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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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SPIN MASTER LTD. and SPIN MASTER, INC.,

Plaintiffs,

-against-

13385184960@163.COM, et al.,

Defendants.

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REPORT AND RECOMMENDATION

18-CV-10524 (LGS) (KNF)

KEVIN NATHANIEL FOX
UNITED STATES MAGISTRATE JUDGE

TO THE HONORABLE LORNA G. SCHOFIELD, UNITED STATES DISTRICT JUDGE

On April 11, 2019, a default judgment was entered against 74 defendants: 13385184960@163.com, 18888236883@163.com, Altay, bamboo001, congcong2, dandanxiaowu, dayingjia1256, Diamond boutique, Dreamships, Dumbledor shop, Every day there will be a new sun, fashiondofu, Fella, fhijhcf, Fullusset, giftshop2017, give your dream, global_dawn, Godcup, Green Fashion, guangdonghuatai, guigiudedian, Huashaoshot, Huaxiawaimaoshang, Jahurto, Jasonstore1, juziEjia, kaixuanxiaorenjia, Keep going, Lostiu8, maisystore001, maomao1608@163.com, Mikeqyq, MOMTUTUS, Mr. P, Mr.Zxx, NewMerchantFashion, qiqiyanyan, Qomxzhk, Renderingyou, Shenzhen Yinfa Technology LTD, Show You Now, Shu panpan wu shoushou, siermaoyiyouxiangongsi, smallsmallworld, Threeqiaoway, tiancong135, Tomik18816764436, Utopia1973, Utopia2017, Valuable, yehudieye, wangjuhua11365, wuli0014, wxxww, Xinyudiyiyi, xyrstorekl, yiwu blue sky, xiongdistore, xuanxuan636187, XZH, Yangmingxiongdi, yangliu248, yekaiqiang, yeqirong, YiHuiandYiHui, YOUR FASHION JEWELRY, youyoushanxi, Yquan, YY6752SDD, Zhangdongyue, zhangxiaxiazhang, Zhenpinhui and zhenzhen-fashion. The matter was referred to the undersigned for an inquest on damages. Before the Court are: (1) Plaintiffs' Proposed Findings of Fact and Conclusions of Law; (2) Plaintiffs' Inquest Memorandum in Support of

Plaintiffs' Request for Statutory Damages; and (3) Danielle S. Yamali's ["Yamali"] affidavit in support of the plaintiffs' request for statutory damages and a permanent injunction.

INQUEST SUBMISSIONS

The plaintiffs contend that they "only seek damages for their First, Second and Fourth Causes of Action (Trademark Counterfeiting, Trademark Infringement and Copyright Infringement)." Although the plainitffs "moved for default judgment against eighty-two (82) Defendants," "since the date of filing their Motion for Default Judgment, Plaintiffs have filed a Notice of Voluntary Dismissal of the following Defendants: happystoe99, kristinecottrell and magic Curry. (Dkt. 57.) Plaintiffs are not seeking statutory damages against these three (3) Defendants." The plaintiffs contend that the defaulting defendants' infringement was willful and, under the Lanham Act and the Copyright Act, they are entitled to: (1) $17,625,000, in heightened statutory damages, pursuant to 15 U.S.C. § 1117(c), against 75 defaulting defendants; (2) $200,000 in heightened statutory damages, pursuant to 17 U.S.C. § 504, namely, $50,000 against each of the four defaulting defendants tiancong 135, Show You Now, Green Fashion and xinyudiyiyi; (3) "post-judgment continuance of the pre-judgment asset restraint previously imposed on Defaulting Defendants and third-parties by this Court in the issuance of the TRO and extended by the PI Order"; and (4) the transfer of "Defaulting Defendants' Assets from Defaulting Defendants' Financial Accounts that were and/or are attached and frozen or restrained pursuant to the TRO and PI Order, or any future order entered by the Court in this Action, including, but not limited to, those Defaulting Defendants' accounts attached and frozen or restrained by the Financial Institutions." More specifically, the plaintiffs request, pursuant to 15 U.S.C. § 1117(c):

