and difficulty of the questions. Cases of first impression generally require more time and effort on the attorney's part. Although this greater expenditure of time in research and preparation is an investment by counsel in obtaining knowledge which can be used in similar later cases, he should not be penalized for undertaking a case which may "make new law." Instead, he should be appropriately compensated for accepting the challenge.

(3) The skill requisite to perform the legal service properly. The trial judge should closely observe the attorney's work product, his preparation, and general ability before the court. The trial judge's expertise gained from past experience as a lawyer and his observation from the bench of lawyers at work become highly important in this consideration.

(4) The preclusion of other employment by the attorney due to acceptance of the case. This guideline involves the dual consideration of otherwise available business which is foreclosed because of conflicts of interest which occur from the representation, and the fact that once the employment is undertaken the attorney is not free to use the time spent on the client's behalf for other purposes.

(5) The customary fee. The customary fee for similar work in the community should be considered. It is open knowledge that various types of legal work command differing scales of compensation. At no time, however, should the fee for strictly legal work fall below the \$20 per hour prescribed by the Criminal Justice Act, 18 U.S.C.A. § 3006A(d)(1), and awarded to appointed counsel for criminal defendants. As long as minimum fee schedules are in existence and are customarily followed by the lawyers in a given community, FN4 they should be taken into consideration.

FN4. See n. 3, supra. [Which notes that the American Bar Association recommends that 'minimum' or 'suggested' fees schedules be withdrawn by state and local bar associations.]

(6) Whether the fee is fixed or contingent. The fee quoted to the client or the percentage of the recovery agreed to is helpful in demonstrating the attorney's fee expectations when he accepted the case. But as pointed out in *Clark v. American Marine*, supra, [t]he statute does not prescribe the payment of fees to the lawyers. It allows the award to be made to the prevailing party. Whether or not he agreed to pay a fee and in what amount is not decisive. Conceivably, a litigant might agree to pay his counsel a fixed dollar fee. This might be even more than the fee eventually allowed by the court. Or he might agree to pay his lawyer a percentage contingent fee that would be greater than the fee the court might ultimately set. Such arrangements should not determine the court's decision. The criterion for the court is not what the parties agreed but what is reasonable.

320 F.Supp. [709] at 711 [(E.D.La. 1970)]. In no event, however, should the litigant be awarded a fee greater than he is contractually bound to pay, if indeed the attorneys have contracted as to amount.⁴⁸

(7) Time limitations imposed by the client or the circumstances. Priority work that delays the lawyer's other legal work is entitled to some premium. This factor is particularly important when a new counsel is called in to prosecute the appeal or handle other matters at a late stage in the proceedings.

(8) The amount involved and the results obtained. Title VII, 42 U.S.C.A. § 2000e-5(g), permits the recovery of damages in addition to injunctive relief. Although the Court should consider the amount of damages, or back pay awarded, that consideration should not obviate court scrutiny of the decision's effect on the law. If the decision corrects across-the-board discrimination affecting a large class of an employer's employees, the attorney's fee award should reflect the relief granted.

(9) The experience, reputation, and ability of the attorneys. Most fee scales reflect an experience differential with [Cite as: 488 F.2d at 719] the more experienced attorneys receiving larger compensation. An attorney specializing in civil rights cases may enjoy a higher rate for his expertise than others, providing his ability corresponds with his experience. Longevity per se, however, should not dictate the higher fee. If a young attorney demonstrates the skill and ability, he should not be penalized for only recently being admitted to the bar.

(10) The "undesirability" of the case. Civil rights attorneys face hardships in their communities because of their desire to help the civil rights litigant. See *NAACP v. Button*, 371 U.S. 415, 443, 83 S.Ct. 328, 9 L.Ed.2d 405 (1963); *Sanders v. Russell*, 401 F.2d 241 (5th Cir. 1968). Oftentimes his decision to help eradicate discrimination is not pleasantly received by the community or his contemporaries. This can have an economic impact on his practice which can be considered by the Court.

(11) The nature and length of the professional relationship with the client. A lawyer in private practice may vary his fee for similar work in the light of the professional relationship of the client with his office. The Court may appropriately consider this factor in determining the amount that would be reasonable.

(12) Awards in similar cases. The reasonableness of a fee may also be considered in the light of awards made in similar litigation within and without the court's circuit. For such assistance as it may be, we note in the margin a list of Title VII cases in this and other Circuits reviewed in the consideration of this appeal.FN5

FN5. Fifth Circuit: *Peters v. Missouri Pacific R.R. Co.*, 483 F.2d 490 (5th Cir., 1973); *Weeks v. Southern Bell Tel. & Tel.*, 467 F. 2d 95 (5th Cir. 1972); *Rowe v. G.M. Corp.*, 457 F.2d 348 (5th Cir. 1972); *Long v. Georgia Kraft Co.*, 455 F.2d 331 (5th Cir. 1972); *Culpepper v. Reynolds Metals Co.*, 442 F.2d 1078 (5th Cir. 1971); *Clark v. American Marine Corp.*, 320 F.Supp. 709 (E.D.La. 1970), aff'd 437 F.2d 959 (5th Cir. 1971); *Drew v. Liberty Mutual Ins. Co.*, 480 F.2d 69 (5th Cir., 1973); *Franks v. Bowman*

⁴⁸ Note by Standler: This one sentence limiting reimbursement of attorney's fees to a maximum specified in the contracted amount was abrogated by the U.S. Supreme Court in *Blanchard v. Bergeron*, 489 U.S. 87, 92-94 (1989). See *U.S. v. Caro*, 579 F.3d 452, 462 (5th Cir. 2009).

Transp. Co., (N.D.Ga. June 29, 1972); *Bing v. Roadway Express*, (N.D.Ga. May 19, 1972), vacated, 485 F.2d 441 (5th Cir. 1973); *Baxter v. Savannah Sugar Refining Corp.*, 350 F. Supp. 139 (S.D.Ga. 1972); *LeBlanc v. Southern Bell Tel. & Tel.*, 333 F.Supp. 602 (E.D. La. 1971); *Humphrey v. Southwestern Portland Cement*, 5 F.E.P. Cases 897 (W.D.Tex. 1973). First Circuit: *United States v. Gray*, 319 F.Supp. 871 (D.R.I. 1970). Fourth Circuit: *Lea v. Cone Mills, Inc.*, 467 F.2d 277 (4th Cir. 1972); *Robinson v. Lorillard Corp.*, 444 F.2d 791 (4th Cir. 1971). Sixth Circuit: *Manning v. International Union*, 466 F.2d 812 (6th Cir. 1972). Seventh Circuit: *Bowe v. Colgate-Palmolive*, 416 F.2d 711 (7th Cir. 1969); *Batiste v. Furnco Construction*, 350 F.Supp. 10 (N.D. Ill. 1972). Eighth Circuit: *Parham v. Southwestern Bell Tel. Co.*, 433 F.2d 421 (8th Cir. 1970); *Vogel v. T.W.A.*, 346 F.Supp. 805 (W.D.Mo. 1971). Ninth Circuit: *Schaeffer v. San Diego Yellow Cabs, Inc.*, 462 F.2d 1002 (9th Cir. 1972); *Malone v. N. A. Rockwell Corp.*, 457 F.2d 779 (9th Cir. 1972); *Rosenfield v. Southern Pacific Co.* (C.D.Calif. Dec. 2, 1971). Tenth Circuit: *Barela v. United Nuclear Corp.*, 462 F.2d 149 (10th Cir. 1972); *Evans v. Sheraton Park Hotel* (D.C.D.C. Dec. 27, 1972); *Brito v. Zia Co.* (D.C.N.M. 1972).

These guidelines are consistent with those recommended by the American Bar Association's Code of Professional Responsibility, Ethical Consideration 2-18, Disciplinary Rule 2-106. They also reflect the considerations approved by us in *Clark v. American Marine Co.*, [437 F.2d 959 (5th Cir. 1971) (per curiam), *affirming* 320 F.Supp. 709, 711-712 (E.D.La. 1970)].

To put these guidelines into perspective and as a caveat to their application, courts must remember that they do not have a mandate under Section 706(k) to make the prevailing counsel rich. Concomitantly, the Section should not be implemented in a manner to make the private attorney general's position so lucrative as to ridicule the public attorney general. The statute was not passed for the benefit of attorneys but to enable litigants to obtain competent counsel worthy of a contest with the caliber of counsel available to their opposition and to fairly place the economical burden of Title VII litigation. Adequate compensation is necessary, [**Cite as: 488 F.2d at 720**] however, to enable an attorney to serve his client effectively and to preserve the integrity and independence of the profession. The guidelines contained herein are merely an attempt to assist in this balancing process.

....

By this discussion we do not attempt to reduce the calculation of a reasonable fee to mathematical precision. Nor do we indicate that we should enter the discretionary area which the law consigns to the trial judge.

Johnson v. Georgia Highway Exp., Inc., 488 F.2d 714, 717-720 (5th Cir. 1974).

Below, beginning at page 92, I argue that the twelve factors in *Johnson* are still valid, in the context of determining either a reasonable number of hours, or a reasonable hourly rate.

Lodestar Method U.S. Supreme Court

This section of my essay cites cases on reimbursement of attorney's fees in general — *not* involving copyright litigation. I searched for the following general query:

(unreasonabl! reasonabl! excessiv!) /s (attorney! +1 fee)
for U.S. Supreme Court cases from 1980 to 9 March 2010.

Hensley v. Eckerhart (1983)

In May 1983, the U.S. Supreme Court decided the landmark case of *Hensley v. Eckerhart*, which determined the meaning of reasonable attorney's fees in civil rights cases, under 42 U.S.C. § 1988(b), the Civil Rights Attorney's Fees Awards Act of 1976.

The amount of the fee, of course, must be determined on the facts of each case. On this issue the House Report [H.R.Rep. No. 94-1558 at p. 8 (1976)] simply refers to twelve factors set forth in [Cite as: **461 U.S. at 430**] *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714 (CA5 1974).**FN3** The Senate Report [S.Rep. No. 94-1011 at p. 6 (1976), reprinted in 1976 U.S. CODE CONG. & ADMIN. NEWS 5908, 5913] cites to *Johnson* as well and also refers to three district court decisions that “correctly applied” the twelve factors.**FN4** One of the factors in *Johnson*, “the amount involved and the results obtained,” indicates that the level of a plaintiff's success is relevant to the amount of fees to be awarded. The importance of this relationship is confirmed in varying degrees by the other cases cited approvingly in the Senate Report.

FN3. The twelve factors are: (1) the time and labor required; (2) the novelty and difficulty of the questions; (3) the skill requisite to perform the legal service properly; (4) the preclusion of employment by the attorney due to acceptance of the case; (5) the customary fee; (6) whether the fee is fixed or contingent; (7) time limitations imposed by the client or the circumstances; (8) the amount involved and the results obtained; (9) the experience, reputation, and ability of the attorneys; (10) the “undesirability” of the case; (11) the nature and length of the professional relationship with the client; and (12) awards in similar cases. 488 F.2d, at 717-719. These factors derive directly from the American Bar Association Code of Professional Responsibility, Disciplinary Rule 2-106.

FN4. “It is intended that the amount of fees awarded ... be governed by the same standards which prevail in other types of equally complex Federal litigation, such as antitrust cases[,] and not be reduced because the rights involved may be nonpecuniary in nature. The appropriate standards, see *Johnson v. Georgia Highway Express*, 488 F.2d 714 (5th Cir.1974), are correctly applied in such cases as *Stanford Daily v. Zurcher*, 64 F.R.D. 680 (ND Cal.1974); *Davis v. County of Los Angeles*, 8 E.P.D. ¶ 9444 (CD Cal.1974); and *Swann v. Charlotte-Mecklenburg Board of Education*, 66 F.R.D. 483 (WDNC 1975). These cases have resulted in fees which are adequate to attract competent counsel, but which do not produce windfalls to attorneys. In computing the fee, counsel for a prevailing party should be paid, as is traditional with attorneys compensated by a fee-paying client, ‘for all time reasonably expended on a matter.’

Davis, supra; Stanford Daily, supra at 684.” S.Rep. No. 94-1011, p. 6 (1976), U.S.Code Cong. & Admin.News 1976, pp. 5908, 5913.

Hensley v. Eckerhart, 461 U.S. 424, 429-430 (1983).

The U.S. Supreme court in *Hensley* cited three opinions in the U.S. District Courts, which the U.S. Senate Report said correctly applied the factors in *Johnson*. The Court concluded its review of cases:

In each of these three cases the plaintiffs obtained essentially complete relief. The legislative history, therefore, does not provide a definitive answer as to the proper standard for setting a fee award where the plaintiff has achieved only limited success. Consistent with the legislative history, courts of appeals generally have recognized the relevance of the results obtained to the amount of a fee award. They have adopted varying standards, however, for applying this principle in cases where the plaintiff did not succeed on all claims asserted. [footnote omitted that cites disagreements amongst circuits]

Hensley v. Eckerhart, 461 U.S. 424, 431-432 (1983).

The Court then announced the proper standard for determining a reasonable attorney’s fee.

The most useful starting point for determining the amount of a reasonable fee is the number of hours reasonably expended on the litigation multiplied by a reasonable hourly rate.⁴⁹ This calculation provides an objective basis on which to make an initial estimate of the value of a lawyer's services. The party seeking an award of fees should submit evidence supporting the hours worked and rates claimed. Where the documentation of hours is inadequate, the district court may reduce the award accordingly. The district court also should exclude from this initial fee calculation hours that were not “reasonably expended.” S.Rep. No. 94-1011, p. 6 (1976). Cases may be overstaffed, and the skill and experience of lawyers vary widely. Counsel for the prevailing party should make a good faith effort to exclude from a fee request hours that are excessive, redundant, or otherwise [Cite as: **461 U.S. at 434**] unnecessary, just as a lawyer in private practice ethically is obligated to exclude such hours from his fee submission. “In the private sector, ‘billing judgment’ is an important component in fee setting. It is no less important here. Hours that are not properly billed to one's client also are not properly billed to one's adversary pursuant to statutory authority.” *Copeland v. Marshall*, 205 U.S.App.D.C. 390, 401, 641 F.2d 880, 891 (1980) (en banc) (emphasis in original).

The product of reasonable hours times a reasonable rate does not end the inquiry. There remain other considerations that may lead the district court to adjust the fee upward or downward, including the important factor of the “results obtained.” **FN9** This factor is particularly crucial where a plaintiff is deemed “prevailing” even though he succeeded on only some of his claims for relief. In this situation two questions must be addressed. First, did the plaintiff fail to prevail on claims that were unrelated to the claims on which he succeeded? Second, did the plaintiff achieve a level of success that makes the hours reasonably expended a satisfactory basis for making a fee award?

⁴⁹ Boldface added by Standler. The amount obtained by multiplying “hours reasonably expended” times “a reasonable hourly rate” is known as the *lodestar*.

FN9. The district court also may consider other factors identified in *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 717-719 (CA5 1974), though it should note that many of these factors usually are subsumed within the initial calculation of hours reasonably expended at a reasonable hourly rate. See *Copeland v. Marshall*, 205 U.S.App.D.C. 390, 400, 641 F.2d 880, 890 (1980) (en banc).

Hensley v. Eckerhart, 461 U.S. 424, 433-434 (1983).

If, on the other hand, a plaintiff has achieved only partial or limited success, the product of hours reasonably expended on the litigation as a whole times a reasonable hourly rate may be an excessive amount. This will be true even where the plaintiff's claims were interrelated, nonfrivolous, and raised in good faith. Congress has not authorized an award of fees whenever it was reasonable for a plaintiff to bring a lawsuit or whenever conscientious counsel tried the case with devotion and skill. **Again, the most critical factor is the degree of success obtained.**⁵⁰

Hensley v. Eckerhart, 461 U.S. 424, 436 (1983).

