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Intellectual Property

Fee Shifting in Copyright Cases: A Close Look at 'Beastie Boys'

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July 21, 2015

One of the hardest questions a lawyer gets from a client is also one of the most common: "Should I sue?" The answer may have surprisingly little to do with the merits of the potential action. No matter how good a legal claim may be, the likely outcome has to be discounted by the costs of securing it. Clients often point out that their legal rights are merely symbolic if they cannot be enforced. But when enforcement means going to court (or at least threatening it) the costs can be substantial. Litigation can be disruptive, unpredictable, expensive and even emotionally draining. If those costs are not offset by the probable award, what is the legal right really worth? Maybe not much.

Different areas of the law deal with this problem in different ways. In some cases, for example, the government may step in with regulation to protect rights that would be too expensive to enforce through private litigation. In others, class or collective actions can spread the costs of enforcement among multiple plaintiffs. But the intellectual property laws—including the copyright, patent and trademark acts—deal with the problem in another way: through fee shifting.¹

The Copyright Act, for example, grants courts the discretion to award full costs and reasonable attorney fees to the prevailing party. Courts addressing such fee applications must answer two related questions: Should fees be awarded, and if so, in what amount? The Act leaves it to the discretion of the court to figure out the answers to these questions that best serve the purposes of the Copyright Act based on the particular facts and economics of each case.

The complexity of that determination can be daunting, but one court recently took the challenge head-on, resulting in an interesting opinion that is worth a close read. Judge Paul A. Engelmayer of the Southern District of New York wrote a lengthy opinion on fees after the trial between hip-hop luminaries the Beastie Boys and beverage producer Monster Energy Company.² Having prevailed on claims of copyright infringement and false endorsement, the Beastie Boys asked the court to award the nearly \$2.4 million they had spent in attorney fees and costs over three years of litigation. The court conducted an exhaustive analysis and

decided on a reduced fee award of \$667,849 (plus costs to be determined). The opinion sheds some valuable light on how courts can decide these complex questions.

Monster Energy Causes a Ruckus

Fee analysis is fact-intensive, so the Beastie Boys fee opinion begins with the necessary background on the underlying lawsuit. In May 2012, Monster hosted a snowboarding competition and after-party called the "Ruckus in the Rockies" as part of its "lifestyle marketing" campaign.³ One of the performers at the after-party was Zach Sciacca, a DJ and producer known as "Z-Trip." In 2011, Z-Trip had created a remix of some of the Beastie Boys' songs to promote one of their albums. Z-Trip had an agreement with the Beastie Boys that allowed him to use their songs and give away the remix as a promotional item, but it did not permit him to sell, license or allow third parties to use the remix, nor did he receive any rights to the Beastie Boys songs he sampled.

Shortly after the Ruckus, Monster created a video recap of the event for promotional purposes. The four-minute video included footage from the event and set it to music, approximately 80 percent of which was from the Beastie Boys (in particular, five of the songs that were used in Z-Trip's remix). In fact, the Beastie Boys were, in the court's words, "the main aural event."⁴ The video also contained text referring to the band and one of its three members, Adam "MCA" Yauch who had died days before the Ruckus event. Monster posted the video on its website and Facebook account and on YouTube.

But the Beastie Boys had never given Monster permission to use their music or their name. Their attorneys soon alerted Monster to that fact, and Monster immediately removed the video from YouTube, later replacing it with a version that edited out the Beastie Boys' music and removed their name from the credits. But it was too little, too late.

In August 2012, the Beastie Boys filed suit in the Southern District of New York, asserting claims against Monster for copyright infringement and false endorsement for its unauthorized use of the Beastie Boys' music and names. The case was well publicized, due, at least in part, to reports that MCA's will had directed that none of his music or art ever be used for advertising purposes.⁵

After an eight-day trial, the jury returned a verdict finding Monster liable for willful infringement under the Copyright Act and for intentional deception under the Lanham Act, and awarding the Beastie Boys \$1.7 million in damages. Monster challenged the verdict but failed, and in January 2015, the Beastie Boys moved for an award of the attorney fees and costs it incurred during the case.

Fees Under Copyright Act

On June 15, 2015, the court decided the Beastie Boys' motion, which sought \$2,385,175 in attorney fees under both §505 of the Copyright Act and §117(a) of the Lanham Act. The court awarded \$667,849 of fees to the Beastie Boys under the Copyright Act only. The opinion reflects the factors important to the court's decision. It begins by applying the legal standards for awarding fees under each statute, then moves on to a fact-intensive calculation of the amount of the actual award.