> a. an award of $50,000.00 in statutory damages against the following fifty-two (52) Defaulting Defendants, totaling $2,600,000.00: 18888236883@136.com, Altay, angelcityer, bamboo001, caoping, dandanxiaowu, Diamond boutique, Fella, giftshop2017, guandonghuatai, huashaoshot, Jahurto, Jasonstore1, juziEjia, maisystore001, Mikeqyq, MRY_Store, NewMerchantFashion, qiqiyanyan,

shenzhenyiweikejiyouxiangongsi, siermaoyiyouxiangongsi, smallsmallworld, threeqiaoway, Utopia1973, wangjuhua11365, XZH, yehudieye, YOUR FASHION JEWELRY, Yquan, zhenpinhui, global-spirit, yekaiqiang, youyoushanxi, zhenzhen-fashion, MOMTUTUS, qomxzhk, Keep going, maomao1608@163.com, zhangdongyue, fhijhcf, kaixuanxiaorenjia, global_dawn, YiHuiandYiHui, Shenzhen Yinfa Technology LTD, 13385184960@163.com, Dumbledor shop, xyrstorekl, Valuable, Tomik18816764436, fashiondofu, wuli0014 and yiwu blue sky;

b. an award of $75,000.00 in statutory damages against the following three (3) Defaulting Defendants, totaling $225,000.00: huaxiawaimaoshang, zhangxiaxiazhang and xuanxuan636187;

c. an award of $100,000.00 in statutory damages against the following one (1) Defaulting Defendant, totaling $100,000.00: Yangmingxiongdi;

d. an award of $150,000.00 in statutory damages against the following one (1) Defaulting Defendant, totaling $150,000.00: Shu panpan wu shoushou;

e. an award of $200,000.00 in statutory damages against the following four (4) Defaulting Defendants, totaling $800,000.00: dreamships, Mr.Zxx, Utopia2017 and guigiudedian;

f. an award of $250,000.00 in statutory damages against the following two (2) Defaulting Defendants, totaling $500,000.00: xiongdistore and congcong2;

g. an award of $300,000.00 in statutory damages against the following two (2) Defaulting Defendants, totaling $600,000.00: Every day there will be a new sun and YY6752SDD

h. an award of $550,000.00 in statutory damages against the following one (1) Defaulting Defendant, totaling $550,000.00: Fullusset;

i. an award of $600,000.00 in statutory damages against the following one (1) Defaulting Defendant, totaling $600,000.00: Godcup;

j. an award of $1,000,000.00 in statutory damages against the following three (3) Defaulting Defendants, totaling $3,000,000.00: Renderingyou, give your dream and Mr.P;

k. an award of $1,500,000.00 in statutory damages against the following three (3) Defaulting Defendants, totaling $4,500,000.00: dayingjial1256, yeqirong and wxxww; [and]

l. an award of $2,000,000.00 in statutory damages against the following two (2) Defaulting Defendants, totaling $4,000,000.00: Lostiu8 and yangliu248.

The plaintiffs assert that the defaulting defendants failed to appear in this action, including to "comply with the expedited discovery ordered in the TRO and PI Order," making it impossible for the plaintiffs to determine the defaulting defendants' "profits, quantify any expenses that Defaulting Defendants may have saved by infringing Plaintiffs' Twisty Petz Mark and Twisty Petz Work or assess any revenues lost by Plaintiffs as a result of Defaulting Defendants' infringing and counterfeiting activities." Moreover, the defaulting defendants knowingly and intentionally infringed

the plaintiffs' rights. According to the plaintiffs, "the tiered requests for statutory damages, ranging from $50,000.00 to $2,000,000.00" and "based upon the currently known numbers of sales of Counterfeit Products by Defaulting Defendants are appropriate" and "within the range of awards granted by courts in this district in similar circumstances."

In support of their request for damages, the plaintiffs' attorney Yamali attached to her affidavit, inter alia: (i) Exhibit D, which she asserts is a redacted copy of "a supplemental report" provided to the plaintiffs by "counsel for ContextLogic," "identifying Defendants' infringing Product Id, Merchant Id, Merchant Real Person Name, Email Address, Physical Address, Product Lifetime Units Sold and Product Lifetime GMV"; and (ii) Exhibit E, "[a] true and correct chart detailing each and every Defaulting Defendants' 1) number of sales of Counterfeit Products on Wish as identified in the Wish Discovery and 2) a brief discussion of Defaulting Defendants' wrongful use of the Twisty Petz Mark and Twisty Petz Work."

