

CHANEL, INC, Plaintiff, v BRANDON DOAN, et al, Defendants.**No C 05-03464 VRW****UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA****2007 U.S. Dist. LEXIS 22691****March 13, 2007, Filed**

COUNSEL: [*1] For Chanel, Inc., a New York Corporation, Plaintiff: Stephen G. Scherzer, LEAD ATTORNEY, Tharpe & Howell, Santa Ana, CA.

Eddie Doan, doing business as Cizi's Handbags doing business as Cizicollection.com doing business as Cizinguyen, Defendant, Pro se, San Jose, CA.

JUDGES: VAUGHN R WALKER, United States District Judge.

OPINION BY: VAUGHN R WALKER

OPINION

ORDER

On August 26, 2005, Chanel, Inc filed this action alleging that defendants had committed, *inter alia*, trademark counterfeiting, infringement and false designation of origin. Doc # 1. Before the court is plaintiff's unopposed motion for default judgment against defendants, as well as plaintiff's application for statutory damages, permanent injunction and attorney fees. Doc # 15-1. For the reasons that follow, the court GRANTS plaintiff's motion for default judgment, GRANTS statutory damages and injunctive relief and GRANTS an award of attorney fees and expenses.

I

Plaintiff, a well known fashion house, alleges that defendants violated its trademark rights through its businesses, Cizi's Handbags, Cizicollection.com and Cizinguyen. Doc # 1. Although served with summons and complaint on September 4, 2005 (Doc ## 4-6), defendants never [*2] filed an answer or responsive pleading. Upon plaintiff's motion, the clerk entered default on December 21, 2005, in accordance with *FRCP 55(a)*. Doc # 9.

Subsequently, plaintiff submitted its motion for default judgment on June 2, 2006. Doc # 15-1. Defendant Eddie Doan filed a notice of change of address on July

13, 2006, but none of the defendants filed an opposition or a statement of non-opposition as required by Civil Local Rule 7-3. Doc # 17. On July 25, 2006, the court ordered defendants on or before August 17, 2006, to show cause why judgment should not be entered in favor of plaintiff for failure to respond to plaintiff's complaint. Doc # 18. No response was received, although defendant Eddie Doan submitted a letter to the court on August 24, 2006, nearly one year after being served. Doc # 20.

Plaintiff requests that default judgment be entered and that defendants pay \$ 127,701.00 in statutory damages pursuant to the Lanham Act, *15 USC § 1117(c) (2006)*, jointly and severally. Doc # 15-1. Plaintiff further requests a permanent injunction barring defendants from marketing or selling any goods that infringe on plaintiff's [*3] marks. *Id.* Finally, plaintiff seeks to recover all fees, including attorney fees, investigative fees and costs. *Id.*

The following factual summary comes from plaintiff's complaint, declarations and supporting exhibits. Doc ## 1, 15-2 to 15-9. Plaintiff is a corporation that manufactures and distributes a variety of luxury carrying apparel, including handbags. Doc # 1 P 2. Plaintiff owns six federally registered trademarks that it uses to market and sell its handbags. Doc # 1 P 7.

Defendants sell handbags containing these trademarks via the internet and a San Jose storefront. Doc # 1 PP 3, 4, 16. Despite lacking permission to use these marks, defendants promote their products both as genuine Chanel merchandise and as "look alike" products. Doc # 1 P 9; Doc ## 15-5 to 15-6.

Plaintiff hired a private investigator, aptly named Robert Holmes, to inquire into defendants' operations. Doc # 15-7 PP 1, 3. Holmes purchased a counterfeit Chanel handbag from Cizicollection.com for \$ 115.00. Doc # 15-7 P 6. This website, Holmes discovered, was registered to "Cizi Collection" with Brandon Doan listed as an administrative contact. Doc # 15-7, P [*4] 4. Defendants' website promoted a panoply of handbags bear-

ing the Chanel mark, some labeled "authentic" and others described as "look alike." Doc # 15-5. Assertedly authentic Chanel handbags were listed for prices as high as \$ 1280.00, whereas "look alike" handbags ranged in price from \$ 89.00 to \$ 145.00. Id. Defendants also listed their products on an auction website, characterizing them as "100% Real Authentic." Doc # 15-6.

