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UNITED STATES DISTRICT COURT
DISTRICT OF OREGON

**ATLANTIC RECORDING CORPORATION, a Delaware corporation;
PRIORITY RECORDS LLC, a California
limited liability company; CAPITOL
RECORDS, INC., a Delaware corporation;
UMG RECORDINGS, INC., a Delaware
corporation; and BMG MUSIC, a New York
general partnership,**

Plaintiffs,

v.

TANYA ANDERSEN,

Defendant.

Case No. 3:05-CV-933-AC

Plaintiffs'
**OBJECTIONS TO THE MAGISTRATE
JUDGE'S FINDINGS AND
RECOMMENDATION OF MAY 14, 2008**

Pursuant to Rule 72(b)

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Plaintiffs respectfully submit their Objections to the Magistrate Judge's Findings and Recommendation dated May 14, 2008. As set forth below, the Magistrate Judge recommended awarding defendant Tanya Andersen ("Andersen") more than three times what the only expert in this case said was proper. Specifically, the Magistrate Judge recommended awarding substantial fees for work on counterclaims that Andersen attempted to assert and then voluntarily withdrew three different times, each time while Plaintiffs' motions to dismiss the obviously deficient counterclaims were pending. Awarding fees for counterclaims that were not inextricably intertwined with Plaintiffs' copyright claims, that had no merit from the beginning, and on which Andersen in no way prevailed is contrary to settled Ninth Circuit law. In addition, the Magistrate Judge recommended awarding Andersen 100% of the fees that she sought in trying to obtain fees, even though settled Ninth Circuit precedent indicates that a request for "fees on fees" should be reduced in the same proportion as the fees awarded on the merits versus the total fees sought. Finally, the Magistrate Judge awarded billing rates at the high end of the Oregon survey (and, in one instance, higher than Andersen sought), even though it is undisputed that Andersen's counsel had no copyright law experience at all, the most significant factor in setting rates. Accordingly, Plaintiffs respectfully request that the fee award be modified.

I. INTRODUCTION AND SUMMARY OF THE ARGUMENT

This is an action for copyright infringement brought under the Copyright Act, 17 U.S.C. 101, *et seq.* On June 1, 2007, the parties submitted a stipulation of dismissal of Plaintiffs' claims with prejudice. (Doc. No. 129). Andersen then filed a motion for attorneys' fees under Section 505 of the Copyright Act (Doc. No. 138), to which Plaintiffs responded on August 23, 2007 (Doc. No. 144). On September 21, 2007, Magistrate Judge Ashmanskas recommended that Andersen's Motion be granted, and, on January 16, 2008, this Court adopted that recommendation. (Doc. Nos. 151, 158.) Shortly thereafter, Andersen filed an application for fees and a bill of costs seeking \$298,995.00 in attorneys' fees and \$5,387.05 in costs, for a total of \$304,382.05. (Doc. Nos. 159-162.) Plaintiffs filed their Brief Regarding the Reasonable

Attorneys' Fees to be Awarded ("Brief") and Objections to Bill of Costs, concluding that Andersen is entitled to, at most, \$30,099.20 in attorneys' fees and no costs, based on Andersen's failure to submit any documentation of her costs. (Doc. Nos. 176-178.) On May 14, 2008, Magistrate Judge Acosta recommended that Andersen be awarded attorneys' fees in the amount of \$103,175.00 and costs in amount of \$4,659.00. ("Recommendation," Doc. No. 191 at 33.)

Plaintiffs respectfully submit that the Magistrate Judge's Recommendation contains a number of findings and conclusions that are either contrary to applicable law or have no support in the record. Plaintiffs' objections to the Recommendation can be separated into four general categories.

First, Plaintiffs object to the Recommendation to the extent that the Magistrate Judge recommended an award of fees for time spent pursuing the counterclaims that Andersen voluntarily dismissed. On this issue, the Magistrate Judge erred for several reasons. First, the Magistrate Judge applied the wrong legal standard. It is well-settled that time spent on unsuccessful non-copyright claims are properly excluded from a fee award where, as here, the copyright and non-copyright claims are not so intertwined so as to make it impossible to differentiate work done on each claim (i.e., the copyright and non-copyright claims are not inextricably intertwined). Notwithstanding this settled Ninth Circuit test, the Magistrate Judge instead applied a less stringent and incorrect "sufficiently related" test. Applying the proper test, the undisputed evidence shows that the non-copyright claims were not inextricably intertwined with the copyright claims. Even if the test were a "sufficiently related" test, however, the copyright claims and non-copyright claims were not sufficiently related. Andersen's counterclaims and Plaintiffs' copyright claims involved different facts, and it is not disputed that the elements required to prove Andersen's counterclaims were not the same as those relevant to a claim for copyright infringement. In addition to the foregoing, it is undisputed that Andersen did not achieve any degree of success in pursuing her counterclaims. Indeed, not only did Andersen voluntarily dismiss those counterclaims, but also, when she filed them as claims in a separate

lawsuit, virtually all of those claims were dismissed. On these facts, Plaintiffs should not have to pay for Andersen's futile efforts to maintain counterclaims that were never viable in the first place. Finally, Andersen's pursuit of her unsuccessful counterclaims had no bearing whatsoever on Plaintiffs' dismissal of their case with prejudice, as the Magistrate Judge incorrectly assumed.

