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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

BRIGHTON COLLECTIBLES, INC., a California corporation, vs. MARC CHANTAL USA, INC., a Texas corporation; MARC CHANTAL AMERICA, INC., a Texas corporation; and DOES 1 through 10, inclusive, Defendant.	Plaintiff,
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CASE NO. 06-CV-1584 H (POR)

ORDER:

**(1) DENYING PLAINTIFF'S
MOTION FOR ATTORNEY
FEES**

**(2) DENYING DEFENDANTS'
MOTION FOR ATTORNEY
FEES**

On May 26, 2009, Plaintiff filed a motion for attorney fees. (Doc. No. 365.) On June 15, 2009, Defendant filed its opposition to Plaintiff's motion for attorney fees. (Doc. No. 373.) On June 22, 2009, Plaintiff filed a reply in support of its motion. (Doc. No. 379.)

On May 26, 2009, Defendants filed a motion for attorney fees. (Doc. No. 368.) On June 15, Plaintiff filed an opposition to Defendants' motion for attorney fees. (Doc. No. 374.) On June 22, 2009, Defendants filed their reply in support of its motion. (Doc. No. 378.)

On July 24, 2009, the Court heard oral argument on the parties' motions for attorney fees. Peter Ross and Keith Wesley appeared for the Plaintiff. Matthew Murphey and Kimberly Howatt appeared for the Defendants. For the following reasons, the Court denies Plaintiff's motion for attorney fees and denies Defendants' motion for attorney fees.

1 **Background**

2 Plaintiff Brighton, a designer, manufacturer, and retailer of women’s fashion
3 accessories, brought suit against Defendant Marc Chantal, a competitor. Plaintiff’s Complaint
4 alleged claims for trademark infringement, trade dress infringement, false designation of
5 origin, common law unfair competition, and statutory unfair competition. (Doc. No. 1.) On
6 the first day of trial, Plaintiff dismissed its claim for infringement of its “Brighton” word mark
7 and the Court granted the parties’ stipulated motion to dismiss claims against party Marc
8 Chantal USA, Inc. (Doc. No. 303; Tr. I-103-04.)

9 On April 17, 2009, the jury returned a special verdict finding that Brighton had proved
10 by a preponderance of the evidence that Defendant had willfully engaged in trade dress
11 infringement and false designation of origin and engaged in unfair competition with malice,
12 fraud, or oppression. (Doc. No. 337.) The jury found that Brighton had not proved by a
13 preponderance of the evidence its claim for infringement of the Brighton dangling heart
14 trademark. (Id.) The jury awarded Plaintiff \$7,232,829, which it found to be the total amount
15 of Marc Chantal’s profits resulting from the trade dress infringement, false designation of
16 origin, and unfair competition in addition to \$3,616,415 in punitive damages on the unfair
17 competition claim. (Id.; Doc. No. 338.) On Plaintiff’s motion, and after allowing briefing and
18 oral argument, the Court granted Plaintiff a permanent injunction prohibiting Marc Chantal
19 from engaging in future infringement. (Doc. Nos. 353, 358.) The Court entered Judgment on
20 May 11, 2009. (Doc. No. 358.)

21 Both parties now move for attorney fees under the Lanham Act, each claiming to be the
22 prevailing party on some or all of the claims at issue. Brighton claims to be the prevailing
23 party under the Lanham Act with respect to its claims for trade dress infringement and false
24 designation of origin and seeks \$1,050,490 in fees. (Pl.’s Mot. at 1.) Defendant contends it
25 is the prevailing party as to all claims against Marc Chantal USA as well as Plaintiff’s claims
26 for trademark infringement involving the Bristol word mark and the dangling heart trademark.
27 Defendant seeks \$792,999 in fees. (Def.’s Mot. at 1.)

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1 **Discussion**

2 **I. Motion for Attorney Fees – Legal Standard**

3 Under Federal Rule of Civil Procedure 54, a party may move for attorney fees, unless
4 the substantive law requires those fees to be proved at trial as an element of damages. Fed. R.
5 Civ. P. 54(d)(2)(A). In this case, both parties rely on the Lanham Act to support their requests
6 for attorney fees. (Pl.’s Mot. at 6; Def.’s Mot. at 9.) The Lanham Act expressly provides that
7 “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.”
8 15 U.S.C. §1117(a). A party is the prevailing party if it “succeeds on any significant issue in
9 the litigation by achieving some of the relief sought.” Transgo, Inc. v. Ajac Transmission Parts
10 Corp., 768 F.2d 1001, 1027 (9th Cir. 1985) (in the copyright context). Generally, under fee-
11 shifting statutes, a party prevails when it achieves a “material alteration of the legal
12 relationship of the parties” through court action. Buckhannon Bd. & Care Home, Inc. v. West
13 Virginia Dept. of Health & Human Resources, 532 U.S. 598, 604 (2001). But the Lanham Act
14 authorizes attorney fees “only in exceptional cases.” Classic Media, Inc. v. Mewborn, 532
15 F.3d 978, 990 (9th Cir. 2008).

