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**UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA**

MATTEL, INC., et al.)
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 Plaintiffs,)
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 v.)
)
 MGA ENTERTAINMENT, INC., et al.)
)
 Defendants.)
)
 _____)
)
 AND CONSOLIDATED ACTIONS)
)
 _____)

CASE NO. CV 04-9049 DOC (RNBx)

**ORDER GRANTING IN PART
AND DENYING IN PART MGA
ENTERTAINMENT, INC., MGA
ENTERTAINMENT (HK) LTD.,
MGAE DE MEXICO S.R.L. DE CV,
AND ISAAC LARIAN'S
APPLICATION FOR AN AWARD
OF ATTORNEYS' FEES AND
COSTS**

Before the Court is MGA Entertainment, Inc., MGA Entertainment (HK) Limited, MGAE de Mexico S.R.L. de CV, and Isaac Larian (collectively "MGA")'s Application for Attorneys' Fees and Costs Under Section 505 of the Copyright Act. The Court referred the Application to the Special Master for Discovery. *See* Fed. R. Civ. P. 53(a)(C). Mattel did not initially object to the Special Master's appointment, but states that it "did not consent to the [Special] Master's evaluation of MGA's fee applications." Because any interest in convenience must yield to Mattel's right to a judicial determination, the Court STRIKES the Special Master's Report and Recommendation.

1 **I. Introduction**

2 Section 505 of the Copyright Act provides that “[i]n any action under this title, the court
3 in its discretion may allow the recovery of full costs by or against any party other than the United
4 States or an officer thereof.” 17 U.S.C. § 505. “[T]he court may also award a reasonable
5 attorney’s fee to the prevailing party as part of the costs.” *Id.* The statute’s use of the word
6 “may” makes clear that a prevailing party is not always entitled to recover its costs. *Fogerty v.*
7 *Fantasy, Inc.*, 510 U.S. 517, 114 S.Ct. 1023 (1994).

8 The court’s exercise of discretion under Section 505 is guided by a single equitable
9 inquiry: did the successful prosecution or defense “further the purposes of the Copyright Act[?]”
10 *Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 559 (9th Cir. 1996); *Perfect 10, Inc. v. CCBill LLC*, 488
11 F.3d 1102, 1120 (9th Cir. 2007). Factors relevant to that inquiry may include “frivolousness,
12 motivation, objective unreasonableness (both in the factual and in the legal components of the
13 case) and the need in particular circumstances to advance considerations of compensation and
14 deterrence.” *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (3d Cir. 1986).¹ These factors are
15 not exclusive, *id.*, or mandatory, *Fogerty*, 94 F.3d at 558, and must always yield to the purposes
16 of the Copyright Act, *Fogerty*, 510 U.S. at 534 n. 19. “Faithfulness to the purposes of the
17 Copyright Act [] is the pivotal criterion.” *Fogerty*, 94 F.3d at 558.

18 **II. Discussion**

19 Unlike many other statutes, the Copyright Act limits the rights it confers, and prevents
20 other jurisdictions from enlarging those rights. 17 U.S.C. § 301. Thus, “the policies served by
21 the Copyright Act are more complex, more measured, than simply maximizing the number of
22 meritorious suits for copyright infringement.” *Fogerty*, 510 U.S. at 526. By restricting the rights
23 of copyright holders, the Act ensures that “private motivation [] ultimately serve[s] the cause of
24 promoting broad public availability of literature, music, and the other arts.” *See id.* at 526-27
25 (quoting *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156, 95 S.Ct. 2040 (1975)).
26 “The primary objective of copyright is not to reward the labor of authors, but ‘[t]o promote the

27 _____
28 ¹ Mattel is not an impecunious litigant. *See Mattel, Inc. v. Greiner & Hauser GmbH*, 354 F.3d 857, 859 (9th Cir. 2003).

1 Progress of Science and useful Arts.” *Feist Publ’ns, Inc. v. Rural Tele. Serv. Co.*, 499 U.S. 340,
2 361, 111 S.Ct. 1282 (1991). This purpose is satisfied when the public can “build freely upon the
3 ideas and information” in the public domain. *Id.* at 349-50.

4 **A. Recovery of Fees**

5 In this case, Mattel claimed that it owned valid copyrights in the concept sketches and
6 sculpts for the “Bratz” line of dolls and that every generation of “Bratz” dolls released by MGA
7 infringed those copyrights. The breadth of Mattel’s infringement claim corresponded with its
8 request for “more than \$1 billion dollars in copyright damages” and an “injunction prohibiting
9 MGA from producing or marketing virtually every Bratz female fashion doll, as well as any
10 future dolls substantially similar to Mattel’s copyrighted Bratz works.” *Mattel, Inc. v. MGA*
11 *Entm’t, Inc.*, 616 F.3d 904, 910 (9th Cir. 2010). This request for relief was predicated on
12 Mattel’s mistaken expectation that it owned the “ideas” in the copyrighted works; and the mere
13 specter of that relief may have clouded MGA’s business prospects, bolstered Mattel’s status, and
14 changed the landscape of the fashion doll industry. *Cf. Ideal Steel Supply Corp. v. Anza*, ___
15 F.3d ___, 2011 WL 2557618, at *19 (2d Cir. June 28, 2011) (“In light of (i) the broad scope of
16 RICO (and what might constitute proceeds from a RICO ‘predicate act’), and (ii) the specter of
17 paying treble damages, the mere threat of such a suit would chill competition.”).

