Supreme Court Holds ERISA-Based Attorneys' Fees Available

EVEN IF PLAINTIFF IS NOT TECHNICALLY "PREVAILING PARTY"

Insights
5.24.10

On May 24, 2010 the U. S. Supreme Court held that a party does not need to be a "prevailing party" in order to be eligible for an attorneys' fees award under the Employee Retirement Income Security Act of 1974 (ERISA). In reaching this decision, the Court relied on the statutory language of the applicable statute, which does not include any "prevailing party" requirement, and noted that Congress is able to impose limitations on the availability of attorneys' fees when it deems fit. *Hardt v. Reliance Standard Life Insurance Company.*

This does not mean that lower courts have entirely free rein to award attorneys' fees. Under the ERISA fee-shifting statute, a court may award fees and costs if the claiming party has achieved "some degree of success on the merits," as previously held in the *Ruckelshaus v. Sierra Club* decision a dispute pertaining to the Clean Air Act which was applied to the ERISA context today.

The Underlying Dispute
After exhausting her administrative remedies, Bridget Hardt sued Reliance Standard Life Insurance Company, which determined benefits and was the underwriter for a long term disability plan sponsored by her employer. She was contesting the decision to end her long term disability benefits. Both parties moved for summary judgment in the federal district court. The district court denied both parties' motions, but found evidence that Hardt was disabled and that Reliance had failed to provide her application for benefits with the appropriate review.

The trial court therefore sent the matter back to Reliance for it to review Hardt's claim, and consider all of the evidence, within 30 days of the court's order. The court also warned that if Reliance failed to adequately consider the claim, the court would enter judgment in favor of Hardt.

Following the district court's order, Reliance reviewed the claim including some new medical evidence and reinstated her benefits after finding her eligible. Hardt then filed a motion for attorneys' fees and costs under a fee-shifting statute that applies in most ERISA lawsuits and provides that "the court in its discretion may allow a reasonable attorney's fee and costs â€¦ to either party." The district court determined that Hardt had attained "prevailing party" status under applicable circuit court law, and awarded Hardt approximately two-thirds of the fees and costs she sought.

Copyright © 2024 Fisher Phillips LLP. All Rights Reserved.

Reliance appealed, and the U.S. Court of Appeals for the 4th Circuit reversed the award of fees and costs, holding that because the district court's initial order did not require Reliance to award benefits, there was no enforceable judgment on the merits, and thus no basis for a fee award. Hardt appealed to the U.S. Supreme Court, which agreed to hear the case.

The Court today held that the 4th Circuit's "prevailing party" requirement was contrary to the plain text of the fee statute and could not be upheld. Instead, the applicable standard is that a court may, "in its discretion" award fees and costs "to either party," as long as the party seeking fees has achieved "some degree of success on the merits." The decision, authored by Justice Thomas, was joined by seven justices; Justice Stevens concurred in part and concurred in the judgment, but disagreed that any special weight should be given to the earlier *Ruckelshaus* decision, and relied instead on the text of the ERISA statute in question.

Broader Implications

While based on somewhat unusual facts, this decision will have significant implications in ERISA lawsuits. It is now clear that if a plaintiff gets what he or she wants even without a formal court order providing that relief an award of fees and costs might be appropriate. More broadly, this decision reminds parties, attorneys, and courts of the importance of reviewing the precise language of any fee-shifting statute.

This Legal Alert provides an overview of a specific Supreme Court decision. It is not intended to be, and should not be construed as, legal advice for any particular fact situation.

Copyright © 2024 Fisher Phillips LLP. All Rights Reserved.