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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

CHECKERS ALIVE GAMES, LTD., a Canadian corporation, Plaintiff, - vs. – PRESSMAN TOY CORPORATION, a New Jersey corporation, TARGET CORPORATION, a Minnesota corporation, TOYS 'R US, INC., a New Jersey corporation, UNIVERSITY GAMES CORPORATION, a California corporation, ADVAMEG, INC., an Illinois corporation, and DOES 1 through 15, Defendants.	CIVIL ACTION NO. 03-CV-1003 (WHW)

MEMORANDUM OF LAW IN OPPOSITION TO DEFENDANTS' MOTION FOR AWARD OF COSTS INCLUDING ATTORNEYS' FEES

COLEMAN LAW FIRM
A Professional Corporation
Ronald D. Coleman (RC-3875)
David Stein (DS-2119)
881 Allwood Road
Clifton, New Jersey 07012
(973) 471-4010
Attorneys for Plaintiff,
Checkers Alive Games, Ltd.

On the Brief:

David Stein (DS 2119)

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I. PRELIMINARY STATEMENT

Plaintiff Checkers Alive Games, Ltd. ("Checkers Alive"), brought an action for copyright, trademark, trade dress, and design patent infringement against defendants Pressman Toy Corporation, Toys "R" Us, Inc., and Universal Games Corporation (collectively "defendants"). Defendants filed a motion for summary judgment as to all claims which was granted by the Court. Thereafter, defendants filed the instant motion seeking an award of costs and attorneys' fees which Checkers Alive hereby opposes.

II. STATEMENT OF FACTS

The underlying facts of this case are well-known to the Court. Checkers Alive is a Canadian company that produces board games. On March 6, 2003, Checkers Alive filed an action against defendants Pressman Toy Corporation, Toys "R" Us, Inc., and Universal Games Corporation (collectively "defendants") alleging copyright, trademark, trade dress, and design patent infringement. Checkers Alive's claims raised legitimate, difficult, and complex intellectual property issues which were not readily susceptible to clearly defined answers.

The case made its way through the chain of litigation, ultimately arriving at the dispositive motions stage. Defendants filed a motion for summary judgment on all issues

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which was granted by the Honorable William H. Walls on December 22, 2004, in a 54-page opinion. Nowhere in his opinion does Judge Walls indicate that Checkers Alive's claims were baseless, meritless, vexatious, or conceived in bad faith.

On January 24, 2005, more than 14 days after the entry of judgment, defendants filed the instant motion seeking costs and attorneys' fees and alleging that Checkers alive should be sanctioned for having initiated a meritless lawsuit. Defendants, meanwhile, claim to have expended an enormous sum of money defending against Checkers Alive's supposedly baseless assertions. Checkers Alive's response to defendants' motion follows hereinafter.

III. ARGUMENT

A. DEFENDANTS HAVE NOT DEMONSTRATED A SUFFICIENT BASIS FOR IMPOSING COSTS AND ATTORNEYS' FEES ON CHECKERS ALIVE.

1. "American Rule"

In our system of jurisprudence, we have a general rule that litigants pay their own attorneys' fees. The Supreme Court reaffirmed this so-called "American Rule" in Alyeska Pipeline Service Co. v. Wilderness Society, 421 U.S. 240 (1975). Only in **exceptional** cases do intellectual property statutes provide for an award of attorneys' fees. The instant matter is not one of those cases.

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2. **Patents**

The Patent Act, for example, provides for fees only in "exceptional" cases. 35 U.S.C.A. sec. 285; *See also* Consolidated Aluminum Corp. v. Foseco Int'l Ltd., 910 F.2d 804 (Fed. Cir. 1990). Under that Act, courts generally do not award fees in the "typical" case. *See, e.g.,* Stickle v. Heublein, Inc., 716 F.2d 1550 (Fed. Cir. 1983); Huey Co. v. Alvin & Co., 224 U.S.P.Q. 1071 (D.Conn. 1984). The bad faith of the losing party is a prevalent determinant for an "exceptional" case. Waner v. Ford Motor Co., 331 F.3d 851, 856-57 (Fed. Cir. 2003), *cert. denied* 540 U.S. 1105 (2004), *citing* Epcon Gas Sys., Inc. v. Bauer Compressors, Inc., 279 F.3d 1022, 1034 (Fed. Cir. 2002); Loctite Corp. v. Fel-Pro, Inc., 667 F.2d 577, 584 (7th Cir. 1981) (holding that sec. 285 "is reserved for situations involving willful misconduct or bad faith"); Deere & Co. v. International Harvester Co., 658 F.2d 1137, 1148 (7th Cir. 1981) (holding that sec. 285 requires "an unambiguous showing of extraordinary misconduct"). Even a finding of an "exceptional" circumstance, however, does not mandate an award of attorneys' fees. Reactive Metals & Alloys Corp. v. ESM, Inc., 769 F.2d 1578, 1582 (Fed. Cir. 1985) (*overruled on other grounds in* Kingsdown Medical Consultants, Ltd. v. Hollister, 863 F.2d 867 (Fed. Cir. 1988)). Rather, an award of attorneys' fees is within the discretion of the district court judge. Id. (*quoting*

