

Exhibit I



LEXSEE 2005 U.S. DIST. LEXIS 7054

**NILE RODGERS, Plaintiff, -against- ALFA ANDERSON, NORMA JEAN
WRIGHT & LUCI MARTIN, Defendants.**

04 Civ. 1149 (RJH) (AJP)

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

2005 U.S. Dist. LEXIS 7054

April 26, 2005, Decided

SUBSEQUENT HISTORY: Summary judgment granted by Rodgers v. Wright, 2008 U.S. Dist. LEXIS 26550 (S.D.N.Y., Mar. 31, 2008)

COUNSEL: [*1] For Nile Rodgers, Plaintiff: James P. Cinque, Cinque & Cinque, New York, NY; Oren J. Warshavsky, Gibbons, Del Deo, Dolan, Griffinger & Vecchione (NY), New York, NY.

JUDGES: ANDREW J. PECK, United States Chief Magistrate Judge.

OPINION BY: ANDREW J. PECK

OPINION

REPORT AND RECOMMENDATION

ANDREW J. PECK, United States Chief Magistrate Judge:

To the Honorable Richard J. Holwell, United States District Judge:

Plaintiff Nile Rodgers, one of the founders of the 1970's disco era musical group "Chic," and owner of the registered service mark "Chic," commenced this action against defendants Alfa Anderson, Norma Jean Wright and Luci Martin, who were employed as vocalists in

"Chic," for their performing under the name "Chic," thereby violating plaintiff's trademark rights. (*See generally* Dkt. No. 1: Compl.) On December 23, 2004, Judge Holwell granted Rodgers a default judgment including injunctive relief against defendants, and referred the matter to me for an inquest as to damages and attorneys' fees. (Dkt. No. 17: 12/23/04 Default Judgment.) Plaintiff submitted papers on the inquest seeking statutory damages and attorneys fees. (Dkt. Nos. 21-23, 26.) ¹ Defendants have not submitted [*2] any opposition papers, and the deadline for doing so has long passed. (*See* Dkt. Nos. 18 & 20: Scheduling Orders.)

1 Plaintiff initially also sought actual damages in the alternative (Dkt. No. 21: Rodgers Br. at 5), but subsequently dropped that request (Dkt. No. 25: 3/25/05 Letter to Court from James Cinque).

For the reasons stated below, the Court should award plaintiff Rodgers \$ 250,000 in statutory trademark damages.

FACTS

"Where, as here, 'the court determines that defendant is in default, the factual allegations of the complaint, except those relating to the amount of damages, will be taken as true.'" *Chen v. Jenna Lane, Inc.*, 30 F. Supp. 2d 622, 623 (S.D.N.Y. 1998) (Carter, D.J. & Peck, M.J.) (quoting C. Wright, A. Miller & M. Kane, *Federal*

Practice & Procedure: Civil 3d § 2688 at 58-59 (3d ed. 1998)).

In 1977, plaintiff Nile Rodgers founded a partnership with Bernard Edwards under the name "Chic" and obtained a service mark for "Chic." (Dkt. No. 1: Compl. PP [*3] 10-12; Dkt. No. 22: Rodgers Aff. PP 2-3.)² They performed under that name, with defendants Anderson, Wright and Martin as employee backup singers. (Compl. P 14; Rodgers Aff. P 7.) "At all times defendants occupied the status of employee, and never were they grant [sic] any right or permission to use the Trademark in any fashion." (Compl. P 14; *see also* Rodgers Aff. P 7.) "'Chic' was one of the top groups of the disco era in the 1970's, and had . . . many Top 10 hits." (Rodgers Aff. P 2.) Indeed, Chic has been described as "disco's greatest band." *See* Steve Huey, "All Music Guide," Chic: Bio, available at <http://www.MTV.com>.

2 Edwards died in 1996. (Rodgers Aff. P 2.)

Beginning in November 2003, Rodgers learned that defendants were performing as "Chic" or "Chic Live!," without Rodgers' consent. (Compl. PP 15-18; Rodgers Aff. PP 8-9 & Exs. B-J).³ The complaint asserts claims under the federal trademark laws (Compl. PP 21-32) and state law claims (*id.* PP 33-45).

