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Winners, Losers, and Attorney's Fees: Who Pays and When?

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Winners, Losers, and Attorney's Fees: Who Pays and When?

by Jay E. Grenig

John C. Fogerty
v.
Fantasy, Inc.
(Docket No. 92-1750)

Argument Date: December 8, 1993
From: The Ninth Circuit

ISSUE

May a prevailing defendant in a copyright-infringement action recover attorney's fees under Section 505 of the 1976 Copyright Act without showing that the plaintiff's action was frivolous or brought in bad faith?

FACTS

In 1970 John Fogerty, songwriter, musician and former lead singer with the musical group Creedence Clearwater Revival, wrote a song entitled "Run Through the Jungle." He sold the exclusive publishing rights to the song to the predecessor of Fantasy, Inc. in exchange for a sales percentage and other royalties derived from the song's exploitation.

Fifteen years later Fogerty published a song entitled "The Old Man Down the Road." He registered a copyright and authorized Warner Brothers Records, Inc. to distribute it.

Alleging that "The Old Man Down the Road" was merely "Run Through the Jungle" with new words, Fantasy filed an action for copyright infringement against Fogerty, Warner, and related companies in the United States District Court for the Northern District of California. Fogerty counterclaimed, seeking rescission of the music-publishing agreements he had entered into with Fantasy's predecessors and a financial accounting.

One expert witness testified that the two songs had many notes in common. Another expert testified that the two songs were "substantially similar" and "such differences as may exist between the two melodies are insubstantial and indeed insignificant." At trial, Fogerty played his guitar and sang for the jury 65 times. The jury returned a verdict for Fogerty.

The trial court denied Fogerty's motion for more than $1,000,000 in attorney's fees. The United States Court of Appeals for the Ninth Circuit affirmed, holding that the infringement action was not frivolous or brought in bad faith so as to warrant an award of attorney's fees. *Fantasy, Inc. v. Fogerty*, 984 F.2d 1524 (9th Cir. 1993). The court explained that, in the Ninth Circuit, a prevailing defendant in litigation brought under the 1976 Copyright Act may not be awarded attorney's fees under Section 505 unless the defendant proves that the action was frivolous or was instituted and prosecuted in bad faith. The Supreme Court granted Fogerty's petition for certiorari to review this decision.

Case at a Glance

Traditionally, parties to a lawsuit in American courts pay their own legal costs and attorney's fees, win or lose. However, in exceptional cases, the losing party may be required to pay the winning party's attorney's fees, and, under the Federal Copyright Act, reasonable attorney's fees may be awarded to the winner. In this case, the Supreme Court is asked to decide whether a losing plaintiff's copyright-infringement suit must have been frivolous or brought in bad faith before a court can order the plaintiff to pay the attorney's fees of the winning defendant.

BACKGROUND AND SIGNIFICANCE

Under the so-called "American Rule," parties to a lawsuit generally pay their own attorney's fees although, in exceptional cases, attorney's fees may be awarded to the prevailing party. Fees may also be recovered by the prevailing party if recovery is authorized by statute or by agreement of the parties. Under the "British Rule," attorney's fees are generally awarded to the prevailing party. The concept underlying the British Rule is that, unless there is an award of attorney's fees to the winner of a lawsuit, the winner has not been made whole. The American Rule is premised on the policy that plaintiffs would be reluctant to vindicate their rights if, upon losing, they are required to pay the attorney's fees of the party they sued.

The attorney's fees provision of the 1976 Copyright Act, which was reenacted by Congress in substantially the same form as it appeared in the 1909 Copyright Act, gives a trial court discretion to award attorney's fees to the prevailing party in a copyright-infringement action. However, the federal courts of appeals have issued conflicting opinions on the standard to be applied in determining whether or not a prevailing defendant is entitled to attorney's fees.

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The District of Columbia, Second, and Seventh Circuits apply the Ninth Circuit's frivolous or bad-faith standard. *Video Views, Inc. v. Studio 21, Ltd.*, 925 F.2d 1010 (7th Cir. 1991); *Reader's Digest Ass'n, Inc. v. Conservative Digest, Inc.*, 821 F.2d 800 (D.C.Cir. 1987); *Roth v. Pritikin*, 787 F.2d 54 (2d Cir. 1986). The Third and Eleventh Circuits do not require proof of frivolity or bad faith as a prerequisite for awarding attorney's fees. *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151 (3d Cir. 1986); *Original Appalachian Artworks, Inc. v. McCall Pattern Co.*, 825 F.2d 355 (11th Cir. 1987).

