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Drafting New York Civil-Litigation Documents: Part XLIII—Motions for Attorney Fees

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Auto-Correct
90-Day Demand
Frivolous Conduct
Drafting New York Civil-Litigation Documents: Part XLIII — Motions for Attorney Fees

The Legal Writer continues its series on civil-litigation documents. In the last issue of the Journal, we discussed trial and post-trial motions. In this issue and the next, we’ll discuss motions for attorney fees, sometimes called attorney’s fees or attorneys’ fees, but which the Legal Writer calls attorney fees because the fees belong to the client, not the attorney. We’ll provide a brief historical overview of attorney fees and how courts calculate attorney fees, including the percentage-of-recovery method, the lodestar method, and the pure factor-based method. We’ll also address what it means to be a prevailing party, the contents of your attorney-fee motion, your papers opposing an attorney-fee motion, and attorney-fee hearings.

Litigating a case is expensive. For clients, attorney fees “probably comprise the greatest expense” of litigation. As a practitioner, you need to know how to recover your attorney fees so that your client will be reimbursed. But moving for attorney fees can be a daunting task. The law isn’t uniform; it’s murky and constantly changing. Different courts, and different judges in those courts, use different methods to calculate attorney fees: “[T]he only consistent aspect of court-awarded attorneys’ fees is the sheer inconsistency of the fee-setting process.” In this issue, the Legal Writer will clarify some issues arising in moving for attorney fees.

Attorney Fees: A Brief History

The United States initially followed the English rule on attorney fees: The losing party had to pay the prevailing party’s attorney fees. But in 1976, the Supreme Court rejected the English rule and created its own rule: Each party must pay its own attorney fees. The Supreme Court recognized that “even if [the American rule is] not strictly correct in principle, it is entitled to the respect of the court, till it is changed, or modified, by statute.”

In developing the American rule, the Court considered two public policies: (1) Parties shouldn’t be punished for suing; and (2) the court system would be substantially burdened if courts had to decide what constitutes reasonable attorney fees. Soon, an anti-American rule movement developed. Its followers argued that “under [the American rule,] the successful party is never fully compensated because such party must pay [its] counsel fees which may be as much or more than the total recovery in the suit.” Despite the anti-American-rule movement, the American rule still stands.

Exceptions to the American Rule

Judges and legislators across the United States have carved out six equitable exceptions to the American rule, allowing litigants to recover their legal fees. The exceptions cover (1) contracts; (2) bad faith; (3) common funds; (4) substantial benefit; (5) contempt; and (6) attorney-fee statutes.

Contract Exception. Parties may include an attorney-fee provision in a contract in the event they’ll have to litigate on the contract. Courts will enforce a contractual attorney-fee provision unless the provision violates public policy.

Bad-Faith Exception. Courts may award attorney fees if the parties or their attorneys act in bad faith “in the filing of the lawsuit . . . [or] before or after the course of the proceeding.” Courts have defined “bad faith” as conduct that’s unwarranted, baseless, or vexatious. The bad-faith exception aims to deter “illegitimate behavior in the courtroom, and sometimes outside it.”

Common-Fund Exception. Courts apply the common-fund exception in antitrust litigation, mass-disaster torts, and class actions. Under the common-fund exception, courts are “permit[ted] to extract the attorney’s fee from the recovery fund awarded to a class of prevailing litigants.” Courts will “dispers[e] the litigation costs over the range of beneficiaries not involved in the litigation, but who benefit from the fund being drawn from [it] through court order.” Before a court disperses the litigation costs, three conditions must be met: “[A] fund must exist; . . . a court must be able to exert control over the fund; and . . . fund beneficiaries must be identifiable so the court can shift the attorney fees to those benefitting from the litigation.”

Substantial-Benefit Exception. The substantial-benefit exception is similar to the common-fund exception: Non-parties must share the litigation expenses; absent parties won’t be enriched unjustly at the expense of the party bringing the lawsuit. A court will exert control over an entity made up of “beneficiaries in order to disperse the fee award.” The substantial-benefit exception applies to pecuniary and non-pecuniary benefits. Unlike the

Continued on Page 58
common-fund exception, no fund exists under the substantial-benefit exception.