18 The Ninth Circuit held that only a small minority of Mattel’s claim “might” be
19 reasonable. *Mattel*, 616 F.3d at 917. This Court agreed on remand, finding “no indicia of
20 sufficient disagreement” that all but six Bratz dolls did not infringe the concept sketches and
21 sculpts. *Mattel, Inc. v. MGA Entm’t, Inc.*, ___ F. Supp. 2d ___, 2011 (C.D. Cal. Jan. 5, 2011).
22 Regardless of Mattel’s disputed claim to ownership of the concepts sketches and sculpts, these
23 rulings, prompted by MGA, prevented Mattel from stifling the dissemination of “fashion dolls
24 with a bratty look or attitude,” *Mattel*, 616 F.3d at 916, and encouraged the widespread
25 “production of original . . . artistic . . . expression for the good of the public.” *Fantasy*, 94 F.3d
26 at 557 (quoting *Fogerty*, 510 U.S. at 524).²

27 _____
28 ² Contrary to Mattel’s argument, its copyright claim affected more than just “which
company would provide Bratz to the public.” Mattel’s request for an injunction, as well

1 There are compelling equitable reasons to award MGA its attorneys' fees. MGA secured
2 the public's interest in a robust market for trendy fashion dolls populated by multiple toy
3 companies, not just Mattel or even MGA. *Cf. Fogerty*, 94 F.3d at 556 ("Fogerty's vindication of
4 his copyright in "The Old Man Down the Road" secured the public's access to an original work
5 of authorship and paved the way for future original compositions-by Fogerty and others-in the
6 same distinctive "Swamp Rock" style and genre."); *see also Mattel*, 616 F.3d at 917 ("Mattel
7 can't claim a monopoly over fashion dolls with a bratty look or attitude, or dolls sporting trendy
8 clothing-these are all unprotectable ideas."). A fee award accounts for this lawsuit's detrimental
9 impact on MGA's sales, as well as the economic benefit Mattel may have obtained by distracting
10 its primary competitor with litigation. *Cf. Fogerty*, 94 F.3d at 556 ("Further, the district court
11 found that a fee award was appropriate to help restore to Fogerty some of the lost value of the
12 copyright he was forced to defend."). MGA's successful defense also nudged copyright law in
13 the direction of "free expression" by appealing to basic principles about the unprotectability of
14 ideas, instead of relying on "technical defense[s], such as the statute of limitations, laches, or the
15 copyright registration requirements." *Id.* MGA's contribution to the state of the law in the field
16 of copyright in a case of this magnitude and notoriety cannot be understated; its failure to
17 vigorously defend against Mattel's claims could have ushered in a new era of copyright litigation
18 aimed not at promoting expression but at stifling the "competition" upon which America thrives.
19 *Mattel*, 616 F.3d at 918; *cf. Fogerty*, 94 F.3d at 556 ("Finally, the benefit conferred by Fogerty's
20 successful defense was not slight or insubstantial relative to the costs of litigation.").

21 Mattel argues that MGA's successful defense could not have furthered the purposes of
22 copyright law because Mattel's underlying claim was reasonable. This argument is factually and
23 legally incomplete. In many cases involving reasonable claims, a successful defense is no more
24 effective than a successful prosecution at furthering the purposes of copyright law, and a fee
25 award to the defendant is therefore inappropriate. *See Lotus Dev. Corp. v Borland Int'l, Inc.*,

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28 as the legal reasoning offered in support of that request, attempted to justify a restriction
on every other prospective doll designer from producing "fashion dolls with a bratty look
or attitude, or dolls sporting trendy clothing." *Mattel*, 616 F.3d at 916.

1 140 F.3d 70, 75 (1st Cir. 1998); *Matthew Bender & Co. v. W. Publ'g Co.*, 240 F.3d 116, 122 (2d
2 Cir. 2001); *see also Harris Custom Builders Inc. v. Hoffmeyer*, 140 F.3d 728, 730-31 (7th Cir.
3 1998). But that is a rule of thumb, not rule of law, and Mattel's insistence that objective
4 unreasonableness is a prerequisite to the recovery of costs under Section 505 defies clear
5 authority to the contrary.

