KOPPEL PATRICK HEYBL & PHILPOTT
Brian J. Philpott (CA Bar No. 241,450; admitted *pro hac vice*)
K. Andrew Kent (CA Bar No. 130,097; admitted *pro hac vice*)
Corey A. Donaldson (CA Bar No. 280,383; admitted *pro hac vice*)
2815 Townsgate Road, Suite 215
Westlake Village, California 91361
Telephone: (805) 373-0060
bphilpott@koppelip.com
cdonaldson@koppelip.com
akent@koppelip.com

MILLER KORZENIK SOMMERS RAYMAN LLP
David S. Korzenik
Terence P. Keegan
488 Madison Avenue, Suite 1120
New York, New York 10022
Telephone: (212) 752-9200
dkorzenik@mkslex.com
tkeegan@mkslex.com

PAUL ALAN LEVY
Public Citizen Litigation Group
1600 20th Street, N.W.
Washington, D.C. 20009
Telephone: (202) 588-7725
plevy@citizen.org

Attorneys for Defendant My Other Bag, Inc.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

LOUIS VUITTON MALLETIER, S.A.

Plaintiff,

vs.

MY OTHER BAG, INC.

Defendant.

CASE NO. 1:14-cv-03419(JMF)

ECF CASE

REPLY MEMORANDUM OF LAW IN SUPPORT OF DEFENDANT'S RENEWED MOTION FOR AWARD OF ATTORNEY FEES AND EXPENSES

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REPLY MEMORANDUM OF LAW IN SUPPORT OF DEFENDANT'S FEES MOTION

I. THE TOTALITY OF CIRCUMSTANCES SUPPORTS A LANHAM ACT AWARD

A. LV Seeks To Impose a Super-Exceptionality Standard upon Fair Users

LV's Opposition (Dkt. 160, "Opp.") reveals a troubling theory. It goes like this: the courts have provided LV with inadequate guidance as it relates to fair use, and because LV has a duty to police its intellectual property, not only is it entitled to sue everyone claiming fair use, it is **obligated** to do so. This cannot possibly be the law. Moreover, this misconstruction of the Constitution's safeguards—safeguards that are at the core of fair use—serves a more pernicious goal: financial ruin for those who dare speak LV's name. Head down, LV forges on, ignoring its actual legal responsibilities as it has done countless times before, as it seeks to do here, and as it will doubtless do again … unless it has a reason not to. An award of attorney fees under *Octane Fitness* [1] will provide this reason—and will make sure the right to parody is robust, is not exercised fearfully, and is not given less deference than LV's trademark registrations.

It is no excuse for LV to posit that that it is impossible to judge what constitutes parody as a matter of law. The Court repeatedly described MOB's parody as "obvious[ ]," and the Second Circuit described the parody as "obvious" and "manifest." Dist. Op. 430, 441-45; Cir. Op. *18, 19; Mem. 1, 5. [2] According to the Second Circuit, "[w]hether parody is properly identified before

[1] *Octane Fitness, LLC v. ICON Health & Fitness, Inc.* 134 S. Ct. 1749 (2014); Dkt. 154 ("Mem.") 6-11. Even if *Octane Fitness* did not apply, as described herein and throughout MOB's moving memorandum, there is ample evidence that this case meets even the old, higher standard.

[2] Although its certiorari petition is not due until July 13, 2017, LV has already described the legal issue on which it will seek review—whether the parody defense **always** requires a jury trial. Philpott Reply Declaration ("Rep."), Ex. H (LV Letter to INTA, April 26, 2017) at 7. On this theory, a trademark owner could **always** contend that it has a triable issue about the validity of a parody defense, and that suits involving trademark parodies are never exceptional. But INTA's Amicus Subcommittee has decided not to recommend filing a brief in support. *Id.* Ex. I (INTA Email to LV, June 30, 2017).

