

Defending Swamp Rock  
Fogerty's Impact on Attorney Fee Awards in Copyright Infringement Lawsuits

Buzzy Trusiani  
University of Maine School of Law  
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## Introduction

In general, litigation is time consuming, expensive, and unpredictable. Prudent attorneys must therefore inform clients about litigation risks, which include potentially paying the prevailing party's attorney fees. Today, prevailing plaintiffs and prevailing defendants in copyright infringement lawsuits are potentially entitled to attorney fee awards, and such fees often exceed damage awards. In the 1994 case Fogerty v. Fantasy,<sup>1</sup> the Supreme Court determined what standards govern attorney fee awards to prevailing defendants in copyright infringement lawsuits. This paper will review standards governing attorney fee awards to prevailing parties before and after Fogerty. This paper hopefully will assist attorneys to better understand litigation risks.

This paper begins with a review of 17 U.S.C.A. § 505,<sup>2</sup> the provision of the 1976 Copyright Act authorizing attorney fee awards to a prevailing party in a copyright infringement lawsuit, and then compares 17 U.S.C.A. § 505 to § 706(k) of Title VII of the 1964 Civil Rights Act.<sup>3</sup> The statutes' similar wording is contrasted with their differing policy interests that ultimately shape the Supreme Court's rationale in its Fogerty decision. This paper examines the pre-Fogerty circuit courts' split regarding

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

2. Section 505 states in full: "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 in 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.A. § 505.

3. Section 706(k) provides in full: "in any action or proceeding under this title the court, in its discretion, may allow the prevailing party, other than the Commission or the United States, a reasonable attorney's fee as part of the costs, and the Commission and the United States shall be liable for costs the same as a private person." 78 Stat. 261, 42 U.S.C. § 2000e-5(k).

17 U.S.C.A. § 505. It then analyses Fogerty, focusing on the Court’s rationale for adopting an “evenhanded” approach to attorney fee awards in copyright infringement suits. This paper concludes with a post-Fogerty review of the 2004 Seventh Circuit Assessment Technologies v. Wiredata, Inc.<sup>4</sup> decision that refined the Fogerty holding.

### **Statutory Provisions**

Section 505 of the 1976 Copyright Act provides in relevant part that in a copyright infringement suit “the court may . . . award a reasonable attorney’s fee to the prevailing party as part of the costs.”<sup>5</sup>

Section 706(k) of Title VII of the 1964 Civil Rights Act provides in relevant part: “in any action or proceeding under this title the court, in its discretion, may allow the prevailing party . . . a reasonable attorney's fee.”<sup>6</sup>

These two provisions are similar in wording. One strictly adhering to the plain meaning of the statutes likely would conclude that the standards courts use to govern Title VII suits should also govern § 505 suits. However, as we will see, the Supreme Court has interpreted these similarly worded statutes in different ways.

In Christiansburg Garment Co. v. E.E.O.C.,<sup>7</sup> the Supreme Court held that

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4. Assessment Technologies of WI, LLC, v. Wiredata, Inc., 361 F.3d 434 (7<sup>th</sup> Cir. 2004)

5. 17 U.S.C.A. § 505.

6. 42 U.S.C.A. § 2000e-5(k).

7. Rosa Helm filed a racial discrimination charge against Christainsburg Garment Company. She subsequently dropped the matter after the Equal Employment Opportunity Commission informed her that its conciliation efforts had failed. Two years later, after Congress amended Title VII, the Commission sued Christiansburg Garment, alleging that it had engaged in unlawful employment practices under the amended Act. The company was granted summary judgment by the District Court and subsequently sought reasonable attorney fees under § 706(k) of Title VII. The District Court found that an attorney fee award was not warranted because the plaintiff’s suit could not be characterized as “unreasonable or meritless.” A divided Ninth Circuit Court of Appeals affirmed. Christiansburg Garment Co., v. Equal Employment Opportunity Commission, 434 U.S. 412, 414-415 (1978).

prevailing defendants and prevailing plaintiffs in Title VII cases should be treated differently regarding attorney fee awards. The Court noted: “It is the general rule in the United States that in the absence of legislation providing otherwise, litigants must pay their own attorney’s fees.”<sup>8</sup> The Court established that under § 706(k) of Title VII a “prevailing *plaintiff* ordinarily is to be awarded attorney’s fees in all but special circumstances.” It highlighted that plaintiffs in Title VII cases, similar to plaintiffs in Title II cases, are acting as private attorneys general and are often individuals challenging large organizations. The court viewed this as a “David v. Goliath” situation, and sought to empower smaller and weaker plaintiffs challenging bigger and stronger defendants. The issue was whether prevailing Title VII defendants should be held to a higher attorney fee award standard, and the Court affirmatively concluded that a “dual standard” should be adopted. The Court held that “a district court may in its discretion award attorney’s fees to a prevailing defendant in a Title VII case upon a finding that the plaintiff’s action was frivolous, unreasonable, or without foundation, even though not brought in subjective bad faith.”<sup>9</sup>

