

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

<p>GUGGENHEIM CAPITAL, LLC, <i>et al.</i>,</p> <p><i>Plaintiffs,</i></p> <p>- vs. -</p> <p>CATARINA PIETRA TOUMEI, <i>et al.</i>,</p> <p><i>Defendants.</i></p>	<p>CIVIL ACTION NO.</p> <p>10 cv 8830 (PGG)</p>
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**SUR-REPLY MEMORANDUM OF LAW IN RESPONSE
TO PLAINTIFFS' SUBMISSION IN SUPPORT
OF ITS PETITION FOR ATTORNEYS' FEES**

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PRELIMINARY STATEMENT

Defendants David Birnbaum and Dabir International, Ltd. (“defendants”) submit this sur-reply, per leave of the Court, in response plaintiffs’ reply submissions by which they belatedly filed some of the legally-mandated documentation of the outrageous attorneys’ fees and costs they are seeking. The supplementation of their application does little to change the unjustifiable non-compliance of their initial filing or the substantive unreasonableness of their fee request.

Because correspondence to the Court is not considered part of the record, defendants briefly address the irregular and objectionable procedural history surrounding the filing of this sur-reply. Defendants here address mainly Section III of plaintiff’s reply brief regarding the reasonableness of the fees sought by plaintiffs, a stunning \$618,520 plus costs. The whole of defendants’ objections as to the timing and substance of their initial filing is set forth in defendants’ previous memorandum of law, and no response is offered here to sections I and II of plaintiff’s reply memorandum of law; the Court has an ample basis on which to make a determination as to those issues.

Defendants do briefly address Section IV of plaintiff’s reply brief, and their failure to speak to more than a single point should not be interpreted as an admission or waiver of their original submission. Rather, defendants made every effort to address, candidly, the scope of legal perspectives on that issue in their previous submission.

Finally, Section V of plaintiff’s reply brief argues for imposition of sanctions on defendants and their counsel, but there is no pending motion for sanctions. Plaintiffs by their *ex parte* letter of August 18, 2011 requested that the Court grant them permission “to do three things” – addressed more specifically below – one of which was “to file a motion for Defendants’ contempt of the July 15, 2011 Order.” The Court subsequently granted permission **only** for two of them, and pointedly did **not** authorize the filing of a contempt motion. Plaintiffs

– contumaciously, it may be suggested – went ahead and briefed the contempt motion anyway, if only for purposes of poisoning their fee application with irrelevant and inaccurate fingerprinting. Defendants do not address the substance of that submission here because no contempt motion is or should be before the Court. Defendants, it is submitted, are in fact entitled to move the Court for an order striking pages 9 through 15 of plaintiffs’ reply brief and imposing appropriate sanctions, but have no interest in spurring additional motion practice.

STATEMENT OF FACTS

The relevant facts respecting plaintiffs’ application for attorneys’ fees are essentially addressed in the legal argument section. As to the necessity of the filing of this reply brief and the legal effect of plaintiffs’ conduct, defendants will recite here the facts set forth in their correspondence to the Court of August 24, 2011, all of which are based on the documentary record and correspondence submitted in this matter.

By letter transmitted to chambers by facsimile by plaintiffs on August 18, 2011, plaintiffs wrote, to use their words, “to ask permission to do three things,” i.e., they made a motion requesting leave from the Court for three things, namely:

- To file a reply brief;
- “In the event that the Court requests plaintiffs to provide contemporaneous time records for their attorneys’ fees and costs . . . permission to submit those statements for in camera review or, in the alternative, in redacted form . . .”
- “To file a motion for Defendants’ contempt of the July 15, 2011 Order.”

The Court responded on August 23, 2011 by an order granting (1) and (2). No permission was granted to file a motion for contempt. That letter was not faxed to counsel of record for defendants, but was “served” by regular mail. On August 23, 2011, defendants received the

letter faxed to chambers on August 18th, 2011, as well as the ECF notification that the Court had already ruled on the motion.

On August 24, 2011, defendants wrote to the Court lodging their objection to plaintiff's submission by fax to the Court without contemporaneous service on counsel, as well as to the relief sought, and requesting under the circumstances permission to file a sur-reply. That leave was granted by the Court's order dated October 4, 2011.

LEGAL ARGUMENT

I. PLAINTIFFS' REPLY BRIEF AND LATE SUBMISSIONS SHOULD NOT BE CONSIDERED BY THE COURT DUE TO THE IMPROPER MANNER BY WHICH LEAVE TO FILE THEM WAS OBTAINED.