The handbag delivered to Holmes bore the return address of 5089 Eppling Lane, San Jose, CA 95111 (Doc # 15-7 P 8) -- the same address at which defendants were served with the summons and complaint and at which defendant Eddie Doan registered with the court on July 13, 2006. Doc ## 4, 5, 6, 17. Plaintiff's employee, Adrienne Hahn Sisbarro, inspected this handbag and determined that it contained counterfeit Chanel marks and was a replica. Doc # 15-3.

Plaintiff then hired Suzi Vasylionis to investigate the storefront location of "Cizi's Handbags," which she visited on March 29, 2005. Doc # 15-4 PP 1, 3, 4. Vasylionis observed approximately 10 handbags bearing Chanel marks priced between \$ 70.00 and \$ 135.00. Doc # 15-4 P 5. A female clerk [*5] who identified herself as "Cizi" told Vasylionis that the handbags were "copies" and stated that she could sell such handbags in wholesale quantities. Id. Vasylionis purchased one of these handbags for \$ 65.00. Id at P 6.

In June of 2005, plaintiff prepared a cease and desist letter and hired Robert Hargrove to deliver it to defendants at the San Jose storefront location of "Cizi's Handbags." Doc # 15-9 PP 3, 5. Defendants Hau Nguyen and Brandon Doan identified themselves as co-owners of the retail store and as husband and wife. Doc # 15-9 PP 5, 6. Nguyen and Doan refused to surrender the counterfeit merchandise to Hargrove but destroyed some of the handbags in his presence. Doc # 15-9 P 7.

At this point, plaintiff sought the assistance of the court, filing a complaint alleging that defendants' actions constitute trademark infringement and counterfeiting in violation of the Lanham Act and the California Business and Professions Code. Doc # 1.

II

The court first addresses plaintiff's motion for default judgment. "Courts have inherent equitable powers to dismiss actions or enter default judgments for failure to prosecute, contempt of court, or abusive litigation [*6] practices." *Televideo Systems, Inc v Heidenthal*, 826 F2d 915, 917 (9th Cir 1987) (citing *Roadway Express, Inc v Piper*, 447 U.S. 752, 764, 100 S. Ct. 2455, 65 L. Ed. 2d 488 (1980); *Link v Wabash RR*, 370 U.S. 626, 632, 82 S. Ct. 1386, 8 L. Ed. 2d 734 (1962); *United States v Moss-American, Inc*, 78 FRD 214, 216 (ED Wis 1978)).

"The general rule of law is that upon default the factual allegations of the complaint, except those relating to the amount of damages, will be taken as true." *Televideo Systems*, 826 F2d at 917-18 (quoting *Geddes v United Financial Group*, 559 F2d 557, 560 (9th Cir 1977)). "Upon entry of default judgment, facts alleged to establish liability are binding upon the defaulting party, and those matters may not be relitigated on appeal." *Danning v Lavine*, 572 F2d 1386, 1388 (9th Cir 1978) (citations omitted). Following default judgment, a defendant is deemed to have admitted the well-pleaded allegations in the complaint. *Benny v Pipes*, 799 F2d 489, 495 (9th Cir 1986), amended, 807 F2d 1514 (9th Cir 1987) (citing *Thomson v Wooster*, 114 U.S. 104, 114, 5 S. Ct. 788, 29 L. Ed. 105, 1885 Dec. Comm'r Pat. 279 (1884); *In re Visioneering Construction*, 661 F2d 119, 124 (9th Cir 1981)). [*7]

Defendants responded to neither plaintiff's complaint, the clerk's entry of default, the court's order to show cause nor plaintiff's motion for default judgment. All the while, defendants sought settlement with plaintiff, filed a notice of change of address with the court and sent a letter to the court. By refusing to defend this suit, defendants leave no other remedy to plaintiff than default judgment. Plaintiff's motion for default judgment is therefore GRANTED.