16 The Act “nowhere defines what makes a case ‘exceptional.’” Stephen W. Boney, Inc.
17 v. Boney Svcs., Inc., 127 F.3d 821, 825 (9th Cir. 1997). The Ninth Circuit explains that “a
18 determination that a trademark case is exceptional is a question of law for the district court,
19 not the jury.” Watec Co., Ltd. v. Liu, 403 F.3d 645, 656 (9th Cir. 2005). Therefore, a jury’s
20 determination of willful, fraudulent, or malicious infringement is not binding on the Court. “A
21 case is exceptional where the district court finds that the defendant acted maliciously,
22 fraudulently, deliberately, or willfully.” Id. Once a court concludes that a case is exceptional,
23 it may award attorney fees in its discretion. Lindy Pen Co., Inc. v. Bic Pen Corp., 982 F.2d
24 1400, 1409 (9th Cir. 1993) (“An award [of attorney fees] is within the discretion of the trial
25 court and will not be disturbed absent abuse of that discretion.”).

26 **II. Plaintiff’s Motion for Attorney Fees**

27 In considering Plaintiff’s motion for attorney fees, the Court first concludes that
28 Brighton is the prevailing party on its claims for trade dress infringement, false designation of

1 origin, and unfair competition, but Defendant Marc Chantal is the prevailing party on the
2 claims for trademark infringement involving the Bristol word mark and the dangling heart
3 trademark. (Doc. No. 337.)

4 Next, the Court considers whether this case was exceptional, opening the possibility of
5 an attorney fee award. In this regard, Plaintiff argues that, “in this circuit, “a finding of
6 willfulness alone makes a case ‘exceptional’ under the Lanham Act.” (Pl.’s Mot. at 7.) While
7 willful infringement is a factor to consider, the Court disagrees with Plaintiff’s interpretation
8 of the law. In Watec Co., Ltd. v. Liu, the Ninth Circuit criticized a district court for awarding
9 attorney fees simply because the jury expressly found that the defendant intentionally infringed
10 on plaintiff’s trademarks, and recommended an award of fees. 403 F.3d 645, 656 (9th Cir.
11 2005). The court explained that this reliance on the jury was “problematic because a
12 determination that a trademark case is exceptional is a question of law for the district court,
13 not the jury.” Id. A jury’s finding of intentional infringement “does not necessarily equate
14 with the malicious, fraudulent, deliberate or willful conduct that we usually require before
15 deeming a case exceptional.” Id. Similarly, the jury’s finding that Defendant engaged in
16 unfair competition with malice, oppression, or fraud is not dispositive on this issue. That
17 finding related only to Plaintiff’s claim under California Business and Professions Code §
18 17200, not the Lanham Act. Additionally, because the exceptionality determination is a legal
19 question, the Court is not bound by the jury’s findings. Id.

20 Under Section 1117(a), “awards are never automatic and may be limited by equitable
21 considerations.” Rolex Watch, U.S.A., Inc. v. Michel Co., 179 F.3d 704, 711 (9th Cir. 1999).
22 As the Ninth Circuit explains, a district court has discretion to refuse to award attorney fees,
23 and a party objecting to such a ruling must carry a “heavy burden.” Polo Fashions, Inc. v. Dick
24 Bruhn, Inc., 793 F.2d 1132, 1134 (9th Cir. 1986). “First, the remedy is available only in
25 ‘exceptional cases.’ Second, the statute provides that the court ‘may’ award fees; it does not
26 require them. Finally, the Senate Report expressly commends this decision to the discretion
27 of the court.” Id. (citing S. Rep. No. 1400, 93d Cong., 2d Sess., reprinted in 1974
28 U.S.C.C.A.N. 7132, 7136) (quoted in Gracie v. Gracie, 217 F.3d 1060, 1071 (9th Cir. 2000)).

1 In this case, the Court exercises its discretion and concludes that an award of attorney
2 fees is not warranted in this case under the totality of circumstances. Plaintiff asserted four
3 claims against Defendants Marc Chantal America and Marc Chantal USA under the Lanham
4 Act, and prevailed on only the trade dress and false designation of origin claims under the
5 Lanham Act against Marc Chantal America. On the first day of trial, Plaintiff dismissed its
6 claim for infringement of its “Brighton” word mark and the Court granted a stipulated motion
7 to dismiss claims against party Marc Chantal USA, Inc. (Doc. No. 303; Tr. I-103-04) After
8 hearing the evidence, the jury concluded that Brighton did not prove its case for trademark
9 infringement of its registered dangling heart trademark. (Doc. No. 337.) Accordingly, while
10 Brighton succeeded on its trade dress and false designation of origin claims, Plaintiff was not
11 successful on its other Lanham Act claims.

