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Not Reported in F.Supp., 1994 WL 263482 (S.D.N.Y.), 31 U.S.P.Q.2d 1858

(Cite as: 1994 WL 263482 (S.D.N.Y.))

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Motions, Pleadings and Filings

United States District Court, S.D. New York. BOURNE CO., Plaintiff,

v.
The WALT DISNEY COMPANY, et al.,
Defendants.
No. 91 CIV. 0344(LLS).

June 10, 1994.

MEMORANDUM and ORDER

STANTON, District Judge.

*1 Following an eleven-day trial, the jury returned a verdict in favor of plaintiff Bourne Co. ("Bourne") on its second claim, finding that defendants infringed Bourne's copyrights by using musical compositions from the movies "Snow White and the Seven Dwarfs" and "Pinocchio" in television advertising and promotions. On the first claim, which concerns the right to use the compositions in videocassettes, the jury found for defendants.

The parties stipulated to the sum of \$420,000 in damages. Now at issue are Bourne's motions for attorney's fees, costs, prejudgment interest and injunctive relief. Bourne also moves under Fed.R.Civ.P. 60(b)(2), on the basis of newly discovered evidence, for relief from this court's order dated May 26, 1993, denying its motion for judgment as a matter of law on the first claim. Defendants move for sanctions.

1. Relief Under 60(b)

Bourne moves for relief from the May 26, 1993 order denying its motion under Fed.R.Civ.P. 50(b) for judgment as a matter of law on the first claim. It argues that defendants The Walt Disney Company and Buena Vista Home Video should be estopped from asserting that Section 109 of the Copyright Act, 17 U.S.C. § 109, [FN1] confers the right to sell videocassettes containing Bourne's copyrighted music because in prior litigation, Warner Bros., Inc. v. Kalish, 1979 Copyright Law Rptr. (CCH) ¶ 25,052 at 15,282 (W.D.N.Y. August 7, 1978), they prevailed

on an inconsistent interpretation of Section 109.

In order to vacate the May 26, 1993 order on the basis of newly discovered evidence, Bourne "must present evidence that is 'truly newly discovered or ... could not have been found by due diligence.' "

<u>United States v. Potamkin Cadillac Corp.</u>, 697 F.2d 491, 493 (2d Cir.), cert. denied, 462 U.S. 1144, 103 S.Ct. 3128 (1983), quoting <u>Westerly Electronics Corp. v. Walter Kidde & Co.</u>, 367 F.2d 269, 270 (2d Cir.1966). See also <u>Scutieri v. Paige</u>, 808 F.2d 785, 794 (11th Cir.1987) ("Evidence that is contained in the public records at the time of trial cannot be considered newly discovered evidence.").

Bourne learned of the defendants' interpretation of Section 109 at trial, but did not raise estoppel then. Nor did it raise the argument in its Rule 50(b) motion, despite the fact that it addressed Section 109 thoroughly in its briefs. Because the Kalish decision, and the motion papers in that case, were a matter of public record at the time of the trial, the proffered evidence cannot be considered "newly discovered."

In any event, estoppel does not apply here. "First. the party against whom the estoppel is asserted must have argued an inconsistent position in a prior proceeding; and second, the prior inconsistent position must have been adopted by the Court in some manner." Bates v. Long Island R.R. Co., 997 F.2d 1028, 1038 (2d Cir.), cert. denied, 114 S.Ct. 550 (1993). In Kalish, the court found that the defendant had no rights to the copyrighted works. Kalish, 1979 Copyright Law Rptr. (CCH) ¶ 25,052 at 15,287. In contrast, here the jury determined that defendants lawfully acquired the right to use the musical compositions in videocassette format. Given the different factual setting, the defendants' argument that Section 109 confers the right to sell videocassettes is not estopped by defendants' argument in the earlier proceeding. Bourne's motion is denied.

*2 Nevertheless, the motion was not frivolous, and thus the defendants' motion for sanctions is also denied. See Oliveri v. Thompson, 803 F.2d 1265, 1275 (2d Cir.1986) ("rule 11 is violated only when it is 'patently clear that a claim has absolutely no chance of success.' "), cert. denied, 480 U.S. 918, 107 S.Ct. 1373 (1987).

2. Attorney's Fees and Costs

The Copyright Act states that in its discretion a court may award costs "by or against any party" and "a reasonable attorney's fee to the prevailing party." 17 U.S.C. § 505. In Fogerty v. Fantasy, Inc., 114 S.Ct. 1023, 1033 (1994), the Supreme Court rejected the argument that prevailing parties in copyright cases "should be awarded attorney's fees as a matter of course, absent exceptional circumstances." The Court stated: "The word 'may' clearly connotes discretion. The automatic awarding of attorney's fees to the prevailing party would pretermit the exercise of that discretion." Id.

Among the factors that may justify the denial of fees to a prevailing plaintiff is "the presence of a complex or novel issue of law that the defendants litigate vigorously and in good faith." Boz Scaggs Music v. KND Corp., 491 F.Supp. 908, 915 (D.Conn.1980). See also Bourne Co. v. MPL Communications, Inc., 678 F.Supp. 70, 72 (S.D.N.Y.1988) ("Given the novelty of the issues involved in this action, and the lack of any bad faith on the part of the defendants, the Court declines to award costs or attorney's fees to plaintiff."); Encyclopaedia Britannica Educational Corp. v. Crooks, 542 F.Supp. 1156, 1186-87 (W.D.N.Y.1982) (interests of justice served by refusing to award fees in case involving novel, unsettled, or complex problems); Roy Export v. Columbia Broadcasting Sys., 503 F.Supp. 1137, 1155 (S.D.N.Y.1980) ("good faith or bad faith in this context depends in large part on the substantiality of the defense offered as justification for the offending act").

This case involved unsettled issues of fact and law. The trial presented the unusual question whether the term "motion picture" included television advertising and videocassettes, even though those uses were not commercially available in the 1930's when the contracts were executed. The estoppel defense based on Bourne's non-enforcement of its rights for decades, although not accepted by the jury, was a fair ground for litigation.

At the end of an extensive and contentious period of discovery and an 11-day trial (after an earlier mistrial) Bourne prevailed on no more than half of its claims. In the exercise of discretion, its application for attorney's fees is denied. Its costs are allowed under 28 U.S.C. § 1920, to be taxed by the clerk if counsel cannot agree on the amounts.

3. Equitable Relief

"A plaintiff must show liability and the threat of continuing violation to be entitled to an injunction." Basic Books, Inc. v. Kinko's Graphics Corp., 758 F.Supp. 1522, 1542 (S.D.N.Y.1991). The extensive use of the musical compositions by Disney and its licensees in the past, and the difficulty of detecting infringements threaten continuing violation sufficiently to justify an injunction. Accordingly, Bourne's motion for a permanent injunction requiring defendants to obtain a license before using any of the musical compositions in television advertisements and promotions is granted.

*3 Bourne's application for an order directing defendants to account for all its unlicensed television advertisements and promotions is denied. At this point, the relief ordered should rest upon the proof at trial. Bourne's request for the surrender and destruction of all infringing tapes and recordings is also denied. Its rights are adequately protected by the injunction.

4. Prejudgment Interest

In stipulating to \$420,000 in damages, Bourne specifically reserved its right to seek prejudgment interest. (Affidavit of Sanford M. Litvack sworn to January 24, 1994, ex. A.) Although the Copyright Act is silent as to prejudgment interest, and the issue "remains unresolved in this Circuit," In <u>Design v. K-Mart Apparel Corp.</u>, 13 F.3d 559, 569 (2d Cir.1994), the court finds that such an award is necessary for Bourne to be sufficiently compensated. <u>See Kleier Advertising, Inc. v. Premier Pontiac, Inc.</u>, 921 F.2d 1036, 1041 (10th Cir.1990) ("it would be 'anomalous' to hold that a plaintiff would be entitled to recover profits flowing from infringement but not revenue generated by the use of the profits").

Accordingly, Bourne is awarded prejudgment interest based on the 52-week United States Treasury bill rate in effect on the date of each of the respective infringements. [FN2]

CONCLUSION

Bourne's motions to vacate the May 26, 1993 order, and for attorney's fees are denied. Defendants' motion for sanctions is also denied. Bourne's request for equitable relief other than the injunction is denied. Bourne's motions for costs and prejudgment interest are granted as stated above. Defendants are enjoined from using any of the musical compositions in television advertising and promotions without a license.

Submit a proposed judgment, on consent as to form if possible, within twenty days.

So ordered.

FN1. Section 109 states:

(a) Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

FN2. This rate is consistent with 28 U.S.C. § 1961(a), which applies the 52-week Treasury bill rate to awards of post-judgment interest. See <u>Ingersoll Milling Machine Co. v. M/V Bodena</u>, 829 F.2d 293, 311 (2d Cir.1987) ("the rate of interest used in awarding prejudgment interest rests firmly with the sound discretion of the trial court"), cert. denied, 484 U.S. 1042, 108 S.Ct. 774 (1988).

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Motions, Pleadings and Filings

United States District Court, S.D. New York. CHERE AMIE, INC., Obvious, Inc. and Greena, Inc., Plaintiffs.

V.

WINDSTAR APPAREL, CORP., Global Apparel, Inc., Jong Kee Park, Jae C. Han, Paula B. Abraham, Barbara Rentzer, Mia Decaro, Young Hwa Yoo and Kohl's Department Stores, Inc., Defendants.

No. 01 Civ. 0040(WHP).

Sept. 4, 2003.

Apparel manufacturers brought action against department store and apparel seller, alleging breaches of vendor agreements. Following jury verdict for plaintiffs on certain claims, store applied for judgment on indemnity cross-claim against seller, manufacturer brought motion for new trial, and store brought motion for award of attorney's fees and expenses. The District Court, Pauley, J., held that: (1) seller had duty to indemnify store; (2) manufacturers failed timely to object to purported inconsistencies in jury's verdict; and (3) copyright infringement claims brought against store were not frivolous or objectively unreasonable.

Judgment for defendant; motions denied.

West Headnotes

Stipulations ← 11

363k11 Most Cited Cases

In action brought by apparel manufacturers against department store and apparel seller, alleging breaches of vendor agreements, seller failed to offer sufficient evidence to demonstrate that its stipulation agreeing that it would not contest liability on cross-claim brought against it by store, but reserving right to challenge amount, was invalidated by unexecuted agreement purporting to limit its liability, and thus judgment on store's indemnity cross-claim against seller would be properly granted.

[2] Federal Civil Procedure 2341

170Ak2341 Most Cited Cases

In action brought by apparel manufacturers against department store and apparel seller, alleging breaches of vendor agreements, manufacturers failed to object to purported inconsistencies in verdict at any point prior to jury's discharge, notwithstanding numerous opportunities to do so, and thus manufacturers' motion for new trial would be properly denied. Fed.Rules Civ.Proc.Rule 59, 28 U.S.C.A.

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[3] Copyrights and Intellectual Property

99k90(2) Most Cited Cases

In action brought by apparel manufacturers against department store and apparel seller, alleging breaches of vendor agreements, store failed to demonstrate that copyright infringement claims brought against it were frivolous or objectively unreasonable, even though such claims did not prevail in court, and thus store's motion for award of attorney's fees and expenses would be properly denied. 17 U.S.C.A. § 505.

James P. Cinque, Cinque & Cinque, New York, New York, Plaintiffs.

<u>Paul W. Siegert</u>, New York, New York, for Windstar Defendants.

Norman A. Zivin, Cooper & Dunham LLP, New York, New York, for Defendant Kohl's.

MEMORANDUM AND ORDER

PAULEY, J.

*1 In the wake of a jury verdict in favor of plaintiffs against most, but not all, defendants, this Court received a trident of applications. [FN1] Currently before this Court are: (1) Defendant Kohl's Department Stores, Inc.'s ("Kohl's") application for judgment on its cross-claim for indemnity against defendant Windstar Apparel, Corp. ("Windstar"); (2) plaintiff Obvious, Inc.'s ("Obvious") motion for a new trial pursuant to Rule 59 of the Federal Rules of Civil Procedure; and (3) Kohl's' motion for an award of reasonable attorneys' fees and expenses against plaintiffs pursuant to 17 U.S.C. § 505. For the reasons set forth below: (1) judgment is entered for Kohl's on its cross-claim against Windstar; (2) Obvious' motion for a new trial is denied; and (3) Kohl's' motion for attorneys' fees and expenses against plaintiffs is denied.

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FNI. For an abridged history of this contentious litigation, the Court refers to its prior published opinions in this action, familiarity with which is presumed. See Chere Amie, Inc. v. Windstar Apparel, Corp., No. 01 Civ. 0040(WHP), 2002 WL 31108187 (S.D.N.Y. Sep.23, 2002); Chere Amie, Inc. v. Windstar Apparel, Corp., No. 01 Civ. 0040(WHP), 2002 WL 460065 (S.D.N.Y. Mar.26, 2002); Chere Amie, Inc. v. Windstar Apparel, Corp., 191 F. Supp.2d 343 (S.D.N.Y.2001); Chere Amie, Inc. v. Windstar Apparel, Corp. ., 175 F. Supp.2d 562 (S.D.N.Y.2001).

DISCUSSION

I. Kohl's' Cross-Claim For Indemnity

While a two-week jury trial was conducted late last year, neither Kohl's nor Windstar requested a jury trial on Kohl's' indemnity cross-claim against Windstar. However, on the eve of trial, Kohl's moved in limine to submit the indemnity claim to the jury for an advisory verdict. This Court denied that motion, ruling that it would take all evidence concerning the cross-claim by affidavit, and would make its own findings of fact and conclusions of law on the indemnity issue pursuant to Rule 52(a) of the Federal Rules of Civil Procedure. (Trial Transcript ("Tr.") at 400.)