6 Indeed, Justice Thomas wrote separately in *Fogerty* to express concern about the
7 disparate treatment of prevailing parties seeking attorneys' fees under identically worded
8 statutes. Justice Thomas' concurrence recognized that unreasonableness is not a prerequisite to
9 the recovery of attorneys' fees in a copyright case:

10 Under the Title VII provision, a prevailing plaintiff 'ordinarily is to be awarded
11 attorney's fees in all but special circumstances,' whereas a prevailing defendant is
12 to be awarded fees only 'upon a finding that plaintiff's action was frivolous,
13 unreasonable, or without foundation.' *By contrast*, under the Court's decision
14 today, prevailing plaintiffs and defendants in the copyright context 'are to be
15 treated alike,' and 'attorney's fees are to be awarded to prevailing parties only as a
16 matter of the court's discretion.'

17 *Fogerty*, 510 U.S. at 536 (emphasis added) (Thomas, J., concurring in judgment).

18 In any event, Mattel's claim – that the reproduction of the look of a “girl with too much
19 makeup on” must be remedied by a billion dollars in damages and injunctive relief – is far less
20 reasonable than the claim in *Fogerty*, which reached the jury in its entirety. 94 F.3d at 556.³ By
21 and large, the protected features of subsequent generation “Bratz” dolls “are nothing like” the
22 concept sketches and sculpts to which Mattel claimed ownership. *Mattel*, 616 F.3d at 917.
23 Differences in the “fashions and hairstyles” are plainly evident and Mattel never argued that any
24 such similarities existed. Instead, Mattel claimed that the *types* and *placement* of features

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26 ³ The Ninth Circuit awarded defendant his fees and costs on appeal, even though
27 plaintiff's appeal raised close and difficult legal issues. *See Fogerty*, 94 F.3d at 561.
28 There was no discussion of reasonableness; the court considered it sufficient that “it
served the purposes of the Copyright Act for [defendant] to defend an appeal so that the
district court's fee award would not be taken away from him.” *Id.*

1 depicted in the concept sketches and sculpts were protectable merely because they made the
2 dolls “look younger.” *Mattel*, 2011 WL 1114250, at *16. But it is well-established that
3 copyright protection does not extend to ideas, especially not ubiquitous ideas like young and
4 fashionable females. *Id.*; *see also Mattel*, 616 F.3d at 917. Mattel had been reminded of this
5 black letter law in prior litigation. *See, e.g., Mattel, Inc. v. Goldberger Doll Mfg. Co.*, 365 F.3d
6 133, 136 (2d Cir. 2004) (“An upturned nose, bow lips, and wide eyes are the ‘idea’ of a certain
7 type of doll face. That idea belongs not to Mattel but to the public domain.”).

8 Mattel argues that its claim could not have been unreasonable because the prior district
9 court judge entered its requested injunctive relief. Far from demonstrating the reasonableness of
10 its copyright claim, the fact that Mattel convinced a judicial officer to commit legal error
11 underscores the value of MGA’s persistent defense in furthering the purposes of copyright law.
12 Judges occasionally make mistakes, and sometimes, as in this case, those mistakes are
13 unreasonable. *See Mattel*, 616 F.3d at 917 (“It might have been reasonable to hold that *some of*
14 the Bratz dolls were substantially similar to Bryant’s sketches, especially those in the first
15 generation. But we fail to see how the district court could have found the vast majority of Bratz
16 dolls . . . substantially similar[.]”). MGA’s successful defense prevented that error from
17 affecting the outcome of this lawsuit and setting poor precedent in the field of copyright.

18 Mattel also argues that its copyright claim did not offend the policies served by copyright
19 law because some evidence supported its ultimately unsuccessful assertion of ownership over the
20 concept sketches and sculpts. But ownership of the copyrighted work is only one element of a
21 successful copyright claim, and it is often uncontested. *See Feist Publ’ns, Inc. v. Rural Tele.*
22 *Serv. Co.*, 499 U.S. 340, 361, 111 S.Ct. 1282 (1991); *see, e.g., Fogerty*, 94 F.3d at 556. Even if
23 a plaintiff’s assertion of ownership to a valid copyright is reasonable or even uncontested, the
24 claim may still aspire to stifle works that “build freely upon the ideas and information” in the
25 public domain, and a successful defense may further the purposes of the Act. *Id.*; *Feist*, 499
26 U.S. at 349-50. The danger of over-aggressive copyright prosecution that concerned the
27 Supreme Court in *Fogerty* was exemplified not by Mattel’s assertion of ownership over the
28 copyrighted works but by its pursuit of grossly overbroad monetary and injunctive relief.

