

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

<http://www.jdsupra.com/postdocumentViewer.aspx?fid=984165f9-bcb1-4fa1-a0d9-dfaefdaee8d>

CHAMBERS OF
SUSAN D. WIGENTON
UNITED STATES MAGISTRATE JUDGE

MARTIN LUTHER KING COURTHOUSE
50 WALNUT ST.
ROOM 3037
NEWARK, NJ 07101
973-645-5903

NOT FOR PUBLICATION
LETTER ORDER
ORIGINAL FILED WITH CLERK OF COURT

April 26, 2005

Appearances:

Ronald D. Coleman, Esq.
David Stein, Esq.
Coleman Law Firm
881 Allwood Road
Clifton, New Jersey 07012

Robert B. Rosen, Esq.
Hellring Lindeman Goldstein & Siegal
One Gateway Center
Newark, New Jersey 07102

Michael F. Maschio, Esq.
Cowan, Liebowitz & Latman
1133 Avenue of the Americas
New York, New York 10036

Re: Checkers Alive Games Ltd. v. Pressman Toys Corp., et al.
Civil Action No. 03-1003(WHW)
Defendants' Motion for Attorney Fees and Costs

Dear Counsel:

Defendants Pressman Toy Corp., Toys "R" Us, Inc. and University Games Corp. (collectively, "Defendants") move for an award of attorney fees and costs against Plaintiff Checkers Alive Games, Ltd. ("Plaintiff") pursuant to the Copyright Act, 17 U.S.C.S. § 505; the Lanham Act, 15 U.S.C.S. § 1117(a); and the Patent Act, 35 U.S.C.S. § 285. Plaintiff has opposed the motion. The Court decides the motion without oral argument pursuant to Fed. R. Civ. P. 78. For the reasons set forth below, the motion is

denied.

I. Facts and Procedural Background

In a decision dated December 22, 2004, the District Court granted Defendants' motion for summary judgment and dismissed all claims asserted by Plaintiff for copyright, trademark, trade dress and design patent infringement. The District Court determined that Plaintiff failed to demonstrate (a) substantial similarity as to the protectable elements of its copyright; (b) secondary meaning with respect to its descriptive POND CHECKERS trademark and trade dress; and (c) substantial similarity as to ornamental elements in connection with its design patent infringement claim. Defendants contend that Plaintiff should pay their attorney fees and costs because Plaintiff's claims were wholly without merit, as evidenced by Defendants' victory at the summary judgment stage, and brought in bad faith.

According to Defendants, "Plaintiff used the guise of intellectual property to drag Defendants into a frivolous and vexatious litigation and caused [Defendants] to incur substantial legal fees and expenses." Memo. of Law in Support of Defendants' Motion for Costs at p. 2. In support of their motion, Defendants argue that Plaintiff proceeded with this litigation although it knew that Defendants had ceased selling the SWAMP CHECKERS game in late 2000 (and that their sales had been minimal) and that there was no substantial similarity between Plaintiff's POND CHECKERS game and Defendants' SWAMP CHECKERS game. Defendants contend that

notwithstanding the fact that none of the claims asserted by Plaintiff had any basis in fact or law, Plaintiff refused to resolve this case and instead vigorously pursued this lawsuit in bad faith. Defendants argue that the purpose of the Copyright Act - namely deterring copyright infringement lawsuits that are substantively unsustainable - would be achieved if Plaintiff was ordered to reimburse Defendants for their attorney fees and costs, which totaled \$254,962.05.

Plaintiff contends that it raised legitimate, difficult and complex intellectual property claims, which were not readily susceptible to clearly defined answers and, thus, resolved in a 54-page opinion. According to Plaintiff, the District Court's lengthy treatment of its claims and failure to indicate that its claims were frivolous, vexatious, harassing or brought in bad faith demonstrates that Plaintiff's conduct in litigating this lawsuit has not been objectionable. Plaintiff argues that Defendants have not demonstrated "exceptional" circumstances or misconduct on the part of Plaintiff. Plaintiff offers that while its claims failed to survive summary judgment, its claims were litigated in a professional and reasonable manner. Plaintiff argues that the fact that Defendants amassed a quarter-of-a-million-dollars in attorney fees and costs belies Defendants' argument that Plaintiff's claims were meritless. Finally, Plaintiff contends that the motion should be denied because it was filed beyond the 14-day period provided by Fed. R. Civ. P. 54(d)(2)(B).

