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## **THE EIGHT NUANCES OF ATTORNEY'S FEES IN A COPYRIGHT CASE**

**By: Jim Astrachan**

Anyone who practices copyright law is generally aware that courts will sometimes award attorney's fees at the conclusion of a case. This fee-shifting authority is statutory. But not every practitioner is aware of some of the interesting nuances that impact whether the court can or will award attorney's fees.

### **Nuance One:**

Under 17 U.S.C. Section 505, a prevailing party is entitled to receive an award of attorney's fees as part of an award of costs, *except as otherwise provided*. Those four words are dispositive of whether or not a court is permitted to award attorney's fees to a prevailing plaintiff. This is because they refer to the condition precedent imposed by Section 412, which requires that for a prevailing party to be eligible to receive an award of attorney's fees, it must have registered the infringed work with the copyright office prior to the commencement of the infringement (unless the registration occurs within ninety days following first publication of the work). If the infringed work is not yet published, it *must* be registered before infringement occurs in order for the prevailing party to be entitled to an award of attorney's fees.

This means that a plaintiff who starts an infringement action, and prevails, will not always be entitled to recover its attorney's fees. Likely, this pre-infringement registration requirement is added to the law because Congress desired to assure that the Library of Congress is able to amass its library with the requisite deposit copies of a work that must accompany a copyright registration. Thus, Congress provides an incentive to register, or more aptly a disincentive not to register.

### **Nuance Two:**

To be awarded attorney's fees, a party must prevail. Does this mean that if a tort claim and a copyright claim are brought together, the "prevailing party" must prevail as to each? The answer depends on in what court the litigants appear. Some

courts have allowed for full recovery if the party prevails only on the copyright claim; others require an apportionment of fees if the party prevails on the copyright claim but not the tort claim. One court even refused an award of fees when the defendant prevailed on the underlying copyright claim but lost its counterclaim.

Nuance Three:

If the plaintiff has voluntarily dismissed its copyright action, is the defendant a “prevailing party”? In 2001, the United States Supreme Court ruled that a prevailing party can only be a party that obtained its judgment on the merits or by virtue of a court-ordered consent decree – a valid reason if there ever was one to end settled copyright litigation by a carefully worded consent decree.

Last month, the Seventh Circuit Court of Appeals visited this issue, adding its own twist, in a case where the plaintiff voluntarily dismissed its copyright action. The plaintiff had brought the suit over infringing game source code and a year later asked the court to allow a voluntary dismissal, without prejudice, because it had failed to develop sufficient evidence to pursue the case. The trial court did dismiss the case, but with prejudice, and the defendant, claiming itself to be the “prevailing party” sought an award of attorney’s fees.

The trial court denied the defendant recovery of its attorney’s fees on the grounds that it was not – could not be – the prevailing party because the court, “did not in anyway pass on the merits of the litigation. . . . [t]here has been no evidence of lack of merit to [plaintiff’s] copyright infringement claims and no finding with respect to the merits of the case.” Thus, the court reasoned, that defendant was not the prevailing party.

The Court of Appeals reversed, holding that a “litigant prevails (for purposes of fee shifting statutes) when it obtains a ‘material alteration of the legal relationship of the parties.’” “A judgment in a party’s favor has such an effect,” held the court, “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.”

This is consistent with the Supreme Court’s 2001 ruling. That the plaintiff waived a white flag of surrender did not make the defendant any less a victor than it would have had it been granted summary judgment by the court.

Nuance Four, Five and Six:

In order to receive an award of attorney’s fees in a copyright case, the prevailing party need not establish, as is the case under other fee shifting statutes, that the suit was frivolous or vexatious. The courts must also treat prevailing defendants and plaintiffs equally in their quest for attorney’s fees. Finally, a prevailing party is presumptively entitled to an award of its attorney’s fees.

Nuance Seven:

The appellate courts, under Section 505 are permitted to, and do, under the right circumstances, award attorney's fees to a party that prevails in an appeal of a copyright decision.

Nuance Eight:

Perhaps the most important nuance is that, although there are some standards and presumptions that govern the award of fees, whether to award, and to what extent, is in the trial court's discretion.

From all of this some rules can be crafted:

1. If you can't recover attorney's fees bring an infringement action as a last resort unless you can prove large recoverable profits or damages or your business is on the line; without any hope of recovering your own fees, there are many bumps and twists along this road that could cause you to pay the defendant's attorney's fees;
2. Finalize settlements through consent decrees;
3. Don't be frivolous or vexatious – these cases are attorney fee magnets (and if you are vexatious and prevail, your award of fees may be substantially downgraded); and
4. Carefully consider whether to appeal; the attorney's fee bleeding may only continue.

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*James B. Astrachan is the author of The Law of Advertising, published by Matthew Bender-Lexis/Nexis.*