

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

PLAYBOY ENTERPRISES, INC.,           :           CIVIL ACTION  
    Plaintiff,                            :  
  :  
    v.                                     :  
  :  
UNIVERSAL TEL-A-TALK, INC.,         :  
ADULT DISCOUNT TOYS, and           :  
STANLEY HUBERMAN,                    :  
    Defendants.                          :           NO. 96-6961

MEMORANDUM & ORDER

J.M. KELLY, J.

AUGUST     , 1999

Playboy Enterprises, Inc. ("Playboy"), Plaintiff in this matter, seeks an award of attorneys' fees and costs associated with the successful prosecution of its trademark infringement claim. A bench trial was held before the Honorable Joseph L. McGlynn, Jr. on October 8 and 9, 1998. Judge McGlynn issued a Memorandum of Decision on November 3, 1998 ("Memorandum"). Judge McGlynn found that Defendants had counterfeited the trademark of Playboy and awarded \$10,000.00 in statutory damages pursuant to 15 U.S.C. § 1117(c) (1994). Following the untimely death of Judge McGlynn, this case, including the present Motion, was transferred to my Docket.

Oral argument was held on whether an award of fees was appropriate and an evidentiary hearing was held on the amount of Plaintiff's claimed attorneys' fees and costs. The parties were specifically requested to address the following issues during

oral argument: 1) did Judge McGlynn find this to be an "exceptional case" and what effect would that determination have upon the Court's decision on this Motion? 2) is this, in fact, an exceptional case? 3) what effect should Defendants' actions upon receiving notice of Plaintiff's claim have upon any award of attorneys' fees and costs? The parties were given an opportunity to supplement the record following oral argument.

#### **DISCUSSION**

The court may award attorney's fees to a prevailing party in an action brought under the Lanham Act where the court determines that the case is an exceptional case. 15 U.S.C. § 1117(a). An exceptional case arises where the infringing acts can be considered "malicious, fraudulent, deliberate or willful." Ferrero U.S.A., Inc. v. Ozak Trading, Inc., 952 F.2d 44, 47 (3d Cir. 1991). The failure to show damages has been recognized as a factor to consider in the decision whether to award attorney fees. Id., citing, Hindu Incense v. Meadows, 692 F.2d 1048, 1052 (6th Cir. 1982). Likewise, a counterfeiter's actions upon notification of an infringement are relevant to the determination of whether a case is exceptional. VMG Enterprises, Inc. v. F. Quesada & Franco, Inc., 788 F. Supp. 648, 662 (D.P.R. 1992). In VMG, the court held that continued use of an infringing mark despite the defendant's constructive knowledge, two demands to cease and the refusal of a supplier to continue supplying

defendant, demonstrated "that defendant acted willfully, knowingly and in a deliberate fashion." Id. Thus, VMG was found to be an exceptional case and attorney's fees were awarded. Id.

In the Memorandum, Judge McGlynn did not state that this was an exceptional case. He did, however, award reasonable attorney's fees, (Mem., Conclusion of Law 10), and found that "Defendants[] intentionally adopted PLAYBOY and BUNNY trademarks in an effort to capitalize on [Playboy]'s established reputation in the PLAYBOY and RABBIT HEAD DESIGN marks." Id. at 6. Incantation of the phrase "exceptional case" is not a necessary prerequisite for an award of attorney's fees under the Lanham Act. The finding of intentionally adopting a mark with the intent to capitalize upon it, coupled with an award of reasonable attorney's fees, is sufficient to demonstrate a finding that this is an exceptional case.

Contrary to the suggestion of the Defendants, neither their loss from the infringement nor their prompt removal of the infringing material from their web site preclude an award of attorney's fees. Rather, these are factors for the court to consider in determining whether this is an exceptional case. See Ferrero, 952 F.2d at 47.

Here, the Court specifically found that Defendants consented, on November 29, 1996, to entry of a permanent injunction after only three months of use of Playboy's marks.