A

Because default judgment is appropriate, the court takes the well-pleaded allegations in the complaint as true and facts establishing liability are binding upon defendants. *Danning*, 572 F2d at 1388; *Geddes*, 559 F2d at 560. Plaintiff's complaint asserts two causes of action for alleged violations of the Lanham Act, 15 USC §§ 1114 and 1125(a). Plaintiff's complaint also advances state causes of action under *Cal Bus & Prof Code* §§ 14330, 14335, 14340 and 17200 *et seq.*

15 USC § 1114(1)(a) makes liable "[a]ny person who shall, without consent of the registrant use in commerce any reproduction, [*8] counterfeit, [or] copy * * * of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion * * *." Similarly, § 1125(a)(1) makes liable "[a]ny person who, in connection with any goods or services * * * uses in commerce any word, term, name, symbol or device * * * which is likely to cause confusion * * * as to the affiliation * * * of such person with another person * * * or in commercial advertising or promotion, misrepresents the nature * * * of his or her or another person's goods * * *."

Plaintiff's state law claims are subject to the same analysis as the federal Lanham Act claims. *Cleary v News Corp*, 30 F3d 1255, 1263 (9th Cir 1994); *Panavi-*

sion Int'l v Toeppen, 141 F3d 1316, 1324 (9th Cir 1998); *Entrepreneur Media, Inc v Smith*, 279 F3d 1135, 1153 (9th Cir 2002). Hence, if the factual allegations of the complaint are sufficient to establish liability under the Lanham Act, they are also sufficient to establish liability pursuant to the state claims.

The plaintiff alleges in the complaint that defendants [*9] knowingly sell and distribute counterfeit and infringing handbags and use the Chanel marks to advertise these counterfeit goods in a manner that is likely to cause consumer confusion. Doc # 1 PP 17, 29, 30, 32, 37. Accordingly, the factual allegations of plaintiff's complaint, admitted by defendants through default, establish that defendants violated the plaintiff's rights under both the Lanham Act and state law claims.

B

Having established defendants' liability, the court turns to the relief requested by plaintiff. The scope of damages available to plaintiff under each alleged violation is essentially the same. As plaintiff acknowledges in its application for default judgment, it is not entitled to double recovery; it may only recover under one claim. The plaintiff elects to recover damages available for defendants' violation of 15 USC § 1114.

The remedies available to a prevailing plaintiff under § 1114 of the Lanham Act include those listed under § 1117(a-c). Under § 1117(a), a registered mark holder may recover the defendant's profits, registrant/plaintiff's damages and the costs of the action, subject to the principles of equity. Section 1117(b) [*10] requires the court to treble the damages assessed under subsection (a) if the defendant "intentionally us[es] a mark or designation, knowing such mark * * * is a counterfeit mark * * *, in connection with the sale, offering for sale, or distribution of goods or services." Section 1117(c) permits a plaintiff to elect statutory damages in "case[s] involving the use of a counterfeit mark" in connection with the sale of goods.

Here, plaintiff may recover statutory damages pursuant to § 1117(c), as defendants marketed and sold counterfeits of plaintiff's registered marks. Statutory damages are most appropriate if, as here, data regarding the business practices and profits of the defendants are unavailable due to lack of cooperation on the part of defendants. *Jackson v Sturkie*, 255 F Supp 2d 1096, 1101 (ND Cal 2003). In enacting § 1117(c), Congress acknowledged that statutory damages are "both necessary and appropriate in light of the deception routinely practiced by counterfeiters." S Rep No 177, 104th Cong, 1st Sess, 7 (1995).