The Christainsburg decision was extended by some circuit courts, which held that a “dual standard” should govern attorney fee awards in copyright infringement suits as well as Title VII suits because the language of the two statutes is so similar.<sup>10</sup> However, other circuit courts rejected the “dual standard” approach in favor of an “evenhanded” approach. Circuit courts favoring an “evenhanded” approach argued that policy interests

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8. Id. (citing Alyeska Pipeline Co., v. Wilderness Society, 421 U.S. 240 (1975)).

9. Id. (citing Newman v. Piggie Park Enterprises, 390 U.S. 400 (1968)).

10. See Video Views, Inc. Studio 21, Ltd., 925 F.2d 1010, 1022 (1991).

served by copyright law differ substantially from civil rights law and that the meaning of the statutes should be construed with these policies in mind.<sup>11</sup> These circuit courts argue that copyright infringement lawsuits are often the reverse of Title VII lawsuits because plaintiffs are often heavy hitters challenging smaller and weaker defendants. Therefore, defendants may need the added protection that prevailing attorney fee awards provide by creating incentives for attorneys to bear the expenses required to represent smaller and weaker defendants.<sup>12</sup>

### **“Dual Standard” Approach**

The pre-Fogerty “dual standard” approach was articulated by the Second Circuit in Diamond v. Am-law Publishing Corp.<sup>13</sup> In Diamond, an attorney alleged that a magazine editor wrongfully misappropriated his copyrighted letter to the editor by publishing an edited version of it after the attorney had specifically instructed the magazine to only publish it unedited. The United States District Court for the Southern District of New York granted summary judgment for the defendant magazine, and the lawyer, John Diamond, appealed. On appeal, the Second Circuit held that the magazine’s publishing of a “substantial excerpt” from the lawyer’s letter did not violate copyright law despite the lawyer’s demands because the editing did not unfavorably portray the letter or mislead the public.<sup>14</sup>

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11. See Sherry Manufacturing Co. v. Towel King of Florida, Inc., 822 F.2d 1031, 1034-1035 (CA11 1987).

12. See Cohen v. Virginia Electric & Power Co., 617 F. Supp 619, 622 (1985).

13. Diamond v. Am-law Publishing Corp., 745 F. 2d 142 (1984).

14. Id. at 144-146.

The Court stated that “a distinction exists between the award of fees to a prevailing plaintiff and an award to a prevailing defendant.”<sup>15</sup> The Court found that a prevailing defendant should not be awarded attorney fees when a plaintiff puts forth a “colorable claim” because such fee awards would provide a disincentive for plaintiffs to enforce their rights under the copyright law.<sup>16</sup> The Court held that *only* when a plaintiff’s claims are “objectively without arguable merit” *may* (not shall) a prevailing defendant recover its attorney fees.<sup>17</sup> The Court articulated that one of the purposes of § 505 is to deter infringement of valid copyrights. Providing prevailing plaintiffs with general access to fee awards serves the policy of deterrence, and providing fees to prevailing defendants would diminish a plaintiff’s incentive to bring infringement actions.<sup>18</sup>

#### **“Evenhanded” Approach**

In contrast, the pre-Fogerty “evenhanded” approach was articulated by the Third Circuit in Lieb v. Topstone Industries, Inc.<sup>19</sup> In Lieb, the plaintiff created, produced, and copyrighted a recording of Halloween sounds titled, “Haunted Horror.” The plaintiff then entered into an exclusive distribution agreement with the defendant, who later terminated the agreement and began producing a similar product titled, “Horror Sounds

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15. Id. at 148.

