UNITED STATES DISTRICT COURT FOR THE DISTRICT OF PUERTO RICO

Tax-Free Fixed Income Fund for Puerto Rico Residents, Inc., et al. v. Ocean Capital LLC, et al.

Tax-Free Fixed Income Fund · No. Civil No. 22-1101(GMM) · Decided February 20, 2026

SUMMARY

The United States District Court for the District of Puerto Rico denied Ocean Capital LLC's motion for approximately $5.79 million in attorneys' fees and costs. The court held that Puerto Rico law, including Puerto Rico Rule of Civil Procedure 44.1(d), governs the request and does not authorize fee awards absent statutory authorization or a finding of obstinacy or frivolousness. The court also declined to apply Delaware's corporate benefit doctrine and concluded that Ocean Capital had not adequately documented the reasonableness of the requested fees.

CASE DETAILS

COURT	United States District Court for the District of Puerto Rico
WRITING FOR THE COURT	Gina R. Méndez-Miró
JURISDICTION	United States District Court for the District of Puerto Rico
DECIDED	February 20, 2026
DOCKET	Civil No. 22-1101(GMM)
DISPOSITION	denied
PROCEDURAL POSTURE	Ocean Capital LLC moved after judgment for an award of $5,790,575 in attorneys' fees and costs under the corporate benefit doctrine. The district court considered whether Puerto Rico law authorized the requested award and denied the motion.
STANDARD OF REVIEW	The court treated the availability of attorneys' fees under Puerto Rico law as a legal question. It also applied the rule that the fee applicant bears the burden of establishing the reasonableness of hours and rates claimed.
PRECEDENTIAL VALUE	Unknown

TOPICS

attorney fees · corporate governance · commercial litigation · civil procedure · remedies

PRACTICE AREAS

attorneys' fees | corporate law | civil procedure | commercial litigation | remedies

QUESTIONS PRESENTED

1. Whether Puerto Rico law authorized an award of attorneys' fees for Ocean Capital's litigation under Puerto Rico Rule of Civil Procedure 44.1(d).
2. Whether the federal district court could apply Delaware's corporate benefit doctrine as an equitable exception to the American Rule.
3. Whether Ocean Capital adequately documented the reasonableness of the attorneys' fees and costs requested.

HOLDINGS

1. Puerto Rico law does not authorize an award of attorneys' fees absent a statutory fee-shifting provision or a finding that the opposing party or its lawyer acted obstinately or frivolously. Section 3655 contains no fee-shifting provision, and Ocean Capital did not seek fees based on obstinacy or frivolousness.
2. The court declined to apply Delaware's corporate benefit doctrine because Puerto Rico has not adopted that equitable exception to the American Rule and a federal court may not expand the substantive availability of fee awards under Puerto Rico law in the absence of controlling Puerto Rico authority.
3. Ocean Capital failed to establish the reasonableness of its requested fees because it provided aggregate hours and totals but no contemporaneous billing records, detailed time entries, or sufficient evidence of prevailing market rates.

KEY QUOTATIONS

> *"In the absence of a statutory fee-shifting provision and absent a finding of obstinacy, Puerto Rico law does not authorize an award of attorneys' fees."* (III.A)

> *"The label attached to the request cannot circumvent the substantive limitations imposed by Puerto Rico law."* (III.A)

> *"For the foregoing reasons, the Motion for Attorneys' Fees is DENIED."* (IV)

FACTUAL BACKGROUND

The litigation arose from a contest over shareholder elections, director nominees, and proxy disclosures involving nine closed-end mutual funds. Ocean Capital obtained dismissal of the Funds' federal securities claims and an injunction requiring certain Funds to seat Ocean Capital's successful nominees. After the First Circuit affirmed and the nominees were seated, Ocean Capital sought more than $5.7 million in attorneys' fees and costs, asserting that its litigation conferred corporate and governance benefits on the Funds' shareholders.

PROCEDURAL HISTORY

Plaintiffs brought federal securities-law claims against Ocean Capital and other defendants. Ocean Capital asserted Puerto Rico corporate-law counterclaims, and the district court dismissed the plaintiffs' claims, granted relief on the counterclaims, and enjoined the affected funds to seat Ocean Capital's successful board nominees. The First Circuit affirmed the dismissal and injunction. Ocean Capital then sought attorneys' fees and costs, which the district court denied.

DISPOSITION

denied

CASES CITED

- Tax-Free Fixed Income Fund for P.R. Residents, Inc. v. Ocean Cap. LLC, 137 F.4th 6, 11–12, 24 (1st Cir. 2025)
- Rishell v. Med. Card Sys., Inc., 982 F. Supp. 2d 142, 150 (D.P.R. 2013)
- Sugarland Industries, Inc. v. Thomas, 420 A.2d 142 (Del. 1980)
- Alyeska Pipeline Serv. Co. v. Wilderness Soc'y, 421 U.S. 240, 247 (1975)
- Flovac, Inc. v. Airvac, Inc., No. CV 12-1348 (SEC), 2017 WL 1194203, at *1 (D.P.R. Mar. 30, 2017)
- Rodríguez-López v. Institución Perpetuo Socorro, Inc., 616 F. Supp. 2d 200, 202 (D.P.R. 2009)
- IOM Corp. v. Brown Forman Corp., 627 F.3d 440, 451–52 (1st Cir. 2010)
- Rivera v. LifeLink Found., Inc., 255 F. Supp. 3d 327, 333 (D.P.R. 2017)
- Erie R.R. Co. v. Tompkins, 304 U.S. 64 (1938)
- Liberty Mut. Ins. Co. v. Cont'l Cas. Co., 771 F.2d 579, 582 (1st Cir. 1985)
- Hensley v. Eckerhart, 461 U.S. 424, 433 (1983)