Nearly one year to the day prior to jury selection, Windstar executed a stipulation agreeing that it would not contest liability on Kohl's' cross-claim, but reserving the right to challenge the amount. (Miller Supp. Decl. Ex. 7, Stipulation Between Kohl's and Windstar, dated December 7, 2001 ("Windstar Apparel Corp. does not contest liability on Kohl's Cross-Claim, but reserves the right to contest the amount of any liability.").) During trial, Windstar's counsel stipulated on the record that Windstar had a duty to indemnify Kohl's:

MR. ZIVIN [Kohl's' Counsel]: But we need to put on some testimony in order to support [the indemnification] claim. I could do it now or I could do it out of the presence of the jury or however you would prefer to do that.

MR. SIEGERT [Windstar's Counsel]: Judge, I will stipulate that there is an indemnification agreement. Whatever the indemnification says, the four corners of it, this court can read it, and whatever the consequences are, that's the consequences.

THE COURT: Fine. He stipulated to it.

(Tr. at 400 (emphasis added).) Astonishingly, Windstar's counsel now seeks to avoid the consequences of these stipulations by arguing that, in fact, "[t]here is NO indemnification agreement in this case." (Siegert Decl. ¶ 2.)

[1] Not surprisingly, Windstar offers nothing to support its illogical position other than vague allusions to a proposed agreement, drafted by Windstar's counsel but never executed by Kohl's, seeking to limit Windstar's liability on the crossclaim. [FN2] (Siegert Decl. ¶¶ 3-4.) This Court will not countenance Windstar's counsel's blithe disregard of his prior representations to the Court. This Court finds that Windstar stipulated its liability on the cross-claim, and therefore has a duty to indemnify Kohl's for costs and expenses in this action.

FN2. No copy of that alleged inchoate indemnification agreement is attached to Windstar's declaration, even though counsel for Windstar admittedly drafted the document. (Siegert Decl. ¶ 4.) Windstar offers no explanation for this oversight.

*2 However, even if Windstar had not stipulated to liability, its liability on the cross-claim is established by the plain language of Windstar's vendor agreement with Kohl's (Dynek Decl. ¶ ¶ 2-3, Ex. 1), as well as by application of § 2-312 of the Uniform Commercial Code. Windstar accepted the terms of Kohl's standard vendor agreement when Windstar accepted purchase orders from Kohl's and shipped merchandise against those orders. (Dynek Aff. Ex. 1, the vendor agreement, at K01242 ("All shipments against a valid Kohl's ... Purchase Order will be considered acceptance of our purchase order contract.").) The relevant terms of the vendor agreement state:

You warrant and represent that the Merchandise delivered pursuant to our Purchase Order will not infringe or encroach upon the contractual or proprietary rights of any other person, firm or corporation, including, without limitation, the patents, trademarks, trade names, trade dress copyrights, rights of privacy and publicity, trade secrets or other proprietary / intellectual property rights of such third party and you agree to indemnify and hold us harmless from any claim, liability, loss, damage or expense, including attorneys' fees, which arises, grows out of or results from any claim of infringement of patents, copyrights, trademarks, tradenames, trade secrets or any other proprietary / intellectual property rights, or any claim of unfair competition, in

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connection with the Merchandise covered by our Purchase Order.

(Dynek Aff. Ex. 1 at K01247 (emphasis added).) It is beyond cavil that Windstar is liable on Kohl's' cross-claim for indemnity by the plain language of the vendor agreement. In addition, U.C.C. § 2-312, titled "Warranty of Title and Against Infringement; Buyer's Obligation Against Infringement," applies to claims for copyright and trademark infringement, see Dolori Fabrics, Inc. v. Ltd., Inc., 662 F.Supp. 1347, 1358 (S.D.N.Y.1987), and permits recovery of costs and fees. Therefore, by virtue of Windstar's multiple stipulations to liability on the cross-claim, as well as the plain language of Windstar's vendor agreement with Kohl's and operation of U.C.C. § 2-312, judgment on Kohl's' cross-claim against Windstar is granted in favor of Kohl's.

Windstar further objects to the amount of the indemnification sought by Kohl's on its cross-claim. Additionally, although not a party to the cross-claim, Obvious also objects to the amount of the indemnification. In order to manufacture standing to oppose the amount, Obvious asserts some vague priority claim to moneys owed Windstar. However, neither Windstar nor Obvious offers any evidence to rebut or undermine the veracity of Kohl's' calculation of its fees, expenses and costs.

Instead of offering evidence in opposition. Windstar simply labels Kohl's' figures as "nonsense." (Siegert Decl. ¶ 9.) [FN3] Obvious, on the other hand, offers two exhibits purporting to show that the market price of the garments at issue at the time of the recall was a "clearance price" of \$2.00 per garment, and argues that the "clearance price" should be used to value the items that were recalled rather than Kohl's cost of \$6.98 per garment. (Cinque Decl. ¶¶ 6, 14; Exs. A, B.) In the first instance, this Court notes that Obvious: (1) has not established that it has standing to oppose the indemnity amount as it is not a party to the cross-claim; (2) offers no evidence to establish the number of garments sold at the "clearance" price; and (3) fails to address the fact that Exhibits A and B to the Cinque Declaration, on which Obvious relies in establishing the alleged "market price" for the recall garments, are dated after the date of the recall. Even so, the fundamental flaw in Obvious' attempt to establish \$2.00 as the "market price" of the goods is that it is wholly irrelevant. As this Court has already held, the proper measure of the cost of the recall to Kohl's is Kohl's' cost of goods, not some indeterminate "market price," whether it be the alleged \$2.00 "clearance price" or any other price. See, e.g., Order, dated July 18, 2001, at 5. The

balance of Obvious' arguments concerning the amount of Windstar's indemnity liability are unsupported by evidence and do not merit further discussion.

FN3. Windstar also requests a hearing to argue the proper amount of indemnification. (Siegert Decl. ¶ 10.) To the extent that Windstar's right to request such a hearing was not waived at or prior to trial (Tr. at 400), this Court denies Windstar's request. The Court has already ruled that it will accept evidence concerning the amount of indemnification by affidavit, not testimony. (Tr. at 400.)

*3 Kohl's has established by ample evidence that it is entitled to indemnity from Windstar in the amount of \$2,216,554. That sum consists of \$1,910,000 in "recall costs" (\$1,561,000 in recalled merchandise based on Kohl's' cost of goods and \$349,000 in compliance costs (Dynek Decl. ¶ 4)), and \$306,554 in attorneys' fees and expenses (Miller Decl. ¶ 5, Ex. 4; Dynek Decl. ¶ ¶ 8, 10). The foregoing constitutes this Court's findings of fact and conclusions of law as required by Rule 52 of the Federal Rules of Civil Procedure.

II. Obvious' Motion For A New Trial

[2] Plaintiffs prevailed against Windstar and the individual defendants, but not Kohl's and Global Apparel Corp. ("Global"), in an often Kafka-esque trial. No doubt sensing a pyrrhic victory due to the jury's finding of no liability on the part of "deep pocket" defendant Kohl's, Obvious now seeks a new trial under Rule 59 of the Federal Rules of Civil Procedure on the grounds that the jury's verdict is legally inconsistent. Specifically, Obvious claims that the jury's verdict that Kohl's and Global did not infringe plaintiffs' copyrights (Second Revised Jury Verdict Form ¶ 2) and did not innocently infringe plaintiffs' copyrights (Second Revised Jury Verdict Form ¶ 4) is inconsistent with the jury's finding that Windstar and the individual defendants infringed plaintiffs' copyrights. Obvious, however, lodged no objection to the alleged inconsistency of the verdict prior to this Court's dismissal of the jury, despite numerous opportunities to do so. As a result, Obvious waived its objection to any alleged inconsistency in the jury's verdict, and Obvious' motion for a new trial pursuant to Rule 59 is denied.

Whether to grant a new trial under Rule 59 is within the sound discretion of the district court, and

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"ordinarily should not be granted unless the trial court is convinced that the jury has reached a seriously erroneous result or that the verdict is a miscarriage of justice." <u>Hugo Boss Fashions, Inc. v. Fed. Ins. Co..., 252 F.3d 608, 623-24 (2d Cir.2001)</u> (quoting <u>Atkins v. New York City, 143 F.3d 100, 102 (2d Cir.1998)</u>); accord Trinidad v. Am. Airlines, 93 Civ. 4430(SAS), 1997 WL 79819, at *1 (S.D.N.Y. Feb. 20, 1997) ("[o]n a motion for a new trial, the moving party bears the significant burden"). Obvious fails to meet its burden.

Under Rule 49 of the Federal Rules of Civil Procedure, where a verdict is truly irreconcilable and the jury has already been discharged, a district court may, but is not required, to order a new trial. See Lavoie v. Pacific Press & Shear Co., 975 F.2d 48, 53 (2d Cir. 1992) ("When the verdicts are not capable of reconciliation and resubmission of the determinations for reconsideration or clarification is not possible because the jury has been discharged, a new trial may be--but is not always--required."); accord Trinidad. 1997 WL 79819, at *1 (S.D.N.Y. Feb.20, 1997). A party objecting to an allegedly inconsistent verdict is not entitled to a new trial, and his objection may be deemed waived, if he failed to object to the inconsistency prior to the discharge of the jury. [FN4] Lavoie, 975 F.2d at 54; see also Haskell v. Kaman Corp., 743 F.2d 113, 123 (2d Cir.1984) ("[t]o allow a new trial after the objecting party failed to seek a proper remedy [before the jury is excused] would undermine the incentives for efficient trial procedure and would allow the possible misuse of Rule 49").

FN4. Kohl's spends a large portion of their opposition attempting to distinguish between special verdicts under Rule 49(a) and general verdicts under Rule 49(b). This distinction, however, does not impact this motion. See Denny v. Ford Motor Co., 42 F.3d 106, 111 (2d Cir.1994) ("Ford argues that, with regard to waiver, our cases distinguish sharply between those involving a special verdict under Rule 49(a) and those involving a general verdict accompanied by written answers to interrogatories under Rule 49(b).... We are not persuaded that our caselaw has either drawn such a sharp distinction or should.")

*4 There is no per se rule regarding application of waiver in the context of allegedly inconsistent verdicts; rather, courts must evaluate whether waiver is appropriate on a case-by-case basis. See <u>Denny</u>, 42 F.3d at 111 ("A case-by-case application of the

familiar principles of waiver, which is our approach under Rule 49(b), thus seems desirable under Rule 49(a)."). The timing of a party's objection to the perceived inconsistency in the verdict, however, is the single most critical factor in determining whether to grant new trial.

In Lavoie, the Second Circuit affirmed the district court's holding that the defendant waived his challenge to the alleged inconsistency of the jury verdict where, after the jury returned the alleged inconsistent verdict, the district court polled the jurors individually and still the defendant raised no objection. Lavoie, 975 F.2d at 54. Similarly, in U.S. Football League v. Nat'l Football League, the Second Circuit upheld a finding of waiver where the jury returned an ambiguous verdict, but plaintiff failed to object prior to the jury's discharge. 842 F.2d 1335, 1337 (2d Cir.1988) ("Courts have held that a party's failure to bring alleged inconsistencies in the verdict sheet to the court's attention before the jury has been discharged waives the right to have the alleged inconsistencies remedied by a new trial."). Finally, the district court in Trinidad held that the plaintiff waived his objection to the alleged inconsistency in the verdict in circumstances that mirror those in this

Plaintiff was given ample time to raise any objection to the perceived inconsistency after the jury was polled, but did not take that opportunity. Moreover, if the alleged inconsistency is as blatant as plaintiff suggests, plaintiff cannot ... claim that the inconsistency was unnoticeable at the time of the verdict and therefore that plaintiff was justified in his delay. By failing to object to the jury's verdict prior to its discharge, plaintiff waived his right to object.

1997 WL 79819, *2.

Like the parties in Lavoie, U.S. Football League and Trinidad, Obvious and the other plaintiffs in this case failed to object to the alleged inconsistency at any point prior to the jury's discharge despite numerous opportunities to do so, including: (1) during the drafting of the jury verdict form; (2) after the verdict was read and this Court asked if there were any applications (Trial Transcript ("Tr.") at 1202-03); (3) during or after the individual jury members were polled by this Court (Tr. at 1206); or (4) after the jury was polled but before they were dismissed when this Court again asked whether there were any applications (Tr. at 1209). Whether Obvious' failure to object during any one of these numerous opportunities was due to carelessness gamesmanship is of no moment. Obvious waived its

objection to the alleged inconsistent verdict in this case. Further, the jury's verdict was reasonable given the evidence, or lack thereof, presented in this case. Since no miscarriage of justice obtained, Obvious' motion for a new trial pursuant to <u>Rule 59</u> is denied.

III. Kohl's' Motion For Attorneys' Fees From Plaintiffs

*5 Kohl's moves for an award of \$184,806 in attorneys' fees and expenses, pursuant to 17 U.S.C. § 505, against plaintiffs. While an award of attorneys' fees is available to a prevailing party in a copyright action under § 505, it is not automatic, and the decision whether to grant attorneys' fees to a prevailing party is left to the sound discretion of the district court. See Fogerty v. Fantasy, Inc., 510 U.S. 517, 533, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994) (rejecting the "British Rule for automatic recovery of attorney's fees by the prevailing party" and holding that "attorney's fees are to be awarded to prevailing parties only as a matter of the court's discretion"); accord Matthew Bender & Co. v. West Publ'g Co., 240 F.3d 116, 121-22 (2d Cir.2001).