(Memorandum, Findings of Fact, Nos. 30, 32). The Court also found that Defendants lost money on the infringing web site. Id., Finding of Fact, No. 37. While Defendants' losses and their prompt removal of the infringing materials from their web site upon receipt of the Complaint in this case do not overcome the egregious nature of Defendants' use of Playboy's marks, these factors do suggest that Playboy is not entitled to attorney's fees for the full presentation of this case. Once Defendants agreed to a permanent injunction, the egregious actions of the Defendants had been rescinded. From that point forward, Playboy was no longer attempting to stop a recalcitrant defendant from continuing to counterfeit its marks. Instead, Playboy was seeking to determine the amount of its damages, then subsequently, an award of statutory damages.<sup>1</sup> Accordingly, the Court finds that Playboy is entitled to its reasonable attorney's fees until Defendants agreed to entry of a permanent injunction. See Bowmar Instr. Corp. v. Continental Microsystems, Inc., 497 F. Supp. 947, 961 (S.D.N.Y. 1980) (attorney's fees not awarded during negotiations where all parties were working towards an amicable agreement).

#### Reasonable Attorneys' Fees and Costs

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<sup>1</sup>Defendants seem to suggest that Playboy was on a vendetta designed to create an award of attorney's fees in lieu of actual damages that did not exist. That this became not an exceptional case does not preclude Playboy from seeking damages under the Lanham Act, only from seeking attorney's fees.

A. Attorneys' Fees

"The party seeking attorneys' fees has the burden to prove that its request . . . is reasonable." Rode v. Dellaciprete, 892 F.2d 1177, 1183 (3d Cir. 1990). The opposing party must challenge the requested fee with specificity. Bell v. United Princeton Properties, 884 F.2d 713, 719-20 (3d Cir. 1989). The court may not reduce the fee amount sua sponte. Id. Once the party opposing the fee request objects, however, the court "has a great deal of discretion to adjust the fee award in light of those objections." Rode, 892 F.2d at 1183. (citing Bell, 884 F.2d at 721).

"The most useful starting point for determining the amount of a reasonable fee is the number of hours reasonably expended on the litigation multiplied by a reasonable hourly rate." Hensley, 461 U.S. at 433. The result, known as the "lodestar," is presumed to represent a reasonable award of attorney's fees. Id.

1. Hourly Rates

"[A] reasonable hourly rate is calculated according to the prevailing market rates in the community." Smith v. Philadelphia Hous. Auth., 107 F.3d 223, 225 (3d Cir. 1997). Playboy's counsel have not submitted affidavits in which either they or a non-party attorney attested that the rates submitted are consistent with market rates in the Philadelphia area. In fact, Playboy argues that it is entitled to charge New York rates because its New York

attorneys have represented Playboy in intellectual property litigation across the country. Deviation from the prevailing market rate in the community should occur only when either out of town counsel possess specific skills not available in the forum market or no attorneys in the forum market are willing to take the case. See Public Int. Group v. Windall, 51 F.3d 1179, 1186-88 (3d Cir. 1995) (discussing fees where special expertise of counsel requires out of town rates and allowing Washington D.C. rates where few southern New Jersey firms were willing to represent plaintiff). Here there has been no showing of any special skill or expertise that would enable New York counsel to handle this matter better than Philadelphia counsel. That Playboy's attorneys were familiar with Playboy and its litigation strategy does not speak to any unique skill or expertise. Likewise, there has been no showing that Philadelphia attorneys are unwilling or unable to represent Playboy on a trademark infringement claim. Accordingly, Playboy is entitled to its attorney fees at the prevailing Philadelphia rates.

The parties have not directly addressed what are the prevailing Philadelphia rates for this litigation, but there are sufficient clues available in the papers submitted by the parties for the Court to make a reasoned determination. Playboy has submitted time for: David R. Francescani, Esq. ("Francescani"), billing at \$350.00 per hour; Amy J. Benjamin, Esq. ("Benjamin"),

billing at \$235.00 per hour; Maryann V. Hayes, Esq. ("Hayes"), billing at \$150.00 per hour; and paralegal Denise Evans ("Evans"), billing at \$150.00 per hour. While the time of these attorneys was apparently billed to Playboy in a range that increased over time, Playboy has only requested the lowest billed rate and it appears that the lowest billed rate would have been charged until the time that Defendants removed the infringing materials from their website. Playboy has also submitted hours billed by local counsel Paul Bech, Esq., at \$165.00 per hour and paralegal Helen L. Waldman, at \$75.00 per hour.

It appears that attorneys Bech and Benjamin have similar backgrounds in intellectual property and have practiced law for a similar amount of time. The Court therefore finds that \$165.00 per hour is the prevailing rate for Philadelphia attorneys with their level of experience. Because it appears that the prevailing Philadelphia rate is approximately seventy percent of New York City rates, the reasonable hourly rate of Francecani is \$245.00 per hour and the reasonable hourly rate of Hayes is \$105.00 per hour. The reasonable hourly rate for Evans shall be the same as the rate for paralegal Waldman, \$75.00 per hour.

