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7 **UNITED STATES DISTRICT COURT**
8 **CENTRAL DISTRICT OF CALIFORNIA**
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10 **DECKERS OUTDOOR CORPORATION,**
11 a Delaware Corporation,

12 Plaintiff,

13 v.

14 **SHOESCANDAL.COM, LLC,** a Nevada
15 Limited Liability Company; and **DOES 1–**
16 **10, inclusive,**

17 Defendants.

Case No. CV 12-7382 ODW (SHx)

**ORDER GRANTING IN PART AND
DENYING IN PART PLAINTIFF'S
APPLICATION FOR DEFAULT
JUDGMENT [25]**

18 **I. INTRODUCTION**

19 Deckers Outdoor Corporation moves for default judgment against
20 ShoeScandal.com, LLC on its claim for patent infringement in violation of 35 U.S.C.
21 § 271. (ECF No. 25.) For the following reasons, the Court **GRANTS in part** and
22 **DENIES in part** Deckers's Application.¹

23 **II. FACTUAL BACKGROUND**

24 On August 28, 2012, Deckers Outdoor Corporation sued ShoeScandal.com,
25 LLC for patent infringement and unfair competition pertaining to the purchase and
26 sale of goods with designs nearly identical to Deckers's federally registered design
27 patents for its famous UGG Australia line of footwear. On October 15, 2012, the

28 ¹ The Court deems this matter appropriate for decision without oral argument. Fed. R. Civ. P. 78;
C.D. Cal. L.R. 7–15.

1 Clerk of this Court entered default against ShoeScandal under Federal Rule of Civil
2 Procedure 55(a). (ECF No. 13.) Pending before the Court is Deckers's June 6, 2013
3 Application for Default Judgment. (ECF No. 25.)

4 III. LEGAL STANDARD

5 Federal Rule of Civil Procedure 55(b) permits a court-ordered default judgment
6 following the Clerk's entry of default under Rule 55(a). Federal Rule of Civil
7 Procedure 55(b) and Local Rule 55-1 require that applications for default judgment set
8 forth (1) when and against what party the default was entered; (2) the identification of
9 the pleadings to which the default was entered; (3) whether the defaulting party is an
10 infant or incompetent person, and if so, whether that person is represented by a
11 general guardian, committee, conservator, or other representative; (4) that the Service
12 Member's Relief Act does not apply; and (5) that notice has been served on the
13 defaulting party, if required by Rule 55(b)(2).

14 The Court has discretion to decide whether to enter a default judgment. *Aldabe*
15 *v. Aldabe*, 616 F.2d 1089, 1092 (9th Cir. 1980). Upon default, the defendant's
16 liability generally is conclusively established, and the well-pleaded factual allegations
17 in the complaint—except those pertaining to damages—are accepted as true.
18 *Televideo Sys., Inc. v. Heidenthal*, 826 F.2d 915, 917–19 (9th Cir. 1987) (per curiam)
19 (citing *Geddes v. United Fin. Grp.*, 559 F.2d 557, 560 (9th Cir. 1977)). But in
20 exercising its discretion regarding entry of default, the Court must consider several
21 factors, including: (1) the possibility of prejudice to plaintiff; (2) the merits of
22 plaintiff's substantive claim; (3) the sufficiency of the complaint; (4) the sum of
23 money at stake in the action; (5) the possibility of a dispute concerning material facts;
24 (6) whether the defendant's default was due to excusable neglect; and (7) the strong
25 policy underlying the Federal Rules of Civil Procedure favoring decisions on the
26 merits. *Eitel v. McCool*, 782 F.2d 1470, 1471–72 (9th Cir. 1986).

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1 **IV. DISCUSSION**

2 Deckers’s Motion for Default Judgment seeks liability as to each claim asserted
3 in its Complaint. Provided the Court finds ShoeScandal liable, Deckers seeks
4 judgment in the form of \$500,000 in statutory damages, reasonable attorney’s fees
5 under Local Rule 55-3, costs according to a bill of costs to be submitted within
6 fourteen days after entry of judgment under Local Rule 54-2.1, pre-judgment interest,
7 post-judgment interest under 28 U.S.C. §1961(a), and permanent injunctive relief
8 enjoining ShoeScandal from further infringement on Deckers’s patent rights under 35
9 U.S.C. § 283. In all, Deckers requests the Court to enter default judgment against
10 ShoeScandal in the amount of \$550,517.65. (Appl. ¶ 7.) The Court considers each in
11 turn.