In Fogerty, the Court, noting that "[t]here is no precise rule or formula for making [attorneys' fees] determinations, but instead equitable discretion should be exercised," suggested a number of nonexclusive factors courts should examine in making such determination, a including "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 ... so long as such factors are faithful to the purposes of the Copyright Act." Fogerty, 510 U.S. at 534 n. 19 (internal quotations omitted).

[3] In weighing these factors, this Court finds that, although Kohl's was a prevailing party in this case vis-à-vis Obvious' copyright infringement claims, an award of attorneys' fees and expenses against plaintiffs is not justified. While Obvious failed to prevail in front of the jury on its copyright infringement claims against Kohl's, this Court cannot say that those claims were either frivolous or objectively unreasonable. Accordingly, Kohl's' motion for an award of reasonable attorneys' fees and expenses against plaintiffs is denied. [FN5]

<u>FN5.</u> Obvious argues that since it was the only party that asserted copyright infringement claims against Kohl's, only it

can be subject to an award of attorneys' fees and expenses, and therefore Kohl's' motion is improper with respect to the remaining plaintiffs. (Pl. Opp. at 2.) Kohl's argues that joint and several liability is appropriate because the plaintiffs are alter-egos of one another. (Kohl's Reply at 6.) Since Kohl's' motion for attorneys' fees and expenses is denied, the Court need not reach this issue.

CONCLUSION

For the reasons set forth above, Kohl's' cross-claim for indemnity from Windstar is granted, and Windstar is to indemnify Kohl's in the amount of \$2,216,554. The foregoing shall constitute this Court's findings of fact and conclusions of law as required by Rule 52 of the Federal Rules of Civil Procedure. The Clerk of Court is directed to enter judgment pursuant to Rule 58 of the Federal Rules of Civil Procedure in favor of defendant Kohl's Department Stores, Inc. on its cross-claim against codefendant Windstar Apparel, Corp. in the amount of \$2,216,554. Further, for the reasons set forth above. plaintiffs' motion for a new trial pursuant to Rule 59 of the Federal Rules of Civil Procedure is denied. Finally, Kohl's' motion for an award of reasonable attorneys' fees and expenses against plaintiffs is denied. The Clerk of Court is directed to close this

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Motions, Pleadings and Filings

United States District Court, S.D. New York. CK COMPANY, Plaintiff,

BURGER KING CORPORATION and Saatchi & Saatchi Advertising, Inc., Defendant.

No. 92 Civ 1488 (CSH).

Jan. 26, 1995.

MEMORANDUM AND ORDER

HAIGHT, District Judge:

*1 Plaintiff's motion for reargument of the Court's September 29, 1994 Order and Opinion granting defendants' motion for summary judgment is denied.

Defendants, clearly the prevailing parties in this copyright action, cross-move for costs including attorney's fees under section 505 of the Copyright Act, 17 U.S.C. § 505. Prevailing plaintiffs and defendants are to be given even-handed treatment in the awarding or denial of attorney's fees under the statute. Fogerty v. Fantasy, Inc., 114 S.Ct. 1023 (1994). Two judges in this district have held that objectively unreasonable litigation conduct is sufficient to subject a party to an award of attorney's fees under § 505. Screenlife Establishment v. Tower Video, Inc., 868 F.Supp. 47 (S.D.N.Y.1994) (Sotomayor, J.); Woods v. Bourne Co., 858 F.Supp. 399 (S.D.N.Y.1994) (Owen, J.). I agree with them.

However, I decline to make an award of attorney's fees on the facts of the case at bar. While plaintiff failed to sustain its position, not all unsuccessful litigated claims are objectively unreasonable. The infirmity of the claim, while falling short of branding it as frivolous or harassing, must nonetheless be pronounced. That is demonstrated by the language Judges Sotomayor and Owen used in awarding attorney's fees in the cited cases. See Screenlife at 52 ("Thus, Screenlife's claim for actual damages at the time of the trial of this action was, at best, speculative and remote and relying on an expert opinion premised on pure speculation and unreasonable."); Woods at 400 ("... Bourne was

objectively unreasonable, both in fact and law, in asserting that every publication of sheet music after the original 'lead sheet' was a 'derivative work', since this was neither so regarded by the trade, whose realities make the argument specious, and no printed or performed version of the song before me ... had sufficient creativity to be classified a 'derivative' work.") (footnotes omitted)

Plaintiff at bar suffered summary judgment because this Court concluded that there were no close similarities between protectable elements of the works. But I am not prepared to say that plaintiffs contrary arguments were objectively unreasonable. To hold otherwise would establish a per se entitlement to attorney's fees whenever those issues are resolved against a copyright plaintiff. I do not think that is a correct construction of the law.

Both motions are denied. SO ORDERED.

Not Reported in F.Supp., 1995 WL 29488 (S.D.N.Y.), 34 U.S.P.Q.2d 1319

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• <u>1:92cv01488</u> (Docket) (Mar. 02, 1992)

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Not Reported in F.Supp. Not Reported in F.Supp., 1997 WL 603410 (S.D.N.Y.) (Cite as: 1997 WL 603410 (S.D.N.Y.))

H

Motions, Pleadings and Filings

Only the Westlaw citation is currently available.

United States District Court, S.D. New York. GREAT IMPORTATIONS, INC., Plaintiff,

CAFFCO INTERNATIONAL, INC., Lillian Vernon Corp., Oriental Trading Company, Inc., Hanover Direct, Inc., and Ross Stores, Inc., Defendants.

No. 95Civ.0514(MBM)(SEG).

Sept. 30, 1997. Stephen M. Zelman, New York, City.

Bruce D. Vosburg, Fitzgerald, Schorr, Barmettler & Brennan, P.C. Omaha, Nebraska.

MEMORANDUM

GRUBIN, Magistrate J.

*1 Defendant Oriental Trading Company, Inc.'s motion for an award of attorney's fees and nontaxable costs based on this court's grant to it of summary Contrary to defendant's judgment is denied. contention, "objective unreasonableness," even if present here, is not the only factor a court is to take into account in exercising its discretion under Section 505 of the Copyright Act. See Fogerty v. Fantasy. Inc., 510 U.S. 517, 534 n. 19, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994). If defendant's argument were accepted, an award would become almost automatic whenever a defendant prevailed on a summary judgment motion, a result the Supreme Court has specifically rejected. Fogerty, 510 U.S. at 533 ("The word 'may' clearly connotes discretion. automatic awarding of attorney's fees to the prevailing party would pretermit the exercise of that discretion.") Each case must be viewed on its own factual circumstances. I find an award inappropriate in this case for a number of reasons, but particularly because an award here could have a chilling effect on future plaintiffs seeking to protect their copyrights. They would have to choose between losing their rights or risking that a court might disagree with them as to infringement and award substantial fees. Neither the factual circumstances of the claim herein nor the manner of prosecuting it warrants a departure from the "American rule" of each party's bearing its own expenses, and an award would not be in the interests of the purposes of the Copyright Act.

SO ORDERED.

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Not Reported in F.Supp., 1995 WL 231311 (S.D.N.Y.)

(Cite as: 1995 WL 231311 (S.D.N.Y.))

C

Motions, Pleadings and Filings

Only the Westlaw citation is currently available.

United States District Court, S.D. New York. HICKORY PINE ASSOCIATES LIMITED PARTNERSHIP, Plaintiff,

v

The PURCHASE ENVIRONMENTAL
PROTECTION ASSOCIATION, INC. and Lelia M.
WoodSmith, Defendants.
92 CIV. 1414 (TPG).

April 19, 1995.

OPINION

GRIESA, Chief Judge.

*1 Hickory Pine has brought a civil RICO action, alleging that defendants engaged in an unlawful scheme to extort payments in return for forbearance from threatened meritless environmental litigation directed at Hickory Pine's proposed real estate development. Defendant Wood-Smith has pleaded various counterclaims which will be discussed hereafter. One of the original defendants, The Purchase Environmental Protective Association ("PEPA"), has settled with plaintiff. However, the lawsuit, including the counterclaims, continues between Hickory Pine and Wood-Smith.

Hickory Pine moves to dismiss the counterclaims for lack of subject matter jurisdiction, on grounds that they are permissive and lack the required independent federal jurisdictional basis. Hickory Pine also moves for the imposition of sanctions for asserting the counterclaims. Wood-Smith responds that the counterclaims are compulsory and are therefore within this court's ancillary jurisdiction.

Hickory Pine's motion to dismiss the counterclaims is granted. The motion for sanctions is denied.

The Pleadings and Procedural Background
This action was commenced in February of 1992.
The central allegation in the complaint is that Lelia

M. Wood-Smith and PEPA demanded a \$300,000 payment in return for their non-opposition to a proposed development of a combined golf course/residential area on a parcel of land in Purchase, New York. The complaint alleges that when Hickory Pine refused to make such a payment, defendants engaged in harassing and dilatory opposition to the project before various governmental agencies.

The complaint also alleges that Wood-Smith and PEPA had previously attempted to purchase the parcel for their own development plan, which was identical to the Hickory Pine proposal in substance. Finally, the complaint alleges that Wood-Smith and PEPA attempted to broker a deal to purchase the parcel from Hickory Pine on behalf of another developer, for the purpose of completing the golfcourse/residence development. As part of the deal, the new developer would make payments to Wood-Smith and PEPA for their agreement to cease opposition to the project. According to the complaint, this other developer was in actuality a private investigator acting on behalf of Hickory Pine for the purpose of obtaining evidence of the defendants' alleged extortionary and improper actions.

The complaint asserts claims under 18 U.S.C. § 1962(b) and (c), the civil RICO statute, as well as under various common law tort theories.

In January of 1992, prior to filing its federal action, Hickory Pine had filed an action against Wood-Smith and PEPA in state court, which alleged the same facts as the federal complaint. This action was withdrawn in February of 1992, and the plaintiff instituted the federal action thereafter.

On September 23, 1993 Wood-Smith and PEPA served their answer, which raised various counterclaims. The answer alleges that Hickory Pine and others engaged in a scheme to injure Wood-Smith and PEPA by maliciously filing the state and federal actions, raising allegedly baseless claims, and by publishing the complaints and issuing various public statements about the allegations in the complaints with knowledge of their falsity.

*2 These allegations are asserted in three counterclaims. The first is apparently for malicious

prosecution, although the precise legal theory is not entirely clear. The second is for intentional infliction of emotional distress, and the third is for defamation.

PEPA and Wood-Smith moved for summary judgment dismissing the complaint. During the pendency of these motions, Hickory Pine settled with PEPA. Subsequently, the court denied Wood-Smith's motion for summary judgment.

In connection with Hickory Pine's present motion to dismiss Wood-Smith's counterclaim, Wood-Smith does not dispute the fact that both parties reside in New York and therefore there is no diversity of citizenship between them. In addition, Wood-Smith does not suggest that the counterclaims raise questions of federal law.

DISCUSSION

The Motion to Dismiss

The Federal Rules of Civil Procedure distinguish between counterclaims that are compulsory, and those that are permissive. Fed.R.Civ.P. 13. exceptions not relevant here. counterclaim which "arises out of the transaction or occurrence that is the subject matter of the opposing party's claim" is considered to be compulsory. Fed.R.Civ.P. 13(a). Generally, a compulsory counterclaim must be pleaded or it will be barred. See Baker v. Gold Seal Liquors, Inc., 417 U.S. 467, 469, n. 1 (1974). It is well settled law that under a federal district court's ancillary jurisdiction, compulsory counterclaims may properly be entertained solely by virtue of the court's subject matter jurisdiction over the main action. See, e.g., Moore v. New York Cotton Exchange, 270 U.S. 593, 609 (1926); Harris v. Steinem, 571 F.2d 119, 121-122 (2d Cir.1978).

By contrast, a permissive counterclaim is one which does not arise out of the same transaction or occurrence as the main action. Fed.R.Civ.P. 13(b). A party may raise a permissive counterclaim in the federal action, or bring that claim in the forum of its own choosing. If the party raises the permissive counterclaim in the federal action, however, it must show that the claim is supported by an independent basis of federal jurisdiction. Harris at 122; Clark v. Universal Builders, Inc., 501 F.2d 324, 341 (7th Cir.1974).

There is no dispute about the fact that Wood-Smith's counterclaims lack an independent basis for federal

jurisdiction. Defendant concedes that there is no diversity between the parties, and that the counterclaims do not raise a federal question. In light of this, the counterclaims must be dismissed for lack of jurisdiction unless they are compulsory.

In the court's view, the counterclaims in this case are permissive, and must be dismissed on jurisdictional grounds.

The Court of Appeals for the Second Circuit has developed an approach to determining when a counterclaim arises out of the same "transaction or occurrence," and is therefore compulsory. *See Harris* at 123. It is necessary to determine

*3 whether the essential facts of the various claims are so logically connected that considerations of judicial economy and fairness dictate that all the issues be resolved in one lawsuit.... Thus precise identity of issues and evidence between claim and counterclaim is not required.... Conversely, at some point the essential facts and the "thrust of the two claims are so basically different that such accepted 'tests of compulsoriness' as 'logical relation' are not met...." (citations omitted).

Id. In Harris, the plaintiff claimed violations of the federal securities laws in connection with the repurchase and subsequent sale of a block of stock. The defendant raised state law counterclaims for libel and malicious prosecution based on statements contained in the complaint, as well as on statements made after the complaint was brought. The district court dismissed the main action for failure to comply with discovery orders, and exercised its discretion to dismiss the counterclaims without prejudice, although it viewed the counterclaims as compulsory.