Contempt Exception. A party who enforces a judgment in a contempt proceeding may collect its attorney fees in enforcing the contempt order.20

Attorney-Fee Statutes. More than 200 federal and about 2,000 state statutes provide for attorney-fee awards.21

The statutes cover, among other things, civil rights, consumer protection, employment, and environment-protection lawsuits.21 Under most of these statutes, only a successful party may recover its attorney fees.22

Read the statute carefully if you’re moving to recover attorney fees under a statute. Federal, state, and city statutes differ. Some statutes allow for an attorney-fee award only in limited cases. The New York City Human Rights Law, for example, authorizes attorney fees in any civil action brought under its provisions.23 The New York State Human Rights Law, however, provides for attorney fees only in cases alleging housing discrimination.24

Unless otherwise noted, the focus of this column will be on the contract exception to the American rule.

Attorney Fees: An Overview

The general rule in New York is that “attorneys’ fees are incidents of litigation and a prevailing party may not collect from the loser unless an award is authorized by agreement between the parties, statute, or court rule.”25

Demand for Attorney Fees. Before moving for attorney fees, make sure you’ve adequately demanded attorney fees as a claim in your complaint or as a counterclaim in your answer.26 A court will determine that you haven’t adequately pleaded your claim for attorney fees if your demand for attorney fees is contained only in your wherefore clause.27 Move for attorney fees before entry of a judgment.28 The Legal Writer will discuss the contents of your attorney-fee motion in the next issue of the Journal.

Ultimate Outcome. Your attorney-fee motion is premature if you’ve brought it before the “ultimate outcome” of a controversy has been reached irrespective whether it’s on the merits.29 An ultimate outcome is reached when it’s clear that a party can’t or won’t commence another action on the same grounds.30

If your adversary brings a second case against you but on different grounds from the first case, you might be entitled to attorney fees for successfully defending the first case.31

Prevailing Party. Practitioners move for attorney fees based on a contract, statute, or court rule that allows a prevailing party to recover its reasonable attorney fees. After the litigation has concluded, practitioners who contend that their client is a prevailing party to the litigation will move to recover their attorney fees.

It isn’t always self-evident who is the prevailing party.32 The New York Court of Appeals has defined the prevailing party as the party who has achieved the “central relief sought.”33 Whether you’re a prevailing party “requires an initial consideration of the true scope of the dispute litigated, followed by a comparison of what was achieved within that scope.”34

You might be the prevailing party even if you didn’t prevail on all your claims.35 After a court considers the true scope of the litigation, the court will likely determine that you’re the prevailing party if you’ve obtained monetary relief and your adversary didn’t.36

A court that ultimately dismisses your claim or counterclaim will likely determine that you’re not the prevailing party.37

A court will likely find that you’re not the prevailing party if your adversary, the plaintiff, obtained monetary relief on one of its claims but you won, in part, your motion to dismiss on the remaining claims in plaintiff’s complaint.38

Mixed Outcome. Sometimes it’s hard to determine who’s the prevailing party if each party secures mixed results from the litigation. If the outcome of the litigation isn’t “substantially favorable” to either side, neither party will be entitled to attorney fees.39

Reasonable Fees. A court may enforce an attorney-fee award only to the extent that the attorney fees are “reasonable and warranted for the services actually rendered.”40 The reason a court’s calculation of attorney fees is confusing is the “amorphous concept of reasonableness. . . . With no definitive answer to this question, litigants and attorneys are left to rely on the subjective intuition of the judge rendering the fee award.”41 This subjectivity has “resulted in inconsistency, unpredictability, and a waste of judicial resources.”42

Methods for Calculating Attorney Fees

Different courts and different judges in the same courts use different ways to calculate attorney fees.43 Courts throughout the United States use six different methods, or variations of these methods, in calculating reasonable attorney fees: the percentage-of-recovery method; the lodestar method; the lodestar cross-check method; the pure factor-based method; the multi-factor lodestar method; and the strict lodestar method. Other jurisdictions, such as Maryland and Nevada, give judges the discretion to choose the best method to calculate attorney fees.

Before you bring your motion for attorney fees (or oppose a motion for fees), look at the court’s or the individual judge’s earlier decisions to determine which method the court uses to calculate attorney fees.

