Eagle Eye On Attorneys’ Fee Award: Courts Must Apportion Award Based On Successful Claims

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Addressing the standard of review for attorneys’ fee awards under the Lanham Act, the US Court of Appeals for the Fifth Circuit applied Highmark’s abuse-of-discretion standard, affirmed the district court’s exceptional-case finding, but remanded for reapportionment of fees in light of unsuccessful claims. Alliance for Good Gov’t v. Coalition for Better Gov’t, Case No. 18-30759 (5th Cir. Mar. 21, 2019) (Higginbotham, J).

In August 2018, the Fifth Circuit affirmed the district court’s grant of summary judgment holding that the Coalition for Better Government’s use of its “hawk” logo infringed the Alliance for Good Government’s registered “hawk” composite mark as a matter of law. But the Fifth Circuit modified the district court’s injunction to enjoin only the Coalition’s use of its logo, not the use of its trade name (IP Update, Vol. 21, No. 11).

While the summary judgment appeal was pending, the district court granted the Alliance’s motion for attorneys’ fees, finding that the case was “exceptional” both because of the substantive strength of the Alliance’s infringement case and the unreasonable manner in which the Coalition litigated it. The district court awarded the Alliance all the fees it requested—more than $68,000. The Coalition appealed.

On appeal, the Fifth Circuit affirmed the district court’s finding that the case was “exceptional.” The Fifth Circuit joined the Federal and Ninth Circuits in holding that the Supreme Court of the United States’ decision in Highmark v. Allcare Health Management Systems provides the applicable standard of review for Lanham Act exceptional-case fee awards: the court of appeals reviews “all aspects of a district court’s” fee award for “abuse of discretion.”

After identifying the applicable standard of review, the Fifth Circuit affirmed the district court’s findings that the case was exceptional because the Alliance’s case stood out for its substantive strength and because the Coalition litigated the case unreasonably. Regarding substantive strength, the Court explained that the “likelihood of confusion [was] so great as to appear that customer confusion was Coalition’s motivation for adopting the Coalition Mark.” The Court further noted that the Coalition presented meritless defenses, including a laches argument unsupported by credible evidence and the “bare assertion” that the marks were different because one was an eagle and the other a hawk.

The Fifth Circuit noted that the Coalition also filed a “counterclaim without any actionable conduct” and a meritless motion to dismiss. The Court further accepted the district court’s finding that the Coalition behaved unreasonably during discovery, including by refusing to postpone depositions even after a summary judgment decision. The Court expressly rejected the Coalition’s implication that only prevailing defendants could be awarded fees under the Lanham Act.

Although it affirmed the exceptional-case findings, the Fifth Circuit required the district court to recalculate the fee award, instructing it to apply an “apportionment principle.” Although the Alliance prevailed on its claim that the Coalition’s composite hawk mark infringed, the Alliance did not prevail on its other claims. Accordingly, the district court was required to “make some attempt to adjust the fee award in an effort to reflect an apportionment.”