or after conducting the six-factor dilution analysis" of the TDRA—that is, whether or not the Second Circuit would adopt the framework of *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007)—MOB's products constituted protected fair use, as "a parody of LV's luxury image is the very point of MOB's plebian product." Cir. Op. *18. LV cries that it could not have known that the Court would conduct a factor analysis through the lens of parody as in *Haute Diggity Dog*, [3] and then that LV could not have known which standard for "parody" this Court and the Second Circuit would apply. Yet as the Second Circuit made explicit in its summary order, **it did not matter**. Regardless of the framework or definition used, the result was the same and, importantly, predictable: LV's claims failed as a matter of law.

LV should have known from the outset (and likely recognized but did not care) that MOB's fair use was legitimate. *See* Philpott Decl., Philpott Rep., Exs. C-F. Now, in order to insulate itself from a fees award in this case and in future cases, LV seeks to impose a newly invented super-exceptionality test upon prevailing defendants that is prohibitively difficult to meet and contradicts *Octane Fitness*. *See* Opp. 19-23. It does so by arguing that that "trademark owners have a duty to defend their marks" to avoid abandonment and genericide, and that an award of fees in this case will mean that "trademark owners will have to choose between defending their marks (and risking punitive attorney's fee awards) or allowing infringers and diluters to diminish or deplete altogether the value of the marks." *Id*. This legal Chicken Little-ism should be dismissed out of hand. LV's own authority recognizes that trademark owners "need not police every potential infringing third-

[3] LV's corresponding arguments regarding the *Polaroid* factors, Opp. 13-14, *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492 (2d Cir. 1961), are similarly without merit: it is a bedrock principle that "the *Polaroid* factors should be applied with proper weight given to First Amendment considerations." *Cliffs Notes, Inc. v. Bantam Doubleday Dell Pub. Grp., Inc.*, 886 F.2d 490, 495 n.3 (2d Cir. 1989). LV should have been fully aware before filing this suit that 1) a *Polaroid* analysis would take into account the parodic nature of MOB's products, and 2) no reasonable jury could find for LV on such an analysis. Philpott Decl., Philpott Rep. Exs. C-F.

party use." *Malaco Leaf, AB v. Promotion In Motion, Inc.*, 287 F. Supp.2d 355, 364-65 (S.D.N.Y. 2003). And *Malaco* represented a "complete failure to police," a problem LV clearly does not have. *See, e.g.*, Opp. 22 n.13. Moreover, LV has tellingly failed to identify any way in which the products at issue **here** could cause the abandonment or genericide of LV's marks. That is because the opposite is true: "like other spoofs," MOB's "parody will tend to increase public identification" of LV's marks with LV. *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 506 (2d Cir. 1996) (citations omitted); *see also* 6 J.T. McCarthy, MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 31:156 (4th ed., June 2017 update) ("MCCARTHY").

The sky is not falling. An award of fees here will not automatically subject trademark owners that choose to enforce responsibly—even if they should lose on the merits, and even if that loss is at summary judgment—to awards of attorney fees. There will be reasonable and close cases where a plaintiff loses on the merits. But this was not a close case, and every one of the four judges who have looked at this case have recognized this, as has one of the nation's leading trademark authorities, Professor J. Thomas McCarthy, who has cited this Court's ruling as exemplifying "an obvious joke and parody [that] will not lessen the power of a famous mark and may even increase it." MCCARTHY § 31:156 n.6. For a frequent filer of trademark cases, LV discounts its ability to exercise judgment in deciding which uses likely infringe and which do not. If a case is as objectively unreasonable as this one from the start; if a mark owner has as little evidence as LV did when it sued; and if after discovery that mark owner still has as little evidence as LV did here, but proceeds nonetheless, then that case is exceptional, and an award of fees is appropriate.