12 Further, the Court notes that this was not a clear cut case of obvious infringement. This
13 was not a case of counterfeit products, but instead was a case over trade dress. In Earthquake
14 Sound Corp. v. Bumper Indus., the Ninth Circuit affirmed an exceptionality finding, noting
15 that “this was not a particularly close case on the question of infringement.” 352 F.3d 1210,
16 1217 (9th Cir. 2003). The court reasoned that, because the plaintiff’s mark was strong and the
17 infringing mark was quite similar, the defendant should have known it was in the wrong. Id.
18 at 1217-18. That is not the case here. Throughout litigation, Defendant argued against the
19 validity of Plaintiff’s trade dress and other claims, and those arguments raised debatable issues
20 of fact and law. That the jury found against Defendant on trade dress and false designation of
21 origin does not render the case exceptional. Indeed, the jury rejected Plaintiff’s claim on its
22 registered dangling heart trademark.

23 Additionally, the Court notes that Plaintiff has already been awarded Defendant’s net
24 sales – approximately five times Defendant’s claimed net profits. (Doc. No. 337; Tr. IV-7-9.)
25 Under Section 35 of the Lanham Act, a prevailing plaintiff may recover “(1) defendant’s
26 profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.” 15 U.S.C.
27 § 1117(a). The Act further provides that “[i]n assessing profits the plaintiff shall be required
28 to prove defendant’s sales only; defendant must prove all elements of cost or deduction

1 claimed.” 15 U.S.C. § 1117(a). Here, the Court concludes that the jury acted within its
2 discretion in disregarding Defendant’s expert testimony regarding deductions and awarding
3 Defendant’s net sales. The jury’s compensatory award does not warrant a new trial, as the
4 Court does not have a “firm conviction that the jury has made a mistake.” Landes Constr. Co.,
5 Inc. v. Royal Bank of Canada, 833 F.2d 1365, 1372 (9th Cir. 1987). An award of net sales is
6 permitted by law. See Cream Records, Inc. v. Joseph Schlitz Brewing Co., 864 F.2d 668, 669
7 (9th Cir. 1989) (applying a similar rule in the copyright context and holding that, “if the
8 infringing defendant does not meet its burden of proving costs, the gross figure stands as the
9 defendant's profits”). Reviewing the evidence and in light of the circumstances of this case,
10 the Court concludes that the compensatory award is sufficient to fulfill the goal of the Lanham
11 Act – “making acts of deliberate trademark infringement unprofitable.” Maier Brewing Co.
12 v. Fleischmann Distilling Corp., 390 F.2d 117, 123 (9th Cir. 1968). Accordingly, exercising
13 its discretion in the matter, the Court concludes that this case is not exceptional and denies
14 Plaintiff’s motion for attorney fees.

15 Alternatively, even if this case were exceptional, the Court would exercise its discretion
16 to deny attorney fees for the same reasons. See Rolex Watch, 179 F.3d at 711 (“awards are
17 never automatic and may be limited by equitable considerations.”); Polo Fashions, 793 F.2d
18 at 1134 (pointing out that under the Lanham Act, courts “may” award fees in exceptional
19 cases; the Act does not require them).

20 **III. Defendant’s Motion for Attorney Fees**

21 Defendant argues that it is entitled to attorney fees on Plaintiff’s claims for trademark
22 infringement and on all claims against Defendant Marc Chantal USA, Inc. The Supreme Court
23 has held under the Copyright Act that courts must apply an “evenhanded” standard in
24 determining whether prevailing plaintiffs or prevailing defendants are entitled to attorney fees.
25 Fogerty v. Fantasy, Inc., 510 U.S. 517 (1994). The Ninth Circuit recognizes that this standard
26 may apply in Lanham Act cases as well, as Section 35(a) “serves both to compensate plaintiffs
27 and protect defendants.” Stephen W. Boney, Inc. v. Boney Svcs., Inc., 127 F.3d 821, 826 (9th
28 Cir. 1997). However, the Court concludes that, while Marc Chantal is entitled to costs on

1 these claims, it is not entitled to attorney fees.