The Court also remarked in a footnote: "We hold that the extent of a plaintiff's success is a crucial factor that the district courts should consider carefully in determining the amount of fees to be awarded." *Hensley*, n.14.

We hold that the extent of a plaintiff's success is a crucial factor in determining the proper amount of an award of attorney's fees under 42 U.S.C. § 1988. Where the plaintiff has failed to prevail on a claim that is distinct in all respects from his successful claims, the hours spent on the unsuccessful claim should be excluded in considering the amount of a reasonable fee.

Hensley, 461 U.S. at 440.

A request for attorney's fees should not result in a second major litigation.⁵¹

Ideally, of course, litigants will settle the amount of a fee. Where settlement is not possible, the fee applicant bears the burden of establishing entitlement to an award and documenting the appropriate hours expended and hourly rates.

Hensley, 461 U.S. at 437.

Lodestar

"Lodestar" is legal jargon for determining the total attorney's fees by multiplying the number of hours worked times the hourly rate. *City of Riverside v. Rivera*, 477 U.S. 561, 568 (1986) cites *Hensley*, 461 U.S. at 433 for this method and then *City of Riverside* says "this figure ... is presumed to be the reasonable fee contemplated by § 1988." *City of Riverside*, 477 U.S. at 568.

⁵⁰ Boldface added by Standler.

⁵¹ Boldface added by Standler.

The word “lodestar” in the context of attorney’s fees was first used in *Lindy Bros. v. American Radiator*, 487 F.2d 161, 168 (3dCir. 1973), *on remand*, 382 F.Supp. 999, 1003 (D.Pa. 1974), *rev’d*, 540 F.2d 102, 108 (3dCir. 1976) (en banc), although the method is older. The U.S. Supreme Court first used the word “lodestar” in this context in 1981. *Delta Air Lines v. August*, 450 U.S. 346, 365, n.3 (1981) (citing *Lindy Bros.*, 540 F.2d 102 (3dCir. 1976)).

Hensley is still valid law in May 2010, as explained below, beginning at page 90.

Blum v. Stenson (1984)

In 1984, the U.S. Supreme Court grappled with how to calculate the amount of an attorney’s fee award for salaried attorneys employed by nonprofit legal aid organizations, who had no billing rate for clients. While this situation will rarely arise in copyright litigation, the Court in *Blum* mentioned factors to consider that are relevant in a broader context of determining reasonable attorney’s fees.

The statute and legislative history establish that “reasonable fees” under § 1988 are to be calculated according to the prevailing market rates in the relevant community, regardless of whether plaintiff is represented by private or nonprofit counsel.FN11

FN11. We recognize, of course, that determining an appropriate “market rate” for the services of a lawyer is inherently difficult. Market prices of commodities and most services are determined by supply and demand. In this traditional sense there is no such thing as a prevailing market rate for the service of lawyers in a particular community. The type of services rendered by lawyers, as well as their experience, skill and reputation, varies extensively — even within a law firm. Accordingly, the hourly rates of lawyers in private practice also vary widely. The fees charged often are based on the product of hours devoted to the representation multiplied by the lawyer’s customary rate. But the fee usually is discussed with the client, may be negotiated, and it is the client who pays whether he wins or loses. The § 1988 fee determination is made by the court in an entirely different setting: there is no negotiation or even discussion with the prevailing client, as the fee — found to be reasonable by the court — is paid by the losing party. Nevertheless, as shown in the text above, the critical inquiry in determining reasonableness is now generally recognized as the appropriate hourly rate. And the rates charged in private representations may afford relevant comparisons. In seeking some basis for a standard, courts properly have required prevailing attorneys to justify the reasonableness of the requested rate or rates. To inform and assist the court in the exercise of its discretion, the burden is on the fee applicant to produce satisfactory evidence — in addition to the attorney’s own affidavits — that the requested rates are in line with those prevailing in the community for similar services by lawyers of reasonably comparable skill, experience and reputation. A rate determined in this way is normally deemed to be reasonable, and is referred to — for convenience — as the prevailing market rate.

Blum v. Stenson, 465 U.S. 886, 895 (1984).

lodestar presumed to be the reasonable fee

The lodestar amount is presumed to be the reasonable fee:

When, however, the applicant for a fee has carried his burden of showing that the claimed rate and number of hours are reasonable, the resulting product is presumed to be the reasonable fee contemplated by § 1988.

Blum v. Stenson, 465 U.S. 886, 897 (1984).

This holding in *Blum* was quoted by the Court in *Delaware Valley I*:

We emphasized, however, that the figure resulting from this calculation is more than a mere “rough guess” or initial approximation of the final award to be made. Instead, we found that “[w]hen ... the applicant for a fee has carried his burden of showing that the claimed rate and number of hours are reasonable, the resulting product is *presumed* to be the reasonable fee” to which counsel is entitled. [*Blum*], at 897, 104 S.Ct., at 1548 (emphasis added [by the Court]).

Pennsylvania v. Delaware Valley Citizens' Council for Clean Air, 478 U.S. 546, 564 (1986).

Then the Court increased the presumption to a “strong presumption”:

A strong presumption that the lodestar figure — the product of reasonable hours times a reasonable rate — represents a “reasonable” fee is wholly consistent with the rationale behind the usual fee-shifting statute,

Pennsylvania v. Delaware Valley Citizens' Council for Clean Air, 478 U.S. 546, 565 (1986).

In 1989, the Court reiterated:

Even when considering the award of attorney's fees under the Clean Air Act, 42 U.S.C. § 7401 et seq., the Court has applied the § 1988 approach, stating: “A strong presumption that the lodestar figure — the product of reasonable hours times a reasonable rate — represents a ‘reasonable fee’ is wholly consistent with the rationale behind the usual fee-shifting statute....”

Pennsylvania v. Delaware Valley Citizens' Council for Clean Air, 478 U.S. 546, 565, 106 S.Ct. 3088, 3098, 92 L.Ed.2d 439 (1986).

Blanchard v. Bergeron, 489 U.S. 87, 95 (1989).

In 1992, six years after *Delaware Valley I*, the U.S. Supreme Court again wrote that there is a “strong presumption” that the lodestar amount is the correct award to a prevailing party:

The “lodestar” figure has, as its name suggests, become the guiding light of our fee-shifting jurisprudence. We have established a “strong presumption” that the lodestar represents the “reasonable” fee, *Delaware Valley I*, supra, 478 U.S. [546], at 565, 106 S.Ct., at 3098, and have placed upon the fee applicant who seeks more than that the burden of showing that “such an adjustment is *necessary* to the determination of a reasonable fee.”

Blum v. Stenson, 465 U.S. 886, 898, 104 S.Ct. 1541, 1548, 79 L.Ed.2d 891 (1984)

(emphasis added [by the Court]).

City of Burlington v. Dague, 505 U.S. 557, 562 (1992).

In April 2010, the Court noted that there was still a strong presumption that the lodestar amount was correct, but there might be exceptions.

The lodestar method was never intended to be conclusive in all circumstances. Instead, there is a “strong presumption” that the lodestar figure is reasonable, but that presumption may be overcome in those rare circumstances in which the lodestar does not adequately take into account a factor that may properly be considered in determining a reasonable fee.

Perdue v. Kenny A. ex rel. Winn, 130 S.Ct. 1662, 1673 (21 April 2010).

same standards in all fee-shifting statutes

A plaintiff, named Dague, owned land adjacent to a city landfill in Burlington, Vermont. Dague sued under the federal Solid Waste Disposal Act and Clean Water Act, was granted summary judgment, and was awarded attorney’s fees. Because the trial court enhanced the lodestar amount by 25% (equal to a \$50,000 enhancement), the city appealed to the U.S. Supreme Court, which reversed the enhancement. The majority opinion tersely quoted the attorney’s fees statutes in the Solid Waste Disposal Act and Clean Water Act, which were at issue in the litigation, and said:

This language is similar to that of many other federal fee-shifting statutes, see, e.g., 42 U.S.C. §§ 1988, 2000e-5(k), 7604(d); our case law construing what is a “reasonable” fee applies uniformly to all of them. *Flight Attendants v. Zipes*, 491 U.S. 754, 758, n. 2, 109 S.Ct. 2732, 2735, n. 2, 105 L.Ed.2d 639 (1989).

City of Burlington v. Dague, 505 U.S. 557, 562 (1992).

This terse little nugget in *Dague* is useful to link awards of attorney's fees in copyright cases to the abundant jurisprudence about reasonable attorney's fees in other federal fee-shifting statutes, such as the Civil Rights Act. Earlier, the Court in *Zipes* said:

The language of § 706(k) [of the Civil Rights Act of 1964] is substantially the same as § 204(b) of the Civil Rights Act of 1964, 42 U.S.C. § 2000a-3(b), which we interpreted in *Newman v. Piggie Park Enterprises, Inc.*, 390 U.S. 400, 88 S.Ct. 964, 19 L.Ed.2d 1263 (1968), and 42 U.S.C. § 1988, which we interpreted in *Hensley v. Eckerhart*, 461 U.S. 424, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983). We have stated in the past that fee-shifting statutes' similar language is “a strong indication” that they are to be interpreted alike. *Northcross v. Memphis Bd. of Education*, 412 U.S. 427, 428, 93 S.Ct. 2201, 2202, 37 L.Ed.2d 48 (1973). See also *Hanrahan v. Hampton*, 446 U.S. 754, 758, n. 4, 100 S.Ct. 1987, 1989, n. 4, 64 L.Ed.2d 670 (1980) (noting that § 1988 was patterned on § 204(b) and § 706(k)); *Hensley*, supra, 461 U.S., at 433, n. 7, 103 S.Ct., at 1939, n. 7 (noting that the standards set forth in the opinion apply to all fee-shifting statutes with “prevailing party” language).

Independent Federation of Flight Attendants v. Zipes, 491 U.S. 754, 758, n.2 (1989).

In a civil rights case, the Court noted the same standards for fee-shifting applied in all cases of complex Federal litigation:

It is clear that Congress “intended that the amount of fees awarded ... be governed by the same standards which prevail in other types of equally complex Federal litigation ... and not be reduced because the rights involved may be non-pecuniary in nature.” S.Rep. No. 94-1011, at 6, U.S.CODE CONG. & ADMIN.NEWS 1976, p. 5913.

Blanchard v. Bergeron, 489 U.S. 87, 95 (1989).

Earlier, the U.S. Supreme Court quoted the legislative history of the Civil Rights Attorney’s Fees Act:

It is intended that the amount of fees awarded under [42 U.S.C. § 1988] be governed by the same standards which prevail in other types of equally complex Federal litigation, such as antitrust cases[,] and not be reduced because the rights involved may be nonpecuniary in nature. The appropriate standards, see *Johnson v. Georgia Highway Express*, 488 F.2d 714 (5thCir. 1974), are correctly applied in such cases as [citing three cases].

Blum v. Stenson, 465 U.S. 886, 893 (1984) (quoting S.Rep. Nr. 94-1011, p.6 (1976), 1976 U.S. CODE CONGRESSIONAL AND ADMINISTRATIVE NEWS, p. 5913).

See also *Hensley v. Eckerhart*, 461 U.S. 424, 433, n.7 (1983) (“The standards set forth in this opinion are generally applicable in all cases in which Congress has authorized an award of fees to a ‘prevailing party.’ ”).

In the above-cited cases, the U.S. Supreme Court has clearly stated that the legal criteria for a *reasonable* attorney’s fee that are the same in cases under all of the various federal statutes. However, the U.S. Supreme Court in *Fogerty* held that civil rights cases could have asymmetrical criteria for awards to prevailing defendants and prevailing plaintiffs, while copyright cases required the same criteria for both defendants and plaintiffs.

Farrar v. Hobby (1992)

A civil rights plaintiff was awarded nominal damages of only \$1 on his claim for \$17 million dollars. In December 1992, the U.S. Supreme Court decided that the plaintiff was entitled to zero attorney fee award under 42 U.S.C. § 1988.

Although the “technical” nature of a nominal damages award or any other judgment does not affect the prevailing party inquiry, it does bear on the propriety of fees awarded under § 1988. Once civil rights litigation materially alters the legal relationship between the parties, “the degree of the plaintiff’s overall success goes to the reasonableness” of a fee award under *Hensley v. Eckerhart*, 461 U.S. 424, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983). *Garland*, supra, 489 U.S., at 793, 109 S.Ct., at 1494. Indeed, “the most critical factor” in determining the reasonableness of a fee award “is the degree of success obtained.” *Hensley*, supra, 461 U.S., at 436, 103 S.Ct., at 1941. *Accord*, *Marek v. Chesny*, 473 U.S. 1, 11, 105 S.Ct. 3012, 3017, 87 L.Ed.2d 1 (1985). In this case, petitioners received nominal damages instead of the \$17 million in compensatory damages that they sought. This litigation accomplished little beyond giving petitioners “the moral satisfaction of knowing that a federal court concluded that [their]

rights had been violated” in some unspecified way. *Hewitt*, supra, 482 U.S., at 762, 107 S.Ct., at 2676. We have already observed that if “a plaintiff has achieved only partial or limited success, the product of hours reasonably expended on the litigation as a whole times a reasonable hourly rate may be an excessive amount.” *Hensley*, supra, 461 U.S., at 436, 103 S.Ct., at 1941. Yet the District Court calculated petitioners' fee award in precisely this fashion, without engaging in any measured exercise of discretion. “Where recovery of private damages is the purpose of ... civil rights litigation, a district court, in fixing fees, is obligated to give primary consideration to the amount of damages awarded as compared to the amount sought.” *Riverside v. Rivera*, 477 U.S. 561, 585, 106 S.Ct. 2686, 2700, 91 L.Ed.2d 466 (1986) (Powell, J., concurring in judgment). Such a comparison promotes the [Cite as: 506 U.S. at 115] court's “central” responsibility to “make the assessment of what is a reasonable fee under the circumstances of the case.” *Blanchard v. Bergeron*, 489 U.S. 87, 96, 109 S.Ct. 939, 946, 103 L.Ed.2d 67 (1989). Having considered the amount and nature of damages awarded, the court may lawfully award low fees or no fees without reciting the 12 factors bearing on reasonableness, see *Hensley*, 461 U.S., at 430, n. 3, 103 S.Ct., at 1937-1938, n. 3, or multiplying “the number of hours reasonably expended ... by a reasonable hourly rate,” *id.*, at 433, 103 S.Ct., at 1939.

In some circumstances, even a plaintiff who formally “prevails” under § 1988 should receive no attorney's fees at all. A plaintiff who seeks compensatory damages but receives no more than nominal damages is often such a prevailing party. As we have held, a nominal damages award does render a plaintiff a prevailing party by allowing him to vindicate his “absolute” right to procedural due process through enforcement of a judgment against the defendant. *Carey*, 435 U.S., at 266, 98 S.Ct., at 1053. In a civil rights suit for damages, however, the awarding of nominal damages also highlights the plaintiff's failure to prove actual, compensable injury. *Id.*, at 254-264, 98 S.Ct., at 1047-1052. Whatever the constitutional basis for substantive liability, damages awarded in a § 1983 action “must always be designed ‘to compensate injuries caused by the [constitutional] deprivation.’ ” *Memphis Community School Dist. v. Stachura*, 477 U.S., at 309, 106 S.Ct., at 2544 (quoting *Carey*, supra, 435 U.S., at 265, 98 S.Ct., at 1053) (emphasis and brackets in original). When a plaintiff recovers only nominal damages because of his failure to prove an essential element of his claim for monetary relief, see *Carey*, supra, at 256-257, 264, 98 S.Ct., at 1048-1049, 1052, the only reasonable fee is usually no fee at all. In an apparent failure to heed our admonition that fee awards under § 1988 were never intended to “ ‘produce windfalls to attorneys,’ ” *Riverside v. Rivera*, supra, 477 U.S., at 580, 106 S.Ct., at 2697 (plurality opinion) (quoting S.Rep. No. 94-1011, p. 6 (1976) U.S.Code Cong. & Admin.News 1976 pp. 5908, 5913), the District Court awarded \$280,000 in attorney's fees without “consider[ing] the relationship between [Cite as: 506 U.S. at 116] the extent of success and the amount of the fee award.” *Hensley*, supra, 461 U.S., at 438, 103 S.Ct., at 1941.

