

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

Krist v. TUT Systems, Inc.

319 F. App'x 681 (9th Cir. 2009) · Decided March 19, 2009

SUMMARY

The Ninth Circuit affirmed the denial of Bruce Murphy's request for a share of class counsel's attorneys' fees in an underlying securities fraud class action. The court held that Murphy had not shown that his client referrals or pre-appointment work materially contributed to the class's recovery, and it declined to alter the fee award. The disposition was nonprecedential.

CASE DETAILS

COURT	United States Court of Appeals for the Ninth Circuit
WRITING FOR THE COURT	Per curiam; Fletcher; Nelson; Tallman
JURISDICTION	Federal
DECIDED	March 19, 2009
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from the district court's denial of Murphy's request for an award of attorneys' fees from class counsel.
STANDARD OF REVIEW	Abuse of discretion for the district court's fee-award determination and related findings and legal conclusions.
PRECEDENTIAL VALUE	nonprecedential
PARTIES	Bruce Murphy v. TUT Systems, Inc., Class Counsel

TOPICS

attorney fees class actions appellate procedure contracts standard of review

PRACTICE AREAS

civil procedure appellate procedure class actions attorney fees contracts

QUESTIONS PRESENTED

1. Whether Murphy was entitled to attorneys' fees based on referring clients to class counsel.
2. Whether Murphy was entitled to attorneys' fees for work performed before the appointment of lead plaintiffs because that work benefited the class.

HOLDINGS

1. The district court acted within its discretion in declining to award Murphy fees based on his referral of clients because Murphy did not establish that his efforts were pivotal to the class action's success.
2. Murphy was not entitled to an award of attorneys' fees for his alleged early work because he presented insufficient evidence that his actions created, increased, or preserved the class's ultimate recovery; the district court did not abuse its discretion in denying the request.

KEY QUOTATIONS

“The district judge did not abuse her discretion in her findings or her legal conclusions.” (683)

“This disposition is not appropriate for publication and is not precedent except as provided by 9th Cir. R. 36-3.” (683)

FACTUAL BACKGROUND

Murphy referred clients to class counsel and claimed an agreement entitling him to ten percent of any fee awarded. He also claimed that his early work in discovering and developing the securities-fraud case created a substantial benefit for the class, but he presented insufficient evidence that his efforts created, increased, or preserved the class's ultimate recovery.

PROCEDURAL HISTORY

Murphy sought compensation for referring clients to class counsel and for work allegedly performed before the appointment of lead plaintiffs in an underlying securities-fraud class action. The district court rejected both theories, treating the matter as a motion for attorneys' fees rather than as a formal breach-of-contract action. Murphy appealed, and the Ninth Circuit affirmed.

DISPOSITION

affirmed

CASES CITED

- *In re Cendant Corp. Sec. Litig.*, 404 F.3d 173, 193-95 (3d Cir. 2005)

OPINION

Krist v. TUT Systems, Inc. 319 F. App'x 681

PER CURIAM.

MEMORANDUM *

Appellant Bruce Murphy brings this appeal in an attempt to order the lawyers representing the class in the underlying securities fraud case (“Class Counsel”) to share part of their fees with him. Murphy makes two arguments. First, Murphy argues that he deserves compensation for his referral of clients to Class Counsel. Second, Murphy contends that his work in discovering and developing

the basis of the suit entitles him to an award of fees, since it conferred a substantial benefit upon the class. See *In re Cendant Corp. Sec. Litig.*, 404 F.3d 173, 193-95 (3d Cir.2005) (discussing fee awards in class action cases under the PSLRA for work done before appointment of a lead plaintiff). The district court rejected both arguments. We have jurisdiction under 28 U.S.C. § 1291, and we affirm.

1. Compensation based on the referral of clients.

Murphy argues that he deserves an award of fees based on his referral of clients to Class Counsel. He contends that he had an agreement with Class Counsel whereby he should have received ten percent of any fee awarded.¹ The district court rejected this argument, noting that the clients referred by Murphy to Class Counsel did not suffer substantial damages and were not appointed lead *683plaintiffs. Moreover, Murphy's clients were not the only plaintiffs to bring suit, and Class Counsel represented a number of clients in parallel suits, including the ultimate lead plaintiff. Murphy did not establish that his efforts in those early stages were pivotal to the success of the class action, and the district judge acted within her discretion in declining to award him fees. Whatever the merits of Murphy's arguments as a contract claim, the district judge was under no obligation to alter her award of fees to class counsel based on Murphy's referral of his clients.

2. Compensation for work done before appointment of lead plaintiffs.

Murphy also argues that it was only because of his efforts that this case was brought in the first place, and that he therefore should be awarded fees. The district judge rejected this argument, noting that Murphy had not presented sufficient evidence that any of his actions created, increased, or preserved the class's ultimate recovery. We agree. While it is possible that Murphy did some work in the early stages of the suit, he presented insufficient evidence to compel an award of attorneys' fees. The district judge did not abuse her discretion in her findings or her legal conclusions. Accordingly, we AFFIRM the order of the district court. This disposition is not appropriate for publication and is not precedent except as provided by 9 th Cir. R. 36-3. . Given the posture of the case, the district court treated Murphy's claim simply as a motion for attorneys' fees relying on the referral, rather than a formal breach of contract action. We do the same. Relatedly, we grant Class Counsel's motion for judicial notice of the fact that Murphy has initiated breach of contract proceedings in state court in Florida. We take notice only of the fact that the action has been filed, and not of any of the underlying factual allegations. The outcome of these proceedings should have no effect on the merits of that action.