On appeal, the Second Circuit did not reach the issue of whether the district court had discretion to dismiss a compulsory counterclaim. The court upheld the dismissal of the counterclaims because the court found that the counterclaims were permissive and lacked an independent basis of jurisdiction. The court stated that

the case law seems clear that a counterclaim which stems from the filing of the main action and subsequent alleged defamations is not a compulsory counterclaim covered by Rule 13(a)....

Id. at 124. The court found that the counterclaims at issue stemmed from the filing of the main action and from subsequent defamations, and therefore fell within the line of cases holding such counterclaims to be permissive. Id. at 125 (citing <u>Wigglesworth v. Teamsters Local Union No. 592</u>, 68 F.R.D. 609 (E.D.Va.1975); <u>Bose Corp. v. Consumers Union of</u>

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the United States, Inc., 384 F.Supp. 600 (D.Mass.1974)). The court noted that although the main claim and the counterclaims were related in that the plaintiff's success on the main claim would probably have defeated the counterclaim, the issues of fact and law raised by the counterclaim were sufficiently different so that the logical relation between them was "at best attenuated." Id. at 124.

Application of *Harris* to the present case requires that the counterclaims here should be deemed permissive and must be dismissed. The counterclaims do not arise out of the same transaction or occurrence as the main claim. Rather, they arise out of the institution of the instant legal proceedings and statements allegedly made in connection therewith.

Wood-Smith argues that because certain of the alleged defamatory statements were made prior to the institution of the federal lawsuit, that this case falls outside of the "narrow" holding of Harris. The court disagrees. The federal lawsuit, which followed four weeks after the state suit was withdrawn, was essentially a continuation of the state lawsuit. All of the alleged defamations were made either at the time the state lawsuit was filed or afterwards. Given this context, the fact that some of the statements were allegedly made before the federal action was brought does not affect the court's analysis of the logical relation between the counterclaims and the main action. In any event, as the court in Harris noted, a counterclaim does not automatically become compulsory just because some of the alleged defamations were uttered prior to the institution of the main action

*4 Indeed, we have previously held that defendants' counterclaim for libel based on two letters which unflatteringly characterized a union shop agreement and which were disseminated before and at the time of the complaint was a permissive counterclaim in an action by a competing union to declare the union shop agreement invalid under the federal labor laws.

Id. at 124-125 (citing <u>O'Connell v. Erie</u> <u>Lackawanna R.R. Co., 391 F.2d 156, 163 (2d Cir.1968)</u>, vacated as moot, 395 U.S. 210 (1969)).

The counterclaims in the present case are logically unrelated to the main action and are permissive. Because they lack an independent basis for federal jurisdiction, the counterclaims are dismissed.

The Motion For Sanctions

Plaintiff moves to impose sanctions on the Wood-Smith for asserting the counterclaims. The court declines to do so.

CONCLUSION

The motion to dismiss the counterclaims for lack of subject matter jurisdiction is granted. The motion for sanctions is denied.

SO ORDERED.

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H

Motions, Pleadings and Filings

United States District Court, S.D. New York.
Annie LEIBOVITZ, Plaintiff,

v.
PARAMOUNT PICTURES CORPORATION,
Defendant.
No. 94 Civ. 9144(LAP).

July 21, 2000.

MEMORANDUM AND ORDER

PRESKA, J.

*1 Prevailing defendant Paramount Pictures Corporation ("Paramount") has moved, pursuant to 17 U.S.C. § 505 and Fed.R.Civ.P. 54(d)(2), to recover the attorneys' fees and costs it incurred in defending against the copyright infringement action brought by plaintiff Annie Leibovitz.

I. Background.

Leibovitz, a well-known photographer, shot a photograph of actress Demi Moore for the 1991 cover of *Vanity Fair* magazine. In this photograph, Ms. Moore was eight months pregnant and nude. In 1993, Paramount used a similar photograph to advertise the release of its film, *Naked Gun 33 1/3: The Final Insult ("Naked Gun"*). In the Paramount photograph, however, the face of actor Leslie Nielsen appeared on top of the body of an eight-month pregnant nude model.

Subsequently, Leibovitz filed suit in this Court charging that the advertisement infringed her copyright in the Moore photograph, and I granted summary judgment for defendant, finding that the advertisement was a parody of the Moore photograph protected by the fair use defense. See Leibovitz v. Paramount Pictures Corp., 948 F.Supp. 1214 (S.D.N.Y.1996), aff'd, 137 F.3d 109 (2d Cir.1998). Presently, Paramount has moved to recover the attorneys' fees and costs it incurred in defending this matter.

II. The Legal Standard for Awarding Attorneys'

Fees.

The Copyright Act of 1976 (the "Copyright Act") provides that "in any copyright infringement action 'the court may ... award a reasonable attorney's fee to the prevailing party as part of the costs." ' Fogerty v. Fantasy, Inc., 510 U.S. 517, 519 (1994) (quoting 17 U.S.C. § 505); see also Knitwaves, Inc. v. Lollytogs Ltd., 71 F.3d 996, 1011 (2d Cir.1995). Courts considering fee applications under the Copyright Act must follow what has been termed the "evenhanded" approach. See Knitwaves, 71 F.3d at 1011. Under this approach, the prevailing party in a copyright infringement action is treated the same for purposes of an award of attorneys' fees, regardless of whether that prevailing party is a plaintiff or a defendant. See Fogerty, 510 U.S. at 534; Littel v. Twentieth Century-Fox Film Corp., No. 89 Civ. 8526, 1996 WL 18819, at *1 (S.D.N.Y. Jan. 18, 1996), aff'd, DeStefano v. Twentieth Century-Fox Film Corp., 100 F.3d 943 (2d Cir.1996). District courts must use "equitable discretion" in awarding attorneys' fees and costs. See Fogerty, 510 U.S. at 534.

In Fogerty v. Fantasy, Inc., the Supreme Court set forth a non-exclusive list of factors to guide the exercise of discretion in awarding fees. 501 U.S. 517. "These factors include '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. at 533 n. 19 (quoting Lieb v. Topstone Indus., Inc., 788 F.2d 151, 156 (3d Cir.1986)).

*2 Courts in this district applying Fogerty have awarded attorneys' fees to prevailing defendants simply upon a showing that plaintiff's position was objectively unreasonable [FN1]--neither bad faith nor frivolousness need be found. See Adsani v. Miller, No. 94 Civ. 9131, 1996 WL 531858, at *13 (S.D.N.Y. Sept. 19, 1996) (collecting cases); Littel, 1996 WL 18819, at *3; Screenlife Establishment v. Tower Video, Inc., 868 F.Supp. 47, 52 (S.D.N.Y.1994).

FN1. Granting summary judgment in favor of a defendant is "not the equivalent of a finding that plaintiff's claims are objectively unreasonable." *Littel*, 1996 WL 18819, at *3. Thus, Paramount's fee request will not

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be granted simply because it prevailed on summary judgment.

Courts have also considered the relative financial strength of the parties, see Littel, 1996 WL 18819, at *1, and the purposes of the Copyright Act, see Fogerty, 510 U.S. at 527-28. Specifically, fees must be granted in accordance with the idea that

[T]he primary objective of copyright is not to reward the labor of authors, but "[t]o promote the Progress of Science and useful Arts." To this end. copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by a work.

Id. at 527 (quoting Feist Publications, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 349-50, 111 S.Ct. 1282, 1289-1290, 113 L.Ed.2d 358 (1991)).

III. Analysis.

A. Objective Unreasonableness of Plaintiff's Position

In this case, Paramount does not argue that Leibovitz acted frivolously or in bad faith. Rather, it argues that Leibovitz's factual and legal arguments and her refusal to settle the case were objectively unreasonable. Accordingly, I consider whether Leibovitz acted in an objectively unreasonable manner.

1. Plaintiff's Factual and Legal Arguments

Throughout this case, Leibovitz argued that Paramount copied the Moore photograph and, in doing so, failed to satisfy the four requirements of the fair use defense set forth in section 107 of the Copyright Act. (See Pl.'s Mem. Supp. Part. Summ. J. at 7 ("Pl.'s Mem.").) An allegedly infringing work which meets the fair use test set forth in section 107, will not be deemed to infringe the copyrighted work. Section 107 sets out the following four factors to be used by the courts in determining whether a work constitutes a fair use:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.
- 17 U.S.C. § 107. Because resolution of the

underlying action turned on the viability of Paramount's fair use defense, I turn to the reasonableness of plaintiff's arguments under each prong of the defense.

a. Element One: Purpose and Character of the Use

Leibovitz argued that Paramount's advertisement did not constitute a parody of the Moore photograph, and, therefore was not a fair use, because it did not directly comment upon or criticize the Moore photograph. (See Pl.'s Mem. at 9.) While Leibovitz was correct in asserting that a work that is not referential to the original work does not qualify as a parody and is not entitled to a fair use defense, see Campbell v. Cuff-Rose Music, Inc., 510 U.S. 569, 580, 114 S.Ct. 1164, 1172 (1994); Leibovitz v. Paramount Pictures Corp., 948 F.Supp. at 1220, she may have misapplied the facts of this case.

*3 Leibovitz relied largely on easily distinguishable cases. In virtually every case she cited, the court found that the allegedly infringing work was not meant to satirize the original directly and, thus, was not a parody. See, e.g., MCA, Inc. v. Wilson, 677 F.2d 180 (2d Cir.1981); United Feature Syndicate, Inc. v. Koons, 817 F.Supp. 370 (S.D.N.Y.1993); Steinberg v. Columbia Pictures Indus., Inc., 663 F.Supp. 706 (S.D.N.Y.1987). Here, in contrast, Leibovitz testified that the advertisement was a parody. (See Zavin Aff. Ex. J at 38 (Leibovitz Dep. Tr., dated Feb. 28, 1996).) Because "[t]he threshold question when fair use is raised in defense of parody is whether a parodic character may reasonably be perceived," see Campbell, 510 U.S. at 582, 114 S.Ct. at 1173 (emphasis added), Leibovitz apparently ignored her own conclusion that the advertisement was a parody.

Leibovitz also argued that the advertisement was not a parody "as a matter of law" because it was used to promote an unrelated commercial product, the movie Naked Gun. (See Pl.'s Mem. at 12.) Leibovitz contended that "[u]nder the authorities in the Second Circuit and elsewhere, advertisements used to promote a product, as in this case, are not parodies and are entitled to no indulgence...." (See id. at 13.) This argument, however, relies largely on pre-Campbell case law which held that every commercial use was presumptively unfair. See, e.g., Tin Pan Apple, Inc. v. Miller Brewing Co., Inc., 737 F.Supp. 826 (S.D.N.Y.1990); D.C. Comics Inc. v. Crazy Eddie, Inc., 205 U.S.P.Q. 1177 (S.D.N.Y.1979). [FN2]

FN2. Leibovitz asserts that she did not rely

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solely on pre-Campbell cases. However, the single post-Campbell case she cited relied on several factors, including "commercial use," in making its determination. See Metro-Goldwyn-Mayer, 900 F.Supp. at 1299-1300. Indeed, Metro-Goldwyn-Mayer recognized that promotional material may be "parody" and be entitled to some, albeit "less," indulgence under the fair use inquiry. See id. at 1300.

In Campbell, the Supreme Court abandoned the presumption that commercial works are not entitled to the fair use defense. Rather, the Court emphasized the importance of determining whether the work is "transformative", i.e., whether its alteration of an original work "adds something new, with a further purpose or different character, altering the first with new impression, meaning or message." See Campbell, 510 U.S. at 579, 114 S.Ct. at 1171. Thus, the Court stated, "the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use." Id.

Courts, therefore, face the difficult task of balancing the transformative character of the new work against its commercial nature. See, e.g., Leibovitz, 948 F.Supp. at 1223 ("the purposes of copyright are best served by a finding that the highly transformative character of the Nielsen ad trumps its admittedly commercial purpose and that the first fair use factor therefore weighs in favor of the defendant, albeit perhaps by only a slight margin"). I find that because the Nielsen photograph was clearly a transformation of the Moore photograph, Leibovitz unreasonable in asserting that the Paramount advertisement's commercial character alone stripped it of any fair use protection as a matter of law. (See Pl.'s Mem. at 12.) However, plaintiff did argue alternatively that if the Paramount photograph was a parody, and therefore entitled to "less indulgence" because of its commercial nature, it could not meet the fair use test. (See Pl.'s Mem. at 15.) Thus, when viewed on the whole, plaintiff's argument that defendant's advertisement was not entitled to the fair use defense may not have been completely unreasonable, despite its reliance on mostly pre-Campbell cases. In any event, it is a close call.

b. Element Two: Nature of the Copyrighted Work

*4 It is well-established that the second factor--the nature of the copyrighted work--is not very important to the fair use analysis. For instance, in *Campbell*, the

Court held that a determination that a copied work is highly creative and, thus, worthy of copyright protection is not very helpful "in separating the fair use sheep from the infringing goats in a parody case, since parodies almost invariably copy publicly known, expressive works." 510 U.S. at 586, 114 S.Ct. at 1175. Consequently, I will not tarry on the nature of the copyrighted work.

c. Element Three: The Amount and Substantiality of the Taking

Paramount does not argue that Leibovitz was objectively unreasonable in arguing that Paramount copied too much of the Moore photograph.

d. Element Four: The Effect on the Potential Market for or Value of the Copyrighted Work

Paramount does not challenge Leibovitz's argument regarding the lack of evidence of market harm.

In sum, I do not find plaintiff's factual and legal arguments sufficiently objectively unreasonable so as to weigh in Paramount's favor. Rather, the combination of the then-relatively new state of fair use law, the amount of Paramount's taking of Leibovitz's work and the commercial purpose of Paramount's work favors Leibovitz.