Farrar v. Hobby, 506 U.S. 103, 114-116 (1992).

Quoted with approval in *Doe v. Chao*, 540 U.S. 614, 635 (2004) (“The most critical factor in determining the reasonableness of an attorney fee award is the degree of success obtained. For a plaintiff who enjoys no success in prosecuting his claim, ‘the only reasonable fee’ is ‘no fee at all.’ ” (quoting *Farrar v. Hobby*, 506 U.S. 103, 115, 113 S.Ct. 566, 121 L.Ed.2d 494 (1992) (citations omitted))).”).

Hensley is still valid.

- *Commissioner of Internal Revenue v. Banks*, 543 U.S. 426, 438 (2005) (“In the federal system statutory fees are typically awarded by the court under the lodestar approach, *Hensley v. Eckerhart*, 461 U.S. 424, 433, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983), and the plaintiff usually has little control over the amount awarded.”).

Hensley is still valid law. In May 2002, the U.S. Supreme Court observed that law firms in the USA began to use hourly billing in the 1940s, but the federal courts waited until the 1980s to adopt the lodestar method:

The federal courts did not swiftly settle on hourly rates as the overriding criterion for attorney's fee awards. In 1974, for example, the Fifth Circuit issued an influential opinion holding that, in setting fees under Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e-5(k) (1970 ed.), courts should consider not only the number of hours devoted to a case but also 11 other factors. *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 717-719 (C.A.5 1974).[footnote omitted] The lodestar method did not gain a firm foothold until the mid-1970's, see *Lindy Bros. Builders, Inc. of Philadelphia v. American Radiator & Standard Sanitary Corp.*, 487 F.2d 161 (C.A.3 1973), appeal after remand, 540 F.2d 102 (1976), and achieved dominance in the federal courts only after this Court's decisions in *Hensley v. Eckerhart*, 461 U.S. 424, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983), *Blum v. Stenson*, 465 U.S. 886, 104 S.Ct. 1541, 79 L.Ed.2d 891 (1984), and *Pennsylvania v. Delaware Valley Citizens' Council for Clean Air*, 478 U.S. 546, 106 S.Ct. 3088, 92 L.Ed.2d 439 (1986).

Gisbrecht v. Barnhart, 535 U.S. 789, 801 (2002).

In April 2010, the U.S. Supreme Court reviewed the history of awarding attorney's fees and explained the advantages of the lodestar method:

[Cite as: 130 S.Ct. at 1671]

The general rule in our legal system is that each party must pay its own attorney's fees and expenses, see *Hensley v. Eckerhart*, 461 U.S. 424, 429, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983), but Congress enacted 42 U.S.C. § 1988 in order to ensure that federal rights are adequately enforced. Section 1988 provides that a prevailing party in certain civil rights actions may recover “a reasonable attorney's fee as part of the costs.” [footnote omitted] Unfortunately, the statute does not explain what Congress meant by a “reasonable” fee, and therefore the task of identifying an appropriate methodology for determining a “reasonable” fee was left for the courts.

One possible method was set out in **[Cite as: 130 S.Ct. at 1672]** *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 717-719 (C.A.5 1974), which listed 12 factors that a court should consider in determining a reasonable fee.[footnote listing factors omitted] This method, however, “gave very little actual guidance to district courts. Setting attorney's fees by reference to a series of sometimes subjective factors placed unlimited discretion in trial judges and produced disparate results.” *Delaware Valley I*, [478 U.S. 546], at 563, 106 S.Ct. 3088.

An alternative, the lodestar approach, was pioneered by the Third Circuit in *Lindy Bros. Builders, Inc. of Philadelphia v. American Radiator & Standard Sanitary Corp.*, 487 F.2d 161 (1973), appeal after remand, 540 F.2d 102 (1976), and “achieved dominance in the federal courts” after our decision in *Hensley*. *Gisbrecht v. Barnhart*, 535 U.S. 789, 801, 122

S.Ct. 1817, 152 L.Ed.2d 996 (2002). “Since that time, ‘[t]he “lodestar” figure has, as its name suggests, become the guiding light of our fee-shifting jurisprudence.’ ” *Ibid.* (quoting *Dague*, [505 U.S. 557], at 562, 112 S.Ct. 2638).

Although the lodestar method is not perfect, it has several important virtues. First, in accordance with our understanding of the aim of fee-shifting statutes, the lodestar looks to “the prevailing market rates in the relevant community.” *Blum v. Stenson*, 465 U.S. 886, 895, 104 S.Ct. 1541, 79 L.Ed.2d 891 (1984). Developed after the practice of hourly billing had become widespread, see *Gisbrecht*, *supra*, at 801, 122 S.Ct. 1817, the lodestar method produces an award that roughly approximates the fee that the prevailing attorney would have received if he or she had been representing a paying client who was billed by the hour in a comparable case. Second, the lodestar method is readily administrable, see *Dague*, 505 U.S., at 566, 112 S.Ct. 2638; see also *Buckhannon Board & Care Home, Inc. v. West Virginia Dept. of Health and Human Resources*, 532 U.S. 598, 609, 121 S.Ct. 1835, 149 L.Ed.2d 855 (2001); and unlike the *Johnson* approach, the lodestar calculation is “objective,” *Hensley*, *supra*, at 433, 103 S.Ct. 1933, and thus cabins the discretion of trial judges, permits meaningful judicial review, and produces reasonably predictable results.

III

Our prior decisions concerning the federal fee-shifting statutes have established six important rules that lead to our decision in this case.

First, a “reasonable” fee is a fee that is sufficient to induce a capable attorney to undertake the representation of a meritorious civil rights case. See *Delaware Valley I*, 478 U.S., at 565, 106 S.Ct. 3088 (“[I]f plaintiffs ... find it possible to engage a lawyer based on the statutory assurance that he will be paid a ‘reasonable fee,’ the purpose behind the fee-shifting statute has been satisfied”); *Blum*, *supra*, at 897, 104 S.Ct. 1541 (“[A] reasonable attorney's fee is one that is adequate to attract competent counsel, but that does not produce windfalls to attorneys” (ellipsis, brackets, and internal quotation marks [Cite as: 130 S.Ct. at 1673] omitted)). Section 1988's aim is to enforce the covered civil rights statutes, not to provide “a form of economic relief to improve the financial lot of attorneys.” *Delaware Valley I*, *supra*, at 565, 106 S.Ct. 3088.

Second, the lodestar method yields a fee that is presumptively sufficient to achieve this objective. See *Dague*, *supra*, at 562, 112 S.Ct. 2638; *Delaware Valley I*, *supra*, at 565, 106 S.Ct. 3088; *Blum*, *supra*, at 897, 104 S.Ct. 1541; see also *Gisbrecht*, *supra*, at 801-802, 122 S.Ct. 1817. Indeed, we have said that the presumption is a “strong” one. *Dague*, *supra*, at 562, 112 S.Ct. 2638; *Delaware Valley I*, *supra*, at 565, 106 S.Ct. 3088.

Third, although we have never sustained an enhancement of a lodestar amount for performance, see Brief for United States as Amicus Curiae 12, 17, we have repeatedly said that enhancements may be awarded in “ ‘rare’ ” and “ ‘exceptional’ ” circumstances. *Delaware Valley I*, *supra*, at 565, 106 S.Ct. 3088; *Blum*, *supra*, at 897, 104 S.Ct. 1541; *Hensley*, 461 U.S., at 435, 103 S.Ct. 1933.

Fourth, we have noted that “the lodestar figure includes most, if not all, of the relevant factors constituting a ‘reasonable’ attorney's fee,” *Delaware Valley I*, *supra*, at 566, 106 S.Ct. 3088, and have held that an enhancement may not be awarded based on a factor that is subsumed in the lodestar calculation, see *Dague*, *supra*, at 562-563, 112 S.Ct. 2638; *Pennsylvania v. Delaware Valley Citizens' Council for Clean Air*, 483 U.S. 711, 726-727, 107 S.Ct. 3078, 97 L.Ed.2d 585 (1987) (*Delaware Valley II*) (plurality opinion); *Blum*, 465 U.S., at 898, 104 S.Ct. 1541. We have thus held that the novelty and complexity of a case generally may not be used as a ground for an enhancement because these factors “presumably [are] fully reflected in the number of billable hours recorded by counsel.” *Ibid.* We have also held that the quality of an attorney's performance generally should not be used to adjust the

lodestar “[b]ecause considerations concerning the quality of a prevailing party's counsel's representation normally are reflected in the reasonable hourly rate.” *Delaware Valley I*, supra, at 566, 106 S.Ct. 3088.

Fifth, the burden of proving that an enhancement is necessary must be borne by the fee applicant. *Dague*, supra, at 561, 112 S.Ct. 2638; *Blum*, 465 U.S., at 901-902, 104 S.Ct. 1541.

Finally, a fee applicant seeking an enhancement must produce “specific evidence” that supports the award. *Id.*, at 899, 901, 104 S.Ct. 1541 (An enhancement must be based on “evidence that enhancement was necessary to provide fair and reasonable compensation”). This requirement is essential if the lodestar method is to realize one of its chief virtues, i.e., providing a calculation that is objective and capable of being reviewed on appeal. *Perdue v. Kenny A. ex rel. Winn*, 130 S.Ct. 1662, 1671-73 (21 April 2010).

Is *Johnson* still valid?

There is some uncertainty whether the 12 factors in *Johnson* are still good law after the lodestar method was approved by the U.S. Supreme Court in *Hensley* and progeny. Westlaw says that *Johnson* was abrogated by *Blanchard v. Bergeron*, 489 U.S. 87 (1989), but my reading of *Blanchard v. Bergeron* does not confirm the abrogation of the twelve factors, instead *Blanchard* only abrogated one sentence in the sixth factor in *Johnson* that limited fees by a contingent-fee agreement between the attorney and his client. The U.S. Court of Appeals for the Second Circuit more accurately says that *Blanchard* abrogated *Johnson* “on other grounds”.⁵² In one place, *Blanchard* explicitly says the factors in *Johnson* “may be relevant”:

... in *Hensley* and in subsequent cases, we have adopted the lodestar approach as the centerpiece of attorney's fee awards. The *Johnson* factors may be relevant in adjusting the lodestar amount, but no one factor is a substitute for multiplying reasonable billing rates by a reasonable estimation of the number of hours expended on the litigation. *Blanchard v. Bergeron*, 489 U.S. 87, 94 (1989). Furthermore, Justice Scalia's separate opinion makes clear he wants to abolish the factors in *Johnson*, so his opinion clarifies that the majority wishes to continue using the factors in *Johnson*. *Blanchard*, 489 U.S. at 99 (Scalia, J., concurring in part). I think there are two reasons to continue using appropriate factors from *Johnson*: (1) the concept of “reasonable” is otherwise *undefined* in *Hensley* and progeny, and (2) the U.S. Courts of Appeals continue to cite and apply the factors in *Johnson*. These two reasons are discussed below.

⁵² *McDaniel v. County of Schenectady*, 595 F.3d 411, 415, 419, n.4 (2dCir. 2010); *Arbor Hill Concerned Citizens Neighborhood Ass'n v. County of Albany*, 522 F.3d 182, 186-187 (2dCir. 2008); *Porzig v. Dresdner, Kleinwort, Benson, North America LLC*, 497 F.3d 133, 141-142 (2dCir. 2007). See also cases in Virginia and Florida: *Robinson v. Equifax Information Services, LLC*, 560 F.3d 235, 244 (4thCir. 2009); *Waters v. Intern. Precious Metals Corp.*, 190 F.3d 1291, 1294 (11thCir. 1999).

The U.S. Supreme Court in *Hensley* established what was later known as the lodestar:

The most useful starting point for determining the amount of a reasonable fee is the number of hours *reasonably* expended on the litigation multiplied by a *reasonable* hourly rate. [emphasis added]

Hensley v. Eckerhart, 461 U.S. 424, 433 (1983). However, the criteria or factors in *Johnson* are still needed to determine what *reasonable* means in the contexts of the *reasonable* number of hours of work and the *reasonable* hourly rate. In many cases, the fact that a party was willing to pay the hourly rate charged by that party's attorney is evidence of the reasonableness of that hourly rate.⁵³

The U.S. Courts of Appeals continue to cite and apply *Johnson*, see, e.g.:

- *Lohman v. Duryea Borough*, 574 F.3d 163, 165 (3dCir. 2009) (“The District Court engaged in an extensive consideration of the lodestar, and a review of the twelve factors set forth in *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714 (5th Cir.1974), and referenced by the Supreme Court in *Hensley v. Eckerhart*, 461 U.S. 424, 434 n. 9, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983).” The Court of Appeals affirmed the District Court.).
- *Moreno v. City of Sacramento*, 534 F.3d 1106, 1114 (9thCir. 2008) (“The hourly rate for successful civil rights attorneys is to be calculated by considering certain factors, including the novelty and difficulty of the issues, the skill required to try the case, whether or not the fee is contingent, the experience held by counsel and fee awards in similar cases. See *Hensley*, 461 U.S. at 430 n. 3, 103 S.Ct. 1933 (citing *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714 (5th Cir.1974)).”).
- *Arbor Hill Concerned Citizens Neighborhood Ass'n v. County of Albany*, 522 F.3d 182, 188 (2dCir. 2008) (“The Supreme Court adopted the lodestar method in principle, ..., without, however, fully abandoning the *Johnson* method”). Quoted at page 96, below.
- *Gonter v. Hunt Valve Co., Inc.*, 510 F.3d 610, 621 (6thCir. 2007) (“The Fifth Circuit, in an approach the Supreme Court has cited with approval, see, e.g., *Hensley*, 461 U.S. at 430 n. 3, 103 S.Ct. 1933, enunciated twelve factors that a court may consider in determining whether a reasonable fee ought to include an augmentation. See *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 717-19 (5th Cir.1974).”).
- *Porzig v. Dresdner, Kleinwort, Benson, North America LLC*, 497 F.3d 133, 142 (2dCir. 2007) (“It is true that a reviewing authority may consider the contingency fee paid in determining a reasonable attorney's fee, *Johnson v. Ga. Highway Express, Inc.*, 488 F.2d 714, 718 (5th Cir.1974), *abrogated on other grounds by Blanchard v. Bergeron*, 489 U.S. 87, 92-93, 96, 109 S.Ct. 939, 103 L.Ed.2d 67 (1989);....”).

⁵³ See, e.g., *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 438 (7thCir. 2004) (“The best evidence of the value of the lawyer's services is what the client agreed to pay him.”); *Arbor Hill Concerned Citizens Neighborhood Ass'n v. County of Albany*, 522 F.3d 182, 184 (2dCir. 2008) (“Bearing these background principles in mind, the district court should, in determining what a reasonable, paying client would be willing to pay, consider factors including,”).

- *Jordan v. City of Cleveland*, 464 F.3d 584, 604 (6th Cir. 2006) (“We have held (*Barnes*, 401 F.3d [729] at 745-46 [(6th Cir. 2005)]) that in evaluating such a request a district court may consider the 12-factor test announced in *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 717-19 (5th Cir.1974): [12 factors omitted].”).
- *Barnes v. City of Cincinnati*, 401 F.3d 729, 745 (6th Cir. 2005) (“The key issue is whether an adjustment is necessary to the determination of a reasonable fee. *Id.* The Fifth Circuit, in *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 717-19 (5th Cir.1974), enunciated twelve factors that trial courts may consider in calculating reasonable attorney fee awards. The Supreme Court has determined that “Johnson’s ‘list of 12’ ... provides a useful catalog of the many factors to be considered in assessing the reasonableness of an award of attorney’s fees....” *Blanchard v. Bergeron*, 489 U.S. 87, 93, 109 S.Ct. 939, 103 L.Ed.2d 67 (1989).”).

