

Defendant's Attorney's Fees

Copyright Infringement Cases Impose New Duties on Litigators to Evaluate Cases and Inform Clients Before Filing

BY TREVOR ROE

Recent copyright infringement litigation involving major parties such as the television show *South Park* and the rock group Green Day has resulted in major awards of attorney's fees for the defendants.¹ In the case of Green Day, the plaintiff, an independent artist, was ordered to pay nearly \$200,000 in fees and costs to the defendants.² Similarly, in the case of *South Park*, a viral video copyright owner was ordered to pay over \$30,000.³ Despite these large awards, the plaintiffs in these cases did not act frivolously or capriciously in bring these actions.⁴

This article suggests that new case law imposes a greater duty on plaintiffs' lawyers prior to and after accepting copyright infringement cases. Plaintiffs' lawyers need to discuss with their clients the possibility and likelihood of a defendant's attorney's fees award, the strength of both the plaintiff's and defendant's cases, and the expected value of the case as compared to the potential liability. As defendant's attorney's fees are being awarded more liberally than ever before, litigators must prepare and inform their clients in order to avoid possible malpractice actions in the future.

In copyright infringement actions, 17 U.S.C. § 505 allows federal courts to "award a reasonable attorney's fee to the prevailing party as part of the costs."⁵ Federal circuits split on how to interpret this statute as it applied to a defendant's entitlement to attorney's fees, leading the U.S. Supreme Court to take up the issue in *Fogerty v. Fantasy, Inc.*⁶ In *Fogerty*, the court held that "[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."⁷ The court left the issue of how precisely to evaluate individual cases open to the "equitable discretion" of the lower courts.⁸ Subsequent cases used the *Lieb v. Topstone Industries, Inc.*, balancing test for determining the defendant's right to attorney's fees.⁹ The *Lieb* test required an evaluation of the "frivolousness, motivation, [and] objective unreasonableness" of the plaintiff's case.¹⁰

Recent decisions have awarded defendant's attorney's fees without any type of culpability on the part of the plaintiff.¹¹ The court in *Seltzer v. Green Day, Inc.*, held that defendant's attorney's fees should be awarded when "the successful defense furthered the goals of the Copyright Act."¹² *Brownmark Films LLC v. Comedy Partners* went further, holding "the presumption in favor of awarding fees to a prevailing defendant is 'very strong.'"¹³

Evaluation of the potential case of a client always requires a risk-versus-reward analysis. However, in copyright infringement cases, ethics rules and potential liability will now require a further analysis to determine whether the client and the firm are able to take on such an action. The necessity of informing the clients of their potential cost in litigating the action is now compounded by the likelihood of paying the defendant's litigation costs as well, in the event of a negative result. This possible

liability also affects the value of the potential case. A law firm must be sensitive to these considerations going forward in order to protect both the firm and the client.

DUTY TO INFORM THE CLIENT

The American Bar Association's Model Rules of Professional Conduct (ABA Model Rules) require an attorney to explain matters as "reasonably necessary to permit the client to make informed decisions regarding the representation."¹⁴ Further, this means a lawyer "should explain the general strategy and prospects of success and ordinarily should consult the client on tactics that are likely to result in significant expense."¹⁵ In light of these duties, and the holdings in the *Seltzer* and *Brownmark* cases, attorneys are facing an even more pressing burden to inform the client of the possibility of an award of attorney's fees to the opposing party.¹⁶

In *Seltzer*, the plaintiff's dramatic image entitled "Scream Icon" was used briefly in a video backdrop during live performances by the defendant, rock group Green Day.¹⁷ The defendant's set designer altered the color, background, and contrast of "Scream Icon," as well as inserting a red spray-painted cross over the image.¹⁸ The court found that the band's alteration and display of the image was a fair use.¹⁹ In ruling on the defendant's motion for attorney's fees, the court first discussed the *Lieb* factors as highlighted in *Fogerty*.²⁰ While frivolousness, motivation, and objective unreasonableness are balancing factors of the *Lieb* test, the court here chose to look at another factor: the need "to advance considerations of compensation and deterrence."²¹ As the Supreme Court in *Fogerty* explicitly stated that blameworthiness should not be a prerequisite to a fee award,²² the *Seltzer* court chose to look at whether the defense "furthered the goals of the Copyright Act."²³