Given that LV sues far more often than it gets sued, LV also suggests that only plaintiffs should be entitled to fees under the Lanham Act, as an incentive to owners of "valid and enforceable IP rights." Opp. 20. But a valid registration does not give LV carte blanche to bring

baseless claims against whomever it chooses. Prevailing defendants in exceptional cases are no less entitled to fee awards than plaintiffs. "[T]he federal fee-shifting statutes in the patent and trademark fields … support a party-neutral approach." *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 525 n.12 (1994). [4] And the harassment that concerned Congress can occur regardless of whether or not a trademark is "valid"—LV's litigious record proves that. Trademark owners must be expected to enforce responsibly and reasonably, and LV has not done that—especially here.

B. LV Seeks To Eviscerate the "Totality of the Circumstances" Test

Alternatively, LV argues that no one particular fact of the present case alone shows exceptionality. Although MOB maintains that there are multiple independent bases warranting an award of attorney fees, the totality of circumstances provides an additional reason for finding the case to be exceptional. LV first attempts to eviscerate the totality of the circumstances standard by comparing the present case to previous Lanham Act cases in this circuit that granted attorney fees—a small sample, given the recentness of *Octane Fitness* and its adoption in the trademark context—and arguing that no one fact here is the same as one fact in each of those cases. However, *Octane Fitness* explicitly requires that cases be judged individually, not comparatively. 134 S. Ct. at 1756. LV also argues that "it is enough to have raised an argument that is 'something more than frivolous'" in order to avoid fees. Opp. 7. But a non-frivolous argument does not avoid fees, [5]

[4] The same footnote in *Fogerty* suggests that a prevailing defendant should be **more** likely to be awarded attorney fees than a prevailing plaintiff, citing *Scotch Whisky Ass'n v. Majestic Distilling Co.*, 958 F.2d 594, 599 (4th Cir. 1992) as "finding in the legislative history that prevailing defendants are to be treated more favorably than prevailing plaintiffs." 510 U.S. at 525 n.12.

[5] *See, e.g.*, *Fair Wind Sailing, Inc. v. Dempster*, 764 F.3d 303, 315 (3d Cir. 2014) (fees can be awarded to a defendant where a plaintiff did not "act[] culpably"); *Renna v. County of Union, N.J.*, 114 U.S.P.Q.2d 1658, 1661, 2015 WL 1815498, at *3 (D.N.J. Apr. 21, 2015) (applying *Fair Wind Sailing*, awarding fees for prevailing First Amendment defense despite plaintiff's argument "ha[ving] a sliver of merit").

and frivolousness is but one factor under the totality of the circumstances test.

LV then pivots from legal misapplication to factual minimization, claiming that no single fact is sufficient to sustain an award of fees—a strategy that again ignores the required totality of the circumstances inquiry. It argues tenuously that the decision on summary judgment does not favor an award of fees even without a single factor in its favor, its admitted inability to show any facts demonstrating a loss of sales or diminution in iconic stature, and its failure to provide any expert or survey evidence. Mem. 12-16; Opp. 9-13. Yet each of these indicates the substantive weakness of LV's case and its complete failure of evidence. [6] And, when the facts are too inconvenient, LV has simply chosen not to address them:

> The consumer often *knows* that the junior use is from a different source, but wants the fame the trademark conveys while buying the junior user's products. This is exactly what happened here.

LV App. Br. (Cir. Doc. 66) 35; Mem. 14. LV's own authority stands for the proposition that pursuing a trial "on a point that should have been conceded earlier" shows the "objective unreasonableness of a losing party's litigating position." [7] Opp. 6, *citing Beastie Boys v. Monster Energy Co.*, 112 F. Supp. 3d 31, 42 (S.D.N.Y. 2015). These are but a few of the facts comprising the totality of the circumstances here—a case which is, by any measure, "out of the ordinary."