2. Rejection of Settlement Offer

Paramount also argues that Leibovitz should pay its attorneys' fees and costs because she was objectively unreasonable in refusing to accept Paramount's offer and in demanding a "six-figure" settlement. (See Def.'s Mem. Supp. Mot. Attorneys' Fees and Costs ("Def.'s Fee Mem.") at 12-13.) On or about February 10, 1995, in an attempt to settle this case, Paramount filed a Rule 68 Offer of Judgment offering to enter judgment against Paramount in the amount of \$10,000, together with attorneys' fees and costs up to \$5,000, and to enjoin Paramount from making any further use of the Nielsen ad or otherwise using the Moore photo. (See Zavin Aff. Ex. D (Offer of Judgment, dated Feb. 10, 1995).) Paramount argues that this settlement should have been satisfactory because (1) it would satisfy Leibovitz's stated desire to prevent the copying of her work, and (2) she had not suffered any economic harm from the advertisement. (See Def.'s Fee Mem. at 12-13.) Leibovitz, however, claims that her "six-figure" demand was reasonable in that it "represented what Annie Leibovitz would have charged for the use of her photograph, had she been willing to license its

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use for an advertising purpose" and "represented a figure that plaintiff could have been awarded for a willful infringement...." (Schad Aff. ¶ 5.)

On a motion requesting fees, a rejection of a settlement offer is not dispositive, since the court must consider the overall reasonableness of plaintiff's case. Nonetheless, an "unreasonable rejection of a serious settlement offer might under some circumstances be a factor which could be considered in assessing the reasonableness of a fee request." Harris Custom Builders, Inc. v. Hoffmeyer, 140 F.3d 728, 731 (7th Cir.1998).

*5 Settlement, of course, is compromise; it is not obtaining all one could obtain by prevailing in a litigation. Both parties seem to have forgotten this important principle in this litigation; Leibovitz continued to insist on a "six-figure" amount, while Paramount made its Offer of Judgment but never moved off that number, perhaps because of Leibovitz's inflexibility. Thus, this factor is close to equipoise.

B. Financial Disparity Between Plaintiff and Defendants

Courts addressing fee applications have considered the relative financial strength of the parties. See, e.g., Littel, 1996 WL 18819, at *1. Although Paramount is a large corporation, Leibovitz is also extremely wealthy and successful. At her deposition, she testified that her gross income in the years 1992, 1994 and 1995 was an amount such that she did not know it to the nearest million dollars and she did not know whether or not it was more than \$3 million (or \$5 million) in each of those years. (See Zavin Aff. Ex. J at 54-56.) Because paying defendant's fees and costs of approximately \$120,000 would not unreasonably burden Leibovitz, this factor is also in equipoise.

C. Promoting the Objectives of the Copyright Act

Permitting defendant to recover its attorneys' fees and costs would conform with the objectives of the Copyright Act. Despite plaintiff's argument that granting defendant's request will burden artists and invite others to "borrow" copyrighted works, (see Pl.'s Mem. Opp. Mot. Attorneys' Fees and Costs at 16), the Copyright Act clearly protects creative endeavors of all parties. The Supreme Court has recognized that "a successful defense of a copyright infringement action may further the policies of the Copyright Act every bit as much as a successful

prosecution of an infringement claim by the holder of a copyright." *Fogerty*, 510 U.S. at 527.

Indeed, in granting summary judgment to recognized that Paramount's Paramount. I advertisement promoted the Copyright Act: "the fundamental purposes of copyright are best served by a finding that defendant's use of the Moore photograph is a fair one." Leibovitz, 948 F.Supp. at 1226. Furthermore, granting defendant's fee request would encourage similar defendants to produce original literary, artistic, and musical expression for the good of the public, thus furthering the primary objective of the Act. See Fogerty, 510 U.S. at 524. Thus, this factor favors Paramount.

IV. Conclusion.

Weighing all of the above factors, I decline to award fees in this action. The infirmity of the claim was not so pronounced as to merit such an award. See CK Co. v. Burger King Corp., No. 92 Civ. 1488, 1995 U.S. Dist. LEXIS 823 (S.D.N.Y. Jan. 26, 1995), aff'd, 122 F.3d 1055 (2d Cir.1995). Accordingly, Paramount's motion for attorneys' fees is denied.

SO ORDERED:

Not Reported in F.Supp.2d, 2000 WL 1010830 (S.D.N.Y.), 2000 Copr.L.Dec. P 28,112, 55 U.S.P.Q.2d 1598

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• <u>1:94cv09144</u> (Docket) (Dec. 21, 1994)

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(Cite as: 1996 WL 18819 (S.D.N.Y.))

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Motions, Pleadings and Filings

United States District Court, S.D. New York. John S. LITTEL; Anthony Destefano; and Judalee Productions, Inc., Plaintiffs,

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TWENTIETH CENTURY-FOX FILM CORPORATION; Jim Thomas; John Thomas; CBS Fox

Company; American Films and American Entertainment Partners LP; John Davis; Shanachie Productions, Inc.; Deimos Bard Productions, Inc.; and Fox Video, Inc., Defendants.

No. 89 Civ. 8526 (DLC).

Jan. 18, 1996.

Robert Dembia, Levine & Dembia, New York City, for Plaintiffs.

Slade R. Metcalf, Mark H. Jackson, Squadron, Ellenoff, Plesent, & Sheinfeld, LLP, New York City for Defendants.

OPINION & ORDER

COTE, District Judge:

*1 The Court granted defendants' Motion for Summary Judgment in this copyright infringement action on July 6, 1995. Based upon the Court's July 6 ruling, defendants bring the instant motion for costs and attorneys fees as prevailing parties pursuant to the Copyright Act of 1976, 17 U.S.C. § 505. For the reasons given below, the motion is granted.

Legal Standard

The Copyright Act of 1976 (the "Act") provides in relevant part that in any copyright infringement case, "the court may ... award a reasonable attorney's fee to the prevailing party as part of the costs." 17 U.S.C. § 505. In Fogerty v. Fantasy, Inc., 510 U.S. 517, 114 S. Ct. 1023 (1994), the Supreme Court resolved a split among the circuits as to the appropriate standard for awarding attorneys fees under the Act. Prior to Fogerty, the Second Circuit, among others, awarded attorneys fees as a matter of course to prevailing plaintiffs but not to prevailing defendants, based on

the policy consideration that the Act was designed to encourage plaintiffs to assert protection of their copyrights. See Knitwaves, Inc. v. Lollytogs Ltd., 71F.3d 996, 1995 WL 673250, *15 (2d Cir. Nov. 13, 1995)(discussing pre-Fogerty standard). Fogerty rejected this dual standard, in favor of the so-called "evenhanded" approach in which the prevailing party in a trademark infringement action is treated the same for purposes of an award of attorneys fees, regardless of whether the prevailing party is a plaintiff or a defendant. Fogerty, 114 S.Ct. at 1033. As the Supreme Court recognized, defendants in copyright cases are often holders of copyrights and should be encouraged to litigate meritorious copyright defenses to the same extent as plaintiffs are encouraged to litigate their claims. Such encouragement serves the underlying policy of the Copyright Act, which is to enrich the general public through access to creative works. Id. at 1030.

An award of attorneys fees is by no means automatic, however. Instead, it is a matter committed to the Court's equitable discretion. Fogerty, 114 S. Ct. at 1033. In Fogerty, the Supreme Court approved a non-exhaustive list of factors to be considered in applying the evenhanded standard. Such factors include "frivolousness. motivation. objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." Id. at 1033 n.19. These factors "may be used to guide courts' discretion, so long as such factors are faithful to the purposes of the Copyright Act" and are applied evenhandedly to prevailing plaintiffs and prevailing defendants alike. Id.

Because the list of factors is nonexhaustive, courts have considered other factors in exercising their discretion whether to award attorneys fees. One such factor is the relative financial strength of the parties. See, e.g., Williams v. Crichton, 1995 WL 449068 (S.D.N.Y. 1995)(quoting Lieb v. Topstone Industries, Inc., 788 F.2d 151, 156 (3d Cir. 1986))(limiting award to prevailing defendant because of the disproportionate relative financial strength of the parties). Another is whether a claim is found to be "objectively unreasonable." See, e.g., Screenlife Establishment v. Tower Video, Inc., 868 F. Supp. 47, 52 (S.D.N.Y. 1994); Woods v. Bourne Co., 858 F. Supp. 399, 400 (S.D.N.Y. 1994); cf. CK Company v.

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<u>Burger King Corp.</u>, 1995 WL 29488 (S.D.N.Y. 1995) (approving standard but finding it inapplicable to facts presented).

Background and Analysis

*2 Although familiarity with my Opinion and Order of July 6, 1995 is assumed, a brief outline of relevant facts is appropriate. Plaintiffs filed the Complaint in this Action on December 22, 1989, alleging, inter plaintiffs' book "Predator" alia, "substantially similar" to defendants' movie of the same title, and therefore that defendants had infringed plaintiffs' copyright. On April 20, 1990, several of the individual defendants filed a motion to dismiss the action against them for lack of personal jurisdiction, or in the alternative, to transfer the case to the United States District Court for the Central District of California. On May 28, 1991, the judge to whom the case was then assigned, denied the motion except as to defendant Stan Winston who was dismissed from the Action.

On August 9, 1991, defendants filed a motion for summary judgment. On October 17, 1991, plaintiffs filed a supplemental Complaint based on the defendants' production and distribution of the movie "Predator II." On January 9, 1992, defendants supplemented their motion for summary judgment in light of the supplemental Complaint. By an Order dated July 27, 1992, defendants' motion for summary judgment was denied without opinion.

On September 13, 1994, this case was reassigned to this Court. At that time it had an October 1994 trial date. At a conference held on October 19, 1994, the parties described the claims at length and the defendants requested an opportunity to renew their motion for summary judgment. In response, I undertook to read the book and watch the two movies at issue. At a conference held by telephone on November 9, 1994, the Court granted defendants the option of proceeding to trial promptly or renewing their motion for summary judgment. At that time, I indicated to the parties that, having read plaintiffs' book and having watched defendants' movies, and in light of the applicable law, I expected I would grant the motion for summary judgment. The defendants reiterated their desire to file a summary judgment motion. Defendants filed the motion, which was granted by Opinion and Order dated July 6, 1995.

In my July 6, 1995 Opinion and Order granting defendants' motion for summary judgment, I observed that

[i]f it were not for the fact that the book and

movies bear the same title, it is hard to believe that any claim of infringement could ever have been filed here. Although the works are each 'action-packed' stories, plaintiffs as much as concede that they bear no resemblance to one another in terms of setting, plot, sequence of events, or individual scenes. Indeed, the works emanate from entirely different genres.

Littel v. Twentieth Century Fox Film, Corp., 1995 WL 404939, *12 (S.D.N.Y. 1995)(DLC). I found that "no reasonable trier of fact could find the two works substantially similar," and therefore found that, pursuant to Rule 56(c), Fed.R.Civ.P. and applicable case law, that there was "no genuine issue as to any material fact" and that the defendants were entitled to judgment as a matter of law.

*3 It is true that a finding that defendants are entitled to summary judgment is not the equivalent of a finding that plaintiff's claims are objectively unreasonable. "To hold otherwise would establish a per se entitlement to attorneys fees whenever [a summary judgment motion is] resolved against a copyright plaintiff." CK Company v. Burger King Corp., 1995 WL 29488 (S.D.N.Y. 1995). In this case, however, I do not find the question of whether plaintiffs' claims were objectively unreasonable a close one. Even if pursued in subjective good faith by the plaintiffs, the claim of substantial similarity between the works at issue here was objectively unreasonable.

Furthermore, this case presented no novel or complex issues of law or fact which might weigh against an award of attorneys fees. See, e.g., Bourne Co. v. Walt Disney Co., 1994 WL 263482 (S.D.N.Y.), aff'd, 68 F.3d 621 (2d Cir. 1995)(denying application for attorneys fees in light of presence of unsettled issues of fact and law). Instead, this case presented a straightforward substantial similarity claim that was frivolous. Under these circumstances, and "to advance considerations of compensation and deterrence," defendants are entitled to recover attorneys fees incurred in defending this action. Fogerty, 114 S. Ct. at 1033 n.19; cf. Diamond Star Bldg. Corp. v. Freed, 30 F.3d 503, 506 (4th Cir. 1994)(where copyright infringement claim was objectively unreasonable, goal of deterring frivolous litigation favored imposition of attorneys fees).

The plaintiffs place great emphasis on the fact that the judge to whom this case was previously assigned denied an earlier motion for summary judgment. Since the Order denying the motion did not include the reasons for the denial, it is impossible for this Not Reported in F.Supp.

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Court to weigh those reasons in deciding this motion. That denial, however, makes it inappropriate to assess against the plaintiffs any attorneys fees from the date of the denial to November 9, 1994, the date of the telephone conference in which the plaintiffs learned that, having read and watched the works at issue, I expected to grant the renewed motion for summary judgment. On the other hand, an award of fees after that date is particularly appropriate since the defendants notified the plaintiffs on December 6, 1994 that if the plaintiffs agreed to a dismissal of the lawsuit with prejudice, the defendants would not seek attorneys fees, but if the plaintiffs persisted with the lawsuit, the defendants would seek attorneys fees as permitted by Fogerty.

Finally, the Court is mindful of the likelihood of a significant disparity between the parties' financial circumstances. Defendants are major corporate entities while plaintiffs are, according to their counsel, "struggling artists" who are likely to become bankrupt if ordered to pay the attorneys fees and costs sought in this motion. Plaintiffs have not provided the Court with any proof of their financial circumstances, however. Plaintiffs are therefore ordered to submit, within 30 days of the date of the this Order, affidavits and documentation describing their net worth, current salaries, other sources of income, and any other financial information they wish the Court to consider in connection with an award of attorneys fees and costs.