Seventh Circuit:

- *Strange v. Monogram Credit Card Bank of Georgia*, 129 F.3d 943, 945 (7th Cir. 1997) (“See also *Blanchard v. Bergeron*, 489 U.S. 87, 94, 109 S.Ct. 939, 944-45, 103 L.Ed.2d 67 (1989). (This figure would normally reflect the twelve factors to which the Court referred in the *Hensley* opinion, *id.* at 430 n. 3, 103 S.Ct. at 1938 n. 3, which originated in *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714 (5th Cir.1974).”).
- *People Who Care v. Rockford Bd. of Education*, 90 F.3d 1307, 1310-11 (7th Cir. 1996) (“Once the court reaches an amount using the lodestar determination, it may then adjust that award in light of factors adopted by Congress in enacting Section 1988, known as the *Hensley* factors, [footnote quoting factors omitted] although most of those factors are usually subsumed within the initial lodestar calculation. *Hensley*, 461 U.S. at 434 n. 9, 103 S.Ct. at 1940 n. 9.”).

Therefore, I think the U.S. Supreme Court was wrong in *Delaware Valley*⁵⁴ and *Purdue*⁵⁵ to declare that the 12 factors in *Johnson* were replaced by the lodestar method.

⁵⁴ *Pennsylvania v. Delaware Valley Citizens Council for Clean Air*, 478 U.S. 546, 563 (1986) (“[*Johnson*’s] major fault was that it gave very little actual guidance to district courts. Setting attorney’s fees by reference to a series of sometimes subjective factors placed unlimited discretion in trial judges and produced disparate results. [¶] For this reason, the Third Circuit developed another method of calculating “reasonable” attorney’s fees. This method, known as the ‘lodestar’ approach,”).

⁵⁵ 130 S.Ct. at 1672 (Lodestar is an “alternative” to factors in *Johnson*.).

An alternative way to look at this issue of the continuing validity of *Johnson* is to recognize that the twelve factors in *Johnson* were copied from the eight factors⁵⁶ in the American Bar Association's Disciplinary Rule 2-106 (enacted 1969). Every state bar has rules of professional responsibility that are promulgated by the state's supreme court. These rules are now generally based on the American Bar Association's Model Rules of Professional Conduct. Rule 1.5(a)⁵⁷ contains a list of eight factors to consider in determining a *reasonable* attorney's fee. Instead of using *Johnson*, one could use the state's Rule of Professional Conduct that specifies a reasonable attorney's fee.

Second Circuit

I have not taken the time to do a detailed review of law in the Second Circuit, but I have found the following recent cases.

In August 2007, the U.S. Court of Appeals in New York explicitly recognized the lack of precision in the Supreme Court's jurisprudence about the lodestar method:

We note that this Court recently opined that the “meaning of the term ‘lodestar’ has shifted over time, and its value as a metaphor has deteriorated to the point of unhelpfulness.” *Arbor Hill Concerned Citizens Neighborhood Ass'n v. County of Albany*, 493 F.3d 110, 118 & n. 4 (2d. Cir.2007). While not requiring subsequent Panels to abandon the entrenched term, *Arbor Hill* persuasively reasons that because the Supreme Court has not resolved the relationship between the “lodestar” method and the *Johnson* method, see *Johnson v. Ga. Highway Express, Inc.*, 488 F.2d 714, 717-19 (5th Cir.1974), *abrogated on other grounds by Blanchard v. Bergeron*, 489 U.S. 87, 92-93, 96, 109 S.Ct. 939, 103 L.Ed.2d 67 (1989), the term lodestar is indeed a misnomer. *Arbor Hill*, 493 F.3d 110, 116, 117. We generally agree and employ the term here only as a point of orientation. *Porzig v. Dresdner, Kleinwort, Benson, North America LLC*, 497 F.3d 133, 141, n.5 (2dCir. 2007). See also *McDaniel v. County of Schenectady*, 595 F.3d 411, 414-415 (2dCir. 2010).

⁵⁶ The discrepancy between twelve and eight factors is explained in that the first factor in DR 2-106 is split into three factors in *Johnson*. Also factors 10 and 12 in *Johnson* were taken from case law, not from DR 2-106.

⁵⁷ This Rule says: “A lawyer's fee shall be reasonable. The factors to be considered in determining the reasonableness of a fee include the following [eight factors omitted here]”

Arbor Hill (2008)

In April 2008, the U.S. Court of Appeals in New York — in the last of four appellate decisions in *Arbor Hill* — reviewed the history of the lodestar method and the 12 factors in *Johnson*:

Thus, the lodestar method involved two steps: (1) the lodestar calculation; and (2) adjustment of the lodestar based on case-specific considerations.

The second method, developed by the Fifth Circuit, was for district courts to consider twelve specified factors to establish a reasonable fee. See *Johnson v. Ga. Highway Express, Inc.*, 488 F.2d 714 (5th Cir.1974), [footnote listing factors omitted] *abrogated on other grounds by [Cite as: 522 F.3d at 187] Blanchard v. Bergeron*, 489 U.S. 87, 92-93, 96, 109 S.Ct. 939, 103 L.Ed.2d 67 (1989) (declining to limit fee award to amount stipulated in attorney-client agreement). The *Johnson* method differed from the lodestar method in that it contemplated a one-step inquiry.

These two circuits had sought to channel the district court's discretion in different ways. The lodestar method was consistent with the law firm practice of accounting for each billable hour. See *Lindy*, 487 F.2d at 167 (“[T]he first inquiry of the court should be into the hours spent by the attorneys.....”); see also *Gisbrecht v. Barnhart*, 535 U.S. 789, 800-01, 122 S.Ct. 1817, 152 L.Ed.2d 996 (2002) (“As it became standard accounting practice to record hours spent on a client's matter, attorneys increasingly realized that billing by hours devoted to a case was administratively convenient.....”). When the lodestar did not accurately reflect the market, the district court retained authority to adjust the lodestar to ensure that the fee ultimately awarded was reasonable. By contrast, under the *Johnson* method, the “hours claimed or spent on a case” were not “the sole basis for determining a fee.” *Johnson*, 488 F.2d at 717. Rather than depending on market forces, the *Johnson* method relied on the district court's experience and judgment. See *id.* at 718 (“[T]he trial judge's expertise gained from past experience as a lawyer and his observation from the bench of lawyers at work become highly important”); *id.* at 720 (discussing the necessary “balancing process”). Compare *id.* (“By this discussion we do not attempt to reduce the calculation of a reasonable fee to mathematical precision.”), with *Lindy*, 487 F.2d at 167.

In theory, therefore, a district court that adopted the lodestar method was expected to consider fewer variables than a district court utilizing the *Johnson* method. In practice, however, both considered substantially the same set of variables — just at a different point in the fee-calculation process. A district court using the lodestar method would set the lodestar and then consider whether, in light of variables such as the difficulty of the case, it should adjust the lodestar before settling on the reasonable fee it was ultimately inclined to award. See, e.g., *Silberman v. Bogle*, 683 F.2d 62, 64 (3d Cir.1982); *Baughman v. Wilson Freight Forwarding Co.*, 583 F.2d 1208, 1217-18 (3d Cir.1978) (permitting the district court to multiply the lodestar by a “contingency factor” and accepting, in theory, that obtaining an exceptional result might justify a further upward departure from the lodestar). By contrast, a district court employing the *Johnson* method would consider factors, such as the difficulty of the case, earlier in the fee-calculation process by weighing them in setting its tentative reasonable fee, from which there would seldom be a need to depart. See, e.g., *In re First Colonial Corp. of Am.*, 544 F.2d 1291, 1299-1300 (5th Cir.1977) (outlining a process whereby first, the attorney seeking fees would document the hours devoted to the case; second, the district court would consider the *Johnson* factors and set a reasonable hourly rate; and third, the district court would explain how it balanced the *Johnson* factors to arrive at the reasonable hourly rate).

[Cite as: 522 F.3d at 188]

The Supreme Court adopted the lodestar method in principle, see *Hensley*, 461 U.S. at 433, 103 S.Ct. 1933; *Blum v. Stenson*, 465 U.S. 886, 104 S.Ct. 1541, 79 L.Ed.2d 891 (1984), without, however, fully abandoning the *Johnson* method.⁵⁸ Rather than using the attorney's own billing rate to calculate the lodestar and then examining the lodestar in light of case-specific variables to ensure that it was in fact a reasonable fee, as the Third Circuit had suggested, the Supreme Court instructed district courts to use a reasonable hourly rate—which it directed that district courts set in light of the *Johnson* factors — in calculating what it continued to refer to as the lodestar. See *Hensley*, 461 U.S. at 434 n. 9, 103 S.Ct. 1933 (“The district court also may consider other factors identified in [*Johnson*] though it should note that many of these factors usually are subsumed within the initial calculation of hours reasonably expended at a reasonable hourly rate.”) (citation omitted) (emphasis added); *Blum*, 465 U.S. at 898-900, 104 S.Ct. 1541. The Supreme Court collapsed what had once been a two-step inquiry into a single-step inquiry; it shifted district courts' focus from the reasonableness of the lodestar to the reasonableness of the hourly rate used in calculating the lodestar, which in turn became the de facto reasonable fee.

But the Supreme Court's emphasis on the Third Circuit's economic model, see, e.g., *Missouri v. Jenkins*, 491 U.S. 274, 283, 109 S.Ct. 2463, 105 L.Ed.2d 229 (1989) (“Our cases have repeatedly stressed that attorney's fees....are to be based on market rates for the services rendered.”), and its simultaneous invocation of the equitable *Johnson* factors at an early stage of the fee-calculation process, proved to be in tension, see *Blum*, 465 U.S. at 895 n. 11, 104 S.Ct. 1541 (“We recognize, of course, that determining an appropriate ‘market rate’ for the services of a lawyer is inherently difficult....[since m]arket prices ... are determined by supply and demand.”). While the Third Circuit had expected district courts to correct for market dysfunction, the Supreme Court now asked district court judges to hypothesize that market on the basis of their experience as lawyers within their districts and on the basis of affidavits provided by the parties. Generally speaking, the rates an attorney routinely charges are those that the market will bear; yet the Supreme Court required that the district courts conjure a different, “reasonable” hourly rate.

After *Hensley* and *Blum*, circuit courts struggled with the nettlesome interplay between the lodestar method and the *Johnson* method. Compare *Rutherford v. Harris County, Tex.*, 197 F.3d 173, 192 (5th Cir.1999) (“To decide an appropriate attorney's fee award, the district court was first required to calculate a lodestar fee depending on the circumstances of the case and the *Johnson* factors. The court was next obligated to consider whether the lodestar amount should be adjusted upward or downward, depending on the.... *Johnson* factors.”) (emphasis added), with *Murray v. Weinberger*, 741 F.2d 1423, 1430 (D.C.Cir.1984) (“[T]he reasonable hourly rate which is incorporated into the lodestar figure generally reflects the reputation and ability of the attorney, the attorney's experience, and the level of skill required for the particular case.”), and *Bebchick v. Wash. Area Metro. Transit Comm'n*, 805 F.2d 396, 404 (D.C.Cir.1986) (“Of course, ‘the actual rate that applicant's counsel can command on the market is itself highly relevant proof of the prevailing community rate.’”).

⁵⁸ Boldface added by Standler.

And the Supreme Court has not yet fully resolved the relationship between the two methods.⁵⁹ In cases decided after *Hensley* and *Blum*, it has both (1) suggested that district courts should use the [Cite as: 522 F.3d at 189] *Johnson* factors to adjust the lodestar, see, e.g., *Blanchard*, 489 U.S. at 94, 109 S.Ct. 939 (stating that the district court should arrive at an initial estimate and then “adjust this lodestar calculation by other factors”); see also *id.* (“The *Johnson* factors may be relevant in adjusting the lodestar amount.....”); *Pierce v. Underwood*, 487 U.S. 552, 582-83, 108 S.Ct. 2541, 101 L.Ed.2d 490 (1988) (Brennan, J., concurring) (suggesting that factors might exist “that would justify an enhancement of the lodestar”), and (2) reiterated its holding in *Hensley* and *Blum* that “many of the *Johnson* factors ‘are subsumed within the initial calculation.’ ” *Penn. v. Del. Valley Citizens' Council for Clean Air*, 478 U.S. 546, 564, 106 S.Ct. 3088, 92 L.Ed.2d 439 (1986).

Our court has done little to resolve this confusion. Compare *Kassim v. City of Schenectady*, 415 F.3d 246, 255-56 (2d Cir.2005) (affirming the district court's authority to “reduce the fee awarded to a prevailing plaintiff below the lodestar by reason of the plaintiff's ‘partial or limited success’ ”) (emphasis added), with *Luciano v. Olsten Corp.*, 109 F.3d 111, 116 (2d Cir.1997) (“The product of the number of reasonable hours times a reasonable hourly rate, however, does not end the inquiry. There remain other considerations, based on the facts of the particular case, that may lead the district court to ultimately make an adjustment to the hourly structure.”) (internal citations omitted), and *McDonald v. Pension Plan of the NYSA-ILA Pension Trust Fund*, 450 F.3d 91, 97 (2d Cir.2006) (lodestar calculated on the basis of “prevailing rate [specifically] for ERISA practitioners in this Circuit”) (emphasis added), and *Chambless v. Masters, Mates & Pilots Pension Plan*, 885 F.2d 1053, 1058 (2d Cir.1989) (suggesting, in determining the lodestar, that “smaller firms may be subject to their own prevailing market rate”).

The net result of the fee-setting jurisprudence here and in the Supreme Court is that the district courts must engage in an equitable inquiry of varying methodology while making a pretense of mathematical precision. See Report of the Third Circuit Task Force, Court Awarded Attorney Fees, 108 F.R.D. 237, 247 (1985) (“The *Lindy* process creates a sense of mathematical precision that is unwarranted.....”). The “lodestar” is no longer a lodestar in the true sense of the word — “a star that leads,” WEBSTER’S THIRD INTERNATIONAL DICTIONARY 1329 (1981). Nor do courts use it in the way the term was first used by the Third Circuit — as a base amount that is susceptible of ready adjustment; rather, circuit court deference to the district court's estimate of a “reasonable” hourly rate is a “lodestar” only in the sense that it is a guiding jurisprudential principle, see *Dague*, 505 U.S. [557] at 562, 112 S.Ct. 2638 (“The ‘lodestar’ figure has, as its name suggests, become the guiding light of our fee-shifting jurisprudence.”). What the district courts in this circuit produce is in effect not a lodestar as originally conceived, but rather a “presumptively reasonable fee.” See *id.* (holding that the fee applicant bears the “burden of showing that ‘... an adjustment is necessary to the determination of a reasonable fee’ ”). The focus of the district courts is no longer on calculating a reasonable fee, but rather on setting a reasonable hourly rate, taking account of all case-specific variables.

The district court's opinion, including the report and recommendation of Magistrate Judge David R. Homer, with which the district court agreed after de novo review, reflects the general confusion surrounding the lodestar calculation. In places, the district court appears to envision a two-step lodestar calculation process; yet elsewhere it seems to contemplate undertaking the calculation in one step. Likewise, at times, the district court [Cite as: 522 F.3d at 190]

⁵⁹ Boldface added by Standler.

emphasizes its role in approximating the workings of the market, but it also suggests some difference between “rates....paid by private retained clients....[and rates] ordered by courts.”

The meaning of the term “lodestar” has shifted over time, and its value as a metaphor has deteriorated to the point of unhelpfulness. This opinion abandons its use.^{FN4} We think the better course — and the one most consistent with attorney's fees jurisprudence — is for the district court, in exercising its considerable discretion, to bear in mind all of the case-specific variables that we and other courts have identified as relevant to the reasonableness of attorney's fees in setting a reasonable hourly rate. The reasonable hourly rate is the rate a paying client would be willing to pay. In determining what rate a paying client would be willing to pay, the district court should consider, among others, the *Johnson* factors; it should also bear in mind that a reasonable, paying client wishes to spend the minimum necessary to litigate the case effectively. The district court should also consider that such an individual might be able to negotiate with his or her attorneys, using their desire to obtain the reputational benefits that might accrue from being associated with the case. The district court should then use that reasonable hourly rate to calculate what can properly be termed the “presumptively reasonable fee.”