C. LV Litigated This Case Unreasonably and in a Manner Warranting Deterrence

LV acknowledges that "asserting claims for an 'improper purpose'" is grounds for holding that a case was unreasonably litigated and worthy of a grant of fees. Opp. 15. Even before *Octane Fitness*, the fact that a lawsuit "was initiated for reasons other than a sincere belief in the merits of

[6] *See Secalt S.A. v. Wuxi Shenxi Constr. Mach. Co.*, 668 F.3d 677 (9th Cir. 2012) (awarding defendant $836,900 for plaintiff's "continued prosecution of its claims" despite "an utter failure" of evidence), *abrogated on other grounds by SunEarth, Inc. v. Sun Earth Solar Power Co.*, 839 F.3d 1179 (9th Cir. 2016).

[7] LV did *not* plead dilution in the "alternative." *Compare* Opp. 15 n.11 *with* Dkts. 2, 62.

the underlying claims," namely "to serve ulterior business motives," was enough to hold a case to be exceptional. *Universal City Studios, Inc. v. Nintendo Co.*, 615 F. Supp. 838, 864 (S.D.N.Y. 1985), *aff'd*, 797 F.2d 70 (2d Cir. 1986). There are but two reasons LV sued here, neither of which is legitimate: 1) to put a one-person company with an unwelcome message out of business; and 2) to intimidate future fair users. LV argues that it "gave MOB every opportunity to avoid litigation in the first place." Opp. 3, 16. But there were no offers to compromise here. LV repeatedly demanded the cessation of activity for all products at issue (and even some *not* at issue) along with a payment that LV knew MOB could never afford, especially after the loss of sales caused by LV's lawsuit. Philpott Decl. Ex. C, Philpott Rep. ¶¶4-8, Exs. D-F; Martin Decl. ¶¶4-8, Ex. A. And LV refused to move off of its cease-and-pay demand despite MOB's attempts to reasonably negotiate. Philpott Rep. ¶8. "The juggernaut of litigation was launched and would not be deterred." *Viola Sportswear, Inc. v. Mimun*, 574 F. Supp. 619 (E.D.N.Y. 1983).

Finally, to avoid a determination that it litigated unreasonably in this case, LV asks the Court to reward it because it acts reasonably … sometimes. Opp. 16. But even the instances LV cites to exemplify its reasonableness in this case are questionable: for example, conducting two fact depositions for a one-employee company is hardly laudable restraint. [8]

D. LV's Bullying Favors an Award of Attorney Fees

LV's well-chronicled and overaggressive litigiousness warrants deterrence, and judicial consideration of such instances is nothing new. *See Small v. Implant Direct Mfg. LLC*, No. 06 CIV. 683 NRB, 2014 WL 5463621, at *4 (S.D.N.Y. Oct. 23, 2014), *aff'd*, 609 F. App'x 650 (Fed.

[8] LV's attempts to explain other misconduct also ring hollow. For instance, it states that "trial counsel had been (incorrectly) informed by local counsel that 24-point font spacing" was proper (Opp. 18), despite its other filings in this case, and filings in its *Hyundai* and other litigation—all with the same trial counsel and the same local counsel—including proper spacing. *See, e.g.*, *Louis Vuitton Malletier, S.A. v. Hyundai Motor Am.*, No. 10 CIV. 1611 PKC, 2012 WL 1022247 (S.D.N.Y. Mar. 22, 2012).

Cir. 2015) ("[T]he need for the deterrent impact of a fee award is greater where there is evidence that the plaintiff is a 'patent troll' **or has engaged in extortive litigation**.") (emphasis added); *Yufa v. TSI Inc.*, No. 09-CV-01315-KAW, 2014 WL 4071902, at *4 (N.D. Cal. Aug. 14, 2014) (considering plaintiff's "representation in several patent infringement cases in various district courts"). After accusing MOB of "cherry-pick[ing]" examples from its enforcement history, LV cherry-picks cases in which courts purportedly "conclude[d] that LV has enforced the same IP rights at issue here appropriately." Opp. 22, n.13. Yet almost every one of LV's string-cited cases was a counterfeiting case, and in only one, the *Hyundai* case, was a fair-use defense argued (only to be abandoned or compromised by defendant during the litigation, Dist. Op. 435-36, 445). LV should not be rewarded because it files reasonable lawsuits, some of the time.