16. Id.

17. Id.

18. Id.

19. Lieb v. Topstone Industries, Inc., 788 F.2d 151, 153 (1986). See, also, Sherry Manufacturing Co. v. Towel King of Florida, Inc., 822 F.2d 1031, 1034-1035 (1987).

of the Night.” Plaintiff filed a complaint in the United States District Court for the District of New Jersey sounding in copyright infringement, breach of contract, and bad faith. Plaintiff admitted during discovery that he was not alleging that any portion of the defendant’s recording was copied from his own, therefore defendant moved for summary judgment. The District Court granted summary judgment for the defendant, and the Third Circuit remanded, providing factors by which the District Court could determine if an attorney fee award was appropriate.<sup>20</sup>

The Third Circuit found requiring bad faith by the losing party in a copyright infringement lawsuit prior to allowing an attorney fee award unduly restricts judicial discretion under the statute. The Court stated, “Finding no indication either in statutory language or legislative history that bad faith should be a prerequisite to a fee award, we decline to so limit the conditions under which an assessment may be made.” The Court also refused to “accept the double standard for plaintiffs and defendants.”<sup>21</sup>

The Court argued for an “evenhanded” approach and set forth a list of non-exclusive factors by which a trial court *may* determine if an attorney fee award is appropriate. These factors include, but are not limited to: (1) frivolousness, (2) motivation, (3) objective factual and/or legal unreasonableness, (4) deterrence and, (5) the need to compensate the prevailing party.<sup>22</sup>

In Cohen v. Virginia Electric & Power Co., the United States District Court for the Eastern District of Virginia articulated the policy interest served by an “evenhanded”

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20. Id. at 155.

21. Id.

22. Id. at 156.

approach.<sup>23</sup>

The Court stated:

Nor am I persuaded that a distinction should be made in an award because there is some need to encourage plaintiffs to file suit which differs in public benefit from a need to encourage defendants to defend suits. Copyright laws are not intended for the benefit of prospective plaintiffs. Who may be a plaintiff and who may be a defendant doesn't define the difference between good guys and bad guys. Nor can we assume that plaintiffs are inherently impecunious while defendants have deep pockets. Entities which sue for copyright infringement as plaintiffs can run the gamut from corporate behemoths to starving artists; the same is true of prospective copyright infringement defendants. Nor can it be argued on any principled ground that society is better off when a plaintiff files and wins a copyright infringement suit than when a defendant defends and wins a copyright infringement suit. Indeed, if there is any difference between the two we must remember that it wasn't the defendant who chose to litigate.<sup>24</sup>

The Cohen policy argument will play an important role in the Supreme Court's Fogerty decision, as it will counter the argument favoring a "dual standard" approach.

### **Fogerty**

Swamp rock innovator John Fogerty wrote songs for, and was the lead singer of, Creedence Clearwater Revival, CCR. He wrote the song "Run Through the Jungle" in 1970 and sold the exclusive publishing rights to it. Fantasy, Inc. later purchased the copyright to the song by assignment. CCR broke up in 1972, and Fogerty began publishing under a different recording label. In 1985, Warner Bros. Records released an

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23. Cohen v. Virginia Electric & Power Co., 617 F.Supp. 619 (1985).

24. Id. at 622-623.

album containing the song, “The Old Man Down the Road” that was produced and copyrighted by Fogerty. Fantasy claimed in District Court that “The Old Man Down the Road” was simply “Run Through the Jungle” with different words, thus infringing Fantasy’s valid copyright assignment. The case went to trial and the jury returned a verdict for Fogerty. Fogerty then moved for reasonable attorney's fees under 17 U.S.C.A. § 505. The District Court found in favor of Fantasy because its cause of action was not brought frivolously or in bad faith. The Ninth Circuit Court of Appeals affirmed.<sup>25</sup>

The Supreme Court granted certiorari in Fogerty<sup>26</sup> to resolve the circuit courts’ split regarding the “dual standard” approach, employed by the Ninth, Seventh, Second, and DC Circuits, and the “evenhanded” approach, employed by the Third, Fourth, and Eleventh Circuits. Chief Justice Rehnquist delivered the opinion of the Court.

The Court identified the circuit courts’ split as follows:

Under that standard, commonly termed the “dual” standard, prevailing plaintiffs are generally awarded attorney's fees as a matter of course, while prevailing defendants must show that the original suit was frivolous or brought in bad faith. In contrast, some Courts of Appeals follow the so-called “evenhanded” approach in which no distinction is made between prevailing plaintiffs and prevailing defendants.<sup>27</sup>

The Court next identified respondent Fantasy’s three arguments in favor of adopting a “dual standard”: (1) the language of § 505 supports adopting a dual standard, as in Christiansburg; (2) treating prevailing plaintiffs and prevailing defendants differently is in keeping with the Copyright Act’s “objectives” and “equitable

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25. Fogerty v. Fantasy, 984 F.2d 1524 (CA 9 1993).