1 Mattel finally argues that its good faith cannot be questioned because its motivation in
2 filing suit is the subject of a separate action presently pending before this Court and in which
3 Mattel has filed a jury demand.⁴ Though *Lieb* discussed “motivation” as a relevant factor, “a
4 finding of bad faith, frivolous or vexatious conduct is no longer required,” *Fogerty*, 94 F.3d at
5 960, and the Court fails to see its applicability here. Had Mattel advanced a meritorious
6 copyright claim, the presence of a nefarious motivation (excepting a purpose to “harass, cause
7 unnecessary delay, or needlessly increase the cost of litigation,” *see* Fed. R. Civ. P. 11) might not
8 have entitled MGA to a fee award. *Lotus Dev. Corp.*, 140 F.3d at 75 (“Arguably, there is
9 nothing inherently improper about bringing a claim that is well-founded in law and fact against
10 one’s competitors, even when legal action, if successful, will inflict severe economic
11 consequences upon them.”). Similarly, the Copyright Act’s interest in creative freedom is no
12 more vindicated by a successful defense against an unreasonable claim brought by a mischievous
13 plaintiff as it is by a successful defense against an unreasonable claim brought by a clean-hearted
14 plaintiff. *See Screenlife Establishment v. Tower Video, Inc.*, 868 F. Supp. 47, 51-52 (S.D.N.Y.
15 1994) (citing *Diamond Star Bldg. Corp. v. Freed*, 30 F.3d 503 (4th Cir. 1994)). Mattel’s claim
16 posed a serious threat to the public’s access to free and competitive expression; the possibility
17 that Mattel ignored decades-old principles about the unprotectability of ideas in good faith is not
18 an excuse and does not diminish the benefits society will reap as a result of MGA’s successful
19 defense.

20 **B. Calculation of Attorneys’ Fees and Costs**

21 **1. Invoices**

22 MGA has filed its attorney invoices in support of its Application and, pursuant to this
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25 ⁴ In support of its argument that Mattel acted in bad faith, MGA asks the Court to
26 consider the conduct of Mattel’s attorneys. However, the Court’s duty is to do “justice
27 between the parties,” *see Elder v. Holloway*, 984 F.2d 991, 998 (9th Cir. 1993) (Kozinski,
28 J., dissenting from denial of petition for rehearing), not the attorneys. Mattel’s attorneys
may represent the company in litigation, but the Court’s Orders affect Mattel, and the
company should not have to account for its lawyers’ independent conduct.

1 Court's order, submitted unredacted versions of those invoices for review *in camera*.⁵ Mattel
2 has moved to compel the production of those unredacted invoices pursuant to the rule that
3 invoices submitted in support of a request for attorneys' fees "should be redacted *only* to the
4 extent absolutely necessary to protect information covered by the attorney-client privilege or the
5 work-product doctrine." *U.S. v. \$1,379,879.09 Seized From Bank of America*, 374 Fed. Appx.
6 709, at **1 (9th Cir. Mar. 19, 2010) (emphasis in original) (citing *MGIC Indem. Corp. v.*
7 *Weisman*, 803 F.2d 500, 505 (9th Cir. 1986)); see also *Reynolds v. Beneficial Nat. Bank*, 288
8 F.3d 277, 286 (7th Cir. 2002). Mattel's position is legally sound; this Court has recognized that
9 the submission of *in camera* information or argument circumvents the adversarial process.⁶ See
10 Hearing Tr., dated December 20, 2010, Vol. I-B, at 21:8-17. But that concern has been partially
11 alleviated here, because MGA has served Mattel with redacted copies of its attorney invoices
12 that (1) identify the number of hours each attorney dedicated to the case on a monthly basis; and
13 (2) categorize attorney hours between time spent on MGA's affirmative claims and time spent
14 on MGA's defense against Mattel's claims. Further detail could be necessary for Mattel to
15 assess the reasonableness of the fees charged, but Mattel has expressly waived any objection to
16 the "rates" charged by MGA's attorneys or the allocation of time on "particular tasks." Hearing
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19 ⁵ Contrary to Mattel's argument, MGA did not waive the attorney-client privilege
or work product doctrine.

20 ⁶ Despite the Court's admonition, the parties have requested a number of *in*
21 *camera* proceedings over the course of this lawsuit and, particularly, during discovery.
22 For instance, Mattel demanded that its in-house counsel be examined *in camera* about his
23 factual investigation prior to the filing of this lawsuit prior to testifying about that subject
24 in connection with MGA's statute of limitations defense. Mattel also requested that its
25 outside counsel and in-house counsel be subject to *in camera* examination before being
26 exposed to the adversarial process in connection with MGA's claim that Mattel concealed
27 evidence about its market research tactics – conduct that ultimately resulted in a finding
28 of liability against Mattel. MGA likewise requested that its outside and in-house counsel
be subject to *in camera* examination in connection with Mattel's claims that the
company's communications with its lawyers about the withholding of an email chain
were made in furtherance of a crime or a fraud as well as Mattel's claim that MGA
suborned perjury.