While the court examined the intricacies of the fair use defense, the court noted that a defendant's willingness to defend its actions was of utmost importance in consideration of an attorney's fees award. "[T]he fair use defense of the video backdrop and . . . live performance implicated the ultimate interests of copyright and should be encouraged."²⁴ Therefore, despite the plaintiff's reasonable belief that one of his exclusive rights in his copyrighted work was infringed, the fact that the defendant was willing to preserve its use of the image, which was equally entitled to protection, was important to the furtherance of the copyright system.

While not taking up a large portion of its analysis, the court noted that the defendant prevailed on the merits, rather than on a technical defense.²⁵ There was no declaration of bad faith by the plaintiff at any point by the court; however, the court did believe that the plaintiff was unreasonable to not interpret the defendant's use of "Scream Icon" as highly transformative.²⁶ Despite this belief, the court's statements indicate that the

plaintiff's action hindered the creativity of the defendant—in contradiction to the fundamental purpose of copyright—and the defendant was entitled to an award of nearly \$200,000 in attorney's fees.²⁷

In *Brownmark*, defendant Comedy Partners created a parody of the plaintiff's music video entitled "What What (In the Butt)."²⁸ The defendant's television program *South Park* included a 58-second music video using the musical composition and similar imagery from the plaintiff's own music video.²⁹ The music video was contained within the storyline of an episode of the *South Park* series.³⁰ The court found that the defendant's use of the musical composition and imagery were protected as fair use.³¹

THE ATTORNEY'S DILIGENCE IN CASE EVALUATION CAN MAKE A GREAT DIFFERENCE IN KEEPING THE CLIENT INFORMED AND SATISFIED.

Upon reviewing the defendant's motion for attorney's fees, the court noted that "the presumption in favor of awarding fees to a prevailing defendant is 'very strong.'"³² As in *Seltzer*, the court here looked first to the *Lieb* factors. The court did not believe that the plaintiff acted in bad faith, but rather unreasonably failed to evaluate the defendant's case and possible defense.³³ The court noted the plaintiff's decision to wait two years to file suit, its threats to sue the defendant, the defendant's rebuffs of such threats, and the goal of deterrence in its decision to award the defendant its attorney's fees.³⁴ The court also stated that free speech was a concern it wanted to protect,³⁵ in the same manner that the *Seltzer* court believed the promotion of useful arts in the public good was necessary for its award of attorney's fees.³⁶ *Brownmark* was ordered to pay the defendant's attorney's fees totaling over \$30,000.³⁷

Based upon the foregoing cases, courts are looking more at a plaintiff's choice to sue and what considerations were made to reach that conclusion. Any successful defendant is likely to further the goals of the Copyright Act, as fair use and other defenses are protected actions that serve to promote the useful arts in the public good. Therefore, the plaintiff's lawyer now has a greater duty to look at the possible litigation strategy of both its side and the defendant's in order to make a sufficient determination as to whether to pursue the claim.

Per the ABA Model Rules stated above, the lawyer has the duty to inform his or her client regarding the possible costs and liability associated with the action. Considering this recent case law, courts are awarding defendant's attorney's fees in copyright actions more readily, leading to a greater possibility of such an award.³⁸ Clients must be warned of the possibility that liability could be in the thousands of dollars or more. This consideration is extremely important for small plaintiffs, like those in *Brownmark* and *Seltzer*, whose assets and/or ability to shoulder such a burden is too great.