Percentage-of-Recovery Method. Under this method, the attorney-fee award is based on a variable percentage of the amount the attorney recovered for the client. Courts that apply this method have “complete discretion
in selecting the appropriate percentage owed to the attorneys.” Courts determine what percentage to award an attorney by relying on such factors as the size of the attorney’s monetary recovery and the “amount of benefit conferred” on the client.45

Recovery and the “amount of benefit as the size of the attorney’s monetary determination what percentage to award an attorney by relying on such factors courts don’t use the Johnson factors, explained below, in this calculation.48

Lodestar Cross-Check Method. This method combines the percentage-of-recovery method with the lodestar method.49

Pure Factor-Based Method. In the pure factor-based method (also referred to as the multifactor method), the court considers 12 factors:
1. the time and labor required for the litigation;
2. the novelty and difficulty of the questions presented in the case;
3. the skill required to perform the legal service properly;
4. the attorney’s avoiding other work because the attorney accepted this case;
5. the customary fee charged by attorneys in the community for similar cases;
6. whether the attorney’s fee is fixed or contingent;
7. the time limitations imposed by the client or the circumstances;
8. the amount involved and the results obtained;
9. the attorney’s experience, reputation, and ability;
10. the undesirability of the case;
11. the nature and length of the attorney’s professional relationship with the client; and
12. fee awards in similar cases.50 These factors are known as the Johnson factors.51

Disagreements among the courts arise in “how and when to apply the Johnson factors when setting an attorney’s hourly compensation rate and when determining which hours were reasonably expended.”52

Multifactor Lodestar Method. Under this method, courts determine the initial lodestar amount, excluding duplicative or remedial hours from its calculation. Courts will then adjust the time-rate calculation upward or downward based on the facts and circumstances of the case.53 A majority of state courts, including New York courts, will then “use the Johnson factors to adjust the product of the time-rate lodestar calculation.”54

A minority of states, however, use a multiplier to adjust the time-rate calculation.55 A multiplier is a “factor applied to the lodestar amount to arrive at the final fee award.”56

Strict Lodestar Method. Under the strict lodestar method, courts incorporate the Johnson factors into the time-rate lodestar calculation. Under this method, “very little room for adjustment” exists after the court calculates the time-rate lodestar method.57

Discretion. Some jurisdictions leave it to the judge’s discretion to decide which method to use.58

The Practice in Federal and State Courts

The United States Supreme Court has adopted the following approach: It combines the lodestar method with the Johnson factors.59 The Court’s approach is to multiply the number of hours the attorney expended in the litigation by the attorney’s reasonable hourly rate. The Court has explained that courts may use the Johnson factors to adjust the “time-rate lodestar upward or downward.”60 The Court has noted that many of the Johnson factors “are subsumed within the initial calculation of hours reasonably expended at a reasonable hourly rate.”61

A court may enforce an attorney-fee award only to the extent that the attorney fees are “reasonable and warranted for the services actually rendered.”

Federal and state courts “overwhelmingly use the lodestar method to calculate attorneys’ fees in fee-shifting cases.”62 Federal courts use the strict lodestar method.63 Most state courts apply the multifactor lodestar method by using the Johnson factors to “adjust the time-rate calculation upward or downward based on the facts of the particular case.”64

Federal district courts in the Second Circuit now refer to the lodestar method as the “presumptively reasonable fee.”65

In the Second Circuit, judges may use either the percentage-of-recovery method or the lodestar method in common-fund cases.66 In other circuits, courts have the discretion to choose between the percentage-of-recovery method or the lodestar method in common-fund cases.67 Most jurisdictions favor the percentage-of-recovery method in common-fund cases.68

The First, Second, Third, and Fourth Departments in New York use the multi-factor lodestar method — by applying the Johnson factors — to compute attorney fees.69 In class actions, the First, Second, Third, and Fourth Departments in New York use the lodestar method to calculate attorney fees.70

Knowing how to apply the multifactor lodestar method in New York will be the focus of the next issue of the Journal, including how to compose (or oppose) the attorney-fee motion, and how to conduct (or defend) an attorney-fee hearing. In the next issue of the Journal, the Legal Writer will continue with motions for attorney fees.71

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4. Id. (citing Arcamuel v. Wiseman, 3 U.S. (3 Dall.) 306, 306 (1796)).

5. Klaiber, supra note 1, at 588.

6. Klaiber, supra note 2, at 246 n.130 (citing Wal-Mart Stores, Inc., *V. U.S.A. Inc.*, 396 F.3d 96, 121–22 (2d Cir. 2005)).

7. Id. at 246–47.

8. Id.


10. Klaiber, supra note 2, at 231, 245 (noting that Maryland and Nevada use this approach).


12. Townhouse Stock LLC v. Coby Housing Corp., 2007 N.Y. Slip Op. 32235(U), *1* (2007) 2175624, at *1 (Sup. Ct. N.Y. County 2007) (“Here, defendants succeeded in their dismissal motions, but they were not awarded any monetary relief. Thus, it is the plaintiffs that are the ‘prevailing parties’ in this case because they prevailed on the central claim in this action and were awarded substantial relief in connection with that claim.”).