1 Tr., dated May 25, 2011, Vol. IV, at 41-42.⁷

2 Mattel argues that it needs to review MGA's unredacted invoices in order to object to the
3 "apportionment" of fees between MGA's defense against Mattel's claim for copyright
4 infringement and MGA's defense against Mattel's other claims. But information relevant to
5 apportionment, including legal strategy and the results of witness interviews, is covered by the
6 attorney-client privilege and work product doctrine. *Weisman*, 803 F.2d at 505; *Federal Savings*
7 *and Loan Ins. Corp. v. Ferm*, 909 F.2d 372 (9th Cir. 1990) (noting that *in camera* review of
8 attorney invoices was necessary to protect "the confidentiality of Ferm's communications with
9 her counsel and her counsel's mental impressions concerning litigation strategy"); *In Re Grand*
10 *Jury Witness*, 695 F.2d 359 (9th Cir. 1982) ("[C]orrespondence between attorney and client
11 which reveals the client's motivation for creation of the relationship or possible litigation
12 strategy ought to be protected. Similarly, bills, ledgers, statements, time records and the like
13 which also reveal the nature of the services provided, such as researching particular areas of law,
14 also should fall within the privilege."). Mattel already has information about MGA's monthly
15 bills and its attorneys' allocation of time between affirmative and defensive claims. The risk of
16 disclosing specific information about seven years of MGA's legal strategy is particularly
17 concerning in this case, since both parties are involved in several lawsuits, including a lawsuit
18 against each other in this Court. If the parties were no longer engaged in litigation or if Mattel
19 agreed to some reciprocal production of its own attorney invoices, the Court might have lent
20 greater credence to Mattel's claimed due process concern. But granting this demand for
21 additional transparency, despite the absence of any objection to the hourly rates and time
22 allocation by MGA's attorneys, gives Mattel a one-way view into the litigation strategy of a

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24 ⁷ Mattel has opposed the production of its own billing records by noting its lack of
25 objection to the reasonableness of MGA's fees. Had Mattel so objected, its own billing
26 records may have been relevant. *See* M. Derfner & A. Wolf, *Court-Awarded Attorney*
27 *Fees* ¶ 16.02[8][a] at 16-46 (2010 ed.) ("[T]he vehemence or tenacity of the opposition
28 justifies an increase in the amount of time an attorney must necessarily – and therefore
reasonably – spend in countering the opposition and winning the suit. Similarly, the skill
of an opposing counsel may justify the expenditure of a greater amount of time in
litigation than would ordinarily be reasonable.").

1 party that it continues to battle with in other cases.

2 2. Relatedness

3 MGA is entitled to recover the fees it incurred in defending against claims that
4 “involve[d] a common core of facts or [were] based on related legal theories.” *The Traditional*
5 *Cat Ass’n v. Gilbreath*, 340 F.3d 829, 833 (9th Cir. 2003); *see also Thomas v. City of Tacoma*,
6 410 F.3d 644, 649 (9th Cir. 2005). That test has been imported from the federal civil rights
7 context, in which a prevailing plaintiff is entitled to recover its reasonable attorney’s fees.
8 *Hensley v. Eckerhart*, 461 U.S. 424, 433, 103 S.Ct. 1933 (1983). In *Hensley*, the Supreme Court
9 noted that the calculation of “reasonable attorney’s fees” involves (1) multiplying the number of
10 hours “reasonably expended on the litigation” with a reasonable hourly rate; (2) the
11 interrelatedness of the claims; (3) the extent of the plaintiff’s success; and (4) other equitable
12 factors, including those identified in *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714,
13 717-19 (5th Cir. 1974). 461 U.S. at 434-37. On the other hand, fees incurred defending against
14 unrelated claims are not recoverable because time spent on the prosecution of those claims
15 cannot “be deemed to have been ‘expended in pursuit of the ultimate result achieved.’” *Id.*

16 Contrary to Mattel’s argument, the Supreme Court’s recent decision in *Fox v. Vice* does
17 not undermine *Hensley*. In *Fox*, a successful civil rights defendant applied for its reasonable
18 attorneys’ fees contending, as a § 1988 defendant must, that the plaintiff’s claim was
19 “frivolous.”⁸ The plaintiff responded that frivolousness requires that *every* claim be frivolous,
20 but the Court disagreed, citing *Hensley* for the proposition that “a court may reimburse a
21 defendant for costs under § 1988 even if a plaintiff’s suit is not wholly frivolous.” 131 S.Ct.