12 **A. Liability**

13 Deckers meets the procedural requirements for default judgment pursuant to
14 Federal Rule of Civil Procedure 55(a) and Local Rule 55-1. Specifically, Deckers has
15 set forth that (1) the Clerk entered default judgment against ShoeScandal on October
16 15, 2012 (Appl. ¶ 3); (2) the default is based on ShoeScandal’s failure to respond to
17 Deckers’s Complaint (*id.* ¶ 1); and (4) Deckers served ShoeScandal with notice of its
18 Application for Default Judgment (*id.* ¶ 5).² The Court also finds that consideration of
19 the *Eitel* factors weighs in favor of granting the Application. *See Eitel*, 782 F.2d at
20 1471–72. Accordingly, Deckers’s Application for Default Judgment is **GRANTED**
21 as to liability.

22 **B. Compensatory Damages**

23 Deckers has failed, however, to adequately prove its damages. Upon default,
24 factual allegations in the complaint are taken as true, except those relating to the
25 amount of damages. *Televideo Sys., Inc. v. Heidenthal*, 826 F.2d 915, 917–18 (9th
26 Cir. 1987). “Plaintiff is required to prove all damages sought in the complaint. In
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28 ² Because ShoesScandal is not a person, the Court does not consider whether the defaulting party is incompetent or falls under the Service Member’s Relief Act.

1 addition, [a] judgment by default shall not be different in kind [or] exceed in amount
2 that prayed for in the [complaint].” *Phillip Morris USA, Inc. v. Castworld Prods.*, 219
3 F.R.D. 494, 498 (C.D. Cal. 2003) (internal quotation marks omitted).

4 Under 35 U.S.C. § 284, a design-patent patentee may recover compensatory
5 damages from the infringer, “but in no event less than a reasonable royalty.
6 Alternatively, the patentee may elect to recover the infringer’s total profits (but no less
7 than \$250) under 35 U.S.C. § 289. And when only a design patent is at issue, a
8 patentee may not recover both infringer profits under § 289 and additional damages,
9 such as a reasonable royalty, under § 284. *Catalina Lighting, Inc. v. Lamps Plus, Inc.*,
10 295 F.3d 1277, 1291 (Fed Cir. 2002).

11 Rather than seek damages under § 284, Deckers seeks ShoeScandal’s profits
12 from the sale of the infringing products under § 289. (Appl. at 6–7.) Because
13 ShoeScandal failed to appear in this action, Deckers seeks to prove ShoeScandal’s
14 profits through an invoice produced by Ollie’s Bargain Outlet—a retailer to whom
15 ShoeScandal allegedly sold the infringing boots at issue here—in an unrelated action
16 pending in the Southern District of New York.³ (Chan Decl. ¶ 7.) But in doing so,
17 Deckers improperly equates ShoeScandal’s total “*earned revenue*” with its total
18 *profits*: rather than adjust the invoice amount downward to account for ShoeScandal’s
19 expenses, Deckers simply seeks ShoeScandal’s net revenue from its sales to Ollie’s
20 Bargain—and then some. (Appl. 6–7.)

21 In arriving at ShoeScandal’s total-profit figure under § 289, Deckers cannot
22 look solely to ShoeScandal’s gross sales figures. Rather, it must subtract from the
23 gross sales all of ShoeScandal’s direct and indirect expenses. *See Nike, Inc. v. Wal-*
24 *Mart Stores, Inc.*, 138 Fed. Cir. 1437, 1447 (Fed. Cir. 1998). It is impossible that
25 ShoeScandal realized 100% profit on its sales, and Deckers doesn’t even attempt to
26 argue that this is the case. Moreover, the amount actually invoiced for the infringing

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28 ³ *Deckers Outdoor Corp. v. Ollie’s Bargain Outlet, Inc.*, No. 1:12-cv-09114-AKH (S.D.N.Y. filed
Dec. 14, 2012).

1 footwear was significantly less than Deckers’s proposed damages figure, and Deckers
2 attempts to justify the additional \$70,000 with the broad and unsupported proposition
3 that ShoeScandal “has likely made *additional* sales to other retailers, the exact amount
4 of which remains unknown.” (Appl. at 7 (emphasis in original).) Without more, this
5 vague pronouncement is insufficient to approximate ShoeScandal’s profits under
6 § 289.