FN4. While we do not purport to require future panels of this court to abandon the term — it is too well entrenched — this panel believes that it is a term whose time has come.

Arbor Hill Concerned Citizens Neighborhood Ass'n v. County of Albany, 522 F.3d 182, 186-190 (2dCir. 2008).

Seventh Circuit

On 8 May 2010, I searched Seventh Circuit cases in Westlaw for the query:

(unreasonabl! reasonabl! excessiv!) /s (attorney! +1 fee) /p copyright

I searched back to 1993, to cover all appellate cases since *Fogerty*. This search returned 29 cases, of which only the following one case was useful in explaining reasonable attorney's fees in copyright litigation.

- *Woodhaven Homes & Realty, Inc. v. Hotz*, 396 F.3d 822, 824-825 (7thCir. 2005) (“While we do not pass judgment on what the award should be, § 505 demands that it be ‘reasonable.’ And the amount Robbins seeks, over \$220,000, seems quite excessive. This was not a high stakes case, as Woodhaven claimed only \$55,000 in damages. Indeed, Robbins' fees nearly surpassed the value of the Hotzes' home.”).

See also the section beginning at page 34, above, where several Seventh Circuit opinions in copyright cases reduced the amount of attorney's fees awarded to a prevailing party. For Seventh Circuit *noncopyright* cases about reasonable attorney's fees, see the following pages.

five-factor test

There is a commonly used five-factor test for attorney-fee shifting in Employee Retirement Income Security Act (ERISA) cases, which can be traced back to *Eaves v. Penn*, 587 F.2d 453, 465 (10thCir. 1978). In a case arising from ERISA, the Seventh Circuit wrote in November 1989:

Bittner v. Sadoff & Rudoy Industries, 728 F.2d 820 (7thCir. 1984), examined the development of a five-factor test for evaluating requests for attorney's fees and costs under Section 1132(g)(1) of ERISA,[FN9] and concluded that the five-factor test "is oriented toward the case where the plaintiff rather than the defendant prevails and seeks an award of attorney's fees." *Id.* at 829. As a result *Bittner* proposed an alternative test under which fees should be awarded to the prevailing party "unless the loser's position, while rejected by the court, had a solid basis — more than merely not frivolous, but less than meritorious." *Id.* at 830.[footnote omitted]

FN9 The five factors are: "(1) the degree of the offending parties' culpability or bad faith; (2) the degree of the ability of the offending parties to satisfy personally an award of attorneys' fees; (3) whether or not an award of attorneys' fees against the offending parties would deter other persons acting under similar circumstances; (4) the amount of benefit conferred on members of the pension plan as a whole; and (5) the relative merits of the parties' positions." *Janowski v. International Brotherhood of Teamsters*, 673 F.2d 931 [, 940] (7thCir. 1982), *vacated on other grounds*, 463 U.S. 1222, 103 S.Ct. 3565, 77 L.Ed.2d 1406 (1983). See also *Chicago Painters and Decorators Pension Fund v. Karr Bros., Inc.*, 755 F.2d 1285 (7thCir. 1985); *Leigh v. Engle*, 727 F.2d 113 (7thCir. 1984); *Marquardt v. North American Car Corp.*, 652 F.2d 715 (7thCir. 1981); *Hummell v. S.E. Rykoff & Co.*, 634 F.2d 446 (9thCir. 1980).

Nichol v. Pullman Standard, Inc., 889 F.2d 115, 121 (7thCir. 1989).

These five factors were quoted with approval in the following Seventh Circuit cases (and this is only a partial list of Seventh Circuit cases that quote the five-factor test):

- *Marquardt v. North American Car Corp.*, 652 F.2d 715, 717 (7thCir. 1981);
- *Bittner v. Sadoff & Rudoy Industries*, 728 F.2d 820, 828 (7thCir. 1984);
- *Meredith v. Navistar Int'l Transp. Corp.*, 935 F.2d 124, 128 (7thCir. 1991);
- *Production and Maintenance Employees v. Roadmaster*, 954 F.2d 1397, 1404 (7thCir. 1992);
- *Hooper v. Demco, Inc.*, 37 F.3d 287, 292 (7thCir. 1994);
- *Brewer v. Protexall, Inc.*, 50 F.3d 453, 458 (7thCir. 1995);
- *Harris Trust & Savings Bank v. Provident Life and Accident Insurance Co.*, 57 F.3d 608, 617, n.5 (7thCir. 1995);
- *Quinn v. Blue Cross & Blue Shield Ass'n*, 161 F.3d 472, 478 (7thCir. 1998);
- *Bowerman v. Wal-Mart Stores, Inc.*, 226 F.3d 574, 592-593 (7thCir. 2000);
- *Central States, Southeast and Southwest Areas Pension Fund v. Hunt Truck Lines, Inc.*, 272 F.3d 1000, 1004 (7thCir. 2001);
- *Fritcher v. Health Care Service Corp.*, 301 F.3d 811, 819 (7thCir. 2002);

- *Herman v. Central States, Southeast and Southwest Areas Pension Fund*, 423 F.3d 684, 696 (7thCir. 2005);
- *Sullivan v. William A. Randolph, Inc.*, 504 F.3d 665, 671 (7thCir. 2007);
- *Jackman Financial Corp. v. Humana Insurance Co.*, 641 F.3d 860, 866 (7thCir. 2011);
- *Pakovich v. Verizon LTD Plan*, --- F.3d ----, at n.2 (7thCir. 2011);
- *Kolbe & Kolbe Health & Welfare Benefit Plan v. Medical College of Wisconsin, Inc.*, --- F.3d ----, (7thCir. 2011).

The five factors in *Nichol* are generally consistent with factors in *Lieb*, *McCulloch*, and other sources of equitable considerations in attorney fee-shifting:

1. The first factor in *Nichol*, “culpability or bad faith”, is included in the *Lieb* factors on motivation and unreasonableness, and the *McCulloch* factors that mention bad faith or willful infringement.
2. The second factor in *Nichol*, ability to reimburse prevailing party’s attorney’s fees, is discussed above, beginning at page 61.
3. The third factor in *Nichol*, deterrence, is equivalent to the factor in *Lieb*: “considerations of ... deterrence”.
4. The fourth factor in *Nichol* has no corresponding element in *Lieb*, because *Nichol* is about pension plans and *Lieb* is about copyright infringement. However, litigation on a novel point of law helps clarify an important point of copyright law, and thereby benefits nonparties to the litigation, see page 73, above.
5. The fifth factor in *Nichol*, “relative merits”, is equivalent to “strength of the prevailing party’s case” in *Assessment Technologies* in the Seventh Circuit.

Moriarty (2005)

In November 2005, the Seventh Circuit wrote in a case involving the Employee Retirement Income Security Act (ERISA):

In [*Moriarty v. Svec*, 233 F.3d 955 (7th Cir.2001)] *Moriarty II*, this Court outlined the factors to be considered in determining a reasonable amount of attorneys' fees. 233 F.3d at 965-68. Although many issues that contribute to attorneys' fees are left to its sound discretion, the district court must demonstrate that it has considered the proportionality of attorneys' fees to the total damage award, as well as the existence of substantial settlement offers. *Id.* at 968. In addition, the district court must provide an explanation of the hourly rate used, which is sufficient for this court to determine whether the district court has acted within its discretion. *Id.* at 965.

1. Proportionality

The district court did not address the proportionality of attorneys' fees. Given the extended litigation in this case, attorneys' fees may be disproportionate to the damages awarded. This Court previously offered an analysis of the importance of proportionality in an award of attorneys' fees. See *Moriarty II*, 233 F.3d at 967-68. Furthermore, this Court specifically instructed the district court to analyze proportionality in this case. As this Court stated in *Moriarty II*:

[P]roportionality concerns are a factor in determining what a reasonable attorney's fee is.... [T]he district court's fee order should evidence increased reflection before awarding attorney's fees that [Cite as: 429 F.3d at 718] are large multiples of the damages recovered or multiples of the damages claimed.... [W]e remand for such evaluation. On remand ... the district court should consider ... proportionality factors in exercising its discretion in fashioning a reasonable attorney's fee.

Id. at 968.

This Court takes no position as to whether the attorneys' fees were proportional to the amount of the award. We must require, however, that the district court analyze this issue. Because there has been no discussion of proportionality, we must again remand this issue to the district court.

2. Hourly Rate

The district court's rulings regarding the proper hourly rate for Moriarty's counsel are internally inconsistent. On remand, the district court's only discussion of the proper rate for attorneys' fees consists of the following two sentences: "Defendant contends that plaintiff inappropriately requests attorney's fees at the rate of \$225.00 per hour rather than \$165.00 per hour. This argument is barred by the law of the case." Order of November 19, 2002.

Although the meaning of this statement is somewhat vague, it appears "this" refers to the subject of the previous sentence, i.e., the defendant's contention. Therefore, a plain reading of the district court's order is that the law of the case bars Svec from arguing that Moriarty cannot request a \$225.00 hourly rate, thereby sanctioning a rate of \$225.00 per hour for Moriarty's counsel.

Although the district court appeared to indicate that the law of the case mandated an hourly rate of \$225 and the court could not consider a rate of \$165, the opposite is true. During oral argument, this Court attempted to resolve the ambiguity in the district court's order. Neither party, however, could explain what "law of the case" the district court's Order of November 19, 2002, referred to.

Previous rulings as to the proper hourly rate are no more illuminating. Neither party cited what appears to be the first statement in the record concerning this subject: a March 24, 1998 finding by the district court that rates of \$225 per hour for partners and \$200 per hour for associates are reasonable. This issue was next discussed on October 29, 1999, when the district court found \$165 per hour to be the market rate for the legal services provided to Moriarty. This Court approved of that finding in *Moriarty II*, stating that "Given the evidence before it, the district court did not abuse its discretion in deciding that \$165 is the hourly rate for Jacob, Burns work." 233 F.3d at 965.

The issue of the hourly rate for attorneys' fees thus appeared to be settled. If the district court had cited *Moriarty II* or its own previous rulings to find an hourly rate of \$165, the law of the case would have barred any attempt by Moriarty to inflate the hourly rate.

Svec alleges that despite its earlier order, the district court awarded attorneys' fees at rates of \$225 and \$200 per hour. As this Court stated in *Moriarty II*, "The lawyer's regular rate is strongly presumed to be the market rate for his or her services." Id. at 965 (citing *Central*

States Pension Fund v. Central Cartage Co., 76 F.3d 114, 116-17 (7th Cir.1996); *Gusman v. Unisys Corp.*, 986 F.2d 1146, 1150 (7th Cir.1993)). The market rate previously found by the district court and approved of by this Court in *Moriarty II* is \$165 per hour. *Id.* Thus, the law of the case has established \$165 per hour as the appropriate rate for the services of Moriarty's counsel. If the district court no longer believes this rate to be appropriate, it [**Cite as: 429 F.3d at 719**] must provide a comprehensive explanation. We remand this issue to the district court for findings consistent with this opinion.

3. Substantial Offers to Settle

The district court's findings as to whether Svec made a substantial offer to settle are perplexing. [¶] In *Moriarty II*, this Court stated that “[s]ubstantial settlement offers should be considered by the district court as a factor in determining an award of reasonable attorney's fees [, even where Rule 68 does not apply. See *Sheppard v. Riverview Nursing Center, Inc.*, 88 F.3d 1332, 1337 (4th Cir. 1996).]” [*Moriarty v. Svec II*, 233 F.3d 955, 967 (7th Cir. 2001)] The district court appears to have interpreted this language to mandate the termination of fees following a substantial settlement offer. Nevertheless, the district court did not abuse its discretion by cutting off the recovery of attorneys' fees after Svec made a substantial settlement offer.

Moriarty ex rel. Local Union No. 727, I.B.T. Pension Trust, 429 F.3d 710, 717-719 (7th Cir. 2005). Cited with approval in *Serafinn v. Local 722, International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America*, 597 F.3d 908, 919 (7th Cir. 2010).

Schlacher (2009)

In a debt collection case that was resolved in three months, plaintiffs sought attorney's fees of \$12,495 for the time of four attorneys. The trial court hacked the amount to about \$6000, by reducing hours and lowering hourly rates. In August 2009, the Seventh Circuit affirmed, and explained that large fee awards need more justification by the trial court than small fee awards:

Although there is no precise formula for determining a reasonable fee, the district court generally begins by calculating the lodestar—the attorney's reasonable hourly rate multiplied by the number of hours reasonably expended. *Hensley v. Eckerhart*, 461 U.S. 424, 433-37, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983); *Gautreaux v. Chi. Hous. Auth.*, 491 F.3d 649, 659 (7th Cir.2007). The district court may then adjust that figure to reflect various factors including the complexity of the legal issues involved, the degree of success obtained, and the public interest advanced [**Cite as: 574 F.3d at 857**] by the litigation. *Connolly v. Nat'l Sch. Bus Serv., Inc.*, 177 F.3d 593, 597 (7th Cir.1999); *Strange v. Monogram Credit Card Bank of Ga.*, 129 F.3d 943, 946 (7th Cir.1997). The district court must provide a clear and concise explanation for its award, and may not “eyeball” and decrease the fee by an arbitrary percentage because of a visceral reaction that the request is excessive. *Small v. Richard Wolf Med. Instruments Corp.*, 264 F.3d 702, 708 (7th Cir.2001); *In re Cont'l Ill. Sec. Litig.*, 962 F.2d 566, 570 (7th Cir.1992). In light of the district court's greater familiarity with the litigation, we review an award of attorney's fees under a highly deferential abuse-of-discretion standard. *Spegon v. Catholic Bishop of Chi.*, 175 F.3d 544, 550 (7th Cir.1999).

On appeal, the plaintiffs argue first that the district court abused its discretion when it concluded that “a figure that roughly equates to what the plaintiffs themselves recovered seems reasonable.” As the plaintiffs point out, we have cautioned that fee awards “should not be linked mechanically to a plaintiff's award,” *Eddleman v. Switchcraft, Inc.*, 927 F.2d 316, 318 (7th Cir.1991), and that “[i]t cannot be the case that the prevailing party can never have a

fee award that is greater than the damages award,” *Deicher v. City of Evansville*, 545 F.3d 537, 546 (7th Cir.2008). Thus, the plaintiffs argue, the district court committed an error of law in awarding a fee that was directly proportional to their damages recovery.

The plaintiffs' argument, however, is persuasive only when the district court's comment is read out of context. The court did not settle on a \$6,500 fee award simply because it mirrored the plaintiffs' damages. Instead, the court explained repeatedly that it was reducing the requested fee because the collaboration among four attorneys had inevitably led to duplicative work and excessive billing. Further, although the court observed that a fee award roughly equivalent to the plaintiffs' damages recovery seemed reasonable, it explained that the figures were only “coincidentally” equivalent. And, in any event, we have explained that, although there is no rule requiring proportionality between damages and attorney's fees, a district court may consider proportionality as one factor in determining a reasonable fee. *Moriarty v. Svec*, 233 F.3d 955, 967-68 (7th Cir.2000).