22 ⁸ Unlike copyright law’s “evenhanded” approach that evaluates attorney’s fee
23 applications brought by prevailing plaintiffs and defendants under the same test, *Fogerty*,
24 510 U.S. at 534, § 1988 plaintiffs and defendants are treated differently in light of the
25 statute’s obvious interest in vindicating civil rights. Section 1988 plaintiffs need only
26 demonstrate that they prevailed, *i.e.*, that “succeed on any significant issue in litigation
27 which achieves some of the benefit the parties sought in bringing suit,” *Hensley*, 461 U.S.
28 at 433 (quoting *Nadeau v. Helgemoe*, 581 F.2d 275, 278-79 (1st Cir. 1978), but
defendants must demonstrate that the action was “frivolous, unreasonable, or without
foundation.” *Christianburg Garment Co. v. EEOC*, 434 U.S. 412, 421, 98 S.Ct. 694
(1978).

1 2205, 2214 (2011). If “a plaintiff [] prevail[s] on one contention in a suit while also asserting an
2 unrelated frivolous claim[,] a court could probably award fees to *both* parties.” *Id.* (emphasis
3 added) (citing *Hensley*, 461 U.S. at 435 n. 10). However, the Court held, just as the statute’s
4 interest in deterring frivolous claims entitles a defendant to recover fees incurred defending
5 against such claims, it also limits recovery to amounts the defendant “would not have paid but
6 for the frivolous claims.” 131 S.Ct. at 2215. If the defendant would have incurred those fees
7 anyway, “he has suffered no incremental harm from the frivolous claim” and “has never
8 shouldered the burden that Congress, in enacting § 1988, wanted to relieve.” *Id.*

9 Mattel reads *Fox*’s second holding to require that “fees incurred for defense of related
10 claims that would have been incurred by MGA in the absence of the copyright claim are not
11 recoverable” because “frivolousness and objective unreasonableness [are] factors the Court
12 should consider in awarding fees under the Copyright Act” and in the context of federal civil
13 rights claims, fees incurred for non-frivolous related claims are not recoverable. Docket 10644
14 at ¶ 15. This syllogism misreads the controlling standard for the recovery of fees by copyright
15 defendants, flips *Fox*’s reasoning on its head, promotes absurd outcomes, and, even if correct,
16 does not undermine MGA’s entitlement to its fees. “Reasonableness” may affect defendants’
17 recovery of fees in both the federal civil rights and copyright contexts, but for different reasons.

18 An interest in compensation drives fee awards to civil rights defendants. *Fox*, 131 S.Ct.
19 at 2215 (“[T]he relevant purpose of § 1988 is to relieve defendants of the burdens associated
20 with fending off frivolous litigation.”). Federal civil rights statutes, like the one considered in
21 *Fox*, are mechanisms to safeguard and expand liberties and promote broad compliance with the
22 law. See *Christianburg Garment Co. v. Equal Employment Opportunity Comm’n*, 434 U.S. 412,
23 418-19 (1978) (citing *Newman v. Piggie Park Enters., Inc.*, 390 U.S. 400, 401-02, 88 S.Ct. 964
24 (1968)). Plaintiffs that bring civil rights claims therefore resemble “private attorneys general,”
25 helping vindicate “polic[ies] that Congress considered of the highest priority.” *Id.* Both because
26 plaintiffs’ successful prosecutions of federal civil rights claims serve an important public
27 benefit, and because “violat[ions] of federal [civil rights] law” must be vigorously deterred, a
28 prevailing civil rights plaintiff “should ordinarily recover an attorney’s fee unless special

1 | circumstances would render such an award unjust.” *Newman*, 390 U.S. at 417 (Title II); *see also*
2 | *Christianburg*, 434 U.S. at 417 (Title VII); *Fox*, 131 S.Ct. at 2213. Since successful civil rights
3 | defendants rarely vindicate the same “important public benefits” and civil rights plaintiffs can
4 | hardly be considered “violator[s] of federal law,” civil rights defendants do not enjoy the same
5 | presumption in favor of fee recovery. *Christianburg*, 434 U.S. at 418-19. Instead, defendants’
6 | entitlement to fees rests on “different equitable considerations,” namely the interest in preserving
7 | the integrity of the “adversary judicial process” that must “ultimately effectuat[e]” Congress’
8 | policies, *id.* at 419, and compensating defendants for “shoulder[ing] the burden” of defeating the
9 | “frivolous [or] unreasonable” claims that undermine that process. *Fox*, 131 S.Ct. at 2215; *see*
10 | *also Christianburg*, 434 U.S. at 420-21 (discussing legislative history). Of course, no burden
11 | has been “shouldered” and no compensation is necessary if the defendant would have incurred
12 | its fees anyway, *Fox*, 131 S.Ct. at 2215.