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

27. Id. at 520-521.

considerations”; and (3) the legislative history of § 505 illustrates that Congress intended to ratify the “dual standard” when it enacted the 1976 Copyright Act because at the time that Congress passed the Copyright Act the “dual standard” was “uniformly” followed by lower courts.<sup>28</sup>

The Court addressed and rejected each of Fantasy’s arguments. First, the Court distinguished Christiansburg and argued that under the Civil Rights Act Congress sought to enforce its policy objectives through empowering plaintiffs to act as “private attorney[s] general”<sup>29</sup> The Court argued that the goals and objectives of the Copyright Act are “not completely similar” to those of the Civil Rights Act.<sup>30</sup> The Court analyzed the primary objective of the Copyright Act and quoted the Cohen Court’s argument that generalizations regarding the wealth and power of copyright plaintiffs versus copyright defendants are ill advised.<sup>31</sup>

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28. Id. at 522.

29. Id. at 523.

30. The Court stated:

The goals and objectives of the two Acts are likewise not completely similar. Oftentimes, in the civil rights context, impecunious “private attorney general” plaintiffs can ill afford to litigate their claims against defendants with more resources. Congress sought to redress this balance in part, and to provide incentives for the bringing of meritorious lawsuits, by treating successful plaintiffs more favorably than successful defendants in terms of the award of attorney's fees. Id. at 524.

31. The Court stated:

The primary objective of the Copyright Act is to encourage the production of original literary, artistic, and musical expression for the good of the public. The Court then cites Cohen: In the copyright context, it has been noted that “[e]ntities which sue for copyright infringement as plaintiffs can run the gamut from corporate behemoths to starving artists; the same is true of perspective copyright infringement defendants.” Id.

The Court found little in the way of § 505 legislative history, nor did the Court agree with Fantasy that the “dual standard” was uniformly adopted by lower courts.<sup>32</sup>

The Court reminded Fantasy that Congress could not have been aware of the “dual standard” set forth in Christiansburg in 1978 because the Copyright Act was passed in 1976.<sup>33</sup>

The Court analyzed the Copyright Act’s underlying policy and stated:

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.<sup>34</sup>

Next, the Court turned its attention to the petitioner Fogerty’s argument that the Court should adopt the British Rule<sup>35</sup> to determine when attorney fee awards are appropriate in copyright infringement suits. The Court found two reasons to reject the British Rule. First, the plain meaning of § 505 supports maintaining fee award decisions within the discretionary power of trial courts.<sup>36</sup> Second, all statutes must be read against

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32. Id. at 531.

33. Id. at 523.

34. Id. at 527.

35. The British Rule is a rule such that attorney fees are routinely awarded to prevailing plaintiffs and prevailing defendants unless “exceptional circumstances” are present. Id. at 533.

36. The statute states that the court “may” make an award, not that it “shall” make an award. Id.

the general American Rule.<sup>37</sup>

The Court held that prevailing plaintiffs and prevailing defendants in copyright infringement lawsuits should be treated equally under § 505. The Court held fee award decisions within trial courts' discretionary power, stating there is "no precise rule or formula" for making fee award determinations. Therefore, trial courts should use their equitable power "in light of the considerations we have identified."<sup>38</sup> Lastly, in a footnote, the Court cited the Lieb factors to further guide trial courts.<sup>39</sup>

### **The 2004 Assessment Technologies Decision**

In 2004, the Seventh Circuit refined the Fogerty attorney fee award holding in Assessment Technologies of WI, LLC, v. Wiredata, Inc.<sup>40</sup> In Assessment Technologies, the Seventh Circuit reversed a judgment for the plaintiff in a copyright lawsuit because after reviewing copyright law policy and the Lieb factors set forth in Fogerty, it found two factors determinative when awarding attorney fees.<sup>41</sup> First, the strength of the

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37. The American Rule is a rule such that "unless Congress provides otherwise, parties are to bear their own attorney's fees. Id. (citing Alyeska Pipeline Co., v. Wilderness Society, 421 U.S. 240 (1975)).

38. Id. at 534.

39. "These factors include: frivolousness, motivation, objective unreasonableness (both in factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." Id. at 535. (citing Lieb v. Topstone Industries, Inc., 788 F.2d 151, 156 (1986)).

40. The Seventh Circuit describes the case as an ". . . 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; the owner is trying to secrete the data in its copyrighted program-- a program the existence of which reduced the likelihood that the data would be retained in the form in which they would have been readily accessible. It would be appalling if such an attempt could succeed." Assessment Technologies of WI, LLC, v. Wiredata, Inc., 361 F.3d 434, 435 (7<sup>th</sup> Cir. 2004).

