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NOT FOR CITATION
IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

EXCELLIGENCE LEARNING CORPORATION,
Plaintiff,
v.
ORIENTAL TRADING COMPANY, INC., et al.,
Defendants.

Case Number C-03-4947-JF
ORDER GRANTING IN PART
MOTION FOR REVIEW OF TAXED
COSTS AND MOTION FOR
ATTORNEYS' FEES AND
EXPENSES

[Doc. Nos. 362, 407]

Before the Court are the motions of Defendants Oriental Trading Company, Inc. ("OTC") and Teresa Martini ("Martini") for (1) review of taxed costs and (2) an award of attorneys' fees and expenses. The Court has considered the moving and responding papers as well as the oral arguments presented at the hearing on April 8, 2005. For the reasons discussed below, both motions will be granted in part.

I. BACKGROUND

The facts of this case are well-known to the parties and need not be repeated in full here. Plaintiff Excelligence Learning Corporation ("Excelligence") filed the action on November 5, 2003 and filed an amended complaint on November 13, 2003. On June 11, 2004, the Court granted Excelligence leave to file a second amended complaint alleging claims for: (1)

1 misappropriation of trade secrets; (2) unfair competition under the Lanham Act; (3) trademark
2 infringement under the Lanham Act; (4) violation of Cal. Bus. & Prof. Code §§ 17500 *et seq.*; (5)
3 violation of Cal. Bus. & Prof. Code §§ 17200 *et seq.*; (6) copyright infringement; (7) breach of
4 confidentiality agreement; and (8) tortious interference with confidentiality agreement. On
5 September 24, 2004, Excelligence voluntarily dismissed with prejudice its third claim for
6 trademark infringement. On December 20, 2004, the Court granted summary judgment for
7 Defendants as to the seven remaining claims.

8 **II. TAXED COSTS**

9 The Clerk taxed costs in the amount of \$150,531.89, which was substantially less than the
10 \$423,050.93 sought by Defendants. In the instant motion, Defendants initially requested that the
11 Court award the entire \$423,050.93 originally sought. However, in their reply brief Defendants
12 withdraw the motion as to certain categories of costs, such as expert witness deposition charges
13 and online legal research charges. Defendants request review of costs in three categories:
14 deposition costs, reproduction costs and market survey costs.

15 Deposition Costs: Defendants are entitled to “[t]he cost of an original and one copy of
16 any deposition (including video taped depositions) taken for any purpose in connection with the
17 case.” Civ. L.R. 54-3(c)(1). Defendants also are entitled to notary costs. Civ. L.R. 54-3(c)(4).
18 Defendants seek \$54,934.91 in deposition costs. Of this amount, Defendants represent that
19 \$34,737.41 was the cost of an original and one copy of the deposition of certain witnesses, plus
20 notary fees. Defendants represent that the remaining \$20,197.50 was the cost of producing video
21 depositions for many of the *same* witnesses. The Clerk allowed deposition costs in the amount
22 of \$23,810.60. It appears that the Clerk disallowed most or all of the video costs and also
23 disallowed miscellaneous costs for condensed versions of transcripts and shipping charges.

24 The Court concludes that Defendants are entitled to recover the costs of an original and
25 one copy (in whatever form, including video) of each transcript. Defendants are not, however,
26 entitled to an original and copy *plus* a video copy. While the records submitted by Defendants
27 are not entirely clear, it appears that \$34,737.41 was the cost of obtaining an original and one
28 copy of each deposition in the case. This amount includes miscellaneous charges such as

1 shipping, but the Court concludes those charges are recoverable as part of the normal cost of
2 obtaining the deposition transcripts. Accordingly, the Court will increase the taxed costs for this
3 category from \$23,810.60 to \$34,737.41.

4 Reproduction Costs: The Clerk awarded \$126,721.29 of the \$143,033.20 requested by
5 Defendants. Defendants have not demonstrated a basis for increasing this award.