Moreover, the need for a deterrent fee award is not based only on LV's history of bullying, but on what LV's papers portend for the future. LV's opposition makes clear that it is incapable of even the slightest circumspection about its tactics. Indeed, if LV prefers this motion be decided based on the *implications* of a grant or denial of an award of fees, *supra* 2-4, then the implications of a denial are even more troubling and far more likely to actually occur: LV and others like it will do the exact same thing LV did here in the next case without even the slightest hesitation. An award of attorney fees is needed to counterbalance what LV mischaracterizes as its "duty" to demand that parodists cease and desist, and then to file suit if the parodist does not submit. A fee award in this case sends the appropriate message to LV that it does not have an obligation to sue obvious fair users and, further, that it **ought not** do so.

II. MOB WAS "CLEARLY CORRECT" IN ITS COPYRIGHT FAIR USE DEFENSE, AND LV'S POSITION WAS OBJECTIVELY UNREASONABLE

LV concedes that courts award fees to prevailing defendants "where the outcome is clear on its face." Opp. 23. Courts have not hesitated to find such clear outcomes and award attorney

fees to prevailing defendants in fair use and parody cases. Mem. 22, 24. [9] This is such a case, *supra* 1. Its facts were not unique just because the case involved "handbags" (Opp. 24), nor did the copyright fair use analysis involve novel or even close legal issues. Mem. 23, 25.

Further, LV refuses to admit that courts in the forum it chose—increasing MOB's costs—reject any presumption that commercial uses of copyrighted works are unfair, faithfully following *Campbell*. Opp. 24-25. *See* Dist. Op. 444; *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 596-97 (1994) (Kennedy, J., concurring) (noting "rule[ ]" that "parody may qualify as fair use regardless of whether it is published or performed for profit"). On appeal, in claiming the Court had committed legal error, LV failed to heed any of this circuit's post-*Campbell* pronouncements against such a presumption. Mem. 23. [10] Now on this motion, LV gamely argues that a handful of decisions from outside the Circuit—none of which it cited in its appellate briefs—have gone the other way. But not even this is true. *See, e.g.*, *Monge v. Maya Magazines, Inc.*, 688 F.3d 1164, (9th Cir. 2012) (Opp. 25 n.15) (*Campbell* "debunked the notion" of any "'hard evidentiary presumption'") (citation omitted). Such groundless refusal to concede an issue, and the resultant imposition of further litigation costs, is an additional basis for a fee award. Opp. 24, *citing Beastie Boys*, 112 F. Supp. 3d at 42.

III. FEES AND EXPENSES OF $906,851.15 SHOULD BE AWARDED

LV's only argument against the amount of fees sought in MOB's application is that the fee award for the work of MOB's private-firm counsel should be limited to the hourly rates set forth

[9] *See also Brownmark Films LLC v. Comedy Partners*, No. 10-cv-1013, 2011 WL 6002961, at *6 (E.D. Wisc. Nov. 30, 2011) (television series' parody of viral Internet video was "clear," and plaintiff's position unreasonable, because "one could gather [expression] quickly and easily from watching the episode"). *Accord Konangataa v. Am. Broad. Cos.*, No. 16-cv-7382 (LAK), 2017 WL 2684067 (S.D.N.Y. June 21, 2017) (granting attorney fees to defendants that prevailed on fair-use motions to dismiss).