7 The Court realizes that an exact damages calculation may be difficult—if not
8 impossible—for Deckers to establish in light of ShoeScandal’s lack of participation in
9 this lawsuit. Indeed, a patent owner need only prove its lost profits “with reasonable
10 probability.” *Pfizer, Inc. v. Int’l Rectifier Corp.*, No. CV 73-58, 1983 U.S. Dist.
11 LEXIS 15751, at *7 (C.D. Cal. June 30, 1983); *see also Photo Elecs. Corp. v.*
12 *England*, 581 F.2d 772, 784 (9th Cir. 1978); *Landes Mfg. Co. v. Chromodern Chair*
13 *Co.*, 203 U.S.P.Q. 337 (C.D. Cal. 1978). To require otherwise would be to invite
14 defendants accused of patent infringement not to respond to any complaint as a means
15 to avoid any monetary liability. But Deckers must do more here than provide the
16 Court with an invoice, add \$70,000 to that figure, and proclaim that the resulting sum
17 approximates ShoeScandal’s profits. *Cf. Oiness v. Walgreen Co.*, 88 F.3d 1025, 1031
18 (Fed. Cir. 1996) (“While estimates of lost future profits may necessarily contain some
19 speculative elements, the factfinder must have before it such facts and circumstances
20 to enable it to make an estimate of damage based upon judgment, not guesswork.”
21 (internal quotation marks omitted)). Accordingly, the Court **DENIES** Deckers’s
22 request for damages **WITHOUT PREJUDICE**. Deckers may renew its request for
23 damages no later than August 26. Should it fail to do so, the Court will dismiss this
24 matter for lack of prosecution.

25 **C. Attorney’s Fees and Costs**

26 Under Local Rule 55-3, reasonable attorney’s fees necessarily depend on the
27 statutory damages amount. Since statutory damages have yet to be finalized, the
28 Court **DENIES** this request without prejudice.

1 Deckers is entitled to recover the costs incurred in litigating this action “upon
2 finding for the claimant.” 35 U.S.C. § 284. Because the Court grants Deckers’s
3 motion as to liability, the Court likewise **GRANTS** Deckers’s request for costs,
4 subject to proof in an application to tax costs under Local Rule 54-2.1.

5 **D. Pre- and Post-Judgment Interest**

6 Since statutory damages have not yet been determined, the Court declines to
7 address whether Deckers should be awarded pre- or post-judgment interest, and
8 therefore **DENIES** these requests **WITHOUT PREJUDICE**.

9 **E. Injunctive Relief**

10 Finally, Deckers seeks permanent injunctive relief to enjoin ShoeScandal from
11 manufacturing, distributing, selling, advertising, or offering for sale products featuring
12 designs that infringe upon Deckers’s registered marks. “[T]he decision whether to
13 grant or deny injunctive relief rests within the equitable discretion of the district
14 courts, and . . . such discretion must be exercised consistent with traditional principles
15 of equity, in patent disputes no less than in other cases governed by such standards.”
16 *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006).

17 The Court finds Deckers’s proposed injunctive relief appropriate. ShoeScandal
18 has failed to respond to the claims brought against it despite receiving adequate notice.
19 The Court finds that failure to grant the injunction would result in Deckers’s
20 continued exposure to irreparable harm with no method of recourse. An injunctive
21 remedy is also warranted because it poses little hardship on ShoeScandal, who would
22 merely be enjoined from engaging in future illegal infringement. Accordingly, the
23 Court **GRANTS** Deckers’s proposed injunction.

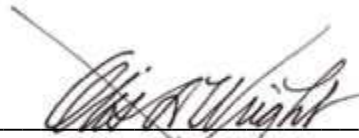
24 **V. CONCLUSION**

25 Deckers’s Application for Default Judgment is therefore **GRANTED** with
26 respect to liability, costs, and Deckers’s proposed injunctive relief. Further, Deckers’s
27 Application is **DENIED WITHOUT PREJUDICE** with respect to compensatory
28 damages, attorney’s fees, and pre- and post-judgment interest. Deckers may renew its

1 request for damages no later than August 26. Should it fail to do so, the Court will
2 dismiss this matter for lack of prosecution.

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4 **IT IS SO ORDERED.**

5 August 7, 2013

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OTIS D. WRIGHT, II
9 **UNITED STATES DISTRICT JUDGE**

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