

## Editorials

# Did Live Gold Prevail?

In a case that could reach the Supreme Court, the Third U.S. Circuit Court of Appeals on Aug. 5 granted en banc review of a split-panel ruling that a music management and promotional firm called "Live Gold" was the "prevailing party" in a trademark dispute and thus entitled to attorney's fees.

The state of New Jersey had been pressing the Hilton Hotel in Atlantic City to remove and alter certain advertising of a concert by groups called "The Platters" and "The Cornell Gunter Coasters." The state contended that the advertising was a trademark infringement under the Truth in Music Act. In response, Live Gold sued the state in federal court and sought a TRO and injunctive relief against enforcement of the Act, *Singer Management Consultants, Inc. et al. v. Anne Milgram*, No. 09-2238.

At Live Gold's TRO application hearing, the district court offered comments and observations that signaled support for Live Gold's position (that under the facts of this case, there was no appreciable distinction between a registered and an unregistered trademark). A TRO was granted, and the parties later returned to the district court for a hearing on a preliminary injunction. During that proceeding, after vigorously defending its position, and in apparent response to the judge's comments, the state changed 180 degrees and expressed agreement with Live Gold's interpretation of the Act.

Live Gold's attorney then moved for "summary disposition" on the ground the state had now admitted that Live Gold's position was correct. However, the district court indicated that in view of the state's new position, there was no need to go forward with a preliminary injunction proceeding. The judge vacated the TRO, and the matter was concluded.

Thereafter, Live Gold moved for an award of attorneys' fees under 42 U.S.C. § 1988(b). The magistrate judge concluded that Live Gold had not been a "prevailing party" under the statute because the state had voluntarily changed its position and had done so without the compulsion of a court order or judgment. The district court affirmed and Live Gold appealed.

Circuit Judges Jane Roth and Ruggiero Aldisert concluded that the state's change in legal position came about as a result of the position articulated by the district court. The holding, therefore, was that Live Gold had obtained "judicially sanctioned" relief "on the merits" so that it was a prevailing party within the meaning of *Buckhannon Bd. & Care Home v. W. Va. Dep't of Health & Human Res.*, 532 U.S. 598 (2001). The majority believed that the district court's issuance of a TRO all but assured capitulation by the state.

*Buckhannon* dealt with whether the term "prevailing

party" includes one who did not obtain a judgment on the merits or a court-ordered consent decree who nevertheless obtained the desired relief as a result of a voluntary change of position in the adversary's conduct. A majority of the several courts of appeal had adopted the position that plaintiff was a "prevailing party" if achieving the desired result because of a change in the defendant's conduct — a position which had come to be known as the "catalyst theory."

In 2001, by a vote of five-to-four, the U.S. Supreme Court in *Buckhannon* rejected the catalyst theory. Writing for the majority, Justice William Rehnquist stated: "Our precedents thus counsel against holding that the term 'prevailing party' authorizes an award of attorney's fees without a corresponding alteration in the legal relationship of the parties."

The majority opinion, in which Justice Antonin Scalia concurred, made reasonably clear that only a judgment or a court-ordered decree will suffice in order to obtain attorney's fees. Writing for the dissent, Justice Ruth Ginsburg urged that to insist upon a court-ordered consent decree or judgment as a condition precedent to the availability of attorney's fees under a fee-shifting statute was to abandon the reasoning of a majority of the federal circuits and to do so unnecessarily. In the dissent's view, where a party's lawsuit has served as the catalyst for the change in position, it matters not that a judgment or consent decree has not in fact been obtained.

The Third Circuit majority in *Live Gold* construed the majority in *Buckhannon* as authorizing a holding that where, as with Live Gold, there had been a change in the party's legal relationship because of judicial action, the *Buckhannon* test for the award of attorney's fees was satisfied.

In dissent, Judge Thomas Ambro noted that the majority had acted in direct contravention of *Buckhannon*. He said the Court had intended in that case to avoid the result that his colleagues in the majority had effected. Ambro explained that an award of attorney's fees, not on the basis of a judgment or order, would encourage subsequent "trials within trials" on the issue of whether such fees were appropriate. He said the Supreme Court had expressly held that it would only be where a prevailing party obtained a "judgment on the merits" or a "court-ordered consent decree," that attorneys fees would be allowed.

Although we find ourselves generally in agreement with the majority in *Live Gold* and the dissenters in *Buckhannon*, we acknowledge that the issue is by no means clear-cut. As we noted, en banc review is pending and Supreme Court review of this issue would not be a surprise. It would resolve the debate on a fascinating and significant legal issue.