*4 Defendants should submit within 30 days of this Order a detailed breakdown of attorneys fees and costs incurred in this litigation prior to July 27, 1992 and since November 9, 1994. The appropriate method of computing attorneys fees is the "lodestar" method as adopted by the Second Circuit in *City of Detroit v. Grinnell Corp.*, 495 F.2d 448, 470 (2d Cir. 1974). Counsel should also provide the Court with contemporaneous records pursuant to *FH Krear & Co. v. Nineteen Named Trustees*, 810 F.2d 1250, 1265 (2d Cir. 1987).

Each party will have two weeks following the initial submissions to respond to its opponents submissions.

For the foregoing reasons, defendants' motion for costs and attorneys fees is granted, the amount of the award to be determined by the Court following submissions from the parties as outlined above.

SO ORDERED:

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• <u>1:89cv08526</u> (Docket) (Dec. 22, 1989)

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Only the Westlaw citation is currently available.

United States District Court,
N.D. New York.
NXIVM CORPORATION formerly known as
Executive Success Programs, Inc.; and First
Principles, Inc., Plaintiffs,

٧.

ROSS INSTITUTE; Rick Ross, also known as Ricky Ross; Stephanie Franco; Morris Sutton; and Rochelle Sutton, Defendants.

NXIVM CORPORATION formerly known as Executive Success Programs, Inc.; and First Principles, Inc., Plaintiffs,

Paul MARTIN; and Wellspring Retreat Inc., Consolidated Defendants.

No. 1:03CV0976GLSDRH, 1:03CV1051GLSDRH.

Aug. 2, 2005.

Berstein Law Firm, New York, New York, for the Plaintiffs, Judd Berstein, of counsel.

Riker, Danzig Law Firm, Morristown, New Jersey, for the Defendant, Anthony J. Sylvester, of counsel.

Hinman, Howard Law Firm, Binghamton, New York, for the Defendant, Linda B. Johnson, of counsel.

Martland & Brooks Law Firm, Boston, Massachusetts, Ross Defendant, Douglas M. Brooks, of counsel.

Gleason Dunn Law Firm, Albany, New York, Ross Defendant, Thomas F. Gleason, of counsel.

MEMORANDUM-DECISION AND ORDER

SHARPE, J.

I. Introduction

*1 In this motion, defendant Stephanie Franco (Franco) seeks an award of attorney's fees pursuant to 17 U.S.C. § 505 (Copyright Act). For the following reasons, the motion is DENIED.

II. Background

The facts and procedural history underlying this

litigation are comprehensively stated in <u>NXIVM</u> Corp. v. Ross Institute, 364 F.3d 471 (2d Cir.2004) and the transcript of this court's March 30, 2005 hearing, which is incorporated herein by reference. See Tr. [FN1] pp. 4-14, Dkt. No. 134. However, a brief procedural recitation is necessary to lay the foundation for the pending motion.

FN1. "Tr." refers to the hearing transcript of this court's March 30, 2005 decision. See Dkt. No. 134.

NXIVM sued Franco and various co-defendants for copyright infringement under 17 U.S.C. § § 106 and 106A, trademark disparagement under the Lanham Act, 15 U.S.C. § 1125(a), and for other state law claims under two separately-filed complaints. [FN2] See 03-cv-976 (976), Compl., Dkt. No. 1; 03-cv-1051 (1051), Compl., Dkt. No. 1. In response, Franco filed a motion to dismiss the copyright infringement claim of the member complaint, 1051, pursuant to Fed. R. Civ. P. 12(b)(6). [FN3] See Dkt. Nos. 48, 81. NXIVM cross-moved, seeking leave to file an amended complaint. See Dkt. No. 80. However, NXIVM retained new counsel and requested to supplement the cross-motion to amend with an entirely new proposed complaint to consolidate both actions and to retract certain claims against Franco and the other defendants. See 12/15/04 Minute Entry. Specifically, withdrew its claim of copyright infringement against Franco in the proposed amended complaint. See Prop. Am. Compl., Dkt. No. 116.

<u>FN2.</u> Both cases and the complaints were subsequently consolidated by the court under the lead case, 03-cv-0976, for all purposes. *See Tr. at 66, Dkt. No. 134.* Unless otherwise noted, all citations and references to the docket sheet pertain to the lead case, 976.

FN3. Franco also moved to dismiss other claims in the 1051 complaint and filed a motion for summary judgment in the 976 complaint. See Dkt. No. 126. Since Franco's application for attorney's fees relates only to the dismissal of the copyright infringement claim in the 1051 complaint, it is unnecessary for the court to address the disposition of the other motions.

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On March 30, 2005, the court addressed all the motions in sequential order. [FN4] As a result, dismiss the copyright Franço's motion to infringement claim under Fed. R. Civ. P. 12(b)(6) was granted. See 03/30/05 Minute Entry. Specifically, the court dismissed the copyright infringement claim against Franco in the 1051 complaint based upon its legal deficiencies and upon NXIVM's apparent withdrawal of this claim in the proposed amended complaint, See Tr. at 20, Dkt. No. 134; see Prop. Am. Compl., Dkt. No. 116. Franco now moves for attorney's fees associated with the dismissal of the copyright infringement claim under the Copyright Act. See Dkt. No. 52. On May 24, the court issued a text order directing Franco to submit its application in compliance with the lodestar method for the Northern District of New York. See 5/24/05 Text Order Entry. On May 26, Franco amended her invoices for attorney's fees in compliance with this district's lodestar rate. [FN5] See Dkt. No. 150. NXIVM opposes the motion. See Dkt. No. 135.

> FN4. Franço's motion to dismiss under Fed. R. Civ. P. 12(b)(6) was filed before NXIVM's cross-motion to amend the complaint. See Dkt. Nos. 48, 80.

> FN5. Initially, Franco submitted invoices for attorney's fees in the amount of \$26,216.78 for her defense of NXIVM's copyright infringement claim. See Dkt. No. 28. The court then directed Franco to comply with the lodestar rates for the Northern District of New York, thereby reducing the requested attorney's fees to \$19,404.00. See 5/24/05 Text Order; Dkt. No. 150.

III. Discussion

"Section 505 of the Copyright Act provides that: '[i]n any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs." ' Crescent Publ'g Group, Inc. v. Playboy Enters., Inc., 246 F.3d 142, 147 (2d Cir.2001) (quoting 17 U.S.C. § <u>505</u>).

*2 Here, NXIVM challenges the application for attorney's fees under the Copyright Act based on two arguments: 1) Franco fails to satisfy the prevailing party requirement under the Copyright Act and, 2) NXIVM was not objectively unreasonable in asserting a copyright infringement claim against Franco. The court addresses these issues seriatim.

A. Prevailing Party Status

It is well established that "a 'prevailing party' is one who has been awarded some relief by the court." Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't. of Health and Human Res., 532 U.S. 598, 603 (2001). "The standard to apply when deciding whether a party has 'prevailed' is the same for plaintiffs and defendants." Boisson v. Banian Ltd., 280 F.Supp.2d 10. 15 (E.D.N.Y.2003) (citing Fogerty v. Fantasy, Inc., 510 U.S. 517, 534 (1994); Earth Flag, Ltd. v. Alamo Flag Co., 154 F.Supp.2d 663, 665 (S.D.N.Y.2001)). "A party need not be successful on all claims to be deemed the 'prevailing party' under the Copyright Act." Id. "Instead, a party may be deemed prevailing if it succeeds on a significant issue in litigation that achieves some benefits that the party sought in bringing suit." Id. (citing Screenlife Establishment v. Tower Video, Inc., 868 F.Supp. 47, 50 (S.D.N.Y.1994)).

In other words, to satisfy the definition of a "prevailing party" under a fee shifting provision of a statute, one must either secure a judgment on the merits or be a party to a settlement agreement that is expressly enforced by the court through a consent decree. See Buckhannon, 532 U.S. at 603-04. "[R]esults obtained without such an order d[o] not supply a basis for an award of attorneys' fees because '[a party's] voluntary change in conduct ... lacks the necessary judicial imprimatur' to render [someone] a prevailing party." J.C. v. Reg'l School Dist. 10, Bd. of Educ., 278 F.3d 119, 123 (2d Cir.2002) (quoting Buckhannon, 532 U.S. at 605).

NXIVM first argues that Franco cannot satisfy the "prevailing party" status requirement under the Copyright Act since the court did not make a determination on the merits to dismiss the copyright infringement claim against Franco. See Pl.'s Br. p. 4, Dkt. No. 135. Rather, NXIVM contends that the court's dismissal was based entirely on NXIVM's decision to voluntarily withdraw that claim from the proposed amended complaint. See id. As such, NXIVM claims that the necessary "iudicial imprimatur" as required by the Supreme Court's holding in Buckhannon is lacking, 532 U.S. at 603.

NXIVM also argues that the 1051 complaint did not contain a direct copyright infringement claim against Franco even though that specific cause of action refers to all the "[d]efendants." See Pl.'s Br. p. 3, Dkt. No. 135; 1051 Compl., Dkt. No. 1. Instead, NXIVM

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argues that its intention was to assert a claim for contributory copyright infringement against Franco. See Pl.'s Br. p. 4, Dkt. No. 135. To support this argument, NXIVM refers to the briefs that were previously submitted in its application for a temporary restraining order and preliminary injunction against the defendants. See id. at 3. However, these arguments are unavailing for the following reasons.

*3 First, the record is clear that this court issued an order pursuant to Fed. R. Civ. P. 12(b)(6) dismissing the copyright infringement claim against Franco. See 3/30/05 Oral Order; see also Dkt. No. 126. Secondly, NXIVM never made any arguments at the March 30, 2005 hearing or offered any facts in their opposition papers to indicate that this claim was anything other than a direct copyright infringement claim against Franco. [FN6] See Tr., Dkt. No. 134. Moreover, NXIVM's reliance on Buckhannon [FN7] for the proposition that there was no judicial imprimatur is both misplaced and distinguishable from the present case. See Pl. 's Br. p. 4, Dkt. No. 135.

FN6. Although both parties argue about the presence of a contributory copyright infringement claim in the initial proposed amended complaint, these arguments are meritless. See Dkt. No. 80. This initial proposed complaint was withdrawn and superseded by a subsequent proposed amended complaint at the request of NXIVM's newly retained counsel. See 12/15/04 Minute Entry; Dkt. No. 116.

FN7. Despite the fact that the Buckhannon plaintiffs had sought attorney's fees pursuant to the Fair Housing Amendments Act of 1988, 42 U.S.C. § 3601 et seq., and the Americans with Disabilities Act of 1990, 42 U.S.C. § 12101 et seq., the Second Circuit has interpreted the standards used to interpret the term "prevailing party" as applying to any given fee-shifting statute in which Congress has authorized an award of fees to a prevailing party. See J.C., 278 F.3d at 123 (citing Hensley v. Eckerhart, 461 U.S. 424 (1983)).

In Buckhannon, the plaintiffs brought suit against the defendants based on their claim that a provision of the West Virginia code had violated federal law. 532 U.S. at 600. After a brief discovery period, the West Virginia Legislature eliminated the provision that was at issue in the litigation. Id. at 601. Plaintiffs then

sought attorney's fees as the prevailing parties under a "catalyst theory" [FN8] which was rejected by both the District Court and the Fourth Circuit. <u>Id at 602</u>. Plaintiffs appealed and the Supreme Court affirmed the denial of attorney's fees. <u>Id</u>. Specifically, the Court held that attorney's fees could not be awarded since there was "no judicially sanctioned change in the legal relationship of the parties" and that defendant's voluntary change in conduct lacked the "necessary judicial *imprimatur* on the change." <u>Id</u>. at 605.

FN8. Under the "catalyst" theory, a plaintiff was deemed to be a prevailing party under a fee-shifting provision statute despite the absence of a formal judgment in his favor and as long as the litigation led to a favorable result. See <u>Marbley v. Bane, 57 F.3d 224, 233-34 (2d Cir.1995)</u>. However, this interpretation was subsequently overruled by the Supreme Court. See <u>Buckhannon, 532 U.S. at 605</u>.

Here, the court issued an oral order dismissing the copyright infringement claim. See 3/30/05 Oral Order. This judicial determination was made on the merits due to the obvious pleading deficiencies in the complaint. See Pl.'s Br. p. 3, Dkt. No. 135; 1051 Compl., Dkt. No. 1. Therefore, Franco was the prevailing party inasmuch as her motion to dismiss resulted in a judicially sanctioned material alteration of the legal relationship between the parties. Although the court based its decision in part on NXIVM's voluntary withdrawal of that claim, the complaint clearly failed to assert any facts or allegations to support a copyright infringement claim against Franco. [FN9] See Tr. p. 20, Dkt. No. 134; Dkt. No. 126. A conclusion that NXIVM concedes by its present argument that there was no copyright infringement claim against Franco in the original member complaint. See Pl.'s Br. p. 3, Dkt. No. 135; 1051 Compl., Dkt. No. 1. Moreover, the court was required to exercise a high degree of judicial oversight and involvement in addressing the numerous motions in this case, including NXIVM's motion for leave to amend. See Tr. pp. 19-67, Dkt. No. 134. Similarly, NXIVM's reliance on Chambers v. Time Warner, Inc., 279 F.Supp.2d 362 (S.D.N.Y.2003) is inapposite because that case did not involve a judicial determination on the merits. [FN10]

<u>FN9.</u> To establish such infringement, a plaintiff must prove two elements: "(1) ownership of a valid copyright, and (2)

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opinion).

copying of constituent elements of the work that are original." Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 361 (1991). NXIVM could not prevail on its claim of copyright infringement for the simple reason that it failed to present any meaningful facts or allegations against Franco for any acts of copying or inferences of such copying in the 1051 complaint. See e.g., Oriental Art Printing Inc. v. GS Printing Corp. 34 Fed.