3 The exhibits show that defendants performed as "The First Ladies of Chic." (Rodgers Aff. Exs. B-E, G-J.) In a sense, that is truthful, because they were the first female (backup) singers in Chic; any possible defense, however, has been waived by defendants' default.

[*4] As noted above, on December 23, 2004, Judge Holwell granted plaintiff a default judgment and permanent injunction against defendants Anderson, Wright and Martin, and referred the matter to me for an inquest to "determine the amount of damages and attorneys' fees due plaintiff as a result of defendants' infringement on plaintiff's 'Chic' trademark." (Dkt. No. 17: Default Judgment.)

ANALYSIS

The Second Circuit has approved the holding of an inquest by affidavit, without an in-person court hearing, "as long as [the Court has] ensured that there was a basis for the damages specified in the default judgment." *Transatlantic Marine Claims Agency, Inc. v. Ace*

Shipping Corp., 109 F.3d 105, 111 (2d Cir. 1997) (quoting *Fustok v. ContiCommodity Servs., Inc.*, 873 F.2d 38, 40 (2d Cir. 1989)).

Plaintiff Rodgers seeks \$ 500,000 in statutory damages pursuant to 15 U.S.C. § 1117(c). (*See* Dkt. No. 21: Rodgers Br. at 5-6.) Section 1117(c) provides:

(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 [*5] 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) of this section, 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 \$ 500 or more than \$ 100,000 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 \$ 1,000,000 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)(1)-(2).

The rationale for this section is the practical inability to determine profits or sales made by counterfeiters. *See, e.g., Silhouette Int'l Schmied AG v. Chakhbazian*, 2004 U.S. Dist. LEXIS 19787, 04 Civ. 3613, 2004 WL 2211660 at *2 (S.D.N.Y. Oct. 4, 2004) (Peck, M.J.); *Gucci America, Inc. v. Duty Free Apparel, Ltd.*, 315 F. Supp. 2d 511, 520 (S.D.N.Y. 2004) [*6] ("Congress added the statutory damages provision of the Lanham Act in 1995 because 'counterfeiters' records are frequently nonexistent, inadequate, or deceptively kept . . ., making proving actual damages in these cases

extremely difficult if not impossible.") (quoting Senate report); *Tiffany (NJ) Inc. v. Luban*, 282 F. Supp. 2d 123, 124 (S.D.N.Y. 2003) (same); *Polo Ralph Lauren, L.P. v. 3M Trading Co.*, 1999 U.S. Dist. LEXIS 7913, 97 Civ. 4824, 1999 WL 33740332 at *4 (S.D.N.Y. Mar. 23, 1999) ("It is often the case that 'counterfeiters' records are nonexistent, inadequate or deceptively kept in order to willfully deflate the level of counterfeiting activity actually engaged in, making proving actual damages in these cases extremely difficult if not impossible."); *Sara Lee Corp. v. Bags of New York, Inc.*, 36 F. Supp. 2d 161, 165 (S.D.N.Y. 1999) ("Statutory damages are most appropriate when infringer nondisclosure during fact finding leaves damages uncertain.").

Section 1117(c) "'does not provide guidelines for courts to use in determining an appropriate award,' as it is only limited by what 'the court considers just.' 15 U.S.C. § 1117(c) [*7]. However, courts have found some guidance in the caselaw of an analogous provision of the Copyright Act, 17 U.S.C. § 504(c), which also provides statutory damages for willful infringement." *Gucci America, Inc. v. Duty Free Apparel, Ltd.*, 315 F. Supp. 2d at 520 (citations omitted).⁴ Among the appropriate factors particularly relevant here are the deterrent effect on defendants and others, and the defendants' failure to produce records from which more traditional damages could be computed. *See, e.g., Gucci America, Inc. v. Duty Free Apparel, Ltd.*, 315 F. Supp. 2d at 520; *see also* cases cited in n.4 above.

⁴ *Accord, e.g., Silhouette Int'l Schmied AG v. Chakhbazian*, 2004 U.S. Dist. LEXIS 19787, 2004 WL 2211660 at *2 & n.1; *Tiffany (NJ) Inc. v. Luban*, 282 F. Supp. 2d at 124-25; *see, e.g., Polo Ralph Lauren, L.P. v. 3M Trading Co.*, 1999 U.S. Dist. LEXIS 7913, 1999 WL 33740332 at *5; *Sarah Lee Corp. v. Bags of New York, Inc.*, 36 F. Supp. 2d at 165-67.