Fogerty and Fantasy differ as to how the policies underlying the Copyright Act will be enhanced by the Supreme Court's decision in this matter. Fogerty suggests that an evenhanded attitude in awarding attorney's fees is particularly important as the business world develops "works" in such new areas of technology as electronics, computers, and biotechnology.

He focuses on the existence of competing interests, arguing that it is necessary to balance the claims of the public for widespread distribution of these works against the claims of authors and the media for trade monopolies. According to Fogerty, there is no reason why defendants who are the prevailing authors or owners of infringed works should be denied attorney's fees simply because they are labeled "defendants," while plaintiffs who are the prevailing authors and owners should be allowed to recover fees merely because they are labeled "plaintiffs."

It is Fogerty's position that anything other than an evenhanded approach in copyright-infringement cases results in a tactical windfall to plaintiffs. Fogerty points out that Fantasy refused to pay over $1.4 million in royalties admittedly owed to him until resolution of the copyright action, while causing him to incur over $1 million in fees and costs defending the action. While Fogerty had the means to withstand the economic burden, many other authors, whose interests are meant to be protected and preserved by the Copyright Act, are not so well situated.

Fantasy responds that upholding the Ninth Circuit's construction of Section 505 will encourage copyright enforcement. According to Fantasy, to assess attorney's fees against copyright plaintiffs simply because they do not prevail would substantially add to the risks inherent in most litigation and would undercut the efforts of Congress to promote the vigorous enforcement of the copyright laws. Fantasy asserts that the Ninth Circuit's construction of Section 505 enhances the predictability of copyright ownership by providing a reasonably certain benchmark for the award of attorney's fees in copyright-enforcement actions.

In deciding this case, the Supreme Court may be guided by its attorney's fees decisions in other areas. For example, in a civil rights case involving an attorney's fees statute containing language identical to that found in Section 505, the Court held that "a district court may in its discretion award attorney's fees to a prevailing defendant" only "upon a finding that the plaintiff's action was frivolous, unreasonable, or without foundation. *Christiansburg Garment Co. v. EEOC*, 434 U.S. 412 (1978).

Fogerty suggests that the justification for the *Christiansburg* standard does not apply to actions under the Copyright Act because the Act was not enacted to provide a mechanism for enforcing and vindicating individual rights. Fogerty points out that, rather than seeking to punish violations of federal law, copyright actions generally serve the purpose of clarifying the scope of the limited monopoly created by the Copyright Act. Fantasy, disagrees, contending that the American legal system does not regard bringing a losing case, without more, as the infliction of a legal wrong, particularly where a plaintiff's defeat on the merits of an otherwise reasonable claim may result from the highly complex nature of the evidence.

ARGUMENTS

For John C. Fogerty *(Counsel of Record: Kenneth I. Sidle; Gipson Hoffman & Pancione, 1901 Avenue of the Stars, Suite 1100, Los Angeles, CA 90067; telephone (310) 556-4660):*

1. Courts should not make it more difficult for prevailing defendants to obtain an award of attorney's fees than for prevailing plaintiffs.
2. Congress did not intend to adopt a dual standard for the award of attorney's fees when it enacted Section 505 of the Copyright Act.
3. The justifications for a dual standard do not apply to copyright actions that involve competing copyright claims.

For Fantasy, Inc. *(Counsel of Record: Lawrence S. Robbins; Mayer, Brown & Platt, 2000 Pennsylvania Avenue, NW, Washington, DC 20006; telephone (202) 778-0611):*

1. A prevailing defendant is entitled to attorney's fees under Section 505 of the Copyright Act only if the defendant shows that the plaintiff's lawsuit was frivolous or otherwise objectively unreasonable.
2. The dual standard in awarding attorneys fees encourages effective copyright enforcement and promotes predictability and certainty in copyright ownership.
3. By reenacting without change the attorney's fee provision of the 1909 Copyright Act, Congress ratified the well-settled judicial construction of the earlier provision, which is the standard applied by the Ninth Circuit in this case.

AMICUS BRIEFS

In Support of John C. Fogerty

Hewlett-Packard Co. *(Counsel of Record: Jonathan A. Marshall; Pennie & Edmonds, 1155 Avenue of the Americas, New York, NY 10036-2711; telephone (212) 790-9090).*

In Support of Fantasy, Inc.

Apple Computer, Inc. *(Counsel of Record: Jack E. Brown; Brown & Bain, 2901 North Central Avenue, P.O. Box 400, Phoenix, AZ 85001-0400; telephone (602) 351-8000).*