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Orthopedic Equipment Co. v. All Orthopedic Appliances, Inc., 707 F.2d 1376, 1384 (Fed. Cir. 1983)). The prevailing party has the burden of proving "facts which establish the exceptional character of the case." Id. The determination of "exceptional" is within the trial court's discretion, although the Federal Circuit has reversed the award of fees where there was not an explicit finding of misconduct on the part of the losing party. *See* Cybor Corp. v. FAS Technologies, Inc., 138 F.3d 1448, 1460 (Fed. Cir. 1998); Brooktree Corp. v. Advanced Micro Devices, Inc., 977 F.2d 1555 (Fed. Cir. 1992); Merck v. Mylan Pharmaceuticals, Inc., 79 F.Supp.2d 552 (E.D.Pa. 2000)(clear and convincing standard of proving "exceptional" behavior).

3. Trademark

Similar to the Patent Act, the Lanham Act provides for an award of attorneys' fees under 15 U.S.C.A. sec. 1117 only in "exceptional" cases. Securacomm Consulting, Inc. v. Securacom Inc., 224 F.3d 273, 283 (3rd Cir. 2000) (awarding fees because "this case presents more than isolated incidents of litigation abuse; it involves a sweeping attempt to beat a financially weaker opponent through the use of vexatious litigation"); May v. Watt, 822 F.2d 896 (9th Cir. 1987). The Third Circuit has held that an "exceptional" case under the Lanham Act must involve culpable conduct, such as bad faith, fraud, or malice on the part of the losing party. Securacomm Consulting, Inc., 224

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F.3d at 279-80 (*citing* Ferrero U.S.A., Inc. v. Ozak Trading, Inc., 952 F.2d 44, 47 (3rd Cir. 1991)); *see also* interState Net Bank v. Netb@nk, Inc., 348 F.Supp.2d 340 (D.N.J. 2004).

4. Copyright

The Copyright Act provides that a court **may** award "a reasonable attorney's fee to the prevailing party . . ." 17 U.S.C.A. sec. 505. The Supreme Court in Fogerty v. Fantasy, Inc., expressly held that attorneys' fees would be awarded to the prevailing party only at the discretion of the court and not as a matter of right. Fogerty v. Fantasy, Inc., 510 U.S. 517, 533 (1994).

5. Standards applied to this case

The record before this Court shows that Checkers Alive and its counsel, while not ultimately prevailing at the District Court level, litigated this matter in a professional and reasonable manner. There was no demonstrable bad faith, fraud, malice, or the like. Checkers Alive fought a tough, clean, and fair fight. Nowhere in Judge Walls' 54-page opinion does he indicate that Checkers Alive's claims were frivolous, vexatious, harassing, or brought in bad faith. In fact, the Court's lengthy treatment of the issues in this case belies defendants' arguments that Checkers Alive's conduct in bringing the case is sanctionable. The issues raised in this litigation were

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complex, sophisticated intellectual property issues which did not have clear-cut answers. If the issues were so cut-and-dried, the Court probably could have disposed of them in something less than 54 pages, and if Checkers Alive's claims were so baseless, the Court surely could have said so somewhere in its lengthy opinion.

Moreover, if, in fact, Checkers Alive's claims were entirely baseless, why did defendants amass a quarter-of-a-million-dollars' worth of attorneys' fees in mounting a defense? Defendants cannot genuinely argue on one hand that Checkers Alive's claims were wholly meritless while, on the other hand, maintain that they needed to expend $250,000 worth of attorneys' fees to rebut those claims. Just because defendants prevailed on summary judgment does not automatically translate into an entitlement to costs and attorneys' fees. Indeed, defendants have not cited a single case to support such a presumptuous proposition, and there is no such thing as automatic recovery. *See* Susan Wakeen Doll Co. v. Ashton Drake Galleries, 272 F.3d 441, 457 (7th Cir. 2001).