LEGAL STANDARD

"Even when a default judgment is warranted based on a party's failure to defend, the allegations in the complaint with respect to the amount of the damages are not deemed true. The district court must instead conduct an inquiry in order to ascertain the amount of damages with reasonable certainty." Credit Lyonnais Sec. (USA), Inc. v. Alcantara, 183 F.3d 151, 155 (2d Cir. 1999) (citation omitted). Establishing the appropriate amount of damages involves two steps: (1) "determining the proper rule for calculating damages on . . . a claim"; and (2) "assessing plaintiff's evidence supporting the damages to be determined under this rule." Id. When assessing damages, a court cannot "just accept [the plaintiff's] statement of the damages"; rather, damages must be established "with reasonable certainty." Transatlantic Marine Claims Agency, Inc. v. Ace Shipping Corp., Div. of Ace Young Inc., 109 F.3d 105, 111 (2d Cir. 1997).

The Lanham Act provides remedies for trademark violations, including:

> (c) Statutory damages for use of counterfeit marks
> In a case involving the use of a counterfeit mark (as defined in section 1116(d) of this title) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a), an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of--
> **(1)** not less than $1,000 or more than $200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or
> **(2)** if the court finds that the use of the counterfeit mark was willful, not more than $2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.
>
> 15 U.S.C. § 1117(c).

The Copyright Act provides remedies for copyright infringement, including:

> (c) Statutory Damages.--
> (1) Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $750 or more than $30,000 as the court considers just. For the purposes of this subsection, all the parts of a compilation or derivative work constitute one work.
> (2) In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $150,000. In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than $200. The court shall remit statutory damages in any case where an infringer believed and had reasonable grounds for believing that his or her use of the copyrighted work was a fair use under section 107, if the infringer was: (i) an employee or agent of a nonprofit educational institution, library, or archives acting within the scope of his or her employment who, or such institution, library, or archives itself, which infringed by reproducing the work in copies or phonorecords; or (ii) a public broadcasting entity which or a person who, as a regular part of the nonprofit activities of a public broadcasting entity (as defined in section 118(f)) infringed by performing a published nondramatic literary work or by reproducing a transmission program embodying a performance of such a work.

> (3)(A) In a case of infringement, it shall be a rebuttable presumption that the infringement was committed willfully for purposes of determining relief if the violator, or a person acting in concert with the violator, knowingly provided or knowingly caused to be provided materially false contact information to a domain name registrar, domain name registry, or other domain name registration authority in registering, maintaining, or renewing a domain name used in connection with the infringement.
> (B) Nothing in this paragraph limits what may be considered willful infringement under this subsection.
> (C) For purposes of this paragraph, the term "domain name" has the meaning given that term in section 45 of the Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes" approved July 5, 1946 (commonly referred to as the "Trademark Act of 1946"; 15 U.S.C. 1127).

17 U.S.C. § 504(c).

APPLICATION OF LEGAL STANDARD

Based on the record and the procedural history of this case, the Court finds that the defaulting defendants' conduct was willful.

Exhibit D to Yamali's affidavit appears to be a redacted chart containing nine columns styled: (a) "Defendant Number"; (b) "Store Name"; (c) "Allegedly Infringing Product ID"; (d) "Merchant Id"; (e) "Merchant Person Name" (redacted); (f) "Email Address" (redacted); (g) "Physical Address" (redacted); (h) "Product Lifetime Units Sold"; and (i) "Product Lifetime GMV." Under the column "Defendant Number," the range of numbers is listed starting with number "1" and ending with number "91," with certain numbers repeated multiple times. Under the column "Store Name" appear various names, including multiple names in characters other than those found in the English alphabet.