The second category to which Plaintiffs object is the Recommendation's conclusion that Andersen should be awarded 100% of the fees that she sought for pursuing a fee award, even though the maximum amount of fees awardable for work on the underlying merits was 66.4% of those sought. The Magistrate Judge concluded that it was inappropriate for Plaintiffs to discount the fees sought for time spent pursuing fees in proportion to the amount of fees awarded for work on the underlying merits of the case. In fact, applicable case law shows that such a discount is warranted and appropriate under Ninth Circuit precedent.

Third, Plaintiffs object to the hourly rates assigned by the Magistrate Judge in the Recommendation. Specifically, Plaintiffs submit that the assignment of hourly rates reflected in the 75th percentile of the 2007 Economic Survey is inconsistent with the evidence before the Court, which showed that the prevailing market rate for attorneys of a level of experience and expertise similar to Andersen's counsel is well below the 75th percentile. The rates assigned by the Magistrate Judge are contrary to the very case law referenced by the Magistrate Judge in support of this determination. Moreover, it is notable that, in at least one instance, the Magistrate Judge awarded a higher rate than Defendant sought, with no explanation whatsoever.

Finally, Plaintiffs respectfully object because the Magistrate Judge miscalculated his final figures. Specifically, the Court correctly determined that none of the 25.5 hours claimed for time spent on administrative or clerical tasks was recoverable. The Court then deducted all 25.5 hours from Defendant's fee petition, but it did so using the paralegal rate of \$120. A review of the time records, however, reveals that the some of the 25.5 hours spent on non-compensable administrative tasks was time billed by partners and associates. Because the reduction in time

recorded by attorneys resulted in a larger reduction in the fee award, the final fee award recommended by the Magistrate Judge was inaccurate.

For all of these reasons, Plaintiffs respectfully submit that this Court should not adopt the Recommendation, but rather should modify the award consistent with arguments set forth below.

II. STANDARD OF REVIEW

Where a timely objection is filed to the Magistrate Judge's determination of a motion for fees, the district court reviews the motion *de novo*, because the Federal Rules of Civil Procedure require that the motion for attorneys' fees be treated "under Rule 72(b) as if it were a dispositive pretrial matter." *See* Fed. R. Civ. P. 54(d)(2)(D). Determinations made by magistrate judges on dispositive pretrial motions are reviewed *de novo* by the district court. *See* Fed. R. Civ. P. 72(b).

In making a *de novo* determination, the district court "may accept, reject, or modify the recommended decision, receive further evidence, or recommit the matter to the magistrate judge with instructions." Fed. R. Civ. P. 72(b); *see also* 28 U.S.C. § 636(b)(1). In reviewing a magistrate judge's recommendations, the district court must actually review and weigh the evidence presented to the magistrate judge, and not merely rely on the magistrate judge's findings and recommendation. *See United States v. Raddatz*, 447 U.S. 667, 675 (1980); 12 Charles Alan Wright & Arthur R. Miller, *Federal Practice and Procedure* § 3070.2, at 382 (2d ed. 1997).

III. STATEMENT OF RELEVANT FACTS

Although the facts surrounding this case have been set forth in various pleadings, for this Court's convenience, Plaintiffs briefly reiterate the facts relevant to this Court's consideration of Plaintiffs' Objection to the Magistrate Judge's Recommendation.

Plaintiffs are recording companies that own or control exclusive rights to copyrights in sound recordings. Collectively, Plaintiffs face a massive problem of digital piracy over the Internet. Indeed, the United States Supreme Court has characterized the magnitude of online peer-to-peer ("P2P") piracy as infringement "on a gigantic scale." *Metro-Goldwyn-Mayer*

Studios, Inc. v. Grokster Ltd, 545 U.S. 913, 940 (2005). P2P users who disseminate (upload) and copy (download) copyrighted material without authorization of the copyright holder violate the Copyright Act. *Id.* at 918-924.

It is in this context that Plaintiffs brought the current copyright infringement action against Andersen on June 24, 2005. In their Complaint, Plaintiffs alleged that Andersen infringed (1) their exclusive rights to copy certain of their copyrighted sound recordings by using an online media distribution system to download the copyrighted sound recordings through the Internet to her computer hard drive; and (2) their exclusive rights to distribute such copyrighted sound recordings by using an online media distribution system to distribute them over the Internet to the millions of others who use P2P networks. (Doc. No. 1 at ¶ 13.)

After limited discovery, Plaintiffs determined that there were the inconsistencies in evidence in this case that would have made it difficult for Plaintiffs to prevail at trial. On the one hand, Plaintiffs detected infringement through a computer attached to Andersen's Internet account in her home. Andersen's Internet Service Provider, Verizon Internet Services, Inc., identified the account as belonging to Andersen and then re-confirmed its identification of Andersen on two separate occasions. Moreover, Andersen admitted that she had installed an online media distribution system onto her computer for a period of time. In addition, many of the recordings that were being distributed from the computer attached to Andersen's Internet account were consistent with Andersen's musical taste. Finally, there is a connection between the user name at issue, "gotenkito," and Andersen's daughter who, according to at least one witness, is a fan of the Dragonball Z anime series from which the name derives. All of this evidence pointed to Andersen as the infringer in this case. On the other hand, a forensic inspection of Andersen's computer hard drive proved to be inconsistent and inconclusive, because digital evidence of the infringing sound recordings could not be found, notwithstanding the facts set forth above. Nor did the depositions that were taken in this case help resolve these

inconsistencies. In light of the foregoing, Plaintiffs decided, in good faith, to dismiss their claims against Andersen with prejudice. (Doc. No. 129.)