41. Id. at 436.

prevailing party's case must be determined. Second, the amount of damages or other relief the prevailing party obtained must be determined.<sup>42</sup> If, for example, a case is a close call for the court or the amount of an award is substantial, then there is no "urgent need" for an attorney fee award. On the other hand, if the claim or defense was without merit or the prevailing party obtained no benefit from its victory, then awarding attorney fees is appropriate.<sup>43</sup>

The Court stated:

[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 . . . 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.<sup>44</sup>

This refinement of the Fogerty holding by the Seventh Circuit may result in far more copyright infringement settlement agreements.<sup>45</sup> This refinement allows an individual with a minimal monetary loss or the need for injunctive relief to enlist the services of an attorney willing to take the case on a contingency basis knowing that in addition to the small potential contingency fee a substantial attorney fee award may be granted.

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42. Id.

43. Id.

44. Id. at 437.

45. See Id.

## **Conclusion**

The copyright attorney fee award standard continues to evolve. Prudent attorneys should recognize that an evolving fee award standard creates a heightened level of uncertainty in copyright infringement litigation. This added uncertainty should compel attorneys to fully inform their clients about potentially having to pay their opponent's attorney fees.

Prudent attorneys will proceed with caution and carefully assess the merits of both claims and defenses. Heavy handed negotiations and/or bluffing do not seem to be an option available to plaintiffs to the extent that they may have been in the past, and subjective good faith is not enough to insulate a plaintiff from a potential fee award. Only the strongest of cases should be brought, and defense counsel in such circumstances should know enough to settle.

A plaintiff's attorney must analyze the potential cause of action for its objective merit and also investigate the client's subjective intention for suing. Is the client trying to improperly put economic pressure on a smaller and weaker competitor? Are the two potential adversaries related in any way? Do they have past dealings that went sour? Simply put, why does the client want to sue? What benefit will the client receive? The client's motivation must be closely examined, and the client must be fully informed about the litigation risks involved. Attorneys should ask these questions prior to any litigation, however the evolving copyright fee award standard makes taking these precautions that much more important.

Similarly, a defendant's attorney must engage in an investigation that includes both objective and subjective analysis. What has the defendant been doing? Should the

defendant cease and desist? Is the defendant a heavy hitter taking advantage of a smaller and weaker plaintiff? What benefit is the defendant receiving by his current conduct? Again, the client's motivation must be closely examined, and the client must be fully informed about the litigation risks involved.

Litigation is time consuming, expensive, and unpredictable and should be avoided whenever a reasonable settlement agreement can be achieved. However, this is easier said than done because we simply do not live in an ideal world. People often times become overly invested in their creative works both personally and monetarily, and this level of investment can at times lead people to make poor decisions. At these times, when a client is not necessarily acting in his best interest, a prudent attorney will explain the significance of the copyright attorney fee award standard. Fee awards are expensive, and money talks. Clients are likely to listen closely when informed that an adverse fee award judgment is a potential result of litigation.

Lastly, it will be interesting to see how the Seventh Circuit's Assessment Technologies decision plays out over the next few years. Will other circuits adopt this approach? Will a presumption in favor of fee awards develop? If so, this could greatly enhance the power of smaller players, such as small time documentary filmmakers, to work out deals with holders of copyrighted materials.

Small time documentary filmmakers often choose not to use copyrighted materials in their films for fear of being sued by the holder of the copyright. If attorneys begin defending these filmmakers and winning fee awards, then the major holders of copyrighted materials will take notice. This could have a very significant impact upon the market for copyrighted material. Although analyzing this market impact is beyond

the scope of this paper, common-sense points toward a simple conclusion. The more power a documentary filmmaker has to enforce his rights, for example under the fair use doctrine,<sup>46</sup> the more likely a copyright holder will consent to the use of the copyrighted material. Providing defendants, the documentary filmmaker using the copyrighted material and claiming a fair use defense, with a presumption in favor of a fee award will greatly increase the power of documentary filmmakers so long as the documentary is a not-for-profit endeavor. If a documentary filmmaker's attorney is able to use Assessment Technologies to "educate" a copyright holder's attorney about the changing nature of the copyright law's attorney fee award provision, then this could radically alter their discussions in favor of the filmmaker.

Time will tell whether a presumption in favor of fee awards is adopted.

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46. 17 U.S.C.A. § 107.