

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. CV 07-1923 DSF (PJW_x)

Date 11/17/09

Title Tokidoki, LLC v. Fortune Dynamic, Inc., et al.

Present: The
Honorable

DALE S. FISCHER, United States District Judge

Debra Plato

Not Present

Deputy Clerk

Court Reporter

Attorneys Present for Plaintiffs:

Attorneys Present for Defendants:

Not Present

Not Present

Proceedings: (In Chambers) Order DENYING Defendant's Motion for Attorney's Fees (Docket No. 323)

I. INTRODUCTION

On March 23, 2007, Plaintiff sued Defendant for various causes of action, including Trademark and Copyright infringement. (Findings of Fact and Conclusions of Law ("FFCL") at 2; Docket No. 1.) Fortune filed a counterclaim for cancellation of Registration No. 3030306, which was for the heart and crossbones design ("Design") at issue in this case. (FFCL at 2.) The case proceeded to trial with the Court sitting as finder of fact. (*Id.* at 1.) The Court ultimately sided against Plaintiff on all of its claims, and for Defendant on its counterclaim. (*Id.* at 30.)

Although Defendant ultimately prevailed at trial, Plaintiff's case survived a motion for summary judgment because the Court determined there were genuine issues of material fact on all of Plaintiff's claim, as well as Defendant's counterclaim. (Docket No. 158.)

Defendant now moves for its attorney's fees under the Copyright Act, Lanham Act, the Court's inherent power, and Rule 11. For the reasons noted below, Defendant's motion is DENIED.

II. DISCUSSION

A. Attorney's Fees Under the Copyright Act

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Under 17 U.S.C. § 505, the Court may “award a reasonable attorney’s fee to the prevailing party as part of the costs.” “Prevailing plaintiffs and prevailing defendants are to be treated alike, but attorney’s fees are to be awarded to prevailing parties only as a matter of the court’s discretion.” Fogerty v. Fantasy, Inc., 510 U.S. 517, 534 (1994). “In deciding whether to award attorneys’ fees, courts in this Circuit consider certain factors, including (1) the degree of success obtained; (2) frivolousness; (3) motivation; (4) objective unreasonableness (both in the factual and legal arguments in the case); and (5) the need in particular circumstances to advance considerations of compensation and deterrence.” Halicki Films, LLC v. Sanderson Sales and Mktg., 547 F.3d 1213, 1230 (9th Cir. 2008) (internal quotation marks omitted). Defendant argues only that two of these factors favor granting it attorney’s fees, and ignores the rest.¹ For the reasons noted below, the Court finds Defendant should not be awarded attorney’s fees under § 505.

1. Plaintiff’s Copyright Claim was not Objectively Unreasonable

In order for a work to obtain copyright protection, it must be considered “original,” which means it was independently created by the author and it possesses “at least some minimal degree of creativity.” Feist Publ’ns, Inc. v. Rural Tel. Serv. Co., Inc., 499 U.S. 340, 345 (1991). The “requisite level of creativity is extremely low,” and the “vast majority of works make the grade quite easily, as they possess some creative spark, no matter how crude, humble or obvious it might be.” Id. (internal quotation marks omitted). “To establish infringement, two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.” Id. at 361. A copyright registration is *prima facie* evidence of copyright ownership so long as “the certificate of a registration [was] made before or within five years after first publication of the work.” 17 U.S.C. § 410 (c). “Copying can be proved by evidence indicating that the infringer had access to the copyrighted work and that the protected portions of the works are substantially similar.” Jada Toys, Inc. v. Mattel, Inc., 518 F.3d 628, 636-37 (9th Cir. 2008). A plaintiff can prove access with circumstantial evidence that its work has been “widely disseminated.” Three Boys Music Corp. v. Bolton, 212 F.3d 477, 482 (9th Cir. 2000).

Defendant does not dispute the following: (1) the Design was sufficiently original

¹ The Court acknowledges that many of these factors overlap, and that a court can grant attorney’s fees under § 505 even if all of these non-exclusive factors are not established. Even so, the Court finds the other factors weigh against granting attorney’s fees as well. Plaintiff’s case survived a motion for summary judgment, so the “degree of success” and “frivolous” factors do not favor an award of attorney’s fees. In addition, the Court does not believe granting attorney’s fees would advance “considerations of compensation and deterrence.”

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

to qualify for copyright protection; (2) Plaintiff had evidence that the Design had been widely disseminated by Plaintiff's products; and (3) Plaintiff's argument as to substantial similarity was reasonable. In addition, that Plaintiff's case survived a motion for summary judgment weighs against a finding that it was objectively unreasonable.

Nevertheless, Defendant argues the Court should grant attorney's fees because the Court found that Plaintiff did not have a valid copyright registration to the Design, and also because Plaintiff did not have a reasonable factual basis to establish access. (Def.'s Mot. at 4-6.)

