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No Judgment on Merits, But N.J. Hit With Fees Over Truth-in-Music Law

Mary Pat Gallagher

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New Jersey will have to pay the legal fees for a music promoter that sued the state to stop it from enforcing its "truth-in-music" law.

The Third U.S. Circuit Court of Appeals held on Aug. 5 in *Singer Management Consultants Inc. v. Milgram*, No. 09-2238, that the promoter, which accused the state of violating its constitutional and trademark rights, was a prevailing party for fee-shifting purposes.

The lower court dismissed the case and denied fees, finding the case moot because the state did an about-face once it became clear it would lose. Thus, the promoter, Live Gold Operations Inc., never obtained an order on the merits.

The district court relied on *Buckhannon Bd. & Care Home v. W. Va. Dep't of Health & Human Res.*, 532 U.S. 598 (2001), where the U.S. Supreme Court held prevailing party fees are not available for plaintiffs who do not win a judgment but act as the catalyst for a voluntary change in defendants' conduct.

The appeals court found *Buckhannon* allowed a fee award even though no judgment on the merits was reached because the state's action in backing off its initial stance was not voluntary but resulted from the action of the district court.

The fee dispute grew out of the state's attempt in 2007 to enforce the newly enacted New Jersey Deceptive Practices in Musical Performances statute, N.J.S.A. 2A:32B-1 et seq.

The law is aimed at imposter groups that perform under a name they have no right to use. It creates a separate offense subject to a \$10,000 civil penalty for a first offense, \$20,000 for a repeat and treble damages, and makes a violation illegal under the Consumer Fraud Act.

Live Gold had put together a two-week concert series starting Aug. 18, 2007, at the Hilton Hotel in Atlantic City featuring two bands that dated back to the 1950s, the Platters and the Coasters.

Shortly before the first show, the attorney general notified Live Gold that its use of the bands' names might run afoul of the law.

Live Gold provided evidence it owned a common-law unregistered trademark in the names, but the state insisted that to avoid liability, the concerts should be billed as a "tribute" or "salute."

The Hilton complied, but a day before the first show, Live Gold sued Attorney General Anne Milgram, seeking a temporary restraining order and injunctive relief.

That same day, U.S. District Judge Dickinson Debevoise, in Newark, granted a TRO, finding Live Gold was likely to succeed on the merits. Debevoise said the state's decision to treat unregistered trademarks differently from registered ones under the law posed a "very serious problem" and might impair "substantial federal rights," including freedom of speech.

When the parties returned on Sept. 7, 2007, for a preliminary injunction hearing, Deputy Attorney General Lorraine Rak at first continued to assert that unregistered trademarks were not the same for purposes of the truth-in-music law, but during the argument she switched her position after Debevoise repeatedly rejected it.

Debevoise did not issue an injunction but declared the state would be "bound by" its new view of the law.

On March 16, 2009, after getting the state to confirm what it said at the preliminary injunction hearing, Debevoise dismissed the case, saying nothing else needed to be decided because Live Gold had effectively won.

But Debevoise denied Live Gold's request for fees on April 7, 2009, agreeing with an earlier ruling by Magistrate Judge Esther Salas that it was not a prevailing party because he never issued a preliminary injunction or other order on the merits.

In reversing, Third Circuit Judge Jane Roth, joined by Ruggiero Aldisert, stated that Live Gold did prevail because it obtained complete relief based on the state's concession to its view of the law.

The TRO alone might have been enough to confer prevailing party status, but the court went beyond that at the preliminary injunction hearing, said Roth.

Judge Thomas Ambro dissented, saying U.S. Supreme Court precedent required a judgment or a court-ordered consent decree for prevailing party fees and the majority erred in creating an exception for voluntary conduct resulting from judicial pressure. He also said Debevoise was incorrect in saying the state was bound by its new view of the law because without an order, it could revert to its prior view, though judicial estoppel could be argued against it.

Live Gold attorney William Charron says the purpose of awarding fees is "to make sure that our government officials are answerable when they do take positions that are incorrect on the merits and when a court has to come in and get them to change their position, which is exactly what happened here." Charron, of Pryor Cashman in New York, says the fees he will seek on remand are substantial

because of the many issues raised in the case.

Attorney general spokesman Lee Moore says his office is reviewing the decision but declines further comment.

Jon "Bowzer" Bauman, a former member of the 1950s revival band Sha Na Na, heads the Truth in Music Committee of the Vocal Group Hall of Fame, based in Sharon, Pa., a proponent of truth-in-music laws across the country. He says 33 states besides New Jersey have them and, though his group did not agree that unregistered marks are less valid than registered marks, whether the groups involved in this case have valid trademarks remains to be adjudicated.