6 Market Survey Costs: Defendants seek \$181,307 in market survey costs. These costs do
7 not include the fees paid to Professor Scott for preparing her expert report, but rather reflect the
8 direct costs incurred in preparing and conducting the market survey. The Civil Local Rules do
9 not provide for taxing of market survey costs and there is no controlling case law on this issue.
10 Defendants rely upon a case from the Southern District of New York, *Tri-Star Pictures, Inc. v.*
11 *Unger*, 42 F.Supp.2d 296 (S.D.N.Y. 1999), which arguably would support the taxing of survey
12 costs. The Court does not find that case to be persuasive. The costs in question are similar to
13 expert fees and in fact were incurred by Defendants' expert to aid her in rendering an opinion.
14 Defendants argue that survey evidence is considered to be the best and most relevant evidence in
15 this type of case, and make a reasonable argument that they were compelled to obtain such
16 evidence in order to defend the action. However, absent controlling authority, or at least
17 persuasive authority from within this district, the Court is not inclined to expand the Civil Local
18 Rules to permit recovery of market survey costs.

19 Accordingly, the Court will increase Defendants' taxed costs by \$10,926.81 for total
20 taxed costs of \$161,458.70.

21 **III. ATTORNEYS' FEES AND EXPENSES**

22 Defendants request an award of approximately \$1.8 million in attorneys' fees and
23 expenses under three different statutes: (1) Lanham Act, 15 U.S.C. § 1117(a); (2) UTSA, Cal.
24 Civ. Code § 3426.4; and (3) Copyright Act, 17 U.S.C. § 505.

25 Under the Lanham Act, the Court may award attorneys' fees to a prevailing defendant
26 sued for trade dress only in an "exceptional" case. 15 U.S.C. § 1117(a). This requirement is met
27 when the case is groundless, unreasonable, vexatious or pursued in bad faith. *Cairns v. Franklin*
28 *Mint Co.*, 292 F.3d 1139, 1156 (9th Cir. 2002). Under the UTSA, the Court may award

1 attorneys' fees to a prevailing defendant only if the trade secret claim is brought in bad faith.
2 Cal. Civ. Code § 3426.4. The Court concludes that the instant case does not meet these
3 standards. While the Court ultimately granted summary judgment with respect to Excelligence's
4 claims for trade dress infringement and misappropriation of trade secrets, the Court spent the
5 bulk of a nineteen-page order analyzing these claims before concluding that Excelligence had
6 failed to raise a triable issue of material fact.

7 Defendants point to objective evidence that Excelligence's CEO, Ron Elliot, had a great
8 deal of ill will toward Martini. While this evidence, primarily in the form of e-mails containing
9 disparaging remarks about Martini, certainly gives rise to an inference that Elliot's animus was a
10 factor in the decision to pursue this action, it does not demonstrate that such animus was the only
11 factor or that the claims for trade secret misappropriation and trade dress infringement were
12 objectively baseless. From Excelligence's perspective, Martini - a key employee involved in
13 production of Excelligence's catalog - left on bad terms; she went to work for a competitor and
14 very quickly produced competing catalog that was very similar in appearance; it appeared that
15 two master catalogs were missing from Excelligence; and Excelligence obtained an expert's
16 opinion that Martini in essence cherry-picked Excelligence's best products and put them in the
17 competing catalog.

18 The Court's order granting summary judgment acknowledged that the trade secret case
19 appeared "rather damning" at first blush. It was only upon deeper analysis that the Court
20 concluded that there was not enough evidence to create a triable issue on the issue of
21 misappropriation. Similarly, it was only upon thorough analysis of Professor Scott's survey that
22 the Court concluded that there was not enough evidence to create a triable issue on the issue of
23 secondary meaning with respect to the trade dress claim. As counsel for Plaintiff pointed out at
24 the hearing, Plaintiff spent approximately \$800,000 litigating this action. Under these
25 circumstances, the Court concludes that the trade secrets and trade dress claims were not
26 objectively unreasonable when brought and do not otherwise satisfy the standards set forth
27 above.

