

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

VAN DE YACHT & ASSOCIATES, INC.,

Plaintiff,

v.

JUNEAU COUNTY ECONOMIC
DEVELOPMENT CORPORATION,

Defendant.

MEMORANDUM AND ORDER
06-C-194-S

Plaintiff Van De Yacht & Associates commenced this action for copyright infringement and unjust enrichment alleging that defendant Juneau County Economic Development Corporation improperly used a logo plaintiff designed. Jurisdiction is based on the federal copyright claim and supplemental jurisdiction, 28 U.S.C. §§ 1338 and 1367. The matter is presently before the Court on plaintiff's motion for voluntary dismissal pursuant to Rule 41. The following background is relevant to the motion.

BACKGROUND

In 2003 plaintiff Van De Yacht & Associates, Inc. prepared a marketing proposal for defendant Juneau County Economic Development Corporation. The proposal included a logo featuring a magnifying glass and the words "worth a closer look." Defendant declined the proposal but later prepared its own marketing materials using a logo with a magnifying glass and the words "worth a closer look" which

was similar to the logo plaintiff had prepared.

On January 6, 2006 plaintiff filed an application for copyright registration on the logo it prepared in connection with the proposal. On April 11, 2006 plaintiff commenced this action alleging that defendant had improperly used its logo in violation of copyright and state common law. On April 29, 2006 the United States Copyright Office issued a letter to plaintiff rejecting registration of the logo on the basis that the submission "represents less than the required minimum amount of original authorship on which to base a claim." Following receipt of this letter plaintiff no longer planned to pursue its copyright infringement action.

On August 1, 2006 defendant, unaware of the Copyright Office rejection of the application or plaintiff's intent to abandon the claim, filed a motion for summary judgment on the basis that the logo did not constitute an independently copyrightable work. Defendant also sought its attorney's fees pursuant to 17 U.S.C. § 505 as a prevailing party.

On August 21, 2006 plaintiff filed an amended complaint which abandoned the copyright claim. Plaintiff also filed an opposition brief wherein it continued to pursue its state law cause of action. On August 28, 2006 plaintiff moved to dismiss all claims with prejudice and without costs.

MEMORANDUM

Defendant opposes plaintiff's motion to dismiss on the grounds that it will be legally prejudiced by the dismissal because it will lose its right to recover attorney's fees as a prevailing party on plaintiff's copyright claim. Alternatively, defendant seeks an award of fees and costs as a condition of granting the motion to dismiss. Plaintiff contends that defendant will suffer no legal prejudice from a dismissal and that it continues to have a viable state law claim which precludes recovery of fees.

Rule 41(a)(2) permits dismissal by the plaintiff upon order of the court "on such terms and conditions as the court deems proper." In general, the Court will exercise its discretion to award attorney's fees as a condition of dismissal without prejudice to account for the fact that the defendant may have to defend again later and incur duplicate expenses. Cauley v. Wilson, 754 F.2d 769, 772 (7th Cir. 1985). In contrast, fees are typically not awarded when a dismissal is with prejudice because there is no possibility of the need for a second defense. Id.; See 9 Charles Alan Wright and Arthur R. Miller, Federal Practice and Procedure § 2366 (2d ed. 1994). However, fees may be awarded in the case of a dismissal with prejudice under circumstances where the non-moving party may have been awarded fees had the case been allowed to terminate on its merits. Id., See Sarkes Tarzian, Inc. v. Philco Corp., 351 F.2d 557, 558-61 (7th Cir. 1965) (patent defendant could recover fees after plaintiff voluntarily dismissed infringement claim with

prejudice, only if case would have met the exception case status of 35 U.S.C. § 285).

Defendant asks the Court to impose the payment of fees as a condition of voluntary dismissal with prejudice based on its right to recover attorney's fees as a prevailing party under 17 U.S.C. § 505.¹ Prevailing defendants in copyright actions are entitled to attorney's fees as a matter of the Court's discretion. FASA Corp. v. Playmate Toys, Inc., 108 F.3d 140, 143 (7th Cir. 1997). Among the factors to be considered by the Court in exercising its discretion are frivolousness, motivation, objective unreasonableness and the need to advance considerations of compensation and deterrence. Id. Considering the related and overlapping purposes for the award of fees under Rule 41 and § 505, the Court concludes that a limited award of fees as a condition of dismissal is appropriate.

Defendant should not be awarded fees for defending the entire action since there is no argument that plaintiff's state law claim was not viable nor that there would be any basis to recover fees for defending against it. Furthermore, there is nothing to support a finding that plaintiff's copyright claim was frivolous, unreasonable or improper at the time it was filed. Rather, plaintiff's continuing pursuit of the copyright claim and its delay in bringing

¹Defendant also suggests that it could recover fees under Rule 11, Fed. R. Civ. P. However, it is apparent that defendant did not comply with the procedural prerequisites of Rule 11(c)(1)(A) which must precede an award of fees under that rule.

its motion to dismiss became unreasonable when it received notice of denial of registration from the copyright office at the end of April, 2006. Indeed, plaintiff concedes that it planned to abandon the claim at that time. Had it taken action to withdraw the claim at that time, the federal claim would have been dismissed with prejudice and costs, the pending state law claim would have been dismissed without prejudice for lack of jurisdiction, and defendant would have been potentially subject to further defense costs in state court on the remaining claim. Kennedy v. Schoenberg, Fisher & Newman, Ltd., 140 F.3d 716, 727 (7th Cir. 1998) (except under unusual circumstances, pendant state claims are to be dismissed pursuant to 28 U.S.C. § 1367(c)(3) once the federal claim is resolved). Had plaintiff moved to dismiss the claim promptly no fees would have been awarded as a condition of dismissal.

However, plaintiff's failed to move for dismissal or disclose the copyright office action for a period of three months. Only after defendant had prepared and filed a motion for summary judgment on the copyright claim did plaintiff abandon it. Both the § 505 factors and the discretion provided by Rule 41 support the award of fees to defendant for the cost of preparing the motion and brief in support of summary judgment. At the time that motion was filed the copyright claim had been rendered objectively unreasonable. By failing to dismiss it, or even advise defendant of the copyright office rejection as a matter of discovery, plaintiff compelled the

unnecessary expenditure of attorney fees. The considerations of both compensation and deterrence support the recovery of those fees by defendant.

However, because plaintiff's state law claim remained viable at all times and because the initial filing of the matter in federal court was reasonable the remaining fees are not recoverable.

ORDER

IT IS ORDERED that plaintiff's motion to dismiss its complaint and all claims contained therein with prejudice pursuant to Rule 41(a)(2) is GRANTED, subject to the condition that plaintiff pay costs and defendant's attorney's fees for the preparation of its motion for summary judgment and brief in support of that motion.

IT IS FURTHER ORDERED that defendant shall have until September 27, 2006 to file materials in support of the amount of attorney's fees incurred in preparing said motion and that plaintiff shall have until October 4, 2006 to respond to that submission.

IT IS FURTHER ORDERED that judgment is entered in favor of defendant against plaintiff DISMISSING its complaint and all claims contained therein with prejudice together with costs and reasonable attorney's fees for the preparation of defendant's motion for summary judgment.

Entered this 18th day of September, 2006.

BY THE COURT:
S/

JOHN C. SHABAZ
District Judge