The Copyright Act gives courts the discretion to award "a reasonable attorney fee to the prevailing party"—whether the plaintiff or defendant—"against any party other than the United States."⁶ This discretion is guided by a set of non-exclusive factors from Supreme Court case law known as the *Fogerty* factors.⁷ As the opinion recognizes, "[t]here is no precise rule or formula that district courts must apply in determining whether to award attorney's fees."⁸ Rather, the "ultimate inquiry" is whether awarding fees would be "consistent with the purposes of the Copyright Act."⁹ And its "principal purpose ... is to encourage the origination of creative works by attaching enforceable property rights to them."¹⁰

With this in mind, the court evaluated the three factors that were "most relevant" to the case. *First*, the court considered whether Monster's legal positions on the Copyright Act claims were objectively reasonable. It found that they were, with one exception: Monster had "refused, until the brink of trial, to concede that it had infringed the Beastie Boys' copyrights, and it attempted to shift legal responsibility for any infringement to Z-Trip."¹¹ Whether Monster had acted willfully when it infringed was a close issue, but the infringement itself "was flagrant" and its liability "was open and shut."¹² Monster never received permission from the Beastie Boys to use their songs, and Monster's defense that Z-Trip had given it a license was "blatantly meritless" (as were Monster's third-party claims against him).¹³ In sum, some (but not all) of the positions taken by Monster were factually and legally unreasonable, and had forced additional expense on the parties and made settlement less likely. And that warranted *some* fee shifting.

Second, the court held that the jury's verdict—that Monster's infringement was willful—was adequately supported by the evidence. Specifically, the court found that Monster's failure to maintain a music-licensing policy—even though Monster vigorously protected its own intellectual property interests—made it virtually inevitable that infringement would eventually occur. Other Southern District courts had awarded fees for willful infringement against companies that lacked diligence about the legality of their practices. Likewise, Monster could have avoided infringement, the court said, by merely conducting a "cursory inquiry." And its reckless disregard of the copyrights of others favored awarding fees.

Third, the court considered whether a fee award would help compensate the Beastie Boys for their injury and deter future infringement. The court treated these questions as interrelated: Infringement will only be deterred if copyright holders have an incentive to pursue their claims, and that incentive depends on how claims are compensated, especially since they can be expensive to litigate. The court noted that, having spent \$2.4 million to achieve a \$1.7 million award, the Beastie Boys would actually be in a worse position economically, absent a fee award, than if they had never brought the case. In such a case, a fee award of some kind uniquely fosters the primary purpose of the Copyright Act by "encourag[ing] the origination of creative works by attaching enforceable rights to them."¹⁴ The court found that the factors together warranted awarding at least some fees.

Amount of the Fees Award

After determining that the Beastie Boys were entitled to fees, the court turned to calculating the award. It identified the baseline "presumptively reasonable fee"—the "lodestar"

amount—as "the product of a reasonable hourly rate and the reasonable number of hours required by the case."¹⁵ This standard reflects that a reasonable client would want "to spend the minimum necessary to litigate the case effectively."¹⁶ To determine that amount, courts must consider the 12 so-called *Johnson* factors,¹⁷ which reflect how much work is involved in a case, the cost of that work, the novelty of the issues and other highly fact-specific matters.

The court's analysis proceeded in three phases. *First*, the court undertook a detailed factual analysis of Monster's challenges to certain legal fees paid to the Beastie Boys' counsel. The court found that certain legal work had been unnecessary and that its cost should not be born by Monster. Such work included conducting discovery into evidence that was only tenuously relevant and ultimately excluded, unsuccessfully litigating challenges to expert witnesses, and pursuing claims that were abandoned shortly before trial. The court also denied fees for some of the lawyers' billing practices: partner-heavy staffing on tasks typically delegated to associates, duplicative staffing, and over-staffing of certain tasks. But otherwise, the court held, most of the billing was appropriate, even considering that some rates were higher than average and that some time was "block billed." To reflect Monster's successful challenges, the court reduced the amount of the fees award by 30 percent.

Second, the court reduced the fees calculation to reflect the legal work particular to the Lanham Act claim, for which fees were not awarded. The court conducted an "unscientific but carefully considered assessment" and further reduced the fees by 20 percent, for a total reduction of 50 percent or \$1,335,698.¹⁸

Third, the court considered the extent to which this amount of fees "would further the goals of the Copyright Act."¹⁹ It started by noting that partial, not full, fee shifting was appropriate because the statutory interests advanced by a fee award—such as ensuring compensation and deterrence, and discouraging unreasonable legal positions—had to be balanced against the factors militating against an award. The court noted that many of Monster's legal positions had been reasonable and many of the issues truly close. Too large a fee award would punish Monster for reasonably defending itself in a case that could easily have come out differently, which is not a goal of the copyright act and would set dangerous precedent.