A strategy for the litigation also needs to be discussed. The *Brownmark* court stated that unreasonableness of a plaintiff, and basis for liability, could stem from a failure to reasonably consider the defendant's possible defenses.³⁹ In both *Seltzer* and *Brownmark*, fair use defenses prevailed over the plaintiff's claims of infringement.⁴⁰ Litigators must first evaluate the defendant's actions, and whether such acts could constitute a valid defense. This may require a greater analysis than previously needed, but is necessary to fulfill the attorney's ethical obligation. Then, the lawyer needs to inform the client of the possible defense and the likelihood of an attorney's fees award in the event of a negative result. As evidenced by *Seltzer* and *Brownmark*, the discretion of the court allows a fee award in any case where the plaintiff did not conduct a thorough evaluation prior to filing the infringement action. Therefore, the attorney's diligence in case evaluation can make a great difference in keeping the client informed and satisfied, without being subject to an overwhelming financial burden in the event of a foreseeable negative case result.

Consequently, a conversation with a potential client bringing an infringement action must reasonably inform any plaintiff of the defendant's likely defenses, the likelihood of the defendant's success, and the potential liability in the event of a negative result.

VALUING THE CASE

Case value also must be a consideration when deciding whether to bring a copyright infringement action. Scholars have posited that *Fogerty* would lead to a reduction in filing of infringement actions due to the inability and/or unwillingness of a plaintiff to be exposed to a fee award in a close case.⁴¹ Prior to *Fogerty*, a plaintiff had little, if any, unrecoverable costs, as an award of attorney's fees would complement a successful result in any given case. Presently, especially in light of the *Seltzer* and *Brownmark* cases, a defendant's attorney's fees award is more likely than ever. Therefore, a plaintiff must recognize not only a possibility of failure, but also a liability in terms of costs to the defendant.

For example, if a plaintiff's case has a potential value of \$100,000, and a 25 percent chance exists of losing the case, the plaintiff's expected value from the case is reduced to \$75,000, without a consideration of the plaintiff's attorney's fees and costs. The possibility of the defendant's attorney's fees being awarded further reduces this value. As the likelihood of losing rises directly with the plaintiff's costs, the case value will eventually reach a point at which the expected value is not worth the expense in bringing the action. This should weigh considerably into the attorney's consultation with the client and the choice whether to bring the action.

It is important to note that both the *Seltzer* and *Brownmark* courts looked at the ability of each plaintiff to pay the defendant's fees and costs.⁴² In determining what was within the court's discretion, the *Seltzer* court considered "whether the chilling effect of attorney's fees may be too great or impose an inequitable burden on an impecunious plaintiff."⁴³ Despite this statement, the court felt that the defendant's attorney's fees were reasonable and ordered the plaintiff artist to pay approximately \$200,000 in fees and costs.⁴⁴ There was no indication that *Seltzer* ever gained any commercial success with his art, nor was he anything other than an independent artist.⁴⁵ Therefore, from the court's insistence on furthering the goals of the Copyright Act, the fact that the court imposed such a heavy burden on

Seltzer should not lead plaintiffs to expect a reduction in fees or consider such a reduction in valuing a potential case.⁴⁶

The *Brownmark* court was much more willing to acknowledge the plaintiff's inability to pay the fees of corporate giants such as MTV Networks and Viacom.⁴⁷ Although the defendant requested over \$46,000 in fees, the court reduced the fees to nearly \$31,000.⁴⁸ Additionally, the court requested *Brownmark* to submit documentation of its assets and ability to pay—in order to assess whether the final fee determination would be reduced even further.⁴⁹

Despite the differences between the *Seltzer* and *Brownmark* evaluations of the plaintiff's ability to pay, the court's discretion to make such an award can lead to unpredictable amounts of which an attorney can use to value a case. Therefore, litigators should not expect a reduction in fees submitted by a successful defendant, but must prepare and inform the client sufficiently as to the possibility and whether to proceed.

Case valuation is an important tool in a plaintiff lawyer's evaluation of each case and determining whether a risk-versus-reward analysis weighs in favor of filing an action on behalf of the client.