Exhibit E to Yamali's affidavit appears to be a chart containing five columns styled: (1) "NO."; (2) "DEFAULTING DEFENDANT"; (3) "DEFAULTING DEFENDANTS' WRONGFUL USE OF PLAINTIFFS' TWISTY PETZ MARK AND TWISTY PETZ WORK IN THE UNDISPUTED EVIDENCE"; (4) "NUMBER OF SALES OF COUNTERFEIT PRODUCTS AS

IDENTIFIED IN CONTEXTLOGIC'S DISCOVERY RESPONSE"; and (5) "STATUTORY DAMAGES REQUESTED." The third column indicating the defaulting defendants' wrongful use of the plaintiffs' mark and work contains references to certain numbers marked under "Ex. D," ranging from "Ex. D, 4" under the item listed as "No. 49," to "Ex. D, 771" under the item listed as "No. 37." However, Exhibit D to Yamali's affidavit contains numbers, under the column "Defendant Number," ranging from "1" to "91," with certain numbers repeated multiple times. Exhibit D also contains, in the columns "Product Lifetime Units Sold" and "Product Lifetime GMV," certain numbers which do not include the numbers referenced in Exhibit E under "Ex. D." No explanation was provided by Yamali about the meaning, in Exhibit E, of the: (a) references to "Ex. D"; or (b) referenced numbers, ranging from 4 to 711.

Under the third column in Exhibit E, which Yamali asserts contains "a brief discussion of Defaulting Defendants' wrongful use of the Twisty Petz Mark and Twisty Petz Work," the following is indicated: (i) one infringing use by each of the 56 defaulting defendants; (ii) two infringing uses by each of the 19 defaulting defendants; and (iii) three infringing uses by each of the four defaulting defendants. The fourth column, which indicates the number of sales of counterfeit products, shows that 29 defaulting defendants made no sales and 50 defaulting defendants made sales ranging between "1" and "12,900."

Although not explained anywhere, it appears that the plaintiffs seek, pursuant to the Copyright Act, 17 U.S.C. § 504(c), $50,000 respectively for taincong135, Show You Now, Green Fashion and xinyudiyiyi, based on one infringing use by each of the four defaulting defendants, rather than the number of sales of counterfeit products attributed to each respectively: 280, 321, 995 and 3,629. Inversely, the plaintiffs appear to seek damages, pursuant to the Lanham Act, 15 U.S.C. § 1117(c), not based on the number of infringing uses, but on the number of sales of counterfeit products, starting with the request for $50,000 for each of the 29 defaulting defendants whose sale ranges between zero and 35 infringing products, and incrementing the requested amounts, seemingly

by $50,000 for every 50 infringing uses. To illustrate, Exhibit E indicates that: $50,000 is sought for each defaulting defendant whose sale of infringing products was between 1 and 35, $75,000 is sought for each defaulting defendant whose sale of infringing products was between 51 and 79, $100,000 is sought for the defaulting defendant whose sale of infringing products was 100, $150,000 is sought for the defaulting defendant whose sale of infringing products was 164, $200,000 is sought for each defaulting defendant whose sale of infringing products was between 201 and 236, $250,000 is sought for each defaulting defendant whose sale of infringing products was between 251 and 274, $300,000 is sought for each defaulting defendant whose sale of infringing products was between 300 and 331, $550,000 is sought for the defaulting defendant whose sale of infringing products was 550, $600,000 is sought for the defaulting defendant whose sale of infringing products was 648, $1,000,000 is sought for each defaulting defendant whose sale of infringing products was between 1,139 and 2,926, $1,500,000 is sought for each defaulting defendant whose sale of infringing products was between 5,820 and 9,178 and $2,000,000 is sought for each defaulting defendant whose sale of infringing products was between 11,570 and 12,900.

