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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

SANRIO, INC., and DISNEY)
ENTERPRISES, INC.,)
)
Plaintiffs,)
)
v.)
)
RONNIE HOME TEXTILE INC.,)
KENNETH K. DOEING, and)
QINQIN PAN,)
)
Defendants.)
)

2:14-cv-06369-RSWL (JEMx)

**Order re: Defendants'
Motion for Stay of Action**
[34]

INTRODUCTION

Currently before the Court is Defendants Ronnie Home Textile, Inc., Kenneth J. Doeing, and QinQin Pan's (collectively, "Defendants") Motion for Stay of Action [34] ("Motion"). Plaintiffs Sanrio, Inc. and Disney Enterprises, Inc. (collectively, "Plaintiffs") assert claims of copyright infringement, trademark

1 infringement, and unfair competition against
2 Defendants. Compl., ECF No. 1. Defendants' Motion
3 requests that this Action be stayed "in its entirety
4 pending the resolution of a possible criminal
5 prosecution against Defendants." Mot. for Stay of
6 Action ("Mot.") 1:28-2:2, ECF No. 34.

7 The Court, having reviewed all papers submitted and
8 pertaining to this Motion, **NOW FINDS AND RULES AS**
9 **FOLLOWS:** The Court **DENIES** Defendants' Motion for Stay
10 of Action [34].

11 I. BACKGROUND

12 Plaintiff Sanrio, Inc. ("Sanrio") manufactures,
13 distributes, and sells, among other things, character
14 artwork. Compl. ¶¶ 4-5, ECF No. 1. Sanrio has
15 produced and licensed characters such as Hello Kitty,
16 Bad Badtz Maru, Chococat, and KeroKeroKeroppi. Id. ¶
17 6. Plaintiff Disney Enterprises, Inc. ("DEI") licenses
18 and merchandises characters, including Mickey Mouse,
19 Minnie Mouse, Aladdin, Beauty and the Beast,
20 Cinderella, and Sleeping Beauty. Id. ¶¶ 14-16.
21 Defendant RHT is a California corporation. Id. ¶ 24;
22 Answer ¶ 24. Defendants Doeing and Pan are individuals
23 and are allegedly principals or supervisory employees
24 of RHT. Compl. ¶¶ 25-26; see Answer ¶¶ 25-26.

25 Plaintiffs Sanrio and DEI claim to own the
26 copyright and trademark registrations for their
27 respective character artwork. Compl. ¶ 28. Plaintiffs
28 allege that Defendants used Plaintiffs' copyrighted

1 works and registered trademarks on Defendants'
2 infringing products without Plaintiffs' consent. Id.

3 Plaintiffs filed this Action in August 2014. In
4 December 2013, law enforcement personnel obtained a
5 search warrant to "search several locations at which
6 Defendants were allegedly storing, distributing and/or
7 selling certain counterfeit goods and merchandise."
8 Mot. 4:17-20. During the search in December, law
9 enforcement personnel seized Defendants' computers and
10 computer servers, as well as goods, merchandise, and
11 other items, related to the criminal counterfeiting
12 investigation. Mot. 5:1-3. The criminal investigation
13 is currently under review, and the prosecuting
14 authority has not yet filed any charges against
15 Defendants. Mot. 5:7-10.

16 Defendants' Motion for Stay of Action was filed on
17 February 3, 2015 [34]. Plaintiffs' Opposition was
18 timely filed on February 10, 2015 [35]. No Reply was
19 filed.

20 **II. LEGAL STANDARD**

21 A district court has "discretionary power to stay
22 proceedings in its own court." Lockyer v. Mirant
23 Corp., 398 F.3d 1098, 1109 (9th Cir. 2005) (citing
24 Landis v. N. Am. Co., 299 U.S. 248, 254 (1936)).
25 Although the Court has the discretion to "stay civil
26 proceedings pending the outcome of parallel criminal
27 proceedings, such action is not required by the
28 Constitution." Fed. Sav. & Loan Ins. Corp. v.

1 Molinaro, 889 F.2d 899, 902 (9th Cir. 1989). In
2 deciding whether to stay a civil proceeding in such a
3 context, a court should consider how the defendant's
4 Fifth Amendment rights will be affected. Id. In
5 addition, the following five factors guide courts in
6 deciding whether to stay a civil proceeding pending the
7 outcome of a related criminal proceeding:

8 (1) the plaintiff's interest in proceeding
9 expeditiously with this litigation or any particular
10 aspect of it, and the potential prejudice to plaintiff
11 of a delay;

12 (2) the burden that any particular aspect of the
13 proceedings may impose on defendants;

14 (3) the convenience of the court in the management of
15 its cases and the efficient use of judicial resources;

16 (4) the interests of persons not parties to the civil
17 litigation; and

18 (5) the interest of the public in the pending civil and
19 criminal litigation.

