IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

M3 GIRL DESIGNS, LLC	§	
Plaintiff,	§	
	§	
v.	§	**CIVIL ACTION NO. 3-09-CV-2390-F**
	§	
BLUE BROWNIES, LLC	§	
KRISTA DUDTE, and	§	
ROBERT DUDTE	§	
Defendants.	§	

ORDER DENYING DEFENDANTS' MOTION FOR ATTORNEYS' FEES FOR PLAINTIFF'S COPYRIGHT CLAIMS

BEFORE THE COURT is Defendants' Motion for Taxable Costs filed on August 31, 2012 (Doc. No. 272). Plaintiff filed a response on September 14, 2012 (Doc. No. 279). For the foregoing reasons, the Defendants' Motion is **DENIED**.

I. Factual Background

M3 Girl Designs ("Plaintiff") is in the business of producing and selling bottle cap jewelry. Krista Dudte, Robert Dudte, and their business Blue Brownies (collectively "Defendants") are also in the business of producing and selling bottle cap jewelry. Plaintiff filed this suit in December 2009, alleging that Defendants had committed copyright infringement, trademark infringement, and unfair competition under Texas law. On October 4, 2010, the court granted Defendants' motion to dismiss the Plaintiff's state law claims that duplicated the federal copyright and patent claims due to preemption (Doc. No. 42).

Defendants served discovery requests upon Plaintiff in early 2011. On February 28, 2011, the day that responses to Defendants' discovery requests were due, Plaintiff filed an Amended Complaint (Docket No. 52) in which it dropped all claims for copyright infringement

against the Defendants and instead raised claims for trade dress infringement, blurring, tarnishing, and "palming off." *See* Am. Compl., Docket No. 52, at 6-14. These claims were largely based upon the same facts as the previously asserted copyright claims. Defendants filed an Amended Answer on March 14, 2011 (Docket No. 53), in which they raised several counterclaims, including a claim for prevailing party attorneys' fees as to the copyright claims that Plaintiff had dropped upon the filing of its Amended Complaint. Plaintiff filed a motion to dismiss the Defendants' counterclaim for attorneys' fees arguing that Defendants are not prevailing parties under 17 U.S.C. § 505 because Plaintiff voluntarily dismissed the copyright claims and there was no ruling on the merits of the claims. Plaintiff's motion was denied because the Court found that, if proven, the facts plead could demonstrate that Defendants "could be entitled to attorneys' fees as a 'prevailing party' under 17 U.S.C. § 505." (Doc. No. 71 at 9). However, the Court deferred for a later time its consideration of whether Defendants are in fact a prevailing party and, if so, whether Defendants should be awarded prevailing party attorneys' fees under 17 U.S.C. § 505. *Id* at 9–11.

On June 27, 2012, the jury rendered a unanimous verdict in favor of Defendants on all issues remaining in the case. Now, Defendants seek a final determination on the issue of whether attorneys' fees should be awarded in connection with Plaintiff's dismissed copyright claims.

Defendants argue that their Motion should be granted because Defendants are prevailing parties, Plaintiff had an improper motive for bringing its claim of copyright infringement, Plaintiff's dismissed copyright claim was frivolous and objectively unreasonable, and the totality of the circumstances demonstrates a need to advance considerations of compensation and deterrence.

II. Legal Standard

In determining which party should be classified as "prevailing," plaintiffs and defendants are to be governed by the same standard. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994). The Supreme Court has interpreted "prevailing party" as "one who has been awarded some relief by the court." *Buckhannon Bd. & Care Home, Inc. v. W. Va. Dept. of Health & Human Res.*, 532 U.S. 598, 603 (2001). "The touchstone of the prevailing party inquiry . . . is the material alteration of the legal relationship of the parties in a manner which Congress sought to promote in the fee statute." *Sole v. Wyner*, 551 U.S. 74, 82 (2007) (quoting *Texas State Teachers Assn. v. Garland Indep. Sch. Dist.*, 489 U.S. 782, 792-93 (1989)) (internal quotation marks omitted). A prevailing party must: (1) obtain actual relief that (2) materially alters the legal relationship between the parties and (3) modifies the defendant's behavior in such a way that benefits the plaintiff at the time of the judgment. *Howard v. Weston*, 354 F. App'x 75, 77 (5th Cir. 2009).