## 2. Hours Expended

A party is entitled to compensation for work that is "useful and of a type ordinarily necessary to secure the final result obtained." Pennsylvania v. Delaware Valley Citizens' Council,

478 U.S. 546, 561 (1986). "Hours are not reasonably expended if they are excessive, redundant, or otherwise unnecessary."

Hensley v. Eckerhart, 461 U.S. 424, 433 (1983).

Playboy has submitted a summary of its monthly total fees and costs, as well as dated descriptions of work performed without identifying time spent, person billing or hourly rate. While the Court is at a loss as to who spent how much time doing what for Playboy, combined entries do not result in the hours being disallowed, rather, the billing attorney risks that the Court will assume an improper number of hours have been billed on a task. Rode, 892 F.2d at 1191. The work performed by Playboy's attorneys can be separated into several specific tasks, which the Court shall address separately.

A. Open File and Gather Team

Reasonable time for these activities is 1.0 hour for Francesceni, .5 hours for Benjamin and Hayes and 2.0 hours for Evans.

B. Prepare TRO

Reasonable time for this activity is 1.0 hour for Francesceni, 5.0 hours for Benjamin, 10.0 hours for Hayes and 2.0 hours for Evans.

C. Prepare Complaint

Reasonable time for this activity is 1.0 hour for Francesceni, 2.0 hours for Benjamin, 7.0 hours for Hayes and .5

hours for Evans.

D. Prepare Motion for Preliminary Injunction

Reasonable time for this activity is 1.0 hour for Francescani, 6.0 hours for Benjamin, 12.0 hours for Hayes and 3.0 hours for Evans.

E. Search for Defendants and Monitor and Document Web Site

Reasonable time for this activity is .5 hour for Francescani, 1.0 hours for Benjamin, 2.0 hours for Hayes and 10.0 hours for Evans.

F. Prepare Discovery

Reasonable time for this activity is 1.0 hour for Francescani, 2.0 hours for Benjamin, 10.0 hours for Hayes and 2.0 hours for Evans.

G. TRO Hearing

It appears that Benjamin attended the TRO hearing, accordingly, her reasonable time for travel and attendance at the hearing is 6.0 hours.

H. Prepare Findings of Fact & Conclusions of Law

Reasonable time for this activity is 1.0 hour for Francescani, 2.0 hours for Benjamin and 10.0 hours for Hayes.

I. Preliminary Injunction Hearing

It appears that Benjamin attended the Preliminary Injunction hearing, accordingly, her reasonable time for travel and attendance at the hearing is 11.0 hours.

J. Contempt Issues

Reasonable time for this activity is 1.0 hour for Francescani, 2.0 hours for Benjamin and 4.0 hours for Hayes.

K. File Maintenance

Reasonable time for this activity is 7.0 hours for Evans.

L. Preliminary Injunction Negotiations

Reasonable time for this activity is 3.0 hours for Francescani, and 1.0 hour for Benjamin.

M. Huberman Deposition

It appears that Benjamin attended the Huberman Deposition, accordingly, her reasonable time for travel and attendance at the deposition is 8.0 hours.

N. Motion to Compel

Reasonable time for this activity is 1.0 hour for Francescani, 2.0 hours for Benjamin, 6.0 hours for Hayes and 1.0 hour for Evans.

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    v.                                   :  
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UNIVERSAL TEL-A-TALK, INC.,         :  
ADULT DISCOUNT TOYS, and           :  
STANLEY HUBERMAN,                   :  
    Defendants.                         :           NO. 96-6961

O R D E R

AND NOW, this        day of September, 1999, upon consideration of the Petition for Counsel Fees and Costs (Doc. No. 63) and the Amended Petition (Doc. No. 67) of Plaintiff, Playboy Enterprises, Inc., Defendants' Response, the various supplemental Memoranda of Law, the various exhibits presented by the parties, and after Oral Argument and an Evidentiary Hearing, it is ORDERED:

1. The Petition for Counsel Fees and Costs is GRANTED.
2. Judgment is ENTERED in favor of Plaintiff Playboy Enterprises, Inc. and against Defendants Universal Tel-A-Talk, Inc. and Stanley Huberman in the amount of \$27,390.97.

BY THE COURT:

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JAMES MCGIRR KELLY, J.