II. Discussion

a. The Copyright Act

Section 505 of the Copyright Act provides "the court may [] award a reasonable attorney's fee to the prevailing party as part of the costs." 17 U.S.C.S. § 505. Discretion to award attorney fees and costs in copyright infringement cases lies squarely within the discretion of the court. Lieb v. Topstone Industries, Inc., 788 F.2d 151, 156 (3d Cir. 1986). In deciding whether to award attorney fees and costs, the court should consider "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." Id. A finding of bad faith is not required. Id.

In the instant case, an award of attorney fees and costs is not warranted under the Copyright Act. There is no evidence that Plaintiff initiated or conducted itself in this case wrongly. There is no evidence that Plaintiff's claims were frivolous or objectively unreasonable in fact or law. Dismissal of all claims at the summary judgment stage and Plaintiff's refusal to resolve this dispute outside of court - notwithstanding that Defendants ceased selling the SWAMP CHECKERS game in 2000 and achieved minimal sales - do not justify an award of attorney fees and costs. This case is not atypical, and while Plaintiff's claims against Defendants may have been weak, the claims were respectable. Indeed, the District Court did not sua sponte find that Plaintiff's claims were frivolous or

spurious.

Further, public policy considerations do not justify an award of attorney fees and costs. This is not the case where a giant in industry was using litigation to squeeze out a financially weaker competitor. As stated above, there is no evidence that Plaintiff commenced this lawsuit with frivolity or that Plaintiff has acted inappropriately. Thus, there is no need to deter, through financial penalty, the conduct to date.

b. The Lanham Act

Section 1117(a) of the Lanham Act provides that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 15 U.S.C.S. § 1117(a). Discretion to award attorney fees and costs in trademark infringement cases lies squarely within the discretion of the court. J & J Snack Foods, Corp. v. The Earthgrains Co., 2003 U.S. Dist. LEXIS 8040 * 1.

Analysis of exceptional circumstances:

requires a factual determination by the district court because every suit that a plaintiff loses is not "exceptional." The court should consider both the objective merits of plaintiff's action (whether it was unjustified, groundless, or frivolous and the plaintiff's subjective conduct throughout the litigation (whether vexatious or involving other misconduct). The plaintiff does not need to have acted in bad faith for defendant to be awarded fees, though bad faith is an appropriate factor to consider in making the determination.

Id. at * 13 (citations omitted).

For the reasons stated above, Plaintiff's conduct in this lawsuit has not been "exceptional." Thus, an award of attorney fees and costs is not warranted under the Lanham Act.

c. The Patent Act

Section 285 of the Patent Act provides that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C.S. § 285. In patent infringement cases, "[c]ircumstances held to be exceptional as to warrant the entitlement to fees include inequitable conduct during prosecution of a patent, misconduct during litigation, vexatious or unjustified litigation, or a frivolous suit." Refac Int'l, Inc. v. IBM Corp., 710 F. Supp. 569, 570 (D.N.J. 1989) quoting Bayer Aktiengesellschaft v. Duphar Int'l Research B.V., 738 F.2d 1237, 1242 (Fed. Cir. 1984) (internal quotations omitted)).

For the reasons stated above, Plaintiff's conduct in this lawsuit has not been "exceptional." Thus, an award of attorney fees and costs is not warranted under the Patent Act.

d. Timeliness of Motion for Attorney Fees and Costs

Plaintiff's argument that the motion is untimely is ridiculous. Plaintiff received notice that the Court granted Defendants a two week extension to file the motion; Defendants filed the motion before the extension expired.

III. Conclusion

The motion for attorney fees and costs is denied. However, Plaintiff is cautioned that the Court's failure to award attorney fees and costs to Defendants is based upon the facts presented to date. Pursuit of its claims against Defendants - which were thoroughly explained and aptly dismissed by the District Court - may

warrant an award of attorney fees and costs. See J & J Snack Foods, Corp. v. The Earthgrains Co., 2003 U.S. Dist. LEXIS 8040 (continued pursuit of case after court's clear guidance, which was presented in preliminary injunction opinion, made case exceptional and attorney fees and costs awarded). Defendants may move for attorney fees and costs if required to defend an appeal of the District Court's judgment dated December 22, 2004.

S/SUSAN D. WIGENTON
UNITED STATES MAGISTRATE JUDGE

Original: Clerk of the Court
cc: Honorable William H. Walls
Parties
File