The plaintiffs next challenge the \$6,500 fee award because the district court did not specifically enunciate the hourly rates or number of hours it had used to calculate that figure or specify a lodestar amount. A district court facilitates appellate review by making specific findings en route to a fee calculation, and therefore we have reversed when we could not discern whether the district court arrived at its fee award by using the proper factors. See *Eddleman*, 927 F.2d at 317-20. But we need not automatically reverse a fee award in the absence of explicit findings about rates and hours. See *Small*, 264 F.3d at 709 (approving fee award lacking “detailed explanation” where district court simply accepted defendant's objections to billed time); *Henry v. Webermeier*, 738 F.2d 188, 193 (7th Cir.1984) (explaining that there is no “Procrustean bed to which every fee proceeding must be fitted despite its actual dimensions”). When substantial fees are at stake, the district court must calculate the award with greater precision. See *Vukadinovich v. McCarthy*, 59 F.3d 58, 60 (7th Cir.1995) (explaining that “proportioning of formality to stakes is a general principle of the law” that applies to attorney's fee awards); *In re Cont'l Ill. Sec. Litig.*, 962 F.2d at 570 (remanding because district court made substantial cuts to \$9 million fee request without sufficient explanation, but approving another court's [Cite as: 574 F.3d at 858] “meat-axe approach” to fee petition in case where only \$6,000 in fees were at stake); *Lenard v. Argento*, 808 F.2d 1242, 1247 (7th Cir.1987) (explaining that less elaborate findings are required when a fee request is for “only a few hundred or a few thousand dollars”). But when fees are less substantial, we may affirm so long as the district court exercised its discretion in a manner that “is not arbitrary and is likely to arrive at a fair fee.” See *Evans v. City of Evanston*, 941 F.2d 473, 476-77 (7th Cir.1991); *Tomazzoli v. Sheedy*, 804 F.2d 93, 98 (7th Cir.1986).

Although the district court could have further elaborated how it calculated the precise fee award by specifying the lodestar amount and which time entries were excessive, the reasons for the court's ultimate fee award are apparent from the record. See *Small*, 264 F.3d at 709. First, the court expressed its skepticism towards the requested hourly rates. It explained that it made little sense for high-priced attorneys such as McLaughlin and Feofanov to continue billing in the case after involving Warner, who was both less costly and the only FDCPA [Fair Debt Collection Practices Act] specialist. After determining that the regular billing rates of McLaughlin and Feofanov overstated their value in this straightforward case, the district court was within its discretion to lower their rates. See *Mathur v. Bd. of Trs. of S. Ill. Univ.*, 317 F.3d 738, 743 (7th Cir.2003); *Chrapliwy v. Uniroyal, Inc.*, 670 F.2d 760, 767 n. 16 (7th Cir.1982). And because the only evidence of the market rate for the type of work involved in this FDCPA case was the evidence supporting Warner's proposed rate, it was reasonable for the district court to apply roughly this rate to McLaughlin and Feofanov, as the defendant had suggested. See *Mathur*, 317 F.3d at 743 (explaining that, if attorney does not provide evidence of her billing rate for comparable work, district court may look to evidence of what other

attorneys in the community charge for that work). Similarly, with respect to Hobfoll, a third-year associate at McLaughlin's firm, the only evidence to support her requested rate of \$250/hour was two retainer agreements from employment-law cases. Because this did not meet the plaintiffs' burden of demonstrating Hobfoll's market rate for FDCPA work, and Hobfoll had been practicing for only three years, the district court was within its discretion to lower the rate accordingly. See *Uphoff v. Elegant Bath, Ltd.*, 176 F.3d 399, 409 (7th Cir.1999) (explaining that when plaintiff does not meet its burden of proving counsel's market rate, district court is entitled to make its own determination of reasonable hourly rate).

Second, the district court referred to factors permissible in reducing the billed time: it observed that this was an uncomplicated, low-stakes case that settled within three months of filing and without discovery. The court concluded that it was unreasonable to require the defendant to pay for the time that four attorneys had collectively put into the case because their work necessarily overlapped and one competent attorney would have sufficed. This conclusion was not an abuse of discretion. Though efficiency can sometimes be increased through collaboration, see *Tchemkou v. Mukasey*, 517 F.3d 506, 511-12 (7th Cir.2008), overstaffing cases inefficiently is common, and district courts are therefore encouraged to scrutinize fee petitions for duplicative billing when multiple lawyers seek fees. See *Trimper v. City of Norfolk*, 58 F.3d 68, 76-77 (4th Cir.1995); *Lipsett v. Blanco*, 975 F.2d 934, 938 (1st Cir.1992) (“A trial court should ordinarily greet a claim that several lawyers were required to perform a single set of tasks with healthy skepticism.”); *Jardien v. Winston Network, Inc.*, 888 F.2d 1151, 1160 (7th Cir.1989). Here, the district court appears to have done that. The defendant submitted detailed objections to the hours billed, [**Cite as: 574 F.3d at 859**] identifying precisely which entries were excessive or redundant. The district judge expressly sustained those objections, thereby implicitly finding that it was reasonable to compensate the four attorneys collectively for only about twenty-three of the nearly forty hours of claimed work. When added to the undisputed paralegal fees and costs, the total came to \$6,322.70, which the district court apparently rounded up to \$6,500. Although greater detailed findings in calculating the fee award might have been required in a higher-stakes case, the district court arrived at a fee that was reasonable in relation to the difficulty and stakes of this case, see *Bankston v. Illinois*, 60 F.3d 1249, 1256 (7th Cir.1995), and provided an explanation that was “limited but sufficient” to enable us to determine that it did not abuse its discretion, see *Small*, 264 F.3d at 709; *Uphoff*, 176 F.3d at 409.

Schlacher v. Law Offices of Phillip J. Rotche, 574 F.3d 852, 856-859 (7th Cir. 2009).

Anderson v. AB Painting and Sandblasting (2009)

In August 2009, the Seventh Circuit discussed proportionality in the context of attorney's fees in a pension case:

In this case, the district court was concerned with the concept of proportionality between the attorney's fees and the actual damages. Proportionality can refer [**Cite as: 578 F.3d at 545**] to multiple concepts in the realm of attorney's fees. One of these concepts addresses the situation where a plaintiff recovers a very small percentage of the damages claimed and the attorney's fees are consequently reduced. *Cole v. Wodziak*, 169 F.3d 486 (7th Cir.1999), which the district court wrongly relied on, is such a case. This type of proportionality seems to be losing favor and is irrelevant in our case because the Funds recovered the entire amount of the claimed deficiency. Compare *Cole*, 169 F.3d at 489 (“[R]ecovering less than 10% of the demand is a good reason to [abandon the lodestar method, apply *Farrar v. Hobby*, 506 U.S. 103, 113 S.Ct. 566, 121 L.Ed.2d 494 (1992), and] curtail the fee award substantially.”) with *Estate of Enoch ex rel. Enoch v. Tienor*, 570 F.3d 821, 822-23 (7th Cir.2009)

(recovering less than 7% of amount sought is not reason to apply *Farrar* if damages are not nominal).

The proportionality we address here involves a comparison between a plaintiff's damages and his attorney's fees. In this context, we have “rejected the notion that the fees must be calculated proportionally to damages.” *Alexander v. Gerhardt Enterprises, Inc.*, 40 F.3d 187, 194 (7th Cir.1994); see *Wallace v. Mulholland*, 957 F.2d 333, 339 (7th Cir.1992); see also *Estate of Borst v. O'Brien*, 979 F.2d 511, 516-17 (7th Cir.1992); see also *Littlefield v. McGuffey*, 954 F.2d 1337, 1350-51 (7th Cir.1992).

This seems to us to be the only logical position, considering the purpose of attorney's fees statutes. Fee-shifting provisions signal Congress' intent that violations of particular laws be punished, and not just large violations that would already be checked through the incentives of the American Rule. “The function of an award of attorney's fees is to encourage the bringing of meritorious ... claims which might otherwise be abandoned because of the financial imperatives surrounding the hiring of competent counsel.” *City of Riverside v. Rivera*, 477 U.S. 561, 578, 106 S.Ct. 2686, 91 L.Ed.2d 466 (1986) (quotation marks and citation omitted). Or, more simply stated, fee-shifting “helps to discourage petty tyranny.” *Barrow v. Falck*, 977 F.2d 1100, 1103 (7th Cir.1992).

Because Congress wants even small violations of certain laws to be checked through private litigation and because litigation is expensive, it is no surprise that the cost to pursue a contested claim will often exceed the amount in controversy. *Tuf Racing Products, Inc. v. American Suzuki Motor Corp.*, 223 F.3d 585, 592 (7th Cir.2000). That is the whole point of fee-shifting — it allows plaintiffs to bring those types of cases because it makes no difference to an attorney whether she receives \$20,000 for pursuing a \$10,000 claim or \$20,000 for pursuing a \$100,000 claim. See *id.* Fee-shifting would not “discourage petty tyranny” if attorney's fees were capped or measured by the amount in controversy. *Barrow*, 977 F.2d at 1103; see *Tuf Racing*, 223 F.3d at 592.

Some of our cases have expressed concern where attorney's fees overshadowed the damages awarded, but only because some other element of the case did not seem reasonable. For example, in *Perez v. Z Frank Oldsmobile, Inc.*, 223 F.3d 617, 625 (7th Cir.2000), we noted that the fee was “awfully hard to swallow.” But our concern was not so much with the amount of the fee as with the disparity between the number of hours billed and the seeming simplicity of the case (1,200 hours were spent pursuing a rolled-back odometer claim). See *id.* That was a fair observation. Simple cases should require fewer hours than complex cases. And many claims for small damages amounts will be simple cases. But not always; it works as a rule of thumb, but not as a rule of law. **[Cite as: 578 F.3d at 546]** Which is why we simply stated that the “question requires careful attention on remand.” *Perez*, 223 F.3d at 625.

This is also how we read *Moriarty v. Svec*, 233 F.3d 955 (7th Cir.2000), another case cited by the district court. In *Moriarty*, we stated that, “[w]hile ... disproportionality is not determinative and this court has approved attorney's fees many times the amount of damages recovered, ... the district court's fee order should evidence increased reflection before awarding attorney's fees that are large multiples of the damages recovered or multiples of the damages claimed.” *Id.* at 968. We quickly reiterated “that any disproportionality that may be present in this case does not mean that the amount of attorney's fees awarded ... was an abuse of discretion, but only that the district court should consider such proportionality factors in exercising its discretion in fashioning a reasonable attorney's fee.” *Id.*

To say that a court should give “increased reflection” before awarding attorney's fees that are several times the amount of the actual damages is nothing more than to say that a **comparatively large fee request raises a red flag**.⁶⁰ As we just said, in many cases the amount in controversy and the complexity of the case will track with one another. But small claims can be complex and large claims can be very straightforward. So while a fee request that dwarfs the damages award might raise a red flag, measuring fees against damages will not explain whether the fees are reasonable in any particular case.

Reasonableness has nothing to do with whether the district court thinks a small claim was “worth” pursuing at great cost. Fee-shifting statutes remove this normative decision from the court.⁶¹ If a party prevails, and the damages are not nominal, then Congress has already determined that the claim was worth bringing. The court must then assume the absolute necessity of achieving that particular result and limit itself to determining whether the hours spent were a reasonable means to that necessary end.**FN2**

FN2. Of course, if a party achieves only partial success as that term is used in *Hensley*, then the district court must determine how many hours were related to advancing the winning claims. See *Hensley*, 461 U.S. at 434-37, 103 S.Ct. 1933; see also *Ustrak v. Fairman*, 851 F.2d 983, 988 (7th Cir.1988) (“A partially prevailing plaintiff should be compensated for the legal expenses he would have borne if his suit had been confined to the ground on which he prevailed plus related grounds within the meaning of *Hensley*.”); see also *Jaffee*, 142 F.3d at 413-17 (explaining how unsuccessful claims can relate to successful ones). Since the Funds succeeded on all claims, we need not explore this topic any further.

For example, it is absolutely permissible to spend \$100,000 litigating what is known to be a \$10,000 claim if that is a reasonable method of achieving the result. But it might not be a reasonable method. Proportionality then, where useful at all, could alert the court to situations where we might expect that the same result could have been achieved more efficiently. But if, for some reason, the hours expended were reasonable in a particular case, then so is the fee.

It seems that the claim in front of us could have been resolved at a greatly reduced cost if AB Painting had cooperated with discovery requests and settlement discussions, obeyed the district court's orders, and not filed a series of frivolous motions after the court had already entered judgment for the Funds. The district court did not suggest how the Funds could have resolved the case more efficiently. So even though the fee request was more than seven times the amount of damages, there may have been good cause.

[Cite as: 578 F.3d at 547]

And even in a straightforward case, where an early resolution is reached, it would not be surprising to find that the cost of bringing the claim exceeded the amount in controversy.

Again, fee-shifting is designed to encourage such claims. See *Tuf Racing*, 223 F.3d at 592. *Anderson v. AB Painting and Sandblasting Inc.*, 578 F.3d 542, 544-547 (7th Cir. 2009).

⁶⁰ Boldface added by Standler.

⁶¹ Note added by Standler: this may be true in cases where the fee-shifting is mandatory, but not true in copyright cases, where the fee-shifting is discretionary with the trial judge.

miscellaneous cases

In 1988, the Seventh Circuit found requested attorney's fees to be excessive:

... the single most important criterion in evaluating the appropriateness of such awards is their "reasonableness." See 42 U.S.C. § 1988 (district court may allow prevailing party a "reasonable attorney's fee"); see also *Hensley*, 461 U.S. at 434, 103 S.Ct. at 1939 (hours "reasonably expended" are compensable); *Gekas v. Attorney Registration and Disciplinary Commission*, 793 F.2d 846, 853 (7th Cir.1986). Accordingly, where the district court has ordered reimbursement for fees and costs that are objectively judged to have been unnecessary for the competent preparation of a case for trial or appeal, an abuse of discretion may be found. Cf. *Grendel's Den, Inc. v. Larkin*, 749 F.2d 945 (1st Cir.1984); see also *Bonner v. Coughlin*, 657 F.2d 931, 934-35 (7th Cir.1981).

Charles v. Daley, 846 F.2d 1057, 1075 (7th Cir. 1988).

- *Munson v. Friske*, 754 F.2d 683, 697 (7th Cir. 1985) ("The courts have held that fee awards are an equitable matter, thereby permitting the district court to consider the relative wealth of the parties. See, e.g., *Faraci v. Hickey-Freeman Co.*, 607 F.2d 1025, 1028 (2d Cir.1979). When a court determines that a plaintiff can afford to pay the award, the congressional goal of discouraging frivolous litigation demands that the full fees be levied. *Arnold v. Burger King Corp.*, 719 F.2d 63, 68 (4th Cir.1983), *cert. denied*, 469 U.S. 826, 105 S.Ct. 108, 83 L.Ed.2d 51 (1984); *Faraci v. Hickey-Freeman*, 607 F.2d at 1028.").

In January 2010, the Seventh Circuit recognized the continuing validity of the U.S. Supreme Court's decision in *Hensley*:

The touchstone for a district court's calculation of attorney's fees is the lodestar method, which is calculated by multiplying a reasonable hourly rate by the number of hours reasonably expended. [*Schlacher v. Law Offices of Phillip J. Rotche & Assocs.*, 574 F.3d 852, 856 (7th Cir. 2009)] (citing *Hensley v. Eckerhart*, 461 U.S. 424, 433-37, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983)). If necessary, the district court has the flexibility to "adjust that figure to reflect various factors including the complexity of the legal issues involved, the degree of success obtained, and the public interest advanced by the litigation." *Id.* at 856-57. "The standard is whether the fees are reasonable in relation to the difficulty, stakes, and outcome of the case." *Connolly v. Nat'l Sch. Bus. Serv., Inc.*, 177 F.3d 593, 597 (7th Cir.1999) (quoting *Bankston v. Illinois*, 60 F.3d 1249, 1256 (7th Cir.1995)).

Gastineau v. Wright, 592 F.3d 747, 748-749 (7th Cir. 2010).

See also *Anderson v. AB Painting and Sandblasting Inc.*, 578 F.3d 542, 544 (7th Cir. 2009).

Ninth Circuit

I have *not* done a search of Ninth Circuit law on the topic of lodestar method and the concept of reasonable fees. I found the following case during a search on another topic.