13 | Fee awards to copyright defendants serve a purpose loftier than mere compensation:
14 | rewarding a successful defense that “enrich[es] the general public through access to creative
15 | works.” *Fogerty*, 510 U.S. at 527. The rationales that underlie copyright law favor limitation.
16 | Defendants play an important role in “demarc[at]ing” the “boundaries of copyright law” by
17 | raising defenses predicated upon public access to creative works and the novel expression of
18 | ideas. *Id.* Defendants should accordingly be “encouraged to litigate [meritorious copyright
19 | defenses] to the same extent that plaintiffs are encouraged to litigate meritorious claims of
20 | infringement.” *Id.* Unlike the narrow compensatory principles that limit recovery to civil rights
21 | defendants in cases involving frivolous claims, *see Fox*, 131 S.Ct. at 2215, society’s interest in
22 | the assertion of meritorious defenses against *both* reasonable and unreasonable copyright claims
23 | is best achieved through the award of all fees incurred in connection with the claim and related
24 | “claims [that] involve a common core of facts or . . . legal theories.” *Hensley*, 461 U.S. at 435.
25 | That is the standard that has been applied to civil rights plaintiffs, *see Fox*, 131 S.Ct. at 2214,
26 | copyright plaintiffs, *Marsu, B.V. v. Walt Disney Co.*, 185 F.3d 932, 939 (9th Cir. 1999) (applying
27 | *Hensley*’s relatedness standard to contract fee provision), and copyright defendants, *see*
28 | *Twentieth Century Fox Film Corp. v. Entm’t Distributing*, 429 F.3d 869, 884 (9th Cir. 2005).

1 Indeed, Mattel concedes that *Fox* does not affect copyright plaintiffs' entitlement to fees
2 incurred in prosecuting "related claims." Reading *Fox* to nevertheless preclude copyright
3 defendants from recovering fees spent defending against related claims runs afoul of the rule that
4 courts should apply the same standards in awarding fees to copyright plaintiffs and copyright
5 defendants. *See Fogerty*, 510 U.S. at 527.

6 In any event, *Fox* acknowledged that "the 'but-for' standard . . . may in some cases allow
7 compensation to a defendant for attorney work relating to both frivolous and non-frivolous
8 claims." 131 S.Ct. at 2216. If the "frivolous" claim implicated greater "monetary exposure" or
9 "involved a specialized area that reasonably caused [defendant] to hire more expensive counsel,"
10 a court could find that the "costs would not have been incurred in the absence of the frivolous
11 allegation." *Id.* Such is the case here. Mattel sought expansive legal and equitable relief
12 through its claim for copyright infringement. The parties' attorneys dedicated significant
13 resources to that claim as a result, recognizing its potential to enrich Mattel and destroy MGA.

14 Though the Court, for reasons discussed below, still attempts to apportion fees to the
15 extent practicable, *Fox* does not compel a denial of fees. The specter of billion dollar relief
16 spurred the vast majority of MGA's legal expenditures and motivated the parties' commitment to
17 litigate the remaining claims. The Court accordingly awards MGA the reasonable attorneys'
18 fees it incurred in defending against the copyright claim and all related claims.

19 3. Pre-Filing Costs

20 MGA is also entitled to recover a modest amount of the fees incurred after the filing of
21 Mattel's lawsuit but before the filing of Mattel's copyright infringement counterclaim.
22 Prevailing plaintiffs are permitted to recover fees incurred for essential pre-filing activity, *see*
23 *Webb v. Bd. of Educ. of Dyer County, Tenn.*, 471 U.S. 234, 243, 105 S.Ct. 1923, and
24 evenhandedness demands that defendants similarly recover fees incurred in the preparation of
25 their defense against an imminent claim. *See Fogerty*, 510 U.S. at 527. Mattel sought discovery
26 relevant to its copyright infringement claim before formally moving for leave to assert that claim
27 in an amended pleading. In response to Mattel's requests, MGA performed extensive factual
28 investigation, retrieved physical evidence, researched the law on copyrights, and prepared

1 witnesses to respond to Mattel's questions about substantial similarity and access during
2 depositions. It is equitable to reimburse MGA for some of this work not just because MGA's
3 early efforts may have directly contributed to its eventual success, but also because Mattel did
4 not limit its discovery requests prior to the formal filing of its claim for copyright infringement.

5 4. Discussion

6 All but four of Mattel's claims arose out of the reproduction of the Bratz concept sketches
7 and sculpts. *See* Fourth Amended Answer and Counterclaims ¶¶ 124(f) (first counterclaim); 129
8 (second counterclaim); 146 (fourth counterclaim); 154 (fifth counterclaim); 161-62 (sixth
9 counterclaim); 168 (seventh counterclaim); 176 (eighth counterclaim); 181 (ninth counterclaim);
10 187 (tenth counterclaim); 194 (eleventh counterclaim); 203 (twelfth counterclaim); 240
11 (seventeenth claim); *see also* Memo. in Support of Mot. to Confirm Pendency [Docket 7801] at
12 2:7-9 (arguing that "Mattel's Bratz-related trade secret claim . . . has long been at issue.").
13 Mattel's thirteenth, fourteenth, fifteenth, and sixteenth counterclaims, which did not survive
14 MGA's motion to dismiss, concerned conduct unrelated to Mattel's copyright infringement
15 counterclaim and the Court accordingly excludes from the attorneys' fees award amounts
16 incurred in defense of those allegations.