20 SEC v. Global Express Capital Real Estate Inv. Fund,
21 289 F. App'x 183, 190-91 (9th Cir. 2008) (citing
22 Keating v. Office of Thrift Supervision, 45 F.3d 322,
23 324-25 (9th Cir. 1995)); see ESG Capital Partners LP v.
24 Stratos, 22 F. Supp. 3d 1042, 1045-47 (C.D. Cal. 2014)
25 (using the above "Keating factors" to determine whether
26 to stay a civil proceeding in light of a parallel
27 criminal proceeding).

28

III. ANALYSIS

A. Implication of Defendants' Fifth Amendment Rights

"A court must decide whether to stay civil proceedings in the face of parallel criminal proceedings in light of the particular circumstances and competing interests involved in the case," including "the extent to which the defendant's fifth amendment rights are implicated." Molinaro, 889 F.2d at 902. While "the extent to which the defendant's Fifth Amendment rights are implicated is a significant factor for the [Court] to consider," it is "only one consideration to be weighed against others," as "[a] defendant has no absolute right not to be forced to choose between testifying in a civil matter and asserting his Fifth Amendment privilege." Keating, 45 F.3d at 326.

Corporations cannot assert the Fifth Amendment privilege against self-incrimination. Braswell v. United States, 487 U.S. 99, 102 (1988) (citing Bellis v. United States, 417 U.S. 85, 88 (1974)). Thus, RHT, a corporate entity, has no Fifth Amendment privilege. Compl. ¶ 24.

The contents of "business records" are also "not privileged." Id. at 102-04; see United States v. Doe, 465 U.S. 605, 610 (1984) (stating that "the Fifth Amendment protects the person asserting the privilege only from *compelled* self-incrimination," and "[w]here the preparation of business records is voluntary, no

1 compulsion is present"). Further, a custodian¹ of
2 corporate records cannot assert the Fifth Amendment
3 privilege as to the mere production of corporate
4 records because "the custodian of corporate or entity
5 records holds those documents in a representative
6 rather than a personal capacity." Braswell, 487 U.S.
7 at 109-110. Even if the business records' contents
8 tend to incriminate the custodian, the custodian still
9 "has no privilege to refuse production." Wilson v.
10 United States, 221 U.S. 361, 382 (1911).

11 Here, Mr. Doeing and Ms. Pan "are the only persons
12 who would be answering on behalf of the corporate
13 Defendant, RHT Home Textile," Mot. 8:21-23, and are
14 thus "custodians" of RHT's corporate records. See In
15 re Sealed Case, 877 F.2d 83, 86 (D.C. Cir. 1989).
16 Thus, Mr. Doeing and Ms. Pan cannot claim a Fifth
17 Amendment privilege as to the production of RHT's
18 corporate records, even if the contents of the records
19 tend to be incriminating. See Braswell, 487 U.S. at
20 110; Wilson, 221 U.S. at 382.

21 As to other potentially incriminating evidence
22 outside of RHT's business records, if Mr. Doeing and
23 Ms. Pan are indicted, "the Court can rule on individual
24 assertions of fifth amendment privilege if and when
25 such assertions occur." S.W. Marine, Inc. v. Triple A

26
27 ¹ The term custodian refers to "any agent of the
28 corporations who . . . has custody or control over corporate
documents." In re Sealed Case, 877 F.2d 83, 86 (D.C. Cir. 1989).

1 Mach. Shop, Inc., 720 F. Supp. 805, 809 (N.D. Cal.
2 1989). Moreover, the "case for staying civil
3 proceedings is a far weaker one" when, as here, "no
4 indictment has been returned, and no Fifth Amendment
5 privilege is threatened." Molinaro, 889 F.2d at 903
6 (internal quotation marks and alterations omitted).²
7 Finally, Plaintiffs represent that they "have already
8 developed significant evidence supporting their claims
9 separate and independent from any testimony or
10 statements required by the individual Defendants."
11 Opp'n 7:3-5. Thus, "the extent to which the
12 defendant[s'] Fifth Amendment rights are implicated"
13 here does not justify a stay of this entire Action.
14 Keating, 45 F.3d at 326.