Defendants' reliance on Fantasy, Inc v. Fogerty, 94 F.3d 553 (9th Cir. 1996), is misplaced and actually supports Checkers Alive's position. In Fantasy, the Ninth Circuit affirmed the District Court's award of attorneys' fees specifically because the award furthered the purposes of the Copyright Act. The case

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involved the uncommon situation whereby Fantasy sued Fogarty for plagiarizing himself, id. at 560, and, therefore, the suit had the potential to bar Fogarty from ever practicing his particular style of music. Id. at 556. Fogarty's victory in the copyright infringement suit "paved the way for future original compositions — by Fogarty and others — in the same distinctive 'Swamp Rock' style and genre." Id. The Ninth Circuit specifically referred to Fogarty as "a defendant author" and went out of its way to stress that the "fee award was appropriate to help restore Fogarty some of the lost value of the copyright he was forced to defend." Id. Professor Nimmer, however, questions just "how applicable [the Fantasy, Inc. v. Fogarty] factors will be outside the highly unusual circumstances of a prevailing defendant sued for infringing his own previously granted works." Nimmer on Copyright, sec. 14.10[D][2][b] n. 111.

It is clear that "each case will turn on its own particular facts and equities." Fantasy, Inc. v. Fogary, 94 F.3d at 560. Here, the applicable facts and equities at play do not call for the imposition of attorneys' fees. Defendants utterly have failed to show how an award of attorneys' fees in this case will further the purposes of the Copyright Act or any other Act for that matter. The Fantasy Court makes clear that there are no "compulsory fee awards to prevailing copyright defendants:

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copyright claims do not . . . always implicate the ultimate interests of copyright; . . . the chilling effect of attorney's fees may be too great or impose an inequitable burden on an impecunious plaintiff . . ." Id.

There is a presumption in this country that each party pays its own attorneys' fees, and defendants have not demonstrated to this Court a reason to do otherwise in this case. Judge Walls made no finding that would impugn Checkers Alive's conduct in this action, nor did the Court, on its own, order the imposition of costs and attorneys' fees. The situation herein was not one of those "exceptional" cases cited above, entitling a party to an award of attorneys' fees, and defendants' request for such fees respectfully should be denied.

B. DEFENDANTS' MOTION FOR COSTS AND ATTORNEYS' FEES SHOULD BE DENIED BECAUSE IT IS UNTIMELY UNDER RULE 54(D)(2)(B).

Defendants' motion also should fail because it was untimely filed under Fed.R.Civ.P. 54(d)(2)(B) which reads, "Unless otherwise provided by statute or order of the court, the motion [for costs and attorneys' fees] must be filed no later than 14 days after entry of judgment . . ." Judge Walls granted defendants' motion for summary judgment on December 22, 2004, and judgment was entered on December 27, 2005. Defendants, however, did not file the instant motion until January 24, 2005, which was beyond the 14-day period. (Attached hereto as Exhibit

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A is a photocopy of the official docket sheet showing proceedings and submissions in this Court in connection with this action, as of February 7, 2005.) Moreover, the docket does not indicate that defendants requested an extension of time to file their motion nor does it reflect that the Court entered an order to that effect. [Additionally, there is no applicable statute which would extend the filing deadline.]

Defendants have filed this motion pursuant to Rule 54(d)(2)(B) as set forth explicitly in their Memorandum of Law at page 10. Even if, however, defendants were to argue that L.Civ.R. 54.2 granted them 30 days in which to file the instant motion, the local rule is a rule, not an order, and therefore would not extend the filing time set forth in Rule 54(d)(2)(B). Furthermore, Fed.R.Civ.P. 83 mandates that local rules yield to Rule 54 so that defendants were required to have filed their motion within 14 days of the entry of judgment which they did not do. Therefore, their motion for costs and attorneys' fees is time-barred and should be denied.

IV. CONCLUSION

For all of the foregoing reasons, plaintiff respectfully requests that this Honorable Court deny defendants' motion for costs and attorneys' fees.

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Dated this 1st day of April, 2005

COLEMAN LAW FIRM
A Professional Corporation

By: _____

Ronald D. Coleman (RC 3875)
David Stein (DS 2119)

881 Allwood Road
Clifton, New Jersey 07012
(973) 471-4010
Attorneys for Plaintiff