In response to Plaintiffs' claims, Andersen filed counterclaims on three separate occasions. (Doc. Nos. 7, 29 and 112.) In response to her initial answer and counterclaims, Plaintiffs filed a motion to dismiss pursuant to Rule 12(b)(6). (Doc. No. 18.) Andersen responded by filing amended counterclaims. (Doc. No. 29.) Following an extended stay of the proceedings, the Court struck Andersen's amended answer and counterclaims and denied Plaintiffs' motion, giving both parties leave to re-file. (Doc. No. 78.) Thereafter Andersen tried for a third time to assert counterclaims, and, again, Plaintiffs' moved to dismiss. (Doc. Nos. 112, 114). Before the Magistrate Judge had had an opportunity to rule on Plaintiffs' motion to dismiss, Andersen filed a motion to dismiss her own counterclaims without prejudice, so that she could pursue them in a second action. (Doc. No. 136.) Magistrate Judge Ashmanskas recommended granting Andersen's motion, over Plaintiffs' objection, and this Court adopted that recommendation. (Doc. Nos. 150, 157.)

Andersen then filed a separate action, asserting as direct claims for relief many of the claims asserted as counterclaims here. *See Andersen v. Atlantic Recording Corp. et al.*, No. 07—934 BR (“*Andersen II*”). The Court in *Andersen II* initially dismissed all of Andersen's claims, albeit with leave to re-plead, due to Andersen's failure to plead claims that could withstand a Rule 12 motion. Andersen then filed an amended complaint that this Court struck in its entirety, again with leave to re-plead. Finally, Andersen filed a Fourth Amended Complaint, in which she is proceeding on only two of the claims originally asserted as counterclaims here. *Id.*

Following the stipulated dismissal of Plaintiffs' claims with prejudice in this case, Defendant sought a determination that she was entitled to attorneys' fees, and this Court found that she was. (Doc. Nos. 138, 151, 158).

On January 25, 2008, Andersen filed the fee application at issue. (Doc. No. 161 at 5.) On February 5, 2008, this Court ordered Andersen to provide Plaintiffs with her complete,

contemporaneous billing records and fee agreement. (Doc. No. 172) Andersen's application rested not on any actual fees that Andersen was obligated to pay or on any contemporaneous billing records, but rather solely on the self-serving declaration of her counsel and on admittedly after-created billing records. Relying on these thin reeds, Andersen asked this Court to award her fees and costs in excess of \$300,000, for work on a case that never got much beyond the preliminary pleadings and early discovery stage.

Andersen arrived at this exaggerated number by taking a kitchen sink approach to her fee application. Andersen made no effort to limit her fee petition to compensable tasks, to eliminate duplication, or even to justify the rates sought or the multiplier included. Andersen even requested to be compensated for time that her counsel spent giving media interviews.

Based on her counsel's failure to apply proper billing judgment, Andersen sought fees for 546.90 hours of work, over 25% of which was spent pursuing counterclaims that she voluntarily dismissed, and nearly 20% of which was spent pursuing her claim for attorneys' fees. (*Id.* at ¶¶ 16, 19.)

To compound this already inflated starting number, Andersen, who steadfastly refused to disclose her counsels' regular hourly rates, ignored this Court's practice of determining appropriate hourly rates in reference to the Oregon State Bar Economic Survey and rates charged by attorneys in the region of similar skill and experience. This resulted in further exaggeration of Andersen's requested amount. Lastly, with virtually no factual or legal analysis, Andersen contended that the already inflated sum that she sought should be doubled.

In contrast, Plaintiffs submitted the declaration of David Markowitz, Esq. Mr. Markowitz, whose experience and credentials are unimpeachable, carefully scrutinized Andersen's counsel's billing records and reviewed the accompanying documents, case pleadings, and the rates generally awarded by this Court to counsel in fee petitions. On the basis of his in-depth analysis, Mr. Markowitz concluded that the fees sought by Andersen were excessive in numerous respects and should be disallowed or substantially reduced. (*See id.* at ¶¶ 6-14, 16, 19,

21.) Specifically, Mr. Markowitz divided defense counsels' billing entries into thirteen categories, six of which were comprised of fees that should be entirely disallowed and the seventh of which reflected fees that should be substantially reduced. (*See id.*) Mr. Markowitz concluded that 229.76 hours were properly compensable. (*Id.* at ¶ 19.) Mr. Markowitz also concluded that the hourly rates for each of the time keepers working on Andersen's behalf should be reduced to comport with the prevailing market rates for attorneys of similar experience, skill, and reputation. Lastly, Mr. Markowitz noted that this matter did not present exceptional circumstances such that the application of a multiplier as suggested by Andersen was warranted or appropriate. (*Id.* at ¶ 21.) Based on his analysis, Mr. Markowitz concluded that, should this Court award fees, those fees should be limited to \$30,099.20. (*Id.* at ¶ 20).

As set forth above, on May 14, 2008, Magistrate Judge Acosta recommended that Andersen be awarded attorneys' fees in the amount of \$103,175.00 and costs in amount of \$4,659.00. (Recommendation, Doc. No. 191 at 33.) For the reasons set forth below, Plaintiffs respectfully submit that several of the Magistrate Judge's findings and recommendations were erroneous and should therefore be rejected.