17 Some of these claims also encompassed other conduct, including the alleged
18 misappropriation of Mattel documents using other Mattel employees (a claim the jury rejected).
19 MGA argues that it is entitled to recover the fees it incurred defending against these allegations
20 because the claims are related – an argument that hews to the legal rule while betraying its
21 origins. *Hensley's* rule ensures that courts do not become bogged down in a "second major
22 litigation" about the "determination of fees." *Fox*, 131 S.Ct. at 2216 (quoting *Hensley*, 461 U.S.
23 at 437). If two claims "involve a common core of facts" or a single "legal theory" supports a
24 claim to relief arising out of two sets of facts, then one would expect "[m]uch of counsel's time
25 will be devoted generally to the litigation as a whole, making it difficult to divide the hours
26 expended on a claim-by-claim basis" or, in the case of a single claim, on an allegation-by-
27 allegation basis. *Hensley*, 461 U.S. at 435. For instance, MGA's attorneys spent thousands of
28 hours performing routine tasks in connection with the filing of dispositive motions, and

1 allocating out time spent on allegations concerning the Bratz works represents a futile and
2 wasteful use of judicial resources, especially since counsel's diligence was more likely
3 motivated by an attempt to defeat Mattel's Bratz-related allegations, and not Mattel's claim that
4 a few employees downloaded company documents. *Fox*, 131 S.Ct. at 2216.

5 The Court has nevertheless attempted to exclude attorneys' fees and costs incurred
6 investigating these other allegations of wrongdoing. The Supreme Court has recognized that
7 "rough justice" is sufficient in the context of fee awards, but justice is still required. Though
8 MGA's billing records are voluminous, the attorneys hired after December 2007 specifically
9 identified the tasks they performed, and thereby enabled the Court to easily separate out time
10 spent on unrelated tasks. Based on these records, the Court estimates that MGA incurred \$24
11 million in fees for the factual or legal investigation of allegations that did not overlap with the
12 alleged reproduction of the Bratz concept sketches and sculpts, and excludes that amount from
13 the total fee award. Mattel does not dispute that the total sum incurred by MGA in defense of
14 Mattel's claims totals \$129,688,073. *See* Declaration of Stephen Schultz In Support of MGA's
15 Motion for Attorneys' Fees ¶ 17. Deducting \$24 million in fees unrelated to the copyright claim
16 results in a total fee award of \$105,688,073.

17 5. Other Costs

18 MGA also claims to have incurred approximately \$40 million in costs over the life of this
19 litigation. That amount must also be reduced, so as to exclude costs unrelated to the copyright
20 claim, including costs for outside investigators (\$87,807), approximately \$7000 in costs for
21 deposition recording services, branding research (\$509,806), and a study performed in
22 connection with MGA's affirmative claims (\$128,800). Recoverable costs do, of course, include
23 the modest fees paid to Mr. Glenn Vilppu for his copyright specific expert opinion and other
24 general trial costs incurred over the life of this litigation. Subject to these deductions, MGA's
25 recoverable costs amount to \$31,667,104.

26 **III. Disposition**

27 A fee award is appropriate if a successful defense furthers the purposes of the Copyright
28 Act. Mattel asserted a copyright claim that was stunning in scope and unreasonable in the relief

1 it requested. The claim imperiled free expression, competition, and the only serious competitor
2 Mattel had faced in the fashion doll market in nearly 50 years. MGA's successful defense
3 ensured that well-resourced plaintiffs cannot bend the law to suit their pecuniary interests. For
4 these reasons, and pursuant to 17 U.S.C. § 505, the Court awards MGA \$105,688,073.00 in
5 attorneys' fees and \$31,677,104.00 in costs.⁹

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8 IT IS SO ORDERED.

9 DATED: August 4, 2011

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DAVID O. CARTER
United States District Judge

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⁹ MGA's *ex parte* Application to Compel Production of Evidence in Connection
25 with the Hearing on Motions for Attorneys' Fees [Docket 10574] is DENIED. Mattel's
26 Motion to Compel MGA Entertainment, Inc. and Mr. Machado to Produce Attorney
27 Billing Records [Docket 10676] is DENIED. Mattel's Motion to Compel the Production
28 of the Declaration of Stephen Schultz [Docket 10634] is STRICKEN AS MOOT, in light
of MGA's withdrawal of its request to submit that Declaration to the Court, *see* Docket
10682. Mattel's Motion to Compel Production of, or Strike, Cost Materials and
Additional Cost Invoices [Docket 10672] is DENIED.