[*8] In this case, defendants have defaulted and by virtue of their default, are deemed to be willful infringers. While Rodgers seeks \$ 500,000, he has not provided any basis for that figure nor any cases in analogous situations that would support such an amount. The Court believes that \$ 250,000 in statutory damages based on willful infringement is sufficient and appropriate to deter defendants and others. This amount is consistent with (indeed, lower than) awards in similar cases. *E.g., Silhouette Int'l Schmied AG v. Chakhbazian*, 2004 U.S.

Dist. LEXIS 19787, 2004 WL 2211660 at *2 (awarding \$ 250,000 for more clearly willful trademark infringement); *see, e.g., Gucci America, Inc. v. Duty Free Apparel, Ltd.*, 315 F. Supp. 2d at 520-21 (\$ 2 million award for use of two counterfeit marks); *Tiffany (NJ) Inc. v. Luban*, 282 F. Supp. 2d at 124-25 (Awarding plaintiff the \$ 550,000 in statutory damages sought by plaintiff because "by virtue of the default, [defendants'] infringement is deemed willful, and therefore the Court has discretion to award anywhere between \$ 500 and \$ 1,000,000 per counterfeit mark per type of good sold," and amount [*9] plaintiff sought was "within the range of awards in similar cases."); *Rolex Watch U.S.A., Inc. v. Brown*, 2002 U.S. Dist. LEXIS 10054, 01 Civ. 9155, 2002 WL 1226863 at *2 (S.D.N.Y. June 5, 2002) (Peck, M.J.) (awarding \$ 1 million damages despite defendant's use of multiple Rolex marks) (& cases cited therein); *Rolex Watch U.S.A., Inc. v. Jones*, 2002 U.S. Dist. LEXIS 6657, 99 Civ. 2359, 2002 WL 596354 at *6 (S.D.N.Y. Apr. 17, 2002) ("In short, statutory damages of less than \$ 1 million but more than \$ 25,000 per category of trademarked goods are appropriate to compensate the plaintiffs for their losses and to deter [defendant] from violating the plaintiffs' trademarks anew upon his release from jail." Recommends award of \$ 500,000 for infringement of Rolex trademarks and \$ 100,000 for infringement of Ralph Lauren trademarks); *Sarah Lee Corp. v. Bags of New York, Inc.*, 36 F. Supp. 2d at 170 (awarding \$ 750,000 in statutory damages).

Attorneys' Fees and Costs

Plaintiff Rodgers seeks attorneys' fees (*see* Dkt. No. 21: Rodgers Br. at 6-7; *see also* Dkt. No. 26: 3/30/05 Cinque Aff.), which may be awarded in "exceptional cases." *See, e.g., Microsoft Corp. v. Black Cat Computer Wholesale, Inc.*, 269 F. Supp. 2d 118, 124 (W.D.N.Y. 2002) [*10] ("The Lanham Act specifically provides that 'the court in exceptional cases may award reasonable attorney fees to the prevailing party.' 15 U.S.C. § 1117(a). A willful infringement may be considered an exceptional case under the Lanham Act.") (citing Second Circuit authority); *GTFM, Inc. v. Solid Clothing Inc.*, 215 F. Supp. 2d 273, 305-06 (S.D.N.Y. 2002) ("'Exceptional' circumstances include willful infringement. . . . [Defendant] Solid engaged in willful infringement. If defendant's bad faith alone were not sufficient to make this an exceptional case, its continued sales between March and November 2001, its conduct during discovery, and its perjury during deposition and at trial make this an

exceptional case. GTFM is entitled to reasonable attorney's fees."); *Rolex Watch U.S.A., Inc. v. Brown*, 2002 U.S. Dist. LEXIS 10054, 2002 WL 1226863 at *3 (citing cases).