IV. ARGUMENT

A. The Magistrate Judge Erred In Awarding Fees For Time Spent Pursuing Counterclaims That Andersen Voluntarily Dismissed.

It is well-established that "the most useful starting point for determining the amount of a reasonable fee is the number of hours reasonably expended on the litigation multiplied by a reasonable hourly rate." *Hensley v. Eckerhart*, 461 U.S. 424, 433 (U.S. 1983); *see also Schwarz v. Sec'y of Health & Human Servs.*, 73 F.3d 895, 901 (9th Cir. 1995). It is equally well-established that "where a plaintiff is deemed 'prevailing' even though [she] succeeded on only some of [her] claims for relief," the district court has discretion to make a downward adjustment to this lodestar amount. *Hensley*, 461 US at 434; *Schwarz*, 73 F.3d at 901.

In determining whether or not such a downward adjustment is appropriate, district courts in the Ninth Circuit follow a two-part analysis. *See Schwarz*, 73 F.3d at 901. First, the court must determine whether the claims upon which the party seeking fees failed to prevail were related to those upon which she prevailed. *See id.* Where, as here, an award of fees is limited by statute to successful copyright claims or defenses, non-copyright claims are not related unless they are found to be inextricably intertwined with the copyright claims. *See Gracie v. Gracie*, 217 F.3d 1060, 1070 (9th Cir. 2000) (holding that fees for work on non-Lanham Act claims are not compensable pursuant to the Lanham Act unless they are so intertwined with the successful Lanham Act claims that it is impossible to differentiate between the work done on each of the claims); *Symantec Corp. v. CD Micro, Inc.*, 2005 U.S. Dist. LEXIS 39432, at *4 (D. Or. Aug. 12, 2005) (concluding that the approach to fees set forth in *Gracie* with regard to Lanham Act and non-Lanham Act claims applies to copyright and non-copyright claims). If the claims are unrelated, the inquiry ends, and no fees may be awarded for time spent on the unsuccessful, unrelated claims. *See id.* If the claims are related, the court must perform the second part of the test and evaluate the “significance of the overall relief obtained by the [party seeking fees] in relation to the hours reasonably expended on the litigation.” *Id.* at 901-902 (citation omitted).

Here, the Magistrate Judge concluded that fees for time spent on Andersen’s counterclaims were recoverable, based on his findings that the counterclaims were “sufficiently related” to Andersen’s defense of Plaintiffs’ copyright infringement claims, and that it was possible that Andersen’s pursuit of her counterclaims contributed to her status as a prevailing party under section 505 of the Copyright Act, even though she herself ultimately dismissed those counterclaims. (Recommendation at 8-11.) For the reasons set forth below, both of these findings were incorrect.

1. The Magistrate Judge Applied The Wrong Legal Standard.

As noted above, courts in this Circuit have recognized that fees for non-copyright claims are only compensable under the Copyright Act where they are “so intertwined” with the

copyright claim(s) “that it is impossible to differentiate between work done on the claims.” *Gracie*, 217 F.3d at 1070 (articulating this rule in the context of a case involving Lanham Act and non-Lanham Act claims); *see also Berry v. Hawaiian Express Service, Inc.*, 2006 U.S. Dist. LEXIS 87748, at * 34 (D. Haw. Dec. 4, 2006) (relying, in part, on *Gracie* in declining to award fees to a prevailing party under the Copyright Act for work done on non-copyright claims).

Notwithstanding the foregoing, the Magistrate Judge applied a “sufficiently related” test to determine whether Defendant was entitled to attorneys’ fees for pursuing the counterclaims that she ultimately dismissed. For the reasons set forth above, the test applied by the Magistrate Judge is inconsistent with applicable Ninth Circuit law, and the Magistrate Judge’s use of such a test was error.

The Ninth Circuit’s decision in *The Traditional Cat Ass’n v. Gilbreath*, 340 F.3d 829, 833 (9th Cir. 2003), on which the Magistrate Judge relied (Recommendation at 8), supports Plaintiffs’ position here. In *Gilbreath*, the Ninth Circuit remanded the case to the district court to determine whether the copyright and non-copyright claims for which an award of fees were sought were related, such that fees should be awarded under the Copyright Act. *Id.* at 834. On remand, the district court, relying on *Gracie*, declined to award fees for the non-copyright claims. *See The Traditional Cat Ass’n v. Gilbreath*, No. 99-cv-0754-K(JAH), slip op. at 6-8 (S.D. Cal. Dec. 5, 2003) (attached as Exhibit A); *see also InvesSys, Inc. v. McGraw-Hill, Cos., Inc.*, 369 F.3d 16, 24 (1st Cir. 2004) (recognizing that “courts implementing section 505 tend almost automatically to allocate attorney’s fees and costs between copyright and non-copyright claims where this can feasibly be done, limiting recovery to costs causally associated with the copyright claim”) (citation omitted); *United States Media Corp. v. Edde Entertainment, Inc.*, 1999 U.S. Dist. LEXIS 10605, at * 20 (S.D.N.Y. July 13, 1999) (stating that, “[b]ecause the plaintiff’s entitlement to fees is limited by statute to its successful copyright claim, we must exclude time related solely to the few successful non-copyright claims, at least to the extent that such time is segregable”).