The plaintiffs seek $50,000 against each of the following five defendants angelcityer, caoping, MRY_Store, shenzhenyiweikejiyouxiangongsi and global-spirit, without any explanation, given that the plaintiffs filed a Notice of Voluntary Dismissal against them, on April 8, 2019, Docket Entry No. 50, and your Honor dismissed defendants angelcityer, caoping, MRY_Store, shenzhenyiweikejiyouxiangongsi and global-spirit from the action, on May 24, 2019, Docket Entry No. 69. The plaintiff's attorney, Yamali, knowing that the April 11, 2019 default judgment entered against 74 defaulting defendants was not entered against angelcityer, caoping, MRY_Store and shenzhenyiweikejiyouxiangongsi, since she attached it to her affidavit as Exhibit B, failed to explain in her affidavit: (1) who prepared Exhibit E; and (2) the basis for seeking damages against the defendants who have not been adjudged defaulting defendants and who have been dismissed from the action. Apart from Yamali's affidavit implicating Rule 11 of the Federal Rules of Civil

Procedure, the request for damages against angelcityer, caoping, MRY_Store and shenzhenyiweikejiyouxiangongsi is baseless and frivolous.

The plaintiffs failed to explain in their inquest submissions, including Yamali's affidavit, the reasoning behind what appears to be directly opposite bases and varying amounts of damages requested under the Copyright Act against four defaulting defendants and the amounts requested under the Lanham Act against 70 defaulting defendants. For example, the plaintiffs seek $50,000 under the Copyright Act, against each of the following defaulting defendants: tiancong135, Show You Now, Green Fashion and xinyudiyuyi, based on one infringing use of the plaintiffs' work, regardless of the number of sales of counterfeit products, 280, 321, 995 and 3,629, respectively. However, under the Lanham Act, the plaintiffs seek damages based on the number of sales of counterfeit products, including, for example, $250,000 against congcong2, based on 274 sales of counterfeit products, regardless of one infringing use of the plaintiffs' mark. As another example, no explanation is provided justifying the difference between $50,000 requested against tiancong135 for one infringing use and 280 sales of counterfeit products and $250,000 requested against congcong2 for one infringing use and 274 sales of counterfeit products. Similarly, no explanation is provided to justify the huge discrepancy between the request for $50,000 against xinyudiyiyi for one infringing use and 3,629 sales of counterfeit products and the request for $1,000,000 against Mr. P. for one infringing use and 2,926 sales of counterfeit products. Although the Copyright Act and the Lanham Act contain different maximum statutory damages amounts for willful infringement, the plaintiffs' failure to explain the bases for justifying the particular amounts requested in this case is fatal to their contentions that "the tiered requests for statutory damages, ranging from $50,000.00 to $2,000,000.00," "based upon the currently known numbers of sales of Counterfeit Products by Defaulting Defendants are appropriate" and "within the range of awards granted by courts in this district in similar circumstances." The plaintiffs did not explain why "the tiered requests" ranging between $50,000 and $2,000,000, and not some other amounts, are appropriate in this case.

Although the amounts requested are within the range of awards granted by courts in similar circumstances, without more, that fact does not establish that in the circumstance of this case those amounts are appropriate. The Court finds that the plaintiffs failed to establish damages "with reasonable certainty." Transatlantic Marine Claims Agency, Inc., 109 F.3d at 111.

RECOMMENDATION

For the foregoing reasons, I recommend that no damages be awarded to the plaintiffs.

FILING OF OBJECTIONS TO THIS REPORT AND RECOMMENDATION

Pursuant to 28 U.S.C. § 636(b)(1) and Rule 72(b) of the Federal Rules of Civil Procedure, the parties shall have fourteen (14) days from service of this Report to file written objections. See also Fed. R. Civ. P. 6. Such objections, and any responses to objections, shall be filed with the Clerk of Court, with courtesy copies delivered to the chambers of the Honorable Lorna G. Schofield, 40 Centre Street, Room 201, New York, New York, 10007, and to the chambers of the undersigned, 40 Centre Street, Room 425, New York, New York, 10007. Any requests for an extension of time for filing objections must be directed to Judge Schofield. ***Failure to file objections within fourteen (14) days will result in a waiver of objections and will preclude appellate review.*** See Thomas v. Arn, 474 U.S. 140, 106 S. Ct. 466 (1985); Cephas v. Nash, 328 F.3d 98, 107 (2d Cir. 2003).

Dated: New York, New York
August 7, 2019

Respectfully submitted,

Kevin Nathaniel Fox

KEVIN NATHANIEL FOX
UNITED STATES MAGISTRATE JUDGE