This Court has previously noted that there is some question as to the availability of attorneys' fees where statutory damages are awarded under § 1117(c) as opposed to § 1117(a) or (b). *See Rolex Watch U.S.A., Inc. v. Brown*, 2002 U.S. Dist. LEXIS 10054, 2002 WL 1226863 at *3. ⁵ While at least [*11] one judge has declined to award attorneys' fees under § 1117(c), *see, e.g., Gucci America, Inc. v. Duty Free Apparel, Ltd.*, 315 F. Supp. 2d at 522, most decisions have awarded attorneys' fees even where the damage award is pursuant to § 1117(c). *See, e.g., Tiffany (NJ) Inc. v. Luban*, 282 F. Supp. 2d at 125 (*Gucci* judge awards attorneys' fees without discussion); *Rolex Watch U.S.A., Inc. v. Jones*, 2002 U.S. Dist. LEXIS 6657, 2002 WL 596354 at *6; *Sarah Lee Corp. v. Bags of New York, Inc.*, 36 F. Supp. 2d at 170-71.

5 In *Brown*, I wrote:

Section 1117(a) provides for actual damages plus attorneys' fees in "exceptional cases," and § 1117(b) provides for enhanced damages and attorneys' fees in cases where the defendant intentionally used a counterfeit mark. Rolex here, however, seeks, and is receiving, enhanced willfulness statutory damages under 15 U.S.C. § 1117(c), which refers to awarding statutory damages "instead of" damages under § 1117(a). . . . Perhaps Congress intended § 1117(c) to replace only the damages available under § 1117(a) while leaving available the "exceptional case" attorneys' fee provision of § 1117(a). Or perhaps because of the enhanced amount of statutory damages under § 1117(c) or a legislative oversight, attorneys' fees are not available where statutory damages are awarded under § 1117(c).

Rolex Watch U.S.A., Inc. v. Brown, 2002 U.S. Dist. LEXIS 10054, 2002 WL 1226863 at *3; *accord, e.g., Silhouette Int'l Schmied AG v. Chakhbazian*, 2004 U.S. Dist. LEXIS 19787, 2004 WL 2211660 at *3 & n.2.

[*12] The Court need not resolve that issue here. The Court finds that the award of enhanced statutory damages of \$ 250,000 under § 1117(c) more than suffices in this case to make plaintiff Rodgers whole, including for the \$ 15,697.35 claimed for attorneys' fees and disbursements (*see* Dkt. No. 26: 3/30/05 Cinque Aff. PP 6-7), and serves as a sufficient deterrent to these defendants and others.

CONCLUSION

For the reasons set forth above, the Court should award plaintiff Rodgers statutory trademark damages of \$ 250,000.

Plaintiff's counsel is to serve this Report and Recommendation on defendants and file proof of service with the Clerk of Court.

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 ten (10) 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 the Court, with courtesy copies delivered to the chambers of the Honorable [*13] Richard J. Holwell, 500 Pearl Street, Room 1950, and to my chambers, 500 Pearl Street, Room 1370. Any requests for an extension of time for filing objections must be directed to Judge Holwell. Failure to file objections will result in a waiver of those objections for purposes of appeal. *Thomas v. Arn*, 474 U.S. 140, 106 S. Ct. 466, 88 L. Ed. 2d 435 (1985); *IUE AFL-CIO Pension Fund v. Herrmann*, 9 F.3d 1049, 1054 (2d Cir. 1993), *cert. denied*, 513 U.S. 822, 115 S. Ct. 86, 130 L. Ed. 2d 38, 115 S. Ct. 86 (1994); *Roldan v. Racette*, 984 F.2d 85, 89 (2d Cir. 1993); *Frank v. Johnson*, 968 F.2d 298, 300 (2d Cir.), *cert. denied*, 506 U.S. 1038, 113 S. Ct. 825, 121 L. Ed. 2d 696 (1992); *Small v. Sec'y of HHS*, 892 F.2d 15, 16 (2d Cir. 1989); *Wesolek v. Canadair Ltd.*, 838 F.2d 55, 57-59 (2d Cir. 1988); *McCarthy v. Manson*, 714 F.2d

234, 237-38 (2d Cir. 1983); 28 U.S.C. § 636(b)(1); Fed.
R. Civ. P. 72, 6(a), 6(e) [*14] .

DATED: New York, New York

April 26, 2005

Respectfully submitted,

Andrew J. Peck

United States Chief Magistrate Judge