Appx. 401, 402 (2nd Cir.2002) (unpublished

FN10. In Chambers, the district court initially dismissed the complaint under Fed. R. Civ. P. 12(b)(6). The district court's decision was then reversed by the Second and remanded for further Circuit proceedings. See id. at 364-65. On remand, plaintiffs moved to file a second amended complaint which withdrew all the copyright infringement claims. See id. The parties also entered into a stipulation of dismissal which was approved by the court. See id. at 364. Defendant then sought attorney's fees as the prevailing party under the Copyright Act. See id. However, the court denied the application and held that there was no longer a judicial determination on the merits of the copyright infringement claim since the Second Circuit reversed its original judgment. See id. The court also noted that the judicial oversight involved in permitting the amendment did not meet the degree of oversight as set forth iudicial Buckhannon. See id.

Accordingly, Franco is a "prevailing party" under the Copyright Act. The court now moves to address the factors involving the court's equitable discretion in awarding fees under the Copyright Act.

B. Equitable Discretion in Awarding Attorney's Fees

*4 It is well settled that "[a]ttorneys' fees are available to prevailing parties under [the Copyright Act] but are not automatic." <u>Medforms, Inc. v. Healthcare Mgmt. Solutions, Inc., 290 F.3d 98, 117 (2d Cir.2002)</u> (citing <u>Fogerty, 510 U.S. at 534)</u>. "While '[t]here is no precise rule or formula for making these determinations ... equitable discretion should be exercised." ' *Id.* (quoting <u>Hensley, 461 U.S. at 436)</u>.

The Supreme Court has set forth, albeit in dictum, a

non-exclusive list of factors to guide the court's exercise of discretion, "includ[ing] 'frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in the particular circumstances to advance considerations of compensation and deterrence." 'Fogerty, 510 U.S. at 533 n. 19 (quoting Lieb v. Topstone Indus., Inc., 788 F.2d 151, 156 (1986)); see also Crescent, 246 F.3d at 147. However, "such factors may be used only 'so long as [they] are faithful to the purposes [FN11] of the Copyright Act." 'Matthew Bender & Co., Inc. v. West Publ'g. Co., 240 F.3d 116, 121 (2d Cir.2001) (quoting Fogerty, 510 U.S. at 534 n. 19).

FN11. It is well established that "[t]he two principal purposes behind the Copyright Act are securing a fair return for an author's creative labor and stimulating artistic creativity for the general public good." Ackoff-Ortega v. Windswept Pacific Entm't Co. (Inc.), 99-cv-11710, 2001 WL 225246, at *1 (S.D.N.Y. Mar. 2, 2001) (citing Fogerty, 510 U.S. at 526)).

In this regard, the Second Circuit has held that "objective reasonableness is a factor that should be given substantial weight in determining whether an award of attorney's fees is warranted." Matthew Bender, 240 F.3d at 122 (collecting cases from other Circuits applying the objective unreasonableness standard to an award of attorney's fees). However, "[n]ot all unsuccessful litigated claims are objectively unreasonable." Penguin Books U.S., A., Inc. v. New Christian Church of Full Endeavor, Ltd., 96-cv-4126, 2004 WL 728878, at *3 (S.D.N.Y. Apr. 6, 2004) (citing CK Co. v. Burger King Corp., 92-cv-1488, 1995 WL 29488, at *1 (S.D.N.Y. Jan. 26, 1995); Ann Howard Designs, L.P. v. Southern Frills, Inc., 7 F.Supp.2d 388, 390 (S.D.N.Y.1998)). "Rather, the courts of this Circuit have generally concluded that only those claims that are clearly without merit or otherwise patently devoid of legal or factual basis ought to be deemed objectively unreasonable." Id. "The infirmity of the claim, while falling short of branding it as frivolous or harassing, must nonetheless be pronounced." CK, 1995 WL 29488, at <u>*1</u>,

Here, Franco asserts that NXIVM's pursuit of the copyright infringement claim was both objectively unreasonable and promulgated in bad faith. See Def.'s Br. p. 7, Dkt. No. 128. Specifically, Franco argues that NXIVM's failure to identify any actions or facts in the member complaint to support a copyright

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infringement claim is evidence of objectively unreasonable behavior. See id. Franco cites to several cases for the proposition that NXIVM acted objectively unreasonable in pursuing its claim. See id. at 6. However, Franco's reliance on those cases is misplaced since they involved an award of attorney's fees following extensive discovery and the pursuit of baseless claims of copyright infringement beyond the initial pleading stage. See Arclightz & Films PVT. Ltd. v. Video Palace, Inc., 01-cv-10135, 2003 WL 22434153, at *5 (S.D.N.Y. Oct. 24, 2003) (defendant awarded \$171,137 in fees following summary judgment wherein evidence did not establish any claim for piracy or copyright infringement); Elements/Hill Schwartz, Inc. v. Gloriosa Co., 01-cv-904, 2002 WL 31133391, at *2 (S.D.N.Y. Sep. 26, 2002) (defendant awarded fees following summary judgment wherein plaintiff never identified a specific instance of alleged infringement in the 21 months of litigation); Beverage Mktg. USA, Inc. v. S. Beach Beverage Corp., 97-cv-4137, 2002 WL 31844911, at *2 (S.D.N.Y. Dec. 19, 2002) (awarding \$7,500 in fees following summary judgment wherein it was visibly clear that copyrighted bottles were not identical).

*5 In the present case, there has been no extensive discovery. Instead, the copyright claim was dismissed under Fed. R. Civ. P. 12(b)(6) at the initial pleading stage of this litigation. Although this case has been pending for almost two years, the delay was caused by its appellate history and not by any extensive period of discovery. Unlike the foregoing cases, NXIVM also had a reasonable basis for asserting a copyright infringement claim against Franco. Indeed, it was portions of the NXIVM manual possessed by Franco that the codefendants used in publishing their articles.

Although the complaint failed to adequately plead the facts and allegations to support a copyright infringement claim, the court's decision to dismiss this claim with prejudice was not based on this deficiency alone. See Tr. p. 20, Dkt. No. 134. Clearly, NXIVM realized at an early stage of the litigation after retaining new counsel that the viability of its copyright infringement claim against Franco was in jeopardy. See Pl.'s Br. p. 3, Dkt. No. 3. A realization that may have been prompted by the Second Circuit's statement in a footnote that "a breach of a contractual duty would not ipso facto be a copyright infringement. See NXIVM, 364 F .3d at 478 n. 1. Not to mention the difficulty that can be created when crossing the "murky area" between a copyright infringement and breach of contract claim. Bassett v.

Mashantucket Pequot Tribe, 204 F.3d 343, 347 (2d Cir.2000) (citation omitted).

Notwithstanding, the copyright infringement claim was also dismissed with prejudice based on NIXVM's withdrawal of this claim in the amended complaint in order to delineate the issues in this case. An otherwise tactical or "strategic decision" that NXIVM will have to live with during the pendency of this litigation. See Pl.'s Br. p. 5, Dkt. No. 135. Since "objective reasonableness is a factor that should be given substantial weight in determining whether an award of attorneys' fees is warranted," the court does not find that NXIVM acted in bad faith or in an objectively unreasonable manner in pursuing a copyright infringement claim against Franco. Accord Matthew Bender, 240 F.3d at 122. Moreover, the court finds no evidence of frivolousness or bad motivation on the part of NXIVM in having pursued this claim in the initial stages of the case.

Finally, Franco contends that an award of attorney's fees will deter NXIVM from engaging in similar conduct in the future and also compensate her for defending this lawsuit. See Def.'s Br. p. 7, Dkt. No. 128. It would serve no purpose to award attorney's fees on this basis alone. This is especially true when NXIVM has not taken an objectively unreasonable litigation position in this case. See Matthew Bender, 240 F.3d at 122 (citing Mitek Holdings, Inc. v. Arce Eng'g Co., 198 F.3d 840, 842-43 (11th Cir.1999). As such, an award of fees based on this conduct would run contrary to the purposes of the Copyright Act. See id.

*6 Similarly, "financial disparity does not provide a basis to award attorneys' fees under the Copyright Act in the circumstances of this action." <u>Penguin.</u> 2004 WL 728878, at *5 (citing <u>Mitek.</u> 198 F.3d at 842). Although the relative financial strengths of the parties may well be a factor to consider in calculating the *amount* of attorney's fees awarded, this step is preceded by an initial determination that a party is entitled to an award of attorney's fees. See, e.g., <u>Penguin.</u> 2004 WL 728878, at *5 (emphasis added). Moreover, Franco has failed to provide this court with any evidence to support any claim of financial hardship. [FN12]

FN12. It also appears that defense counsel for Franco is also charging his client for attorney's fees associated with the appeals to the Second Circuit and the Supreme Court of the United States. See Dkt. No. 150. However, these appeals were specifically

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based on District Judge McAvoy's denial of a temporary restraining order and preliminary injunction application against the other codefendants only. See NXIVM. 364 F.3d. at 471. Although a preliminary injunction was issued as to Franco, she never cross-appealed the court's decision. See id.; see also Dkt. No. 54. Therefore, the issues on the appeals had nothing to do with Franco and the costs associated with those appeals were unnecessary.

Accordingly, Franco's motion for attorney's fees under the Copyright Act is DENIED.

IV. Conclusion

After carefully considering the submissions of the parties, the applicable law, and for the reasons stated herein, it is hereby ordered that Franco's motion for attorney's fees is DENIED.

SO ORDERED.

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Westlaw.

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C

Motions, Pleadings and Filings

United States District Court, S.D. New York. THE PROCTER & GAMBLE COMPANY, Plaintiff,

COLGATE-PALMOLIVE COMPANY, Young & Rubicam Inc., and Dentsu, Young & Rubicam, a partnership, Defendants.

No. 96 Civ. 9123(RPP).

July 15, 1999.

Kramer Levin Naftalis & Frankel LLP, New York, NY, By: <u>Harold P. Weinberger</u>, for Plaintiff the Procter & Gamble Company.

Darby & Darby P.C., New York, NY, By: Ethan Horowitz, <u>Amy J. Benjamin</u>, for Defendant Colgate-Palmolive Company.

Cleary, Gottlieb, Steen & Hamilton, New York, NY, By: <u>Lawrence B. Friedman</u>, for Defendants Young & Rubicam Inc. and Dentsu Young & Rubicam.

Dinsmore & Shohl Cincinnati, Ohio, By: Lynda E. Roesch, for Plaintiff the Procter & Gamble Company.

OPINION AND ORDER

PATTERSON, J.

*1 By Notice of Motion dated December 1, 1998, defendants Colgate-Palmolive Company ("Colgate"), Young & Rubicam Inc. ("Y & R"), and Dentsu, Young & Rubicam ("DY & R") have moved for an award of attorney's fees and related non-taxable costs pursuant to the Copyright Act of 1976, 17 U.S.C. § 505. [FN1] Plaintiff The Procter & Gamble Company ("P & G") commenced the underlying lawsuit on December 4, 1996, immediately after registering the copyrights at issue in this suit. Plaintiff alleged, inter alia, that defendants' commercials, which used a demonstration on a white seashell to illustrate the protective effect of fluoride toothpaste on teeth, infringed its own copyrighted commercials, which used a similar demonstration on an egg. This case was tried before the Court between October 6, 1997 and October 21, 1997, and judgment was issued in favor of defendants on November 5, 1998. See Procter & Gamble Co. v. Colgate-Palmolive Co., No. 96 Civ. 9123(RPP), 1998 WL 788802 (S.D.N.Y. Nov. 9, 1998). Defendants estimate that their attorney's fees and costs through the issuance of the Court's November 5, 1998 opinion total approximately \$4 million. (Letter from Ethan Horwitz to the Court of 12/7/98, at 1; Letter from Lawrence B. Friedman to the Court of 12/7/98, at 1.) [FN2] Though defendants were awarded judgment on all claims, for the reasons stated below, the Court declines to make an award of attorney's fees and costs.

<u>FN1.</u> Defendants do not seek attorney's fees or costs on any other basis.

FN2. To place this number in perspective, the amount sought by defendants in this action is more than three times the amount of the record-breaking \$1.3 million award made in 1996 pursuant to the Supreme Court's decision in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994). See 4 Melville B. Nimmer & David Nimmer, Nimmer on Copyright § § 14.10[C], at 14- 144 n. 20, 14 [D][2][b], at 14-163 (1999) [hereinafter Nimmer].