Unlike the remainder of the allegations in the complaint, those regarding damages are not controlling. *Ged-*

des, 559 F Supp 2d at 560. [*11] Hence, it is the province of this court to determine the appropriate amount of statutory damages. Section 1117(c)(1) provides for damages of "not less than \$ 500 or more than \$ 100,000 per counterfeit mark per type of goods or services sold * * * as the court considers just." Yet, upon a finding that the use of the counterfeit was willful, § 1117(c) (2) permits a maximum of \$ 1,000,000 per counterfeit mark per type of violating good sold.

"Willful infringement carries a connotation of deliberate intent to deceive." *Lindy Pen Co, Inc v Bic Pen Corp*, 982 F2d 1400, 1406 (9th Cir 1993). Whether defendants acted willfully or with bad faith "require[s] a connection between [the] defendant[s]' awareness of its competitor and its actions at those competitors' expense." *Id.*

Here, the declarations and exhibits attached to plaintiff's application for default judgment contain considerable evidence of willfulness. Printouts from defendants' website show merchandise listed as both authentic and "look alike" Chanel bags. Doc # 15-5. Defendants' statements on an auction website declared the counterfeit bags were "100% Real Authentic." Doc # 15-6. Furthermore, a woman identifying [*12] herself as "Cizi" told Vasylionis that the handbags for sale in the San Jose storefront were "copies." Finally, on its website, defendants priced handbags falsely labeled as authentic for approximately ten times the price of those listed as "look alike," implicitly recognizing that plaintiff's marks command higher prices. This conduct plainly constitutes a "deliberate attempt to deceive," entitling plaintiff to recover up to the maximum of \$ 1,000,000 per counterfeit mark for type of good sold or offered as provided under § 1117(c)(2).

To calculate statutory damages under the Lanham Act, many district courts turn to the analysis developed for a similar provision within the Copyright Act. *Sara Lee Corp v Bags of New York, Inc*, 36 F Supp 2d 161, 167 (SD New York 1999); *Louis Vuitton v Veit*, 211 F Supp 2d 567, 583 (ED Pennsylvania 2002); *Tommy Hilfiger v Goody's*, 2003 U.S. Dist LEXIS 8788, *74 (ND Georgia 2003); *Phillip Morris USA, Inc v Shalabi*, 352 F Supp 2d 1067, 1076 (CD Cal 2004). Under the Copyright Act, the court has wide discretion in calculating statutory damages, "constrained only by the specified maxima and [*13] minima." *Harris v Emus Records Corp*, 734 F2d 1329, 1335 (9th Cir 1984) (citing *L. A. Westermann Co v Dispatch Printing Co*, 249 U.S. 100, 104, 39 S. Ct. 194, 63 L. Ed. 499 (1919)). Plaintiff may recover statutory damages without offering evidence of plaintiff's actual damages or the defendants' profits because of the dual "compensatory and punitive purposes" of statutory damages. *Los Angeles News Service v Reuters Television Int'l Ltd*, 149 F3d 987, 996 (9th Cir 1998). Furthermore,

"[t]he Supreme Court has stated that even for uninjurious and unprofitable invasions of copyright the court may, if it deems it just, impose a liability within the statutory limits to sanction and vindicate the statutory policy of discouraging infringement." *Peer Int'l Corp v Pausa Records Inc*, 909 F2d 1332, 1337 (9th Cir 1990) (quoting *F. W. Woolworth Co v Contemporary Arts, Inc*, 344 U.S. 228, 232, 73 S. Ct. 222, 97 L. Ed. 276 (1952)) (internal quotation marks omitted).

Although the statutory damages need not reflect the defendants' unlawfully obtained profits, some district courts use § 1117(b) as a guide for setting damages under § 1117(c). *Sara Lee*, 36 F Supp 2d at 170; [*14] *Louis Vuitton*, 211 F Supp 2d at 583. In doing so, courts both counteract the profitability of counterfeiting and execute the punitive purposes of the statute. *Los Angeles News Service*, 149 F 3d at 996; *Louis Vuitton*, 211 F Supp 2d at 583.