2 Even if Defendant is the prevailing party on Plaintiff's claims against Marc Chantal
3 USA and against Marc Chantal America for trademark infringement, this case is not
4 exceptional as to those causes of action. When a defendant moves for attorney fees under the
5 Lanham Act, a case is exceptional "where a plaintiff's case is groundless, unreasonable,
6 vexatious, or pursued in bad faith." Halicki Films, LLC v. Sanderson Sales & Mktg., 547 F.3d
7 1213, 1231 (9th Cir. 2008) (quoting Stephen W. Boney, Inc., 127 F.3d at 827). The Ninth
8 Circuit construes the "exceptional circumstances" requirement "narrowly." Classic Media,
9 Inc. v. Mewborn, 532 F.3d 978, 990 (9th Cir. 2008). Following that standard, the Court
10 concludes that Plaintiff's claims were not groundless or unreasonable, and were brought in
11 good faith.

12 Defendant argues that Brighton improperly maintained its claims against Marc Chantal
13 USA despite knowledge that Marc Chantal USA does not conduct business and could not have
14 sold infringing products. (Def.'s Mot. at 2.) Defendant responded to one of Plaintiff's
15 interrogatories by stating that Marc Chantal USA "sells and ships no products and has no
16 customers. Defendant's only asset is the ownership of intellectual property." (Murphey Decl.
17 ISO Mot. for Atty. Fees ["Murphey Decl."], Ex. A.) In his deposition, Defendant's owner
18 testified that Marc Chantal USA ceased doing business when Marc Chantal America started.
19 (Murphey Decl. Ex. C.) The Court concludes that Plaintiff had a reasonable basis for
20 maintaining claims against Marc Chantal USA. Both Defendant companies are owned by the
21 same man, Latif Khromachou, who stated that he shifted operations from one to the other in
22 1993. (Murphey Decl. Ex. C.) Mr. Khromachou's testimony was significantly impeached at
23 trial, and the jury rejected his claims that similarities between his products and Brightons were
24 mere "coincidences." (Tr. II-199-213.) Brighton was not obligated to rely on Defendant's
25 word when assessing Marc Chantal USA's potential culpability, and the parties jointly agreed
26 to dismiss the claims.

27 The Court further concludes that Plaintiff's trademark infringement claims were not
28 meritless or vexatious. Plaintiff introduced evidence at trial that Marc Chantal affixed

1 dangling silver hearts to its bags in a manner that Plaintiff claimed could have created a
2 likelihood of consumer confusion. (Trial Ex. 312, 378, 54.002.) The fact that Defendant’s
3 products resembled Plaintiff’s further strengthened the trademark claim, because marks
4 “should be considered in their entirety and as they appear in the marketplace.” Entrepreneur
5 Media, Inc. v. Smith, 279 F.3d 1135, 1144 (9th Cir. 2002). This claim was not groundless or
6 unreasonable or brought in bad faith.

7 As to Plaintiff’s claim that Defendant’s use of the “Bristol” trademark infringed on its
8 “Brighton” trademark, the Court also concludes that it was neither meritless nor brought in bad
9 faith. The success of a suit alleging infringement of a valid mark owned by the plaintiff turns
10 on whether the alleged infringer’s mark creates a likelihood of confusion. Perfumebay.com
11 v. EBAY, Inc., 506 F.3d 1165, 1173 (9th Cir. 2007). In assessing likelihood of confusion, the
12 trier of fact considers the similarity of the marks at issue. Id. (citation omitted). Here, it was
13 reasonable for Plaintiff to allege that the “Bristol” mark created a likelihood of confusion.
14 Therefore, Plaintiff had good faith grounds to pursue the claim up to the time of trial.

15 Defendant also argues that Brighton acted in bad faith throughout the litigation, citing
16 several examples of discovery disputes. These events do not support Defendant’s argument
17 that Plaintiff prosecuted the case in bad faith. All discovery disputes were adequately
18 addressed before the magistrate judge or the district court and were resolved before trial.

19 In sum, the record does not support a claim that this case is exceptional. Accordingly,
20 the Court concludes that Defendant is not eligible for an award of attorney fees and denies
21 Defendant’s motion. Moreover, even if this case were exceptional, the Court would exercise
22 its discretion to deny fees based on the totality of the evidence. See Rolex Watch, 179 F.3d
23 at 711 (“awards are never automatic and may be limited by equitable considerations.”); Polo
24 Fashions, 793 F.2d at 1134 (pointing out that under the Lanham Act, courts “may” award fees
25 in exceptional cases; the Act does not require them).

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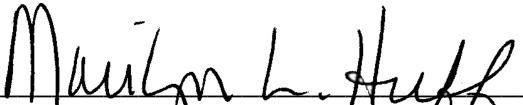
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Conclusion

After due consideration of the cross-motions for attorney fees, the Court denies Plaintiff's motion for attorney fees and denies both Defendants' motion for attorney fees.

IT IS SO ORDERED.

DATED: August 17, 2009



MARILYN L. HUFF, District Judge
UNITED STATES DISTRICT COURT