Defendants, as stated above, do not burden here the Court here with arguments already made in their initial memorandum of law filed in opposition to plaintiff's initial, untimely and patently insufficient original submission in support of their attorneys' fees application. Having made an effort to anticipate the arguments plaintiffs could make to justify their haphazard, non-compliant filing, and having seen little in their reply that departs from those lines, it appears that those issues have been briefed as completely as they can be. Defendants submit that plaintiffs have demonstrated no basis for the Court to pull them out of the hole they have arrogantly dug for themselves.

Two issues do require amplification, however. In our letter to the Court of August 24, 2011, we objected to their characterization in plaintiffs' August 23, 2011 letter of pages 14-16 of defendants' initial opposition brief as an argument that "the Court was wrong to grant attorneys' fees in the first place," a cynical distortion of defendants' submission whose only purpose was stoke the Court's anger at defendants in general. We stated that defendants' brief explicitly

acknowledges that the **order** awarding attorneys' fees is not the subject of the present application, but that defendants are duty-bound to place before the Court the low range of attorneys' fees outcomes in trademark cases within this District, just as plaintiffs had already highlighted the highest awards. Doing so necessarily included citation to those rulings wherein this Court has awarded no fees and consideration of its reasons for doing so, and of any case explicitly addressing the interplay between fees and statutory damages. Defendants acknowledged this in their initial brief and merely reiterate that point here in response to Section IV of plaintiffs' reply brief.

It is the matter of the Court's consideration of that reply brief at all, however, to which defendants must make a strenuous objection at this time. The Court's order authorizing a reply submission was procured by plaintiffs in an unethical and improper manner: It was requested – i.e., an “informal motion” was made – in a letter transmitted to chambers by facsimile by plaintiffs on August 18, 2011 but sent by regular mail, not facsimile, to defendants' counsel of record, which received it **five days later**. Because the Court acted before defendants could possibly respond, this was in essence an *ex parte* motion, which another district court described as follows:

The expression “ex parte motion” is a term of art. In its pure form it means a request a party makes to the court without any notice to the other side. These are made relatively infrequently by lawyers, but nonlawyers representing themselves are flooding the courts with them. Nonlawyers seeking advantage over their adversaries write personal letters to the judge, telephone the clerk or other staff members, or even stand outside the judge's chambers to try to slip in their private pejoratives about the lack of virtue of the opposition.

Lawyers at least are generally careful to limit their pure ex parte communications to those circumstances where such communications may be justified, namely, where notice to the adversary might nullify the ability ever to achieve the end sought. This could occur, for example, where there is a temporal urgency such that immediate and irreparable harm will occur if there is any delay in obtaining relief. (“The tomatoes will spoil if we don't move them immediately.”) It could

also occur where it is likely that, if given notice, someone would act improperly to frustrate the party's ability ever to obtain the relief sought. ("If we alert them, they will move the yacht before we can seize it.")

Regrettably, however, lawyers are the principal abusers of what Judge Rymer referred to as a "hybrid" form of ex parte communication: a request for action by the court made outside the framework of the rules. . . .

[L]awyers need to be aware of how sensitive the courts are to the unfairness that results from the flood of unwarranted ex parte motions. Safeguards that have evolved over many decades are built into the Federal Rules of Civil Procedure and the Local Rules of this court. The rules contemplate that regular noticed motions are most likely to produce a just result. This is because they give the adversary an opportunity to prepare a thorough opposition (and, if needed, an opportunity for oral argument) according to a predesigned, consistent timetable.

Mission Power Eng'g Co. v. Cont'l Cas. Co., 883 F. Supp. 488, 490 (C.D. Cal. 1995).

Defendants were deprived of that right here.

Because plaintiff's "request" was a motion, it should properly have been filed via ECF pursuant to Local Civil Rule 5.2. Opting instead to make "a request for action by the court made outside the framework of the rules," there was still no justification not to give defendants timely notice of their request, simultaneous with transmission to the Court and utilizing the same method. Because this is an ECF case, plaintiffs had counsel's email address; they also could easily have obtained this office's fax number. Their decision to mail opposing counsel a motion that was being faxed to the Court (and emailed, incidentally, to all other defendants) runs afoul of fundamental professional courtesy and contravenes items 1(A) and (C) of this Court's Individual Practices requiring, respectively, that all communications with chambers with be "simultaneously delivered to all counsel by the same delivery method used for the Court" and mandating that "Faxes to chambers are permitted only if copies are also simultaneously faxed or delivered to all counsel."