CONCLUSION

While the *Seltzer* and *Brownmark* decisions focus upon law dating back to 1993 in *Fogerty*, awards of defendant's attorney's fees in copyright infringement cases are becoming more common than ever. Where the court believes that the defendant was proper in defending its rights in furtherance of the Copyright Act, the trend is toward awarding defendant's fees and costs. Plaintiff's actions, no matter how reasonable, still leave open the possibility of a large fee award. Therefore, plaintiff's lawyers must be prepared when meeting with a client, by evaluating any infringement action beforehand, including the defendant's possible defenses. This will allow the litigator to properly value the case and inform the plaintiff of possible liability and strategy prior to entering into a representation relationship. These actions may also help to prevent a malpractice action in the future. ♦

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ENDNOTES

1. See *Brownmark Films LLC v. Comedy Partners*, No. 10-CV-1013, 2011 WL 6002961, at *7 (E.D. Wis. Nov. 30, 2011); *Seltzer v. Green Day, Inc.*, No. CV 10-2103 PSG, 2011 WL 5834626, at *2 (C.D. Cal. Nov. 17, 2011).

2. *Seltzer*, 2011 WL 5834626, at *10.

3. *Brownmark*, 2011 WL 6002961, at *7.

4. See *id.*; *Seltzer*, 2011 WL 5834626, at *2.

5. 17 U.S.C. § 505 (2011).

6. 510 U.S. 517 (1994).

7. *Id.* at 534.

8. *Id.*

9. See, e.g., *Warren Publ'g Co. v. Spurlock*, No. 08-3399, 2010 WL 760311, at *2 (E.D. Pa. Mar. 3, 2010).

10. *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (3d Cir. 1986).

11. See *Brownmark Films LLC v. Comedy Partners*, No. 10-CV-1013, 2011 WL 6002961, at *7 (E.D. Wis. Nov. 30, 2011); *Seltzer v. Green Day, Inc.*, No. CV 10-2103 PSG, 2011 WL 5834626, at *2 (C.D. Cal. Nov. 17, 2011).

12. *Seltzer*, 2011 WL 5834626, at *1.

13. *Brownmark*, 2011 WL 6002961, at *6.

14. MODEL RULES OF PROF'L CONDUCT R. 1.4(b) (2011).

15. *Id.* R. 1.4(b) cmt.

16. See *Brownmark*, 2011 WL 6002961, at *1; *Seltzer*, 2011 WL 5834626, at *1.

17. *Seltzer*, 2011 WL 5834626, at *1.

18. *Id.*

19. *Id.* at *2.

20. *Id.*

21. *Id.*

22. See *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 558 (1994).

23. *Seltzer*, 2011 WL 5834626, at *1.

24. *Id.* at *5.

25. *Id.*

26. See *id.* at *6.

27. *Id.* at *10.

28. *Brownmark*, 2011 WL 6002961, at *1.

29. *Id.*

30. *Id.*

31. *Id.* at *2.

32. *Id.* at *6 (quoting *Assessment Techs. of Wis., LLC v. WIREData, Inc.*, 361 F.3d 434, 436 (7th Cir. 2004)).

33. See *id.* at *6-7.

34. *Id.*

35. *Id.* at *7.

36. See *Seltzer*, 2011 WL 5834626, at *5.

37. *Brownmark*, 2011 WL 6002961, at *7.

38. See *id.*; *Seltzer*, 2011 WL 5834626.

39. *Brownmark*, 2011 WL 6002961, at *7.

40. See *id.* at *1; *Seltzer*, 2011 WL 5834626, at *1.

41. See Paul Marcus, David Nimmer & Lionel Sobel, *Forum on Attorney's Fees in Copyright Cases: Are We Running Through the Jungle Now, or Is the Old Man Stuck Down the Road?*, 19 ENT. L. REP. 1 (1997).

42. See *Brownmark*, 2011 WL 6002961, at *7-9; *Seltzer*, 2011 WL 5834626, at *7-10.

43. *Seltzer*, 2011 WL 5834626, at *2 (quoting *Ets-Hokin v. Skyy Spirits Inc.*, 323 F.3d 763, 766 (9th Cir. 2003)).

44. *Id.* at *10.

45. *Id.* at *1.

46. See *id.* at *2.

47. See *Brownmark*, 2011 WL 6002961, at *7-10.

48. *Id.* at *9.

49. *Id.*