For all of these reasons, Plaintiffs' respectfully submit that the Magistrate Judge erred in applying a "sufficiently related" test as the standard for relatedness in the context of a fee award under the Copyright Act.

2. Andersen's Counterclaims Were Not Inextricably Intertwined With Plaintiffs' Copyright Claim.

Applying the appropriate inextricably intertwined test on the facts of this case, there is no basis for any finding that Andersen's counterclaims were inextricably intertwined with Plaintiffs' copyright infringement claims. Indeed, the Magistrate Judge made no such findings.

As noted above, claims are inextricably intertwined where they are so closely related that it is impossible to differentiate between the work done on each of the claims. *Gracie*, 217 F.3d at 1070. Andersen implicitly admitted that her counterclaims were not inextricably intertwined with Plaintiffs' copyright claims when she herself argued that her counterclaims were separable from Plaintiffs' claims (and, thus, not compulsory counterclaims), such that they could be brought in an entirely separate action, an argument with which this Court agreed.¹ (Doc. No. 157.) Andersen cannot now argue the opposite, namely, that her counterclaims were inextricably intertwined with Plaintiffs' claims, nor should this Court make a contradictory finding on this issue. Simply stated, where, as here, Andersen's counterclaims were not inextricably intertwined with Plaintiffs' claims for purposes of Plaintiffs' assertions of improper claim-splitting, they cannot be deemed to be inextricably intertwined for purposes of awarding Andersen fees on those counterclaims. Moreover, the work done in pursuit of the counterclaims and in defense of the copyright claims can well be differentiated, and both the parties and the Magistrate Judge, in fact, differentiated them. (Recommendation at 8.)

For all of these reasons, Andersen's counterclaims were not inextricably intertwined—and, thus, were not related (as that term is defined by applicable law)—to her defense of

¹ Notably, the damages that Andersen is seeking in the separate action appear to include the fees that she incurred in defending this action and asserting her counterclaims here.

Plaintiffs' copyright infringement claims, such that an award of fees under the Copyright Act is proper.

3. Andersen's Counterclaims Are Not "Sufficiently Related" To Justify A Fee Award.

Even if the appropriate standard for relatedness of copyright and non-copyright claims were "sufficiently related," as the Magistrate Judge believed, fees for work associated with Andersen's counterclaims are still not properly awarded in this case. Whether claims are related or not can be determined by looking to see if there is a "common core of facts," or if the case as a whole "will be based on related legal theories." *Hensley*, 461 U.S. at 435; *see also Schwarz*, 73 F.3d at 903 (affirming the district court's decision to refuse to award fees incurred on claims for which attorneys' fees were not available, where the "course of conduct about which she [plaintiff] complained [in these other claims] . . . [was] entirely distinct and separate" from the claims upon which fees were awarded). Here, the Magistrate Judge erred in finding that Andersen's counterclaims were related to the defense of Plaintiffs' copyright claims, because the counterclaims were based on different facts and require entirely different elements than Plaintiffs' copyright claims.

Andersen's counterclaims included claims for Electronic Trespass, violation of the Computer Fraud and Abuse Act, Invasion of Privacy, Abuse of Legal Process, Fraud and Negligent Misrepresentation, Outrage, Deceptive Business Practices in violation of Oregon's Unfair Trade Practices Act, and violations of Oregon's Racketeering Influenced and Corrupt Organizations Act. (Doc. No. 112.) Each of these claims requires the allegation, and eventual proof of, entirely different facts from those which are required to successfully defend against Plaintiffs' copyright infringement claims. (*See* Doc. No. 115, setting forth the elements of each of Andersen's counterclaims.) Although there may arguably be some overlap in the factual allegations necessary to successfully defend Plaintiffs' copyright infringement claims and pursue

Andersen's counterclaims, such overlap does not mandate the conclusion that all of the claims rest on a "common core of facts." See *Gilbreath*, No. 99-cv-0754-K(JAH), slip op. at 6-8.

Moreover, Plaintiffs' copyright infringement claims were federal claims, whereas the majority of Andersen's counterclaims were state law claims, and none of them shared common legal elements with a claim for copyright infringement. (See Doc. No. 115, outlining the elements of each counterclaim.) Had Plaintiffs' claims for copyright infringement been adjudicated on the merits, the successful defense of the claims would have required Andersen to establish either (1) that Plaintiffs did not own the copyrights at issue, or (2) that she did not engage in any of the exclusive activities reserved for Plaintiffs as the owners of the copyrights at issue. See *Feist Pub., Inc. v. Rural Tel. Serv. Co., Inc.*, 499 U.S. 340, 361 (1991). Even if Andersen were able to make such a showing, it would have done nothing to advance her counterclaims. Accordingly, the defense of Plaintiffs' copyright infringement claims and the pursuit of Andersen's counterclaims were not based on related legal theories, and, even if "sufficiently related" were the proper test, the Magistrate Judge erred in finding such counterclaims to be "sufficiently related" to Plaintiffs' claims to justify the award of any fees, let alone all of the fees sought for pursuit of the counterclaims prior to the stipulated dismissal of Plaintiffs' claims. See *Gilbreath*, No. 99-cv-0754-K(JAH), slip op. at 8-9 (finding counterclaims for conversion and defamation unrelated to the defense of a claim for copyright infringement where proof of non-infringement would provide, at most, a small portion of proof needed to prevail on the counterclaims).