In short, plaintiffs engineered a procedure whereby the Court issued an order even while defendants' counsel was reading the motion on which that order was based. Service on these defendants was not merely untimely, it was irrelevant. While the decision to permit a reply is within the Court's discretion, the Court had every reason to believe – erroneously – that plaintiffs' motion was purposefully unopposed. This is a course of conduct which this Court has in the past not hesitated to sanction under its inherent powers. For example, in *Humphrey v. Columbia Records, a Div. of CBS, Inc.*, 124 F.R.D. 564 (S.D.N.Y. 1989), the Court condemned, among other misdeeds, exactly the same tactics complained of here, and imposed sanctions:

This case has been conducted throughout in a highly unprofessional manner by Noble. She made a habit of filing papers without serving them on opposing counsel, and calling chambers unilaterally without notice to opposing counsel. Initially, the court was not aware that letters sent to chambers had not been served on opposing counsel. . . . She sought to make the defendants' conduct of the case as expensive as possible. While an attorney is not required to conserve his opponent's expenditures, he or she is at risk when the attorney deliberately causes an opponent to expend funds needlessly, as was done here.

124 F.R.D. at 569. *See also, In re Amoroso*, 123 F. App'x 43, 49 (3d Cir. 2004) (“The district court concluded that [the attorney] could not have reasonably believed that there was no opposition to the amended plan, yet his certification of no opposition represented that there was none”).

Unlike plaintiffs, defendants are not attempting to brief a motion for sanctions where no such motion is pending, however. The deed having been done, and the Court having already been alerted to this action by defendants' August 24th letter, defendants do not ask the Court again to consider imposing extraordinary sanctions, though they are justified. Defendants nonetheless repeat their objection to the Court's consideration of an inexcusable *ex parte* submission and urge the Court not to consider plaintiffs' reply papers – which they insist in their brief are unnecessary anyway – at all.

II. PLAINTIFFS' ATTORNEYS' FEES AND COSTS REQUEST IS UNREASONABLE.

The fact that plaintiffs have seen fit to pay their attorneys nearly \$900,000 in fees and disbursements to obtain a default judgment against defendants who have no assets and who caused no financial harm to them whatsoever does not mean that such fees are reasonable, no matter how impressive those attorneys are in an absolute sense. Not does this obligate the Court to go item-by-item through their untimely submission of timesheets. *See, Rozell v. Ross-Holst*, 576 F. Supp. 2d 527, 541 (S.D.N.Y. 2008). “Where, as here, the application for fees is voluminous, the court may order an across-the-board percentage reduction in compensable hours.” *Prot. One Alarm Monitoring, Inc. v. Executive Prot. One Sec. Serv., LLC.*, 553 F. Supp. 2d 201, 209 (E.D.N.Y. 2008) (reducing fee sought by 30% and awarding \$13,085 fee award in trademark infringement case resolved by default judgment). Here the amounts sought by plaintiffs are so out of line with what courts have deemed reasonable in when considering trademark cases that it is difficult to say just how much less a reasonable fee would be if plaintiffs were entitled to any fee at all.

“When calculating the presumptively reasonable fee, the Court must look to **what a reasonable, paying client, who wishes to pay the least amount necessary to litigate the case effectively would be willing to pay**. The Court examines both the reasonableness of the hourly rates of the attorneys, and the reasonableness of the number of hours for which fees are sought.” *Therapy Products, Inc. v. Bissoon*, 07 CIV.8696 DLC THK, 2010 WL 2404317 (S.D.N.Y. Mar. 31, 2010), *report and recommendation adopted sub nom. Erchonia Corp. v. Bissoon*, 07 CIV. 8696 (DLC), 2010 WL 2541235 (S.D.N.Y. June 15, 2010) (emphasis added; internal citations and quotations omitted).

Would a reasonable client spend nearly \$700,000 (the “discounted” fees and costs sought by plaintiffs) for the result obtained here?

By way of comparison, in *Therapy Products*, decided about 18 months ago in the Southern District, Judge Cote awarded attorneys’ fees in the amount of \$505,656.33 and costs in the amount of \$35,881.62, for a total amount of **\$541,537.95**. That case involved sophisticated issues of trademark law that were actually litigated through bilateral discovery and adjudicated on a summary judgment motion that was contested by counsel on both sides. As the Court explained:

During this fifteen-month span, Defendants drafted and responded to numerous discovery requests, conducted their own fact investigations, located several third-party witnesses, participated in ten depositions and a handful of hearings and conferences, and fully briefed their ultimately successful summary judgment motion.

Id. at *6 (citations omitted). *Therapy Products*: Fifteen months; discovery by both sides; ten depositions; a fully briefed summary judgment motion: \$541,537.95. And here plaintiffs seek over \$100,000 more for a case that took nine months; in which no discovery whatsoever was propounded by the defendants; in which there were a total of three depositions – mainly abortive – of one deponent, and none of any plaintiff witness; there was some miscellaneous motion practice before defendants ceased to be represented or to proffer a defense and at all; and the case was resolved on an **unopposed** motion for default. Compared to the fees and costs awarded in *Therapy Products*, can plaintiffs’ fee request be “reasonable”?