The lack of discovery in this case leaves a paucity of data concerning the extent of defendants' profits. Plaintiff contends that it is reasonable to assume that defendants earned as much as \$ 42,567 in the time between registering their domain name and receiving plaintiff's complaint. Doc # 15 P III(c). Unfortunately, plaintiff fails to demonstrate how it reached this number other than offering a blanket reference to the data contained in the exhibits and declarations.

Based on the price of the handbags sold to plaintiff, as well as the prices listed on defendants' website, the court estimates that defendants' handbags averaged a price of \$ 293. A conservative estimate of 10 bags sold per week amounts to \$ 2930 in weekly revenue, which, multiplied across the relevant damages period (approximately 42 weeks), yields \$ 123,060 in estimated gross proceeds from selling infringing handbags. Under a 50% [*15] profit margin, as recommended by plaintiff, defendants would have garnered \$ 61,530 during the relevant period, which exceeds plaintiff's calculation of defendants' profit (\$ 42,567). Accordingly, the court finds that plaintiff's calculation amounts to a reasonable estimation.

Trebling plaintiff's calculation, pursuant to the court's previous finding of willfulness, yields a total of \$ 127,701 in damages. Plaintiff's request for an award of this amount appears to be fair, especially considering that the plaintiff pled factual allegations, admitted by default, that would permit the court to award up to \$ 1,000,000 per infringement. Accordingly, the court GRANTS plaintiff's requested damage award in the amount of \$ 127,701.00.

Section 1116(a) confers to the court power to grant injunctions "according to the principles of equity" in order to prevent violation of the rights of a registered

trademark holder. Plaintiff contends that a permanent injunction is warranted due to the strong demand for Chanel products, defendants' disregard of plaintiff's trademark rights and defendants' failure to respond to the complaint. Indeed, defendants' willful violations, admitted by default, and their [*16] lack of participation in this litigation give the court little assurance that defendants' infringing activities will cease. Accordingly, the court GRANTS plaintiff's request for permanent injunctive relief.

C

Finally, the court takes up plaintiff's request for attorney and investigator fees. Although 15 USC § 1117(c) does not mention attorney fees, § 1117(b) does. Many district courts have determined, as has this court, that it is appropriate to award fees and costs to a prevailing plaintiff under subsection (b) when damages are assessed under subsection (c). *Tommy Hilfiger*, 2003 U.S. Dist LEXIS 8788, at *112; *Louis Vuitton*, 211 F Supp 2d at 585-86; *Sara Lee*, 36 F Supp 2d at 170-71. To determine a reasonable attorney fee award under § 1117(a), the court must find an objective source for setting counsel's hourly rates and determine whether the hours expended by counsel are concordant with the requirements of the litigation at hand.

Plaintiff's counsel Stephen M Gaffigan submits in his declaration that he worked 14.28 hours on this case, bills \$ 350 per hour for intellectual property litigation, has over 11 years [*17] of trademark litigation experience and practices in Fort Lauderdale, FL. Doc # 15-8 (Gaffigan Decl PP 1, 3). Plaintiff's counsel Stephen Scherzer submits in his declaration that he spent 35 hours on this case at a billing rate of \$ 175 per hour and has been an attorney for over 30 years in Santa Ana, CA. Doc # 15-2 (Scherzer Decl PP 4, 6, 7). Each of the three private investigators assert fees as well, which total \$ 2,310.25. Doc # 15-7 (Holmes Decl P 10); Doc # 15-4 (Vasylionis Decl P 8); Doc # 15-3 (Sisbarro Decl P 16).