[10] *See Authors Guild v. Google, Inc.*, 804 F.3d 202, 218 & n.19 (2d Cir. 2015).

in retainer agreements. But Second Circuit precedent holds that the relevant "market" to determine the amount of an award is the district where the litigation takes place. *Arbor Hill Concerned Citizens Neighborhood Ass'n v. Albany*, 522 F.3d 182, 190 (2d Cir. 2007); *In re Agent Orange Prod. Liab. Litig.*, 818 F.2d 226, 232 (2d Cir. 1987); Mem. 25-26. While actual billing rates are evidence of reasonable market rate, that presumption does not hold where the representation is done as a wholly pro bono case or with a low chance of payment because the party is a small underfunded client, facing a corporate behemoth. Several circuits have so held. Mem. 26.

Additionally, awards in other trademark cases are relevant, Mem. 26-28, as are the rates paid by the losing party. Mem. 27-28; *In re Fine Paper Antitrust Litig.*, 751 F.2d 562, 587 (3d Cir. 1984); *Chrapliwy v. Uniroyal, Inc.*, 670 F.2d 760, 768 (7th Cir. 1982). It is particularly ironic that LV demands a lower market rate than that justified by evidence, when its own attorney's ordinary billing rate is $1800 per hour. [11] Further, while LV insists that LA suburban rates are the proper measure of Koppel IP's rates, it also objects to the use of DC rates for services provided by Mr. Levy. MOB argues for a consistent treatment of other out-of-district counsel: under *Arbor Hill*, their work should be compensated at New York market rates calculated via the same analysis.

In addition to the amounts set forth in the opening brief, MOB requests that the Court award fees for all work done through the submission of this brief, which are supported by the accompanying declarations of counsel. Philpott Rep.; Korzenik Rep.; Levy Rep. The below table is a summary of all requested fees and expenses, including the fees and expenses outlined in MOB's original memorandum and the additional fees and expenses not originally included, up to and including June 30, 2017.

[11] Debra Cassens Weiss, *Bankruptcy Filing Shows Gibson Dunn Superstar Makes $1,800 an Hour* (June 7, 2012), ABA JOURNAL, http://www.abajournal.com/news/article/bankruptcy_filing_shows_gibson_dunn_superstar_makes_1800_an_hour/ (last visited July 3, 2017).

Lawyer	Rate / hr	TM Time	TM Amount	© Time	© Amount	Total Fee
Philpott	$450	209.2	94122.00	23.2	10458.00	104580.00
Kent	$550	150.4	82679.85	16.7	9186.65	91866.50
Donaldson	$375	726.1	272295.00	80.7	30255.00	302550.00
Cal. Clerks	$150	64.4	9665.00	7.2	1074.00	10739.00
Lynch	$100	94.0	9396.00	10.4	1044.00	10440.00
Korzenik	$625	138.3	86437.50	34.7	21687.50	108125.00
Keegan	$375	377.7	141637.50	94.7	35512.50	177150.00
Levy	$775	66.8	51739.00	5.9	4603.50	56342.50
Albert	$150	14.4	2160.00	3.4	510.00	2670.00
TOTAL		1841.3	750131.85	276.9	114331.15	864463.00
Korzenik Declaration Costs						1187.10
Philpott Declaration Costs						13853.03
Martin Declaration Costs						27348.02
TOTAL						906851.15

CONCLUSION

Defendant's motion for an award of attorney fees and expenses should be granted in the amount of $906,851.15.

Respectfully submitted,

/s/ Brian J. Philpott
Brian J. Philpott
K. Andrew Kent
Corey A. Donaldson
Koppel Patrick Heybl & Philpott
2815 Townsgate Rd., Ste. 215
Westlake Village, CA 91361
805.373.0060
bphilpott@koppelip.com

/s/ David S. Korzenik
David S. Korzenik
Terence P. Keegan
Miller Korzenik Sommers Rayman
488 Madison Ave., Ste. 1120
New York, NY 10022
212.752.9200
dkorzenik@mkslex.com

/s/ Paul Alan Levy
Paul Alan Levy
Public Citizen Lit. Grp.
1600 20th Street, N.W.
Washington, D.C. 20009
202.588.7725
plevy@citizen.org