4. Andersen did not achieve any success with regard to her counterclaims, nor did her unsuccessful pursuit of those counterclaims contribute to her attainment of prevailing party status.

Even if Andersen's counterclaims were somehow related to her defense of Plaintiffs' copyright infringement claims, which they were not, Andersen is still not entitled to an award of fees for her work on them. As noted above, to be entitled to a fee award for work on related counterclaims, a party must show that she "achiev[ed] a level of success that makes the hours

reasonably expended a satisfactory basis for making a fee award.” *Hensley*, 461 US at 434. The Supreme Court has determined that the degree of success obtained is the single most critical factor in determining a fee award, “even where the plaintiff’s claims were interrelated, nonfrivolous, and raised in good faith.” *Id.* at 436 (recognizing that “Congress has not authorized an award of fees whenever it was reasonable for a plaintiff to bring a lawsuit or whenever conscientious counsel tried the case with devotion and skill”).

Evaluating the results obtained with regard to specific claims generally involves two steps. *See Schwarz*, 73 F.3d at 901-902 (9th Cir. 1995) (citations omitted) First, the court must “evaluate the significance of the overall relief obtained by the plaintiff in relation to the hours reasonably expended” on the claim or claims at issue. *Thorne v. City of El Segundo*, 802 F.2d 1131, 1141 (9th Cir. 1986) (citation omitted). This analysis is necessary because, “[w]here only ‘partial or limited success’ was obtained, full compensation may be excessive.” *Schwarz*, 73 F.3d at 901-902 (9th Cir. 1995) (citations omitted). Where the claim being evaluated was entirely successful, or the results obtained were “excellent,” full compensation may be appropriate and the inquiry ends. *Id.* (quoting *Hensley*, 461 U.S. at 435). However, where the claim was unsuccessful, or achieved only partial or limited success, courts in the Ninth Circuit consider whether the pursuit of any such claims contributed to the success obtained with regard to the other claim(s). *See, e.g., Herrington v. County of Sonoma*, 883 F.2d 739, 747 (9th Cir. 1989); *Cabrales v. County of Los Angeles*, 935 F.2d 1050, 1052 (9th Cir. 1991) (“[W]e read *Hensley* as establishing the general rule that plaintiffs are to be compensated for attorney’s fees incurred for services that contribute to the ultimate victory in the lawsuit. Thus, even if a specific claim fails, the time spent on that claim may be compensable, in full or in part, if it contributes to the success of other claims.”).

It is undisputed that Andersen’s counterclaims were never adjudicated. Indeed, Andersen voluntarily dismissed her counterclaims, in the face of a motion to dismiss and after amending the counterclaims three separate times. Notably, this Court awarded fees to Andersen in large

part because Plaintiffs had dismissed their claims before those claims could be adjudicated on the merits. Andersen should not be awarded fees where she did precisely the same thing, namely, dismiss her counterclaims to avoid have those counterclaims heard on the merits, as Plaintiffs were seeking. Andersen's dismissal alone shows that she did not achieve any degree of success with regard to her counterclaims. In fact, Andersen's voluntary dismissal of her counterclaims renders them unsuccessful *by definition* for purposes of determining an award of fees. *See Schwarz*, 73 F.3d at 902 (concluding that "a claim may be deemed unsuccessful under *Hensley* once it has been dismissed by the plaintiff or by the court, regardless of whether the dismissal would have been upheld on appeal, and regardless of whether the dismissal is based on legal or factual inadequacy). Moreover, as noted above, when Andersen re-filed these same counterclaims as claims in *Andersen II* and Plaintiffs were able to have them heard, this Court dismissed all but two of them. Accordingly, Andersen did not in any way succeed on her counterclaims in this case, and the only determination to be made is whether Andersen's pursuit of the counterclaims contributed to the ultimate dismissal of Plaintiffs' claims with prejudice and Andersen's designation as a prevailing party.

Here, the Magistrate Judge *did not* find that Andersen's pursuit of her unsuccessful counterclaims contributed to the dismissal of Plaintiffs' copyright infringement claims with prejudice. Rather, the Magistrate Judge stated that "the court cannot conclude that Andersen's pursuit of counterclaims did not contribute to her ultimate success in obtaining [Plaintiffs'] dismissal of its case against her." (Recommendation at 10.) The burden here was on Defendant, and the Magistrate Judge's statement demonstrates that Defendant failed to satisfy this burden. *See Romberg v. Nichols*, 970 F.2d 512, 524 n.8 (9th Cir. 1992) (concluding that a court need not compensate an attorney "for efforts expended on extraneous and dismissed claims that did not contribute to the victory").

The fact is that the Magistrate Judge did not make an affirmative finding that the counterclaims contributed to Andersen's prevailing party status because there is no evidence in

the record to support such a finding. Plaintiffs argued strenuously throughout this case that Defendant's counterclaims were baseless, and Plaintiffs moved to dismiss them three times. The Court, however, never ruled on the merits of these motions, and Andersen voluntarily dismissed them while Plaintiffs' motion to dismiss was pending.

