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SPECIAL UPDATE

PUBLIC AND PRIVATE EMPLOYERS

May 20, 2016

United States Supreme Court Holds Judgment On The Merits Is Not Required To Be Deemed The Prevailing Party In A Title VII Action

Yesterday, the U.S. Supreme Court ruled that a defendant does not need to obtain a favorable judgment on the merits of a Title VII claim to be a prevailing party. The Court then declined to decide whether the Equal Employment Opportunity Commission (EEOC) must pay \$4.7 million in attorney's fees after an unsuccessful sexual harassment suit, and remanded the case to the Eighth Circuit Court of Appeals to decide.

United States District Court

The EEOC initiated this lawsuit against CRST Van Expedited Inc. (CRST) in the U.S. District Court in 2007. The EEOC accused CRST of creating a hostile work environment by subjecting 270 women to sexual harassment in its new-driver training program. In 2012, however, 67 of the EEOC's claims were dismissed because the EEOC failed to reasonably investigate or conciliate the claims in good faith. In August 2013, a U.S. District Judge ruled that CRST should be compensated \$4.7 million for having to defend those 67 "frivolous, unreasonable or groundless" claims.

Eighth Circuit Court of Appeals

In December 2014, the Eighth Circuit overturned the District Court's award of fees, saying that dismissal of 67 of the claims over presuit obligations did not constitute a ruling on the merits, and thus, CRST was not a "prevailing party" on those claims, and thus not entitled to \$4.7 million in attorneys' fees. The Eighth Circuit told the district court that it had to determine on an individual basis how each of the 67 claims in question was frivolous or groundless. One year later the Supreme Court agreed to review the case.

United States Supreme Court

CRST argued that the Eighth Circuit's on-the-merits standard conflicted with the Supreme Court's 1988 decision in *Christiansburg Garment Co. v. EEOC*, which only allowed a district court to award fees to a "prevailing" defendant when the court finds the plaintiff's original lawsuit was "frivolous, unreasonable or without foundation." The EEOC argued (1) CRST wasn't a prevailing party in the case; and (2) that its actions weren't frivolous.

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In noting that it has never articulated a precise test to determine when a defendant is a prevailing party, the Supreme Court stated, “Common sense undermines the notion that a defendant cannot ‘prevail’ unless the relevant disposition is on the merits. The defendant has fulfilled its primary objective whenever the plaintiff’s challenge is rebuffed, irrespective of the precise reason for the court’s decision. The defendant may prevail even if the court’s final judgment rejects the plaintiff’s claim for a non-merits reason.”

The Court also pointed out that “there is no indication” that Congress, when it wrote Title VII, intended for defendants to only be eligible to recover attorney’s fees when courts dispose of claims on the merits. The Court also stated that Congress’ policy of allowing courts to decide whether to award fees doesn’t distinguish between judgments that are on the merits and those that aren’t.

The Court reasoned, “Congress must have intended that a defendant could recover fees expended in frivolous, unreasonable or groundless litigation when the case is resolved in the defendant’s favor, whether on the merits or not.” “Imposing an on-the-merits requirement for a defendant to obtain prevailing party status would undermine that congressional policy by blocking a whole category of defendants for whom Congress wished to make fee awards available.”

In arriving at its holding that a favorable ruling on the merits is not a necessary requirement to find that a defendant is a prevailing party, the court stated, “The court of appeals for the Eighth Circuit held that a Title VII defendant prevails only by obtaining a ‘ruling on the merits,’ [and] this court disagrees with that conclusion.”

Finally, pointing out that the Eighth Circuit had never decided whether the EEOC’s original lawsuit was frivolous, unreasonable or groundless, the Supreme Court remanded this matter to the Eighth Circuit to review the District Court’s record and make that final determination.