28 A closer question is presented by Defendants' request for attorneys' fees under the

1 Copyright Act, which affords the Court much broader discretion. A non-exclusive list of facts
2 that may guide the Court’s exercise of discretion includes frivolousness, motivation, objective
3 unreasonableness in the factual or legal components of the case, compensation and deterrence.
4 *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19 (1994).

5 Excelligence’s copyright claim was one of the weakest in the second amended complaint.
6 In its order granting summary judgment, the Court cited long-standing Ninth Circuit authority for
7 the proposition that copyright claims are extremely difficult to make in catalog cases, and that the
8 “similarity of expression may have to amount to verbatim reproduction or very close
9 paraphrasing before a factual work will be deemed infringed.” *See Cooling Systems and*
10 *Flexibles, Inc. v. Stuart Radiator, Inc.*, 777 F.2d 485, 491 (9th Cir. 1985) (internal citation and
11 quotation omitted), *overruling on other grounds recognized by Jackson v. Axton*, 25 F.3d 884
12 (9th Cir. 1994) (addressing attorney fee issue). Excelligence failed to identify this type of
13 verbatim reproduction or paraphrasing but instead tried to make a copyright case based upon the
14 similar look and feel of the two catalogs, relying for the most part upon inapposite cases
15 involving works of art such as sculpture and musical composition. At the hearing on the instant
16 motion, Excelligence’s counsel argued that Excelligence had retained the foremost catalog expert
17 in the country, and implied that because the expert opined that Excelligence had a good case, the
18 case was not frivolous or unreasonable. The referenced expert opinion related to Excelligence’s
19 trade dress claim rather than its copyright claim. Excelligence failed to introduce expert or other
20 evidence sufficient to demonstrate even a colorable claim of copyright infringement under
21 applicable standards.

22 Given the objective unreasonableness of the copyright claim, Elliot’s obvious animus
23 toward Martini becomes more troubling. It appears to the Court that, in addition to its colorable
24 claims of trade secret misappropriation and trade dress infringement, Excelligence simply threw
25 every possible claim into the mix in the hope that something would stick. This impression is
26 furthered by Excelligence’s late addition of the two claims for breach of contract and interference
27 with contract. As discussed in the Court’s order granting summary judgment, those claims were
28 wholly without merit in light of the absence of any evidence of a contract. The fact that

1 Excelligence went to the trouble of litigating its right to add those claims over Defendants'
2 opposition, adding them and pursuing discovery on them, indicates that Excelligence perhaps
3 was interested in more than seeking compensation for legitimate wrongs.

4 After reviewing the record as a whole, and weighing all relevant factors and in particular
5 those discussed above, the Court concludes that an award of attorneys' fees is appropriate under
6 the Copyright Act. Defendants argue that the fees they incurred in defending the copyright claim
7 are inextricably intertwined with the fees they incurred in defendant the case as a whole.
8 However, the Court concludes that an award of the entire \$1.8 million requested would be
9 excessive. This amount is more than double the amount of fees incurred by Excelligence, which
10 raises some questions as to reasonableness. Moreover, even assuming for the moment that the
11 \$1.8 million in fees was reasonably incurred, and that the fees for all of the claims are
12 inextricably intertwined, the Court concludes that the equities dictate a far more moderate award
13 here. While quite successful, Excelligence is not a large company, and Defendants already are
14 recovering a significant amount in taxed costs. Moreover, as is discussed above, the trade secret
15 and trade dress claims were colorable. Accordingly, the Court in its discretion will award
16 attorneys' fees and expenses under the Copyright Act in the amount of \$250,000.

17 **IV. ORDER**

18 (1) Defendants' motion for review of taxed costs is GRANTED IN PART. Costs
19 shall be taxed in a total amount of \$161,458.70.

20 (2) Defendants' motion for an award of attorneys' fees and expenses is GRANTED
21 IN PART. Defendants are awarded \$250,000 in fees and expenses pursuant to the Copyright
22 Act.

23
24 DATED: 4/21/05

/s/ (electronic signature authorized)

25 JEREMY FOGEL
26 United States District Judge
27
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1 This Order has been served upon the following persons:

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