In light of the foregoing, there is simply no basis to conclude that Defendant's counterclaims had anything to do with Plaintiffs' decision to dismiss their copyright claims voluntarily. To the contrary, Plaintiffs have consistently maintained that their decision to dismiss their claims with prejudice resulted exclusively from the inconsistent nature of the evidence available to them. Moreover, Plaintiffs' repeated requests that this Court address Andersen's counterclaims on the merits in this case, even after Plaintiffs voluntarily dismissed their own claims, shows that the counterclaims had nothing to do with Plaintiffs' decision to dismiss their claims here. Even if the Court were to accept Andersen's explanation of the stipulation to dismiss Plaintiffs' case—namely, that it was prompted by the filing of Andersen's Motion for Summary Judgment—the analysis remains unchanged. (*See* Doc. No. 153 at 13.) Andersen's Motion for Summary Judgment was filed only with regard to Plaintiffs' copyright claims, and not with regard to any of Andersen's counterclaims. (Doc. No. 120.)

For all of these reasons, as well as those set forth in Plaintiffs' Brief, the Magistrate Judge's findings and recommendations regarding the amount of fees to be awarded for work on Andersen's counterclaims were made in error and should be rejected. Plaintiffs, thus, request that this court reduce the number of hours for which fees are to be awarded by the 107.6 hours spent pursuing Andersen's counterclaims until June 1, 2007.

B. The Magistrate Judge Erred In Awarding Andersen Fees For All Of The Time That She Spent Pursuing Fees.

In Plaintiff's Brief, Plaintiffs, relying on the opinion of their expert, Mr. Markowitz, asserted that, of the 546.9 hours for which Andersen seeks fees, only 174.3 hours were properly expended on the underlying merits of the case. (Brief at 13-14.) Based on this assertion,

Plaintiffs argued that, because the number of hours for which fees were sought should be reduced by 48.45%, the number of hours spent pursuing fees should be reduced by the same percentage. (*Id.*) In response, Andersen set forth a series of conclusory allegations without legal authority or relevant evidence in support thereof. (Doc No. 179 at 8-9.)

Despite Andersen's failure to meet her burden of establishing the reasonableness of fees sought by a preponderance of the evidence, the Magistrate Judge awarded Andersen 100% of the 107.6 hours of fees sought for pursuing fees in a case in which the Magistrate Judge concluded that a maximum of 362.9 hours were reasonably expended on the merits of the case. (Recommendation at 19-20, 29-30.)

The Magistrate Judge appears to have based his Recommendation on his assumption that there was no case law in support of Plaintiffs' position that the hours expended on seeking fees should be reduced in proportion to the number of hours disallowed. (Recommendation at 19-20.) This assumption was incorrect. The Magistrate Judge himself noted a Fourth Circuit decision upholding a district court's decision to reduce "the amount of recoverable fees for the fees phase of the lawsuit to 20% of the amount recovered for the merits phase of the lawsuit." (Recommendation at 20, quoting *Trimper v. City of Norfolk*, 58 F.3d 68, 77 (4th Cir. 1995).) Moreover, the Ninth Circuit has consistently upheld the very type of reduction proposed by Plaintiffs' expert and outlined in Plaintiffs' Brief. For example, in *Harris v. McCarthy*, 790 F.2d 753, 758-59 (9th Cir. 1986), the plaintiffs received 11.5% of the merits fees that they had sought and then asked for 100% of the fees-on-fees that they had generated while litigating the merits fees issue. The district court applied "that percentage [11.5%] to plaintiffs' request [for fees-on-fees]," and the Ninth Circuit affirmed, finding such a reduction "entirely appropriate in the determination of a reasonable fee." *Id.* at 759. Similarly, in *Thompson v. Gomez*, 45 F.3d 1365, 1367-1368 (9th Cir. 1995), the court found that the district court properly awarded only 87.2% of the "fees-on-fees," where the plaintiff was only successful on 87% of merits fees. In reaching this decision, the *Thompson* court pointed out that, "[b]ecause *Hensley*. . . requires the district

court to consider the relationship between the amount of the fee awarded and the results obtained, fees for fee litigation should be excluded to the extent that the applicant ultimately fails to prevail in such litigation. *Id.* at 1367; *see also Jeff D. v. Kempthorne*, 2007 U.S. Dist. LEXIS 81179, at *25 (D. Idaho Nov. 1, 2007) (relying on Ninth Circuit precedent in concluding that an award of 64% of fees-on-fees was appropriate where the party seeking fees recovered 64% of the fees and costs requested); *Fantasy Inc. v. Fogerty*, 1995 U.S. Dist. LEXIS 6197, at * 23-24 (N.D. Cal. May 2, 1995) (finding that a fee application was properly filed where the fee-on-fees application is proportional to the party's success on the merits).

As the foregoing Ninth Circuit precedent makes clear, “fees-on-fees” must be proportional to the merits fees. *See Thompson*, 45 F.3d at 1368 (“Fees for fee litigation are excludable, not only when the applicant has had ‘extremely limited success on merits fees,’ . . . but in all cases “to the extent that the applicant ultimately fails to prevail on such litigation.”) (quoting *Commissioner v. Jean*, 496 U.S. 154, 163 n. 10 (1990)). Accordingly the Magistrate Judge’s award of 100% of fees-on-fees where no more than 66.4% (362.9) of the merit fees are properly awarded was inconsistent with applicable Ninth Circuit law and should be overturned.

C. The Hourly Rate Awarded By The Magistrate Erroneously Failed To Reflect Andersen’s Counsel’s Limited Experience In Copyright Law And Was Higher Than Andersen Herself Requested.