It is the practice of the undersigned judge to rely on official data to determine appropriate hourly rates. One reliable official source for rates that vary by experience levels is the Laffey matrix used in the District of Columbia. See

http://www.usdoj.gov/usao/dc/Divisions/Civil_Division/Laffey_Matrix_6.html (citing *Laffey v Northwest Airlines, Inc*, 572 F Supp 354 (D DC 1983), aff'd in part, rev'd in part on other grounds, 241 U.S. App. D.C. 11, 746 F2d 4 (DC Cir 1984)).

Under the 2006-2007 Laffey matrix, attorneys with 20 or more years of experience bill \$ 425/hour and attorneys with 11-19 years of experience bill \$ 375/hour. These figures are, [*18] however, tailored for the District of Columbia, whereas Gaffigan's offices are located

in Fort Lauderdale, Florida and Scherzer's are located in Santa Ana, CA. The court will adjust these figures accordingly. The locality pay differentials within the federal courts -- which, like law firms, employ lawyers and legal support staff -- approximate these differences. See http://jnet.ao.dcn/Human_Resources/Pay_Tables/2007_Pay_Tables/Judiciary_Salary_Plan_Locality_Rate_Pay_Tables_2007.html. The Washington-Baltimore area has an +18.59% locality pay differential; the Miami-Fort Lauderdale-Miami Beach area has a +18.30% locality pay differential; the Los Angeles-Long Beach-Riverside area has a +24.03% locality pay differential. Thus, adjusting the Laffey matrix figures downward by 0.3% will yield rates appropriate for Fort Lauderdale. ¹ Adjusting the Laffey matrix figures upward by approximately 5% will yield rates appropriate for Santa Ana. ²

1 $(118.59 - 118.3) / 118.3 = .00245$, or about .3%.

2 $(124.03 - 118.59) / 118.59 = 0.04587$, or about 5%.

[*19] Applying this adjustment and rounding, the court obtains the following rates: Attorneys with 11-19 years of experience located in Fort Lauderdale, FL bill \$ 376/hour; attorneys with 20 or more years of experience located in Santa Ana, CA bill \$ 446/hour. Therefore, both Gaffigan and Scherzer have charged reasonable hourly rates, lower than would otherwise be available under the Laffey matrix.

The court next evaluates whether the number of hours expended by counsel are appropriate to the requirements of the particular case. Plaintiff's counsel gathered investigative information, prepared documents and pleadings and discussed settlement with defendants. Doc # 15-8. Counsel expended a total of 49.28 hours

accomplishing these tasks, which the court finds reasonable. Accordingly, the court awards attorney fees in the amount of \$ 11,125.

Plaintiff also requests the payment of investigative fees to Holmes, Vasylionis and Hargrove. Not having a suitable substitute for the investigators' billing rates, the court will accept the asserted values in the declarations. See *In re HPL Technologies, Inc*, 366 F Supp 2d 912 (ND Cal 2005). The court awards the plaintiff's reasonable [*20] investigative fees in the amount of \$ 2310.25.

Finally, plaintiff requests recovery of court costs in the amount of \$ 463. Scherzer asserts in his declaration that \$ 463 in costs were incurred for filing fees and service of process. Doc # 15-8. The plaintiff's application for default judgment includes a breakdown of these costs, Doc # 15 P F, which the court finds reasonable. Accordingly, the court awards plaintiff its costs in the amount of \$ 463.

In sum, the court awards plaintiff \$ 141,599.25, consisting of \$ 127,701 in statutory damages, \$ 11,588 in attorney fees and costs and \$ 2310.25 in investigative costs.

III

For the foregoing reasons, the court GRANTS plaintiff's motion for default judgment and ENJOINS defendants from infringing any of plaintiff's trademarks. The clerk is DIRECTED to enter judgment for plaintiff and against defendants in the amount of \$ 141,599.25, close the file and terminate all motions.

IT IS SO ORDERED.

VAUGHN R WALKER

United States District Judge