In September 2000, the U.S. Court of Appeals in Arizona wrote in a wrongful termination case:

This circuit requires a district court to calculate an award of attorneys' fees by first calculating the "lodestar." See, e.g., *Morales v. City of San Rafael*, 96 F.3d 359, 363 (9th Cir.1996) (reversing the district court's award of attorneys' fees because the district court failed to calculate a lodestar figure and assess the extent to which the recognized bases for adjusting that figure applied). "The 'lodestar' is calculated by multiplying the number of hours the prevailing party reasonably expended on the litigation by a reasonable hourly rate," *id.*, and it presumably incorporates consideration of the results obtained by the prevailing litigant, as required by *Hensley v. Eckerhart*, 461 U.S. 424, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983), as well as a number of other relevant considerations, see *Morales*, 96 F.3d at 363 n. 8. After computing the lodestar, the district court should assess whether additional considerations that this court has enumerated, see *Kerr v. Screen Extras Guild, Inc.*, 526 F.2d 67, 70 (9th Cir.1975), require the district court to adjust the figure, see *Morales*, 96 F.3d at 363-64.

Caudle v. Bristow Optical Co., Inc., 224 F.3d 1014, 1028 (9th Cir. 2000).

The *Kerr* factors mentioned in *Caudle* include:

[In] *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714 [, 717-719] (5th Cir. 1974), the Fifth Circuit found it necessary to vacate the award of attorney's fees and remand for reconsideration in light of the following guidelines: (1) the time and labor required, (2) the novelty and difficulty of the questions involved, (3) the skill requisite to perform the legal service properly, (4) the preclusion of other employment by the attorney due to acceptance of the case, (5) the customary fee, (6) whether the fee is fixed or contingent, (7) time limitations imposed by the client or the circumstances, (8) the amount involved and the results obtained, (9) the experience, reputation, and ability of the attorneys, (10) the 'undesirability' of the case, (11) the nature and length of the professional relationship with the client, and (12) awards in similar cases. These guidelines are consistent with those recommended by the Code of Professional Responsibility of the American Bar Association, Disciplinary Rule 2-106.

Kerr v. Screen Extras Guild, Inc., 526 F.2d 67, 70 (9th Cir. 1975), *cert. den. sub nom Perkins v. Screen Extras Guild, Inc.*, 425 U.S. 951 (1976).

Fees Make Plaintiff Whole ?

There are a few cases during the 1960s to 1980s that awarded attorney's fees to a prevailing plaintiff for reasons that included "making plaintiff whole", see, e.g.:

- *Davis v. E. I. DuPont de Nemours & Co.*, 257 F.Supp. 729, 731 (S.D.N.Y. 1966) (Awarding plaintiff \$25,000 in damages and \$15,000 in counsel fees: "Therefore, I believe that the commendable aim of making plaintiff whole has largely been achieved.");
- *McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316, 323 (9thCir. 1987) ("Because section 505 is intended in part to encourage the assertion of colorable copyright claims, *Roth*, 787 F.2d at 57, to deter infringement, *Diamond v. Am-Law Publishing Corp.*, 745 F.2d 142, 148 (2dCir. 1984), and to make the plaintiff whole, *Davis v. E.I. DuPont de Nemours & Co.*, 257 F.Supp. 729, 731 (S.D.N.Y.1966), fees are generally awarded to a prevailing plaintiff. *Diamond*, 745 F.2d at 148."), *cert. denied*, 493 U.S. 1075 (1990).
- *Roulo v. Russ Berrie & Co., Inc.*, 886 F.2d 931, 942 (7thCir. 1989) ("Attorney's fees under [17 U.S.C. § 505] have been awarded for the purposes of encouraging the assertion of colorable copyright claims, deterring infringement, and making the plaintiff whole. *McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316, 321 [sic] (9thCir. 1987).), *cert. denied*, 493 U.S. 1075 (1990).

Note that some of these pre-1994 cases were overruled on other grounds by *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994).

I strongly support awarding attorney's fees to a prevailing plaintiff in copyright cases, but making the plaintiff whole is a *bad* reason to award attorney's fees. In American law, torts *damages* make the plaintiff whole. Under the American rule, plaintiff is generally *not* reimbursed for attorney's fees in a tort case.

In cases with potential large damages (e.g., wrongful death, medical malpractice with permanent injury), plaintiff can probably find an attorney who will take the case on a contingency fee. In torts with small damages and no fee-shifting statute (or with a discretionary fee-shifting statute like 17 U.S.C. § 505), plaintiffs may be unable to afford to bring their case in court. If the damages are too small to justify the expense of litigation, then either (1) the claim is *insignificant* (i.e., *de minimis*) or (2) the damages should be increased, perhaps by awarding punitive damages.

Registration of Copyright

The Copyright Act of 1976, 17 U.S.C. § 505, says the court may award attorney's fees to the prevailing party, "except as otherwise provided by this title".

The "otherwise" is unspecified in § 505, but 17 U.S.C. § 412 says that attorney's fees can not be awarded for infringement *before* the effective date of the copyright registration in the Copyright Office. Section 412(2) allows attorney's fees for works that were published and then registered in the Copyright Office within three months of first publication, but this three-month grace period does not apply to *unpublished* works. § 412(1). 17 U.S.C. § 101 defines "publication" as the distribution "of a work to the public by sale or other transfer of ownership". Posting an essay at a website is a "public display", *not* publication.

In the year 2005, section 412 was modified by inserting a long clause about preregistration of copyright, which makes the section difficult to understand. The version of § 412 in years 1976-89 says:

In any action under this title, other than an action instituted under section 411(b), no award of statutory damages or of attorney's fees, as provided by sections 504 and 505, shall be made for —

- (1) any infringement of copyright in an unpublished work commenced before the effective date of its registration; or
- (2) any infringement of copyright commenced after first publication of the work and before the effective date of its registration, unless such registration is made within three months after the first publication of the work.

17 U.S.C. § 412 (enacted 1976, current 1989).

Quoted in *Eden Toys, Inc. v. Florelee Undergarment Co., Inc.*, 697 F.2d 27, 33, n.5 (2dCir. 1982); *Evans Newton Inc. v. Chicago Systems Software*, 793 F.2d 889, 896, n.9 (7thCir. 1986) (typographical error omits one "the").

Note that a literal reading of § 412 applies equally to both prevailing plaintiffs and prevailing defendants, because this section says "no award ... of attorney's fees" without specifying to whom the award is made. To learn if courts had accepted this literal reading of § 412, which appears to bar an award of attorney's fee to a prevailing defendant if the copyright was not registered before the alleged infringement, I did the following legal research.

The only appellate case I found in May 2010 that is relevant to this literal interpretation of § 412 was written by the U.S. Court of Appeals in Maryland in August 2000. In this case, a creative attorney argued that the U.S. Supreme Court's command in *Fogerty*, 510 U.S. at 534 that "prevailing plaintiffs and prevailing defendants are to be treated alike" also applied to § 412. I do not find the Court of Appeals' discussion of this argument convincing, except for the following two sentences.

Moreover, by its plain language, § 412 only applies to plaintiffs who assert copyright infringement claims and not to defendants who successfully defend against such claims.[footnote quoting § 412 omitted] Finally, it simply defies logic to conclude that an unsuccessful plaintiff's additional failure timely to register its copyright serves to bar a court from awarding attorneys' fees to the prevailing defendant.

O'Well Novelty Co. v. Offenbacher, Inc., 2000 WL 1055108 at*7, 55 U.S.P.Q.2d 1828 (4thCir. 2000). Instead, I think the attorney's argument fails because *Fogerty* interprets only § 505 — *Fogerty* mentions *neither* § 412 *nor* registration of copyright. Furthermore, the content of § 412 is about remedies available to a *plaintiff*, so it makes sense — although Congress did not explicitly say it — that this section only applies to plaintiffs. Still further, there is no good reason why a prevailing defendant should be denied reimbursement of attorney's fees because of a delay in registration by plaintiff. Therefore, I believe the conclusion in *O'Well Novelty* is correct: a literal reading of § 412 is *not* plausible that “no award of ... attorney's fees” applies to a prevailing defendant.

Note that *O'Well Novelty* is not precedential, because it was (1) issued by the Fourth Circuit and is not binding outside the Fourth Circuit, and (2) *not* published in the Federal reporter, so it is not precedential in the Fourth Circuit.⁶² Nonetheless, I believe that *O'Well Novelty* is correct that § 412 only applies to plaintiffs.

There is an unreported District Court opinion that also condemns this argument:

Finally, [pro se] Plaintiff also argues that attorney's fees should not be awarded because the alleged infringement commenced before the effective date of copyright registration. Opp. at 28. Plaintiff cites no support for this argument, and the authority is to the contrary. In fact, one treatise author has explained that: “Very infrequently, the argument is advanced by a losing plaintiff that defendant cannot be awarded its attorney's fees because the work was not registered within three months from the date of first publication. This profoundly ignorant argument should be met with Rule 11 sanctions.... Both of the circuits to have had the misfortune to have the argument presented have correctly rejected it.” William F. Patry, PATRY ON COPYRIGHT § 22:204 (2008); see also *O'Well Novelty Co. v. Offenbacher, Inc.*, No. 99-1949, 2000 WL 1055108, at *7 (4thCir. 2000) (“it simply defies logic to conclude that an unsuccessful plaintiff's additional failure timely to register its copyright serves to bar a court from awarding attorney fees to the prevailing defendant”). If the court makes a finding of noninfringement, “there appears to be no requirement that the work be registered in order to award attorney's fees to a prevailing defendant.” Melville B. Nimmer and David Nimmer, NIMMER ON COPYRIGHT, 14.10[A] n. 3, Matthew Bender, 2007; see also, *Robinson v. Lopez*, 2003 U.S. Dist. LEXIS 24382, at *11-12, 2003 WL 23162906, 69 U.S.P.Q.2D (BNA) 1241 (C.D.Cal. 2003) (awarding defendant attorney's fees under Section 505 even though plaintiff did not register the work at issue with the Copyright Office). For the above reasons, an award of fees is proper.

Yue v. Storage Technology Corp., Not Reported in F.Supp.2d, 2008 WL 4185835 at *5 (N.D.Cal. 2008).

⁶² *Henry v. Murray*, 1993 WL 22008 at *1 (4thCir 1993) (An opinion not published in the FEDERAL Reporter “has no precedential value”).

See also *Lucas v. Wild Dunes Real Estate, Inc.*, 197 F.R.D. 172, 177 (D.S.C. 2000) (“However, § 412 only limits an award of attorneys’ fees as costs to a plaintiff when the copyright infringement occurred before registration; § 412 is inapplicable to any claim by a defendant for attorneys’ fees. See *Screenlife Establishment v. Tower Video, Inc.*, 868 F.Supp. 47, 50 (S.D.N.Y.1994)”).

Section 412 probably should explicitly say that a prevailing *plaintiff* can not recover attorney’s fees for infringement before the registration date. At the time § 412 was written in 1976, it was common for only prevailing plaintiffs to be awarded attorney’s fees,⁶³ so the author of § 412 may have assumed that attorney’s fees would be awarded only to a prevailing plaintiff.

In June 2008, a U.S. Court of Appeals in Washington state explained the purpose of § 412:

We also recognize that § 412 is designed to implement two fundamental purposes. First, by denying an award of statutory damages and attorney's fees where infringement takes place before registration, Congress sought to provide copyright owners with an incentive to register their copyrights promptly. See H.R.Rep. No. 94-1476, at 158 (1976), as reprinted in 1976 U.S.C.C.A.N. 5659, 5774 (“Copyright registration ... is useful and important to users and the public at large ... and should therefore be induced in some practical way.”). Second, § 412 encourages potential infringers to check the Copyright Office's database. See *Johnson v. Jones*, 149 F.3d 494, 505 (6thCir. 1998). To allow statutory damages and attorneys' fees where an infringing act occurs before registration and then reoccurs thereafter clearly would defeat the dual incentives of § 412. See *Johnson*, 149 F.3d at 505 (“These purposes would be thwarted by holding that infringement is ‘commenced’ for the purposes of § 412 each time an infringer commits another in an ongoing series of infringing acts.”).

Derek Andrew, Inc. v. Poof Apparel Corp., 528 F.3d 696, 700 (9thCir. 2008).

In the context of a prevailing plaintiff seeking attorney’s fees from an infringing defendant, courts have sometimes stated that § 412 applies to plaintiffs.

- *Hays v. Sony Corp. of America*, 847 F.2d 412, 415 (7thCir. 1988) (Posner, J.) (“The plaintiffs could not obtain statutory damages or attorney's fees, because they did not register their copyright within three months after first publishing the manual”), *abrogated on other grounds, sub nom. Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384 (1990).
- *Johnson v. Jones*, 149 F.3d 494, 505 (6thCir. 1998) (“Thus, [Plaintiff] Johnson cannot recover statutory damages or attorney's fees under the Copyright Act if [Defendant] Tosch's infringement “commenced” before the copyright was registered.”).
- *On Davis v. The Gap, Inc.*, 246 F.3d 152, 158, n.1 (2dCir. 2001) (“17 U.S.C. § 412 specifies that a copyright holder is not entitled to elect statutory damages or receive attorney's fees under §§ 504 and 505 if ‘any infringement of copyright commenced after first publication of the work and before the effective date of its registration, unless such registration is made within three months after the first publication of the work.’ ”).

⁶³ Prevailing defendants needed to prove plaintiff’s claims were baseless or unreasonable, as explained at page 9, above, before a prevailing defendant could recover attorney’s fees.

- *Troll Co. v. Uneda Doll Co.*, 483 F.3d 150, 158 (2dCir. 2007) ("Under 17 U.S.C. § 412, a plaintiff may not recover statutory damages or attorney's fees for any infringement 'commenced' before the effective date of a copyright's registration.").
- Of course, these quotations are correct that § 412 does apply to plaintiffs. However, these quotations do *not* answer the question of whether § 412 *also* bars attorney's fees to a prevailing defendant.

I have found three law review articles that mention this asymmetry in § 412:

While the Supreme Court focuses on the need for "evenhanded" treatment, [footnote to *Fogerty*, 510 U.S. at 521] section 412 destroys the level playing field, since there is no equivalent statutory bar applicable to defendants. Given the current state of the law, copyright owner without a prior registration would be foolhardy to sue where the case was not open-and-shut; she would have only limited remedies if she won, and run the risk of paying the defendant's attorney's fees in addition to her own if she lost.

Shira Perlmutter, "Freeing Copyright From Formalities," 13 *CARDOZO ARTS & ENTERTAINMENT LAW JOURNAL* 565, 574 (1995).

The current author of *NIMMER ON COPYRIGHT* wrote:

When a late-registered work is at issue, the defendant may thus recover its fees, notwithstanding that the plaintiff in the very same action may not. The upshot is that the structure of the Act lies far afield from evenhandedness, even in the post-*Fogerty* world.

David Nimmer, "Even After the Court's Ruling, The Old Man Remains Stuck Down the Road," 39 *WILLIAM & MARY LAW REVIEW* 65, 84 (Oct 1997).

See also Jeffrey Edward Barnes, "Attorney's Fee Awards in Federal Copyright Litigation After *Fogerty*," 47 *UCLA Law Review* 1381, 1387, n.23 (June 2000) ("If section 505 were to be applied in a truly 'evenhanded' manner, prevailing defendants theoretically should not be entitled to a fee award if the nonprevailing plaintiff failed to meet the requirements of section 412.").

Appeal of Attorney's Fees

In January 2011, I did legal research for an appeal of attorney's fees in a copyright case in the Seventh Circuit. There is a trend to award the actual fees spent by prevailing party.⁶⁴ Part of the justification is that the prevailing party's willingness to pay that hourly rate makes the fees reasonable.⁶⁵

A. Standard of Review

The standard of review is abuse of discretion. See, e.g., *JCW Investments, Inc. v. Novelty, Inc.*, 482 F.3d 910, 920 (7thCir. 2007) ("This court reviews attorneys' fees decisions for abuse of discretion."); *Bourne Co. v. Hunter Country Club, Inc.*, 990 F.2d 934, 939 (7thCir. 1993) (Attorney's fees under 17 U.S.C. § 505 "will be reversed only upon an abuse of discretion.").