The Copyright Act provides that a court "in its discretion may allow the recovery of full costs" and "may also award a reasonable attorney's fee to the prevailing party as part of the costs." 17 U.S.C. § 505, [FN3] The Supreme Court has held that attorney's fees should be equally available to prevailing plaintiffs and prevailing defendants under this provision. See Fogerty v. Fantasy, Inc., 510 U.S. 517, 533 (1994). In Fogerty, the Supreme Court rejected the contention that prevailing plaintiffs or defendants should be granted attorney's fees "as a matter of course," and instructed that attorney's fees should be awarded "only as a matter of the court's discretion." Id. at 533-34. The Court noted, "'There is no precise rule or formula for making these determinations." 1 Id. at 534 (quoting Hensley v. Eckerhart, 461 U.S. 424, 436-37 (1983)). highlighted several Nonetheless, the Court nonexclusive factors to guide courts' discretion: " 'frivolousness. motivation. unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of Not Reported in F.Supp.2d, 1999 WL 504909 (S.D.N.Y.), 1999 Copr.L.Dec. P 27,924

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compensation and deterrence." 1 Id. at 535 n. 19 (quoting Lieb v. Topstone Indus., Inc., 788 F.2d 151, 156 (3d Cir. 1986). The Court stated that "such factors may be used to guide courts' discretion, so long as such factors are faithful to the purposes of the Copyright Act and are applied to prevailing plaintiffs and defendants in an evenhanded manner." Id. These factors have since been employed by courts within this Circuit. See, e.g., Knitwaves, Inc. v. Lollytogs Ltd., 71 F.3d 996, 1011-12 (2d Cir.1995) (remanding award of costs and attorney's fees to plaintiff for reconsideration in light of Fogerty); Primesource, Inc. v. Personnel Resource, Inc., No. 97-CV-0400E F, 1998 WL 543366, at *5 (W.D.N.Y. Aug. 21, 1998) (applying Fogerty factors to defendants' motion for attorney's fees); Great American Fun Corp. v. Hosung New York Trading, Inc., No. 96 Civ. 2986(LAK), 1997 WL 129399, at *2- *3 (S.D.N.Y. Mar. 21, 1997) (same).

FN3. The statute provides in full:

In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

17 U.S.C. § 505.

1. Frivolousness and Objective Unreasonableness

*2 Plaintiff's copyright claim was neither frivolous nor objectively unreasonable. The analysis of the commercials underlying this claim involved painstaking attention to detail and was the subject of a two-week bench trial and a lengthy, 180-page Opinion. A total of eighteen witnesses testified live. over thirty witnesses testified by deposition, and both parties introduced lengthy depositions and hundreds of exhibits. As the Court's opinion made clear, see Procter & Gamble, 1998 WL 788802, at *24- *37, careful study of the similarities between the allegedly protected and allegedly infringing works was necessary in order to determine whether defendants should be held liable for copyright infringement. This case involved complicated questions of fact and law. and it was not so clear that plaitiff's copyright claim was fatally flawed that plaintiff's prosecution of that claim should be pronounced frivolous or objectively unreasonable.

Plaintiff's brief in support of its motion for costs and attorney's fees catalogs the findings of fact and

conclusions of law supporting the Court's Opinion. but the question at hand is not whether there was a sufficient basis for judgment in favor of defendants, but whether the factual and legal support for plaintiff's position was so lacking as to render its claim frivolous or objectively unreasonable. [FN4] Plaintiff's copyright infringement claim required proof of three elements: (a) ownership of a valid copyright in an original work of authorship; (b) copying by defendants; and (c) unlawful appropriation, or substantial similarity between defendants' commercials and protectable elements in plaintiff's commercials. See Procter & Gamble, 1998 WL 788802, at *37.

> FN4. Even when the defendant is granted summary judgment before trial, it does not necessarily follow that the plaintiff's position was frivolous or objectively unreasonable. See, e.g., Littel v. Twentieth Century-Fox Film Corp., No. 89 Civ. 8526(DLC), 1996 WL 18819, at *3 (S.D.N.Y. Jan. 18, 1996) (noting that "a finding that defendants are entitled to summary judgment is not the equivalent of a finding that plaintiff's claims are objectively unreasonable"); CK Co. v. Burger King Corp., No. 92 Civ. 1488(CSH), 1995 WL 29488, at *1 (S.D.N.Y. Jan. 26, 1998) ("[N]ot all unsuccessfully litigated claims are objectively unreasonable. The infirmity of the claim, while falling short of branding it as frivolous or harassing, must nonetheless be pronounced."), aff'd, 122 F.3d 1055 (2d Cir.1995).

To support a valid copyright, a work must be original. 17 U.S.C. § 102(a) ("Copyright protection subsists, in accordance with this title, in original works of authorship...."). It is well established that to obtain copyright protection, "the requisite level of creativity is extremely low." Feist Publications, Inc. v., Rural Tel. Serv. Co., 499 U.S. 340, 345 (1991). While this Court found that the relevant portions of the egg demonstration in plaintiff's commercials were not sufficiently creative to bar defendants' seashell commercials in light of the existence of public domain materials containing similar demonstrations. functional nature of the steps in the demonstration, and the idea/expression dichotomy, the result of the Court's analysis was not a foregone conclusion. [FN5]

FN5. The Court's conclusion, "P & G blurs the lines between its own commercials" and

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"takes one element from one commercial and another element from another commercial and puts them together claiming copyright protection for the composite," *Procter & Gamble*, 1998 WL 788802, at *49, was likewise reached only after close analysis of the commercials, and does not alter the finding that plaintiff's lawsuit was objectively reasonable.

As to copying, plaintiff presented evidence that defendants had access to plaintiff's commercials and that plaintiff's commercials were reviewed by certain witnesses while defendants' commercial was being created. See Procter & Gamble, 1998 WL 788802, at *52-*53. While the Court did not find that there was direct evidence of copying in light of the explanations for defendants' conduct, and while the Court ultimately determined that the evidence of access and probative similarities between the parties' works was outweighed by the evidence of independent creation, see id., it was not frivolous or objectively unreasonable for plaintiff to maintain that its works were copied by defendants. The Court's conclusions, in part, were credibility determinations.

*3 The analysis of "unlawful appropriation," that is, the existence of substantial similarity between defendants' commercials and protectable elements in plaintiff's commercials, demanded the same detailed analysis of the parties' commercials as was involved in the initial determination of whether plaintiff had satisfied the originality requirement. Plaintiff relied on the similarity between the "total concept and feel" of the parties' commercials, and not without case support. See, e.g., Streetwise Maps, Inc. v. Vandam, Inc., 159 F.3d 739, 747-48 (2d Cir.1998); Knitwaves, Inc. v. Lollytogs Ltd., 71 F.3d 996, 1003-04 (2d Cir.1995). The Court concluded that the similarity between the "total concept and feel" of the commercials did not relieve plaintiff of its duty of establishing substantial similarity between the protectable elements in its commercials and defendant's works. See, e.g., Streetwise, 159 F.3d at 747 (overall manner of selection, coordination and arrangement of elements can provide basis for substantial similarity, but "the only material ... capable of copyright protection--and thus demanding comparison--is original material"); Knitwaves, 71 F.3d at 1003-04 (even applying the "total concept and feel" test, "[w]hat is protectible then is 'the author's original contributions,'--the original way in which the author has 'selected, coordinated, and arranged' the elements of his or her work" (quoting Feist, 499 U.S. at 350, 358)). Giving due consideration to the lack of originality in plaintiff's choice of elements and expression of the egg demonstration, as well as in the underlying egg demonstration itself, see Procter & Gamble, 1998 WL 788802, at *41- *51, the Court concluded that the similarity between the "total concept and feel" of the parties' commercials rested on the use of unprotected material, see id. at *53. If the Court had reached a different conclusion as to the first element of plaintiff's copyright claim, and determined that the requisite level of originality had subsisted in some aspect of plaintiff's works, it might have determined, in light of the similarities between the parties' commercials, that unlawful appropriation had occurred. Accordingly, an award of attorney's fees and costs is not warranted. Cf. Ann Howard Designs, L.P. v. Southern Frills, Inc., 7 F.Supp.2d 388, 390 (S.D.N.Y.1998) (attorney's fees not awarded when works, though not substantially similar in protectable elements, were largely similar in overall impression)

The most clearly problematic aspect of plaintiff's copyright claim, perhaps, was the divestitive publication of the "Huevo Nuevo" egg demonstration commercial in Chile in early 1989, before the United States signed the Berne Convention. [FN6] The Court found that the distribution of the tape of this commercial to one or both of Chile's principal television stations, and the airing of this commercial to the public on a frequent basis, all without proper notice of copyright, constituted a general publication sufficient to divest the work--and subsequent derivative works--from copyright protection. See Procter & Gamble, 1998 WL 788802, at *9,*37-*39. Plaintiff argued at trial, and argues now, that the performance, display or exhibition of a work on television does not constitute a divestitive publication. (Plaintiff Procter & Gamble's Proposed Findings of Fact and Conclusions of Law ¶ 67; Memorandum of Plaintiff Procter & Gamble in Opposition to Defendants' Motion for Attorney's Fees at 10-11.) Though the Court found that a contrary principle governed the physical distribution of the tape of plaintiff's commercial followed by the frequent public broadcasting of this commercial, [FN7] the law on this point is not so well established that plaintiff's position can be characterized as frivolous or objectively unreasonable. [FN8]

FN6. The question of whether an "unnamed outside consultant in Chile" had performed work on plaintiff's commercials without assigning his rights to plaintiff or performing his work as "work for hire," Procter & Gamble, 1998 WL 788802, at

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*39, was not sufficiently developed at trial for this Court to reach the conclusion that plaintiff acted unreasonably in pressing its claim.

FN7. See, e.g., <u>Dolman v. Agee</u>, 157 F.3d 708, 713-14 (9th Cir.1998) (distinguishing between mere performance or exhibition of motion picture, which is not divestitive, and transfer of physical copies of film to theater operators for public exhibition, which may be divestitive); <u>American Vitagraph</u>, <u>Inc. v. Levy.</u> 659 F.2d 1023, 1027 (9th Cir.1981) (same); 1 Nimmer § 4.11[B] ("Under the current Act, the distribution of copies of a motion picture to television stations for broadcast purposes constitutes an act of publication, while broadcasting *per se* is merely a performance and hence, not an act of publication.").

FN8. The Court also found that plaintiffs first application for copyright registration, which listed the publication date of "Huevo Nuevo" as February 1989, was an admission of publication in February 1989. See Procter & Gamble, 1998 WL 788802, at *39. Plaintiff took the tenable legal position that the listing of a publication date on a copyright application is not dispositive. Cf. Dolman, 157 F.3d at 713-14 (9th Cir.1998) (copyright registration containing date of publication held insufficient to demonstrate a divestitive publication on that date; defendant did not introduce other evidence of scope of distribution on that date).

2. Motivation

*4 Defendants argue that plaintiff's prosecution of its copyright claim evidences a bad faith effort to monopolize all the ways of expressing a basic, public domain. uncopyrightable idea. (Defendants' Memorandum of Law in Support of Their Motion for Attorney's Fees and Costs (hereinafter "Defs.' Mem. in Supp." at 2.) Defendants also argue that plaintiff brought this lawsuit in order to prevent Colgate from gaining a competitive advantage in the Chinese market. The evidence does not demonstrate that plaintiff pressed its copyright claim for improper motives and without regard for its legal merits. The existence of commercial implications surrounding a copyright claim does not render that claim improperly motivated. As stated by the First Circuit, "copyright law often delineates the boundaries of

economic competition." <u>Lotus Dev. Corp. v. Borland Int'l. Inc.</u>, 140 F.3d 70, 75 (1st Cir.1998) (affirming denial of copyright defendant's motion for attorney's fees and costs). The evidence in this case is no more suggestive of ulterior motives than of a bona fide concern to prevent defendants from preempting plaintiff's use of one of its toothpaste commercials in a market that was perceived to be important.

Defendants argue, further, that plaintiff's decision to name Y & R and DY & R in this lawsuit evidences improper motivation. (Defs.' Mem. in Supp. at 12-13) Neither of these parties ever argued prior to judgment that they were improper parties. Contrary to defendants' suggestion, it is not relevant in this case that plaintiff could have received full relief solely from Colgate. A copyright action seeking joint and several liability amongst multiple defendants, including the relevant advertising agency, is neither unusual, see, e.g., Stillman v. Leo Burnett Co., 720 F.Supp. 1353 (N.D. Ill.1989); Chuck Blore & Don Richman Inc. v. 20/20 Advertising Inc., 674 F.Supp. 671 (D.Minn.1987), nor improper.

Finally, defendants argue that plaintiff's failure to withdraw voluntarily its copyright claim with respect to two commercials published subsequently to defendants' commercials is a "telling example" of improper motivation. (Defs.' Mem. in Supp. at 2.) These two commercials were somewhat similar to plaintiff's other commercials in this suit containing the egg demonstration and did not consume any substantial amount of separate trial time. [FN9] Their inclusion in the suit, although improper, is not sufficient to warrant an award of attorney's fees and costs to defendants.

FN9. The Court granted defendants' motion for judgment as a matter of law at the close of plaintiff's case with respect to these two commercials. See <u>Procter & Gamble</u>, 1998 WL 788802, at *3.

3. Compensation, Deterrence, and the Purposes of the Copyright Act

The policies underlying the Copyright Act would not be served by an award of attorney's fees and costs. This case involved complicated issues of fact and law, and an award of attorney's fees and costs in such a complex case would excessively chill, rather than beneficially deter, future lawsuits. *Cf. Great Importations, Inc. v. Caffco Int'l, Inc.*, No. 95 Civ. 0514(MBM) (SEG), 1997 WL 603410, at *1 (S.D.N.Y. Sept. 30, 1997) (declining to grant

defendant's motion for attorney's fees and costs due to chilling effect on future plaintiffs). The Copyright Act's "'primary objective ... "[t]o promote the Progress of Science and useful Arts," "' is promoted by the discouragement of infringement as well as by the successful defense of copyright infringement actions. Fogerty, 510 U.S. at 526 (quoting Feist, 499 U.S. at 349-50 (quoting U.S. Const. art. 1, § 8, cl. 8)). While the Court recognizes that defendants were put to some expense, an award of attorney's fees and costs would unduly inhibit future copyright claimants from litigating contestable questions of law and fact, and fail to serve the general public good.

*5 For the foregoing reasons, an award of attorney's fees and costs to defendants is not justified. Defendants' motion is denied

IT IS SO ORDERED.

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