Before trial, Plaintiff claimed it had a copyright registration for the Design. (FFCL at 6.) However, this copyright registration was not issued for the Design, but instead for the graphic works in Plaintiff's Fall 2005 catalog, which also included the Design. (*Id.*) Plaintiff stated in its registration application that Legno was the author of the Fall 2005 catalog, and that Plaintiff owned the copyright by assignment from Legno. (*Id.*) Legno did create the Design, but Plaintiff was the author of the 2005 catalogue so its representation in the application that Legno was the author was false. (*Id.*) Plaintiff did put forward evidence that Legno had assigned his property rights in the Design to Plaintiff prior to Plaintiff's copyright registration application, but the Court ultimately determined this evidence was not credible in light of previous representations made by Plaintiff. (*Id.* at 7-8.)

Although the Court found that Plaintiff did not establish it had a valid copyright registration over the Design or that it owned the Design, Plaintiff's belief that it could rectify these errors was reasonable.² Plaintiff did submit evidence that, if the Court had found it credible, would have rectified these errors. In addition, although Plaintiff did not do so, it likely could have established ownership over the Design during trial with a written agreement that ratified the alleged earlier assignment. See Magnuson v. Video Yesteryear, 85 F.3d 1424, 1428-29 (9th Cir. 1996).

Defendant's argument about access also fails. Plaintiff attempted to establish access with evidence that its products with the Design were "widely disseminated" prior to Defendant's use of a similar design. (FFCL at 8; see also Pl.'s Opp. at 1.) The Court ultimately found this evidence to be unpersuasive; but it was not objectively unreasonable for Plaintiff to believe it could establish access through such evidence in light of Three Boys Music.

² Defendant itself conceded that Plaintiff had a valid copyright registration to the Design in February 2006, and did not raise the issue again until trial. (Pl.'s Opp. Ex. C at 4.) Defendant claims that it only made the concession in light of Plaintiff's representation. (Def.'s Reply at 7.) The Court does not find this excuse compelling given that copyright registrations are public records. Defendant could have reviewed the registration prior to making the concession.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

2. Motive

Defendant's argument here also relies on the finding that Plaintiff did not have a valid copyright registration over the Design. However, as noted above, Plaintiff was reasonable in believing it could rectify the errors in establishing ownership over the Design, and a party does not act with *mala fides* by litigating an issue it reasonably believes it can win.

B. Attorney's Fees Under the Lanham Act

In actions under the Lanham Act, "[t]he court in exceptional cases may award reasonable attorney's fees to the prevailing party." 15 U.S.C. § 1117(a). The term "exceptional cases" is construed "narrowly" in this circuit, and "can be found when the non-prevailing party's case is groundless, unreasonable, vexatious, or pursued in bad faith." Classic Media, Inc. v. Mewborn, 532 F.3d 978, 990 (9th Cir. 2008) (internal quotation marks omitted).

Here, the Court has already determined that Plaintiff's case was not groundless or unreasonable in light of its decision to deny Defendant's Motion for Summary Judgment. (Docket No. 158.) Given the standard for summary judgment, the Court is not willing to find that a party has litigated a groundless or unreasonable case when the Court itself found that there were genuine issues of fact on all disputed claims. Indeed, what would have been "exceptional" is if Plaintiff had unilaterally stopped litigating the case after the Court made such a finding.

That Defendant proved its fraud defense at trial also does not make Plaintiff's Lanham Act claims "groundless, unreasonable, vexatious, or pursued in bad faith," because trademark rights are created by use in the marketplace, not registration. See Miller v. Glenn Miller Prods., Inc., 454 F.3d 975, 979 (9th Cir. 2006). Plaintiff could reasonably have believed that even if it failed to prevail as to Defendant's defense of fraud, it still had a reasonable chance of prevailing on its trademark claims. See Far Out Prods., Inc. v. Oskar, 247 F.3d 986, 996 (9th Cir. 2001).

Defendant's argument as to why Plaintiff's case should be considered "vexatious" or made in "bad faith" also is unavailing. As an initial matter, the Court grants Plaintiff's request to strike from the public record all references made to settlement and mediation negotiations in this case. Fed. R. Evid. 408; Local Rule 16-15.8. The rest of the declaration of James Fedalen also fails to support a finding of bad faith or vexatious conduct given it is self-serving, highly argumentative, and fairly uncorroborated. Finally, as noted above, that Plaintiff's case survived summary judgment weighs strongly against a finding of bad faith; a party does not act in bad faith by litigating a case with genuine issues of material fact.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

C. Attorney's Fees Under the Court's Inherent Power

“When imposing sanctions under its inherent power to promote the orderly and just administration of its caseload, the district court must follow its own rules, make a finding of bad faith, and afford due process.” Peabody v. Maud Van Cortland Hill Schroll Trust, 892 F.2d 772, 777 (9th Cir. 1990) (internal citations omitted). As already noted, the Court finds that Plaintiff did not act in bad faith in litigating a case that survived a motion for summary judgment, so it declines to award attorney's fees to Defendant under its inherent power.

D. Attorney's Fees Under Rule 11

Defendant has not met the procedural prerequisites for a Rule 11 motion. In any event, its argument that it is entitled to attorney's fees under Rule 11 relies on the same contentions it used for the other arguments. (Def.'s Mot. at 20.) The Court finds that those contentions are unpersuasive under Rule 11 for the reasons noted above.

III. CONCLUSION

Defendant's motion is DENIED.

IT IS SO ORDERED.