Similarly, in *Tri-Star Pictures, Inc. v. Unger*, 42 F. Supp. 2d 296 (S.D.N.Y. 1999), the Court considered a request by one party for an award (in 1999 dollars) of “\$735,785.73—\$649,386.32 for legal services and \$86,399.41 for costs and expenses.” The Court cut that request by ten percent. But in that case, the Court found as follows:

This was a labor-intensive case for Plaintiffs attorneys, lasting roughly a decade and requiring knowledge of a specialized area of law, trademarks. The case necessitated much litigation, including, inter alia, numerous pre-trial papers, several motions, extensive discovery, many depositions, a three-day trial, and several post-trial submissions. The case was also one of great magnitude for both Plaintiffs, involving the protection of a famous, well-recognized, and lucrative asset, their trademark in “Bridge on the River Kwai”. The attorneys could, therefore, be expected to use their best efforts.

Id. at 304. Thus, for argument’s sake, doubling lawyers’ hourly rates and the cost of litigation expenses from 1999 to 2011, the Court in *Tri-Star* deemed reasonable an award of approximately double the amount of fees and expenses sought by the plaintiffs here – but for **ten years** of litigation, numerous depositions and motions, and an actual trial. Here the litigation lasted about nine months. One party was deposed. There was, for most of the relevant period, no opposing counsel and no opposition at all. There was not only no trial, the final judgment was awarded as a sanction. And in terms of the special costs implicated by the “specialized area” of trademarks, plaintiffs have insisted in their papers, both pre- and post-judgment, that there is nothing controversial or appealable about this Court’s ruling in that area. Therefore no special expertise or intensive research was required to achieve plaintiffs’ result. Indeed, considering that this result was obtained on an unopposed default judgment, it could not have been.

And what of that result? “[C]ourts should not award legal fees that are disproportionate to the result achieved or, better, reasonably achievable.” *New York State Soc. of Certified Pub. Accountants v. Eric Louis Associates, Inc.*, 79 F. Supp. 2d 331, 354 (S.D.N.Y. 1999). Here the Court found had that defendants had not profited by their activities by a single cent; nor is there proof of actual financial damages: And defendants have, indeed, been enjoined from continuing those activities. Based on the record, therefore, the economic benefit to plaintiffs of the injunction obtained against Mr. Birnbaum can be accurately described as zero. Defendants were also assessed with judgments far outstripping their conceivable ability to pay by orders of

magnitude (the Court has ruled that defendant Birnbaum was entitled to proceed *in forma pauperis*, as set forth at length in defendants' submission in opposition to the bond motion). In *Am. Honda Motor Co., Inc. v. Two Wheel Corp.*, 918 F.2d 1060, 1064 (2d Cir. 1990), the Second Circuit upheld a reduction in attorneys' fees and costs from the \$200,000 requested to \$16,760.49, writing: "The records submitted by counsel clearly indicate that they overlitigated this case both by expending time that was not reasonably required to obtain an injunction and by expending yet more time pursuing a negligible trademark claim" – "negligible" being a fair description of this case as well, where a vast and menacing international financial conspiracy was claimed but never proved; criminal charges procured and subsequently dropped; and judgment ultimately obtained by default on an economically meaningless trademark theory.

There is no need to repeat these examples. This Court's ruling in *Therapy Products* – "the Court must look to what a reasonable, paying client, who wishes to pay the least amount necessary to litigate the case effectively would be willing to pay" – says it all. But no one needs citations to precedent or sophisticated formulas to determine that the number of lawyers, the range and cost and intensity of "firepower" employed here, and the gargantuan number of hours billed to a financial institution that suffered no economic loss from David Birnbaum's conduct, or at most his acquiescence to the conduct of others, were way out of proportion from the "harm" sought to be relieved or the result achieved for any client here.

In fact, this stopped being about the clients – the actual plaintiffs – quite some time ago. The fact that Mr. Birnbaum is no more able to satisfy a \$6,000 fee award than a \$600,000 fee award is of little interest to those filing the papers here. They seek a symbolic, "moral" victory; a justification for their out-of-control, gold-plated, multi-city litigation. Regardless of the merits of the underlying claims, by their actions in connection with this motion for attorneys' fees as


well as their generation of them plaintiffs' counsel have ceded any claim to a moral high ground their clients may ever have held in this matter.

CONCLUSION

For the foregoing reasons, including the reasons set forth in their previous submission in opposition to plaintiffs' application for fees, defendants David Birnbaum and Dabir International, Ltd. urge the Court to make no award of attorneys fees' or costs to plaintiffs.

Respectfully submitted,

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Dated: October 12, 2011