In her fee application, Andersen requested that partners be compensated at an hourly rate of \$375, associates at an hourly rate of \$250, and paralegals at a rate of \$150. (Doc. No. at 160.) Andersen’s requests regarding hourly rates were based on her lead counsel’s affidavit and a survey conducted by the American Intellectual Property Law Association (the “AIPLA Survey”). (Doc. Nos. 160, 179.) In their Brief, Plaintiffs argued that the proper hourly rates were \$285, \$175, and \$100, respectively. (Brief at 14-15.) Plaintiffs based their position on the declaration of Mr. Markowitz, which discussed a survey of fee awards in this District during the last two years, this Court’s decision in *MW Builders, Inc. v. SAFECO Ins. Co. of America*, No. 02-1578-

AS (D. Or. Feb. 14, 2006), in which an hourly rate was determined for Andersen's lead counsel, the lack of expertise in copyright law of any of Andersen's counsel, and inflation. (Brief at 14-16.)

In the Recommendation, the Magistrate Judge acknowledged that "the reasonable rate for legal services is to 'be calculated according to the prevailing market rates in the relevant community.'" (Recommendation at 21, quoting *Blum v. Stenson*, 465 U.S. 886, 895 (1984).) The Magistrate Judge further recognized that "[a]ffidavits of the [prevailing] attorney and other attorneys regarding prevailing fees in the community, and rate determinations in other cases, particularly those setting a rate for plaintiff's attorney, are satisfactory evidence of the prevailing market rate." (Recommendation at 21, quoting *United Steelworkers of America v. Phelps Dodge Corp.*, 896 F.2d 403, 407 (9th Cir. 1990).) Thus, the Magistrate Judge implicitly found that the evidence supplied by Plaintiffs was satisfactory evidence of the prevailing market rates. Notwithstanding this, however, the Magistrate Judge rejected Plaintiffs' proposed hourly rates without explanation, and, instead, recommended hourly rates consistent with the 75th percentile set forth in the 2007 Economic Survey of the Oregon State Bar ("Survey"), each of which is higher than those supported by Plaintiffs' evidence and, in one instance, is even higher than the rate sought by Andersen. (Recommendation at 24, awarding an hourly rate of \$275 for attorney Felton, where a rate of \$250 was requested.) Although Plaintiffs recognize this Court's position that the Survey is the best evidence of the prevailing market rates, they respectfully submit that the Magistrate Judge's selection of the 75th percentile disregards evidence set forth in Plaintiffs' Brief is contrary to the Magistrate Judge's own findings, and should be rejected.

In his Recommendation, the Magistrate Judge did not reference Plaintiffs' proposed hourly rates and the evidence in support thereof, let alone explain his rejection of those rates in favor of those he awarded. In fact, the only explanation offered by the Magistrate Judge for his recommendation of hourly rates in the 75th percentile is that such a recommendation is "consistent with the result reached in *McElmurry v. U.S. Bank Nat'l Assoc.*, 2008 U.S. Dist

LEXIS 35095 (D. Or. April 30, 2008)].” *McElmurry*, however, supports Plaintiffs’ position here. In *McElmurry*, a case involving wage and hour law, the court awarded an hourly rate in the 75th percentile only to “experienced senior attorneys who are specialists in wage and hour law,” and reduced the hourly rate for all attorneys with fewer than three years of practice to the Survey average. 2008 U.S. Dist LEXIS 35905, at *9. Applying these principles here, where it is undisputed—and where the Magistrate Judge found—that Andersen’s attorneys have no expertise in the field of copyright law, the appropriate rates must be less than the hourly rates in the 75th percentile of the Survey.

For the reasons set forth above, as well as those in Plaintiffs’ Brief, the Magistrate Judge erred in recommending hourly rates consistent with the 75th percentile of the Survey, and such rates should be rejected in favor of those proposed by Plaintiffs.

D. The Magistrate Judge's Award Contains An Error In Calculation.

Plaintiffs’ final objection to the Recommendation arises from what appears to be an inadvertent miscalculation leading to the recommended fees award. Specifically, Plaintiffs’ note that the Magistrate Judge, having concurred with Plaintiffs that none of fees sought for the 25.5 hours spent on administrative or clerical tasks were properly awarded, mistakenly assumed that all 25.5 of such hours were billed by paralegals. (Recommendation at 30-31.)² In fact, some of these hours were billed by attorneys with higher billing rates. As such, the reduction ordered by the Magistrate Judge should have been as follows:

² Plaintiffs note an obvious typo in the chart on page 30 of the Recommendation. In that chart the Magistrate Judge noted that he was permitting 25.5 hours billed by paralegals. Read in context, it is clear that the Magistrate Judge was *disallowing* 25.5 hours and allowing only 8.5 hours.

Name	Hours Actually Spent on Admin. Time	Rate	Actual Reduction
Paralegal	17.7	\$120	\$2124.00
Lybeck	1.1	\$325	\$357.50
Hodges	1.0	\$210	\$210.00
Justus	5.7	\$190	\$1083.00
		TOTAL	\$3774.50

In light of the foregoing, the proper reduction for administrative time should have been \$3,774.50, not \$3,060.00 as found by the Magistrate Judge.

IV. CONCLUSION

For the reasons set forth above, Plaintiffs respectfully request that this court sustain their objection to the Magistrate Judge's Recommendation and reduce Andersen's fee award to no more than \$62,267.75.³

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³ The calculations in support of this amount are based on the arguments set forth herein and set forth in Table 1, attached hereto as Exhibit B.