The Second Circuit has also held the standard of review of an award of attorney's fees is abuse of discretion. A famous copyright case, *Bender*, explains this is a highly deferential standard:

"The standard of review of an award of attorney's fees is highly deferential to the district court." *Alderman v. Pan Am World Airways*, 169 F.3d 99, 102 (2d Cir. 1999) (internal quotation marks omitted). "Attorney's fees must be reasonable in terms of the circumstances of the particular case, and the district court's determination will be reversed on appeal only for an abuse of discretion." *Id.* "'Abuse of discretion' is one of the most deferential standards of review; it recognizes that the district court, which is intimately familiar with the nuances of the case, is in a far better position to make certain decisions than is an appellate court, which must work from a cold record." *In re Bolar Pharm. Co. Sec. Litig.*, 966 F.2d 731, 732 (2d Cir. 1992) (per curiam). However, "[a] district court necessarily abuses its discretion if its conclusions are based on an erroneous determination of law," *Revson v. Cinque & Cinque, P.C.*, 221 F.3d 71, 78 (2d Cir. 2000); see also *Knitwaves, Inc. v. Lollytogs Ltd.*, 71 F.3d 996, 1012 (2d Cir. 1995) (noting that this Court may reverse an award of attorneys' fees "if the district court applied the wrong legal standard" (citations omitted)), or "on a clearly erroneous assessment of the evidence," *Kerin v. United States Postal Serv.*, 218 F.3d 185, 188-89 (2d Cir. 2000).

Matthew Bender & Co., Inc. v. West Publishing Co., 240 F.3d 116, 121 (2dCir. 2001)

⁶⁴ *JCW Investments, Inc. v. Novelty, Inc.*, 509 F.3d 339, 342 (7thCir. 2007) ("When 'a plaintiff wins a suit and is entitled by statute to a reasonable attorneys' fee, the entitlement extends to the fee he reasonably incurs in defending the award of that fee. Otherwise the fee will undercompensate.' *Gorenstein Enters.*, 874 F.2d at 438 (internal citation omitted)."). The same result is obtained in the lodestar method, endorsed by the U.S. Supreme Court, see above, beginning at page 82.

⁶⁵ See, e.g., *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 438 (7thCir. 2004) ("The best evidence of the value of the lawyer's services is what the client agreed to pay him."); *Arbor Hill Concerned Citizens Neighborhood Ass'n v. County of Albany*, 522 F.3d 182, 184 (2dCir. 2008) ("Bearing these background principles in mind, the district court should, in determining what a reasonable, paying client would be willing to pay, consider factors including,").

A U.S. Court of Appeals in Tennessee applied the abuse of discretion standard and tersely explained how a trial court might abuse its discretion:

We review the district court's decision to award attorneys' fees and costs to [defendant] for abuse of discretion. *Rhyme Syndicate*, 376 F.3d at 625-26. There is an abuse of discretion "if the district court relied on erroneous findings of fact, applied the wrong legal standard, misapplied the correct legal standard when reaching a conclusion, or made a clear error of judgment." *Nafziger v. McDermott Int'l, Inc.*, 467 F.3d 514, 522 (6th Cir.2006) (brackets and internal quotation marks omitted), *cert. denied*, 550 U.S. 969, 127 S.Ct. 2886, 167 L.Ed.2d 1153 (2007).

Bridgeport Music, Inc. v. WB Music Corp., 520 F.3d 588, 592 (6th Cir. 2008).

de novo review on matters of law

At least since October 1987, the Seventh Circuit has recognized that matters of law in an appeal about attorney's fees are decided *de novo*. *In re Burlington Northern, Inc. Employment Practices Litigation*, 832 F.2d 430, 433 (7th Cir. 1987) ("Deciding whether or not the principles of a particular case apply to a specific set of facts is something a district court does as a matter of law. We review a district court's legal determinations *de novo*.").

In 1998, the Seventh Circuit gave a more detailed explanation that "alleged legal errors" made by a trial judge in attorney's fee-shifting disputes would be decided on appeal *de novo*.

However, when a district court denies attorney's fees to a prevailing party under § 1988 as a result of applying a principle of law, the justifications for the generally deferential standard of review are absent. Therefore, as with all questions of law, we review *de novo* the alleged legal errors made by the district court in denying fees. See, e.g., *Zagorski v. Midwest Billing Servs., Inc.*, 128 F.3d 1164, 1166 (7th Cir.1997) (per curiam); *Spanish Action Comm. v. City of Chicago*, 811 F.2d 1129, 1134 (7th Cir.1987); see also *Cabrales v. County of Los Angeles*, 935 F.2d 1050, 1052 (9th Cir.1991) ("While awards of attorney's fees pursuant to 42 U.S.C. § 1988 are generally reviewed for abuse of discretion, any elements of legal analysis and statutory interpretation which figure in the district court's decision are reviewable *de novo*.") (citation and internal quotation omitted). In this case, the district court denied fees solely by applying rules of law: The court concluded that fees incurred on, or as a result of, an unsuccessful evidentiary argument are not compensable because the argument did not contribute to a successful claim. We therefore review the district court's award of fees *de novo*.

Jaffee v. Redmond, 142 F.3d 409, 412-413 (7th Cir. 1998).

Cited in *Moriarty v. Svec*, 233 F.3d 955, 963 (7th Cir. 2000) ("However, when fees are adjusted because of a principle of law our review is *de novo*.").

A more recent case is: *Cornucopia Institute v. U.S. Dept. of Agriculture*, 560 F.3d 673, 675 (7th Cir. 2009) ("*Federation of Advertising Industry Representatives, Inc. v. City of Chicago*, 326 F.3d 924, 932 (7th Cir.2003) ("[W]hen ... the district court's denial of an attorney's fee award rests on the application of a principle of law, our review is *de novo*.")). *Federation* cites *Jaffee v. Redmond*, which was quoted above.

B. Must Consider *All* Relevant Factors

The Seventh Circuit has explicitly held that the trial judge must consider *all* of the relevant factors. *McRoberts Software, Inc. v. Media 100, Inc.*, 329 F.3d 557, 572 (7th Cir. 2003) (“But the district court in this case applied the proper legal standard, considered all the relevant factors, appropriately exercised its discretion, and articulated its reasons for doing so; it was required to do no more.”).

In 2007, the Seventh Circuit mentioned the factors in *Lieb*, which were quoted with approval by the U.S. Supreme Court in *Fogerty*,

... a finding of frivolity or bad faith is not required under the Copyright Act, which permits an award of attorneys' fees and costs in the court's discretion. 17 U.S.C. § 505. That discretion is guided by many factors, including “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.” *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n. 19, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994) (internal quotation omitted). We have said that the two most important considerations are “the strength of the prevailing party's case and the amount of damages or other relief the party obtained.” *Assessment Technologies*, 361 F.3d at 436; see also *Gonzales v. Transfer Technologies, Inc.*, 301 F.3d 608, 610 (7th Cir.2002).

JCW Investments, Inc. v. Novelty, Inc., 509 F.3d 339, 342 (7th Cir. 2007).

This focus on the factors in *Fogerty* is proper, because a U.S. Supreme Court opinion is controlling law in the Seventh Circuit.

In copyright cases in other circuits, I have found:

- *Magnuson v. Video Yesteryear*, 85 F.3d 1424, 1432 (9th Cir. 1996) (“Because it is not apparent from the district court's decision that it considered the factors listed in *Fogerty*, particularly the goal of deterring future copyright infringements, we remand for reconsideration of this issue.”).
- *Gay Officers Action League v. Puerto Rico*, 247 F.3d 288, 292–93 (1st Cir. 2001) (“Apart from mistakes of law — which always constitute abuses of a court’s discretion — we will set aside a fee award only if it clearly appears that the trial court ignored a factor deserving significant weight, relied upon an improper factor, or evaluated all the proper factors (and no improper ones), but made a serious mistake in weighing them.” [two citations omitted].).

This holding from *Gay Officers Action League* is well accepted in the First Circuit, e.g.:

- *Flynn v. AK Peters, Ltd.*, 377 F.3d 13, 26 (1st Cir. 2004) (trademark);
- *Boston's Children First v. City of Boston*, 395 F.3d 10, 13 (1st Cir. 2005) (civil rights);
- *Burke v. McDonald*, 572 F.3d 51, 63 (1st Cir. 2009) (civil rights);
- *Hutchinson ex rel. Julien v. Patrick*, 636 F.3d 1, 13 (1st Cir. 2011) (Americans with Disabilities Act);

- *Spooner v. EEN, Inc.*, 644 F.3d 62, 66 (1stCir. 2011) (copyright);
- *Airframe Systems, Inc. v. L-3 Communications Corp.*, 658 F.3d 100, 108, 100 U.S.P.Q.2d 1133 (1stCir. 2011).

In other circuits and in noncopyright cases, ignoring a relevant factor can be abuse of discretion that will justify a remand:

- *Faraci v. Hickey-Freeman Co., Inc.*, 607 F.2d 1025, 1028 (2dCir. 1979) (“Although fee awards are a matter within the discretion of the trial judge, appellate courts will intervene when the trier omits a relevant factor from his analysis.”);
- *In re Kunstler*, 914 F.2d 505, 524 (4thCir. 1990) (“... a monetary sanction [under Federal Rule 11 of Civil Procedure] imposed without any consideration of ability to pay would constitute an abuse of discretion.”);
- *Anthuis v. Colt Industries Operating Corp.*, 971 F.2d 999, 1012 (3dCir. 1992) (ERISA case: “... we must require that, in each instance in which the district court exercises its fee-setting discretion, it must articulate its considerations, its analysis, its reasons and its conclusions touching on each of the five factors delineated in *Ursic [v. Bethlehem Mines*, 719 F.2d 670, 673 (3dCir. 1983)].”);
- *Gaeth v. Hartford Life Ins. Co.*, 538 F.3d 524, 529 (6thCir. 2008) (ERISA case: “No single factor is determinative, and thus, the district court must consider each factor before exercising its discretion.” quoting *Moon v. Unum Provident Corp.*, 461 F.3d 639, 642-643 (6thCir. 2006).);
- *Garner v. Cuyahoga County Juvenile Court*, 554 F.3d 624, 643 (6thCir. 2009) (“Without some discussion of the basis of the district court's reasoning, meaningful appellate review is impossible. We conclude that the district court's failure to address this salary information amounts to a failure to provide a ‘clear and concise explanation of its reasons for the fee award,’ and we are therefore disinclined to give the degree of deference typically afforded to a district court's calculations of fee awards. See *Gonter*, 510 F.3d [610] at 616 (citation and internal quotation marks omitted).”);
- *Saad v. GE HFS Holdings, Inc.*, 366 Fed.Appx. 593, 607 (6thCir. 2010) (“In determining the amount of attorneys' fees that is reasonable, all relevant factors shall be considered,”);
- *Simonia v. Glendale Nissan/Infiniti Disability Plan*, 608 F.3d 1118, 1121 (9thCir. 2010) (ERISA case: “We therefore hold that after determining a litigant has achieved some degree of success on the merits, district courts must still consider the *Hummell [v. S.E. Rykoff & Co.*, 634 F.2d 446, 453 (9thCir. 1980)] factors before exercising their discretion to award fees under [29 U.S.C.] § 1132(g)(1).”);

Conclusion

The old law (i.e., before *Fogerty* in 1994) routinely awarded attorney's fees to prevailing plaintiffs in copyright cases, but awarded fees to prevailing defendants only if plaintiff's claims were *unreasonable* or *baseless*. This old law protected copyright owners and thereby provided economic encouragement for authors to produce more works. This old law was reasonable, in my opinion.

The U.S. Supreme Court in *Fogerty* recognized the importance of preserving the public domain. By making it easier for prevailing defendants to be awarded attorney's fees, *Fogerty* discourages plaintiffs from litigating copyright claims, particularly when the law is unclear. Frankly, it is scary when an unsuccessful plaintiff might owe a quarter-million dollars to his attorneys and *also* owe a quarter-million dollars to opposing counsel. Very few authors can afford to take that financial risk in enforcing their copyrights under the rules of *Fogerty*. In this regard, the U.S. Supreme Court in *Fogerty* continued its assault on copyright that began three years earlier in *Feist*,⁶⁶ where the Court declared that copyright did *not* protect the mental effort ("sweat of the brow") of authors.

Worse, the Seventh Circuit now has a "very strong presumption" that a prevailing defendant will receive attorney's fees, without a reciprocal presumption for prevailing plaintiffs. I argue at page 46 above that both this presumption and the essentially nondiscretionary award of attorney's fees violate both the statute and the rules in *Fogerty*.

Copyright infringers should be aware that willful infringement is likely to motivate the judge to order the infringer to reimburse the attorney's fees of the prevailing plaintiff, as explained at page 71, above. Such attorney's fees can exceed the amount of damages that the defendant is ordered to pay plaintiff. Of course, the infringer must also pay his own attorney's fees too.

Judges have established a list of factors to be considered in awarding attorney's fees in copyright cases, but the list of factors does not produce a unique, predictable, correct answer to questions about whether to award fees or the amount of the award. Because of the lack of clear criteria in the statute and appellate opinions (e.g., *Lieb*), trial judges are inconsistent in deciding the amount of attorney's fees to award. A similar problem occurs in divorce cases, where there is a list of factors for a judge to consider in division of marital assets, and there no unique correct answer that is predictable.

⁶⁶ See, e.g., Standler, Copyright Protection for Nonfiction or Compilations of Facts in the USA, 87 pp., <http://www.rbs2.com/cfact.pdf>, (Feb 2009).

proposal

I suggest two changes to the copyright statute. First, 17 U.S.C. § 412 should be amended to delete mention of attorney's fees, because the current statute has a higher standard for copyright owners than for infringers.⁶⁷ The current statute does *not* encourage people to respect copyrights and differs from international copyright practice, where few nations register copyrights. Second, I urge that 17 U.S.C. § 505 be revised to reflect stronger rights for copyright owners:

- (a) A prevailing plaintiff in copyright cases is entitled to full reimbursement of all reasonable attorney's fees and litigation expenses incurred by plaintiff, when that defendant has been found to have willfully infringed plaintiff's copyrights.⁶⁸
- (b) A prevailing plaintiff in copyright cases shall be awarded reimbursement of reasonable attorney's fees and litigation expenses incurred by plaintiff in refuting defenses that the court found were objectively meritless, baseless, frivolous, unreasonable, or made in bad faith.
- (c) A prevailing defendant in copyright cases *may* be awarded reimbursement of reasonable attorney's fees and litigation expenses incurred by defendant, provided that defendant proves that plaintiff's claims were either objectively meritless, baseless, frivolous, unreasonable, or brought in bad faith,⁶⁹ or brought with an improper motive.⁷⁰

Aside from encouraging authors to enforce their copyrights, this proposal would also encourage guilty defendants to quickly settle litigation, to minimize fee awards to prevailing plaintiffs. Enforcing copyrights is desirable, because respect for copyrights encourages users to pay royalties to authors, which rewards authors for their work — thereby encouraging authors to produce more works.

⁶⁷ If that is not acceptable, then § 412 should be amended to say "... no award of statutory damages or of attorney's fees to a prevailing plaintiff", to avoid the misunderstanding discussed above, beginning at page 111.

⁶⁸ This proposed statute expresses the common law. See page 71, above.

⁶⁹ This proposal restores the old law in the Second Circuit, see above, beginning at page 9.

⁷⁰ See page 69, above.

Bibliography

The sources for this essay are the above-cited cases and statutes. The following is a list of law review articles on this topic.

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My most recent search for court cases on this topic was in May 2010.

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