15 **B. Plaintiffs' Interests and Prejudice**

16 In deciding whether to grant a stay, courts
17 consider the plaintiff's interest in "proceeding
18 expeditiously with this litigation" and the potential
19 prejudice to the plaintiff of a delay. Keating, 45
20 F.3d at 325. A "civil plaintiff has an interest in
21 having her case resolved quickly." ESG, 22 F. Supp. 3d
22 at 1046. A stay for an "indeterminate period" is more
23 likely to cause prejudice to the plaintiff. See Int'l

24
25 ² See Favaloro v. S/S Golden Gate, 687 F. Supp. 475, 482
26 (N.D. Cal. 1987) (denying motion to stay, noting that defendants
27 have not been indicted); Int'l Bus. Mach., Corp. v. Brown, 857 F.
28 Supp. 1384, 1389 (C.D. Cal. 1994) (stating that even if a
criminal proceeding is pending, the "choice between testifying or
invoking the Fifth Amendment . . . does not create the basis for
a stay" (internal quotations marks omitted)).

1 Business Machines, 857 F. Supp. at 1391.

2 Here, Defendants have been under criminal
3 investigation since December 2013, but no charges have
4 been filed. Mot. 5:7-10. Defendants' requested stay
5 would be indefinite and is thus more likely to cause
6 prejudice to Plaintiffs. See, e.g., Int'l Business
7 Machines, 857 F. Supp. at 1391-92. If the requested
8 stay is granted, Plaintiffs would not only have to wait
9 for an indictment, but for the entire criminal
10 proceeding to conclude. Plaintiffs state that such a
11 delay could result in substantial prejudice to
12 Plaintiffs' case, such as loss of witnesses or the
13 veracity of witness testimony, the inability to recover
14 monetary damages due to the depletion of Defendants'
15 funds, the costs associated with storing evidence, and
16 statute of limitations bars to actions against
17 additional infringers whom Plaintiffs may discover in
18 the course of this Action.³ See Opp'n 6:10-7:19. This
19 factor weighs against granting the requested stay.
20 See, e.g., ESG, 22 F. Supp. 2d at 1046.

21 **C. Burden on the Defendant**

22 The next Keating factor considers "the burden which
23

24 ³ See, e.g., S.W. Marine, Inc., 720 F. Supp. at 810
25 ("Witnesses relocate, memories fade, and persons allegedly
26 aggrieved are unable to seek vindication or redress for
27 indefinite periods of time on end." (internal quotation marks
28 omitted)); ESG Capital Partners LP v. Stratos, 22 F. Supp. 3d
1042, 1046 (C.D. Cal. 2014) ("Courts have also recognized that
there may be prejudice to a plaintiff where a stay of discovery
might result in her inability to locate other potential
defendants."); Int'l Business Machines, 857 F. Supp. at 1391.

1 any particular aspect of the proceedings may impose on
2 defendants." Keating, 45 F.3d at 325. Defendants have
3 not identified any legitimate burden that could result
4 from this Action proceeding, other than Defendants'
5 "Fifth Amendment concerns," already discussed above.
6 See Mot. 7:17. This factor weighs against a stay.
7 See, e.g., ESG, 22 F. Supp. at 1046-47.

8 **D. Judicial Efficiency**

9 This Keating factor, which considers "the
10 convenience of the court in the management of its
11 cases, and the efficient use of judicial resources,"⁴
12 "normally does not favor granting a stay" because the
13 court has "'an interest in clearing its docket.'" ESG,
14 22 F. Supp. 3d at 1047. Here, it would be
15 "inconvenient for the court" to indefinitely stay this
16 Action. Id. This factor weighs against a stay.

17 **E. Third-Party Interests**

18 The fourth Keating factor considers "the interests
19 of persons not parties to the civil litigation."
20 Keating, 45 F.3d at 324-25. Neither Plaintiffs nor
21 Defendants "have identified any third-party interests
22 that bear upon resolution of this Motion." ESG, 22 F.
23 Supp. 3d at 1047. This factor is neutral. Id.

24 **F. Public Interest**

25 The last Keating factor considers "the interest of
26 the public in the pending civil and criminal
27

28 ⁴ Keating, 45 F.3d at 325.

1 litigation." Keating, 45 F.3d at 324-25. Here, there
2 is no criminal litigation pending. As to the public's
3 interest in this civil Action, courts recognize that
4 the public has an interest in protecting copyrights and
5 trademarks from infringement. ESG, 22 F. Supp. 3d at
6 1047 ("[T]here is a valid public interest in civil
7 litigation where the action 'promotes public confidence
8 in the securities market.'"). This factor weighs
9 against granting the requested stay.

10 **VI. CONCLUSION**

11 Based on the foregoing, the Court **DENIES**
12 Defendants' Motion for Stay of Action [34].

13
14 **IT IS SO ORDERED.**

15 DATED: March 10, 2015

RONALD S.W. LEW

HONORABLE RONALD S.W. LEW
Senior U.S. District Judge