"An award of attorney's fees to the prevailing party in a copyright action is the rule rather than the exception and should be awarded routinely." *Virgin Records Am., Inc. v. Thompson*, 512 F.3d 724, 726 (5th Cir. 2008). However, recovery of attorneys' fees is not automatic. *Id.* Rather, the overall inquiry into whether an award of attorneys' fees is would be appropriate under 17 U.S.C. § 505 lies squarely within the discretion of the Court. *Id* (citing *Fogerty*, 510 U.S. at 534). This inquiry is generally made "in the light of the litigation as a whole." *Warner Bros.*, 877 F.2d at 1126. In determining whether an award of fees is appropriate, a courts discretion is guided by the non-exhaustive list of factors identified in *Fogerty*, including: frivolousness, motivation, objective unreasonableness, and the need in particular circumstances to advance considerations of compensation and deterrence. *Virgin Records Am., Inc.*, 512 F.3d at 726.

III. Discussion

A. Prevailing Party Status

Defendants argue that this Court determined that they may recover attorneys' fees under 17 U.S.C. § 505 in its Order Denying Plaintiff's Motion to Dismiss Defendants' Counterclaim for attorneys' fees (Doc. No. 71). However, the Court merely determined that it was possible that Defendants could be considered prevailing parties. Specifically, the Court said: "If the law and the argument of the parties indicate that the dismissal of the claims by Plaintiff voluntarily rather than through a judgment on the merits is relevant to the Court's decision on this matter, the Court shall take that into consideration in making its ultimate determination of Defendants' 17 U.S.C. § 505 claims." (Doc. No. 71 at 11). The Court specifically refrained from finding that the voluntary withdrawal of Plaintiff's claims in fact made Defendants prevailing parties as to those claims.

The issue before this Court is whether the Plaintiff's voluntary dismissal of its copyright claims renders the Defendants "prevailing parties" for purposes of awarding attorneys' fees under 17 U.S.C. § 505.

The Seventh Circuit held that a defendant is the prevailing party for purposes of an award of attorneys' fees under the Copyright Act where "a case is dismissed because the plaintiff 'threw in the towel'—that is, where the dismissal is on the plaintiff's own motion." *Mostly Memories, Inc. v. For Your Ease Only, Inc.*, 526 F.3d 1093, 1099 (7th Cir. 2008). The Second Circuit has also indicated that a plaintiff's withdrawal of a copyright infringement claim could make "the defendants the prevailing parties" for purposes of awarding attorneys' fees under 17 U.S.C. § 505. *Warner Bros., Inc. v. Dae Rim Trading, Inc.*, 877 F.2d 1120, 1126 (2d Cir. 1989). The Fifth Circuit has held in analogous circumstances that a defendant is a "prevailing party"

under 42 U.S.C. § 1988 where the plaintiff proceeds to litigate the case for a considerable time and only later voluntarily dismisses its claims in "recognition that [its] federal claims should never have been brought," *Fox v. Vice*, 594 F.3d 423, 426–27 (5th Cir. 2010), or where the plaintiff voluntarily dismisses it claims "to avoid a disfavorable judgment on the merits," *Dean v. Riser*, 240 F.3d 505, 511 (5th Cir. 2001).

In a previous order (Doc. No. 71), the Court was inclined to follow the reasoning of *Dean* for the purposes of determining whether Defendants are prevailing parties with respect to the withdrawn copyright claims. (Doc. No. 71 at 9–10 n.4) (denying dismissal of Defendants' counterclaim because the Plaintiff could have dropped its claims "to avoid a disfavorable judgment"). Thus, the Court considers whether the Plaintiff dismissed its copyright claims in order to avoid an unfavorable judgment.

Defendants argue that Plaintiff dismissed its copyright claims because they were simply untenable. Plaintiff contends that the economic realities of litigation made continued pursuit of its copyright claims unwise based on the potential partial relief that would result from litigation. Instead, Plaintiff chose to pursue its claims under the Lanham Act and Texas's unfair competition laws. Plaintiff also points out that there were no pending dispositive motions before the Court at the time the claims were withdrawn and, therefore, no threat of an adverse judgment that the Plaintiff sought to avoid by withdrawing its claims. The Court agrees. Defendants' argument would require the Court to find that a party prevails if the opposing party withdraws a copyright claim at any point after litigation has been initiated. Discovery was still in the very early stages and there was still time under the Court's Scheduling Order for the parties to amend. There were no motions to dismiss filed or *any* threat of an adverse judgment. Therefore, the Court cannot find that the Plaintiff withdrew its claims to avoid an unfavorable judgment.

Because the Court finds that there was no objective or subjective threat of an unfavorable judgment at the time the Plaintiff withdrew its copyright claims, the Court finds that Defendants have not established prevailing party status at the time that Plaintiff voluntarily withdrew its copyright claims. Accordingly, the Court finds it unnecessary to assess equitable factors identified in *Fogerty*.

IV. Conclusion

For the aforementioned reasons, Defendants' Motion for Attorneys' Fees for Plaintiff's Copyright Claims is **DENIED**.

IT IS SO ORDERED

Signed this 3rd day of January, 2012.

Royal Furgeson

Royal Furgeson
United States Senior District Judge