Based on these considerations, the court awarded the Beastie Boys \$667,849, or 50 percent of their actual legal fees reasonably spent on the Copyright action. The court found that this award satisfied "the statutory interest of compensation."²⁰ Plaintiffs recovered \$1.2 million in statutory damages on their copyright claims, but reasonably spent \$1.3 million litigating them. By awarding fees of about \$650,000, the court avoided what would otherwise have been a net loss without creating a windfall. The court also concluded that the award would deter future infringers: Forcing Monster to pay \$667,849 of fees, on top of \$1.2 million in statutory damages and its own legal costs, would "lead future parties ... to think twice before disrespecting others' copyright interests."²¹

Moving Forward

Court decisions on fee applications are, by nature, fact-intensive, so it can be difficult to draw much useful guidance from them. But *Beastie Boys* is different. Engelmayer eventually ordered an overall percentage discount to the requested fee award, but he came to that percentage by conducting a detailed analysis of time entries and billing practices. That

analysis addresses block billing, parallel time entries, partner staffing, and attorney and staff hourly rates. It provides an excellent guide to the kinds of practices that courts in this district will and will not accept as a basis for fees. In addition, the opinion makes it clear that courts will not hesitate to modify a fee request—even if the fees are reasonable—when doing so is necessary to advance the policies of the Copyright Act. All of these are essential considerations in the enforcement equation.

Endnotes:

1. The Lanham Act and the Patent Act permit fee shifting in "exceptional cases." See 15 U.S.C. §1117(a) (Lanham Act); 35 U.S.C. §285 (Patent Act). This article focuses on the broader fee shifting found in the Copyright Act. See 17 U.S.C. §505.
2. *Beastie Boys v. Monster Energy Co.* (Fees Decision), No. 12 Civ. 6065(PAE), 2015 WL 3823924 (June 15, 2015 S.D.N.Y.).
3. [*Beastie Boys v. Monster Energy Co.*, 66 F. Supp. 3d 424, 428 \(2014\)](#).
4. *Id.* at 429. In addition, the video's credits and other descriptions published by Monster identified the music in the video as being part of Z-Trip's "Beastie Boys Mega Mix."
5. R.J. Cubarrubia, "Adam Yauch's Will Prohibits Use of His Music in Ads," *Rolling Stone* (Aug. 9, 2012), <http://www.rollingstone.com/music/news/adam-yauchs-will-prohibits-use-of-his-music-in-ads-20120809>.
6. 17 U.S.C. §505.
7. See generally [*Fogerty v. Fantasy*, 510 U.S. 517, 534 \(1994\)](#).
8. Fees Decision, at *4 (quoting [*Zalewski v. Cicero Builder Dev.*, 754 F.3d 95, 108 \(2d Cir. 2014\)](#)).
9. Fees Decision, at *5. See *id.* at *4 (quoting [*Matthew Bender & Co. v. W. Pub. Co.*, 240 F.3d 116, 122 \(2d Cir. 2001\)](#)).
10. Fees Decision, at *4 (quoting [*Diamond v. Am-Law Publ'g*, 745 F.2d 142, 147 \(2d Cir. 1984\)](#)).
11. Fees Decision, at *6.
12. *Id.*
13. *Id.*
14. Fees Decision, at *9 (quoting [*Crown Awards v. Disc. Trophy & Co.*, 564 F. Supp. 2d 290, 295 \(S.D.N.Y. 2008\)](#), *aff'd*, 326 F. App'x 575 (2d Cir. 2009) (summary order)).
15. Fees Decision, at *12 (citations omitted).
16. *Id.* (quoting [*Simmons v. N.Y.C. Transit Auth.*, 575 F.3d 170, 174 \(2d Cir. 2009\)](#)).

17. Fees Decision, at *12-13 (quoting [Arbor Hill Concerned Citizens Neighborhood Ass'n v. County of Albany](#), 493 F.3d 110, 186 n.3 (2d Cir. 2007)). See [Johnson v. Ga. Highway Exp.](#), 488 F.2d 714, 716 (5th Cir. 1974).

18. Fees Decision, at *